

## Practical Implementation of Fair Trade and Social Welfare for Small Producers: Analysis of Mitra Bali Fair Trade Craftsmen

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**Abstract:** Mitra Bali Fair Trade is a business entity that collaborates with craftsmen to implement fair trade practices in the export of Balinese handicraft commodities. Despite the potential, the effectiveness of the entity is affected by craftsmen's lack of understanding of fair trade. Therefore, this study aimed to discuss craftsmen's understanding as small producers regarding fair trade principles as well as their benefits. The study procedures were conducted in Gianyar Regency among craftsmen working with Mitra Bali using a qualitative method and a phenomenological approach. Data collection was carried out through in-depth interviews with eight informants accompanied by relevant literature studies. The results showed that craftsmen understood the ten principles of fair trade, and the implementation of fair trade could bring social welfare to the participants. The results of this study aim to contribute to the academic discourse regarding fair trade and address the practical issue of its implementation in Bali.

**Keywords:** craftsmen; fair trade; Mitra Bali Fair Trade; social welfare

### 1. Introduction

Fair trade is a set of trading rules established by a social movement with the aim of eradicating poverty globally by utilizing markets as a medium. In addition, these rules are guided by and based on the principles of poverty alleviation, respect for human rights, and environmental sustainability (Hadiwinata and Pakpahan, 2004). The emergence of fair trade stemmed from a movement supporting sustainable development processes by offering better trading conditions and fulfilling the rights of marginalized producers and workers, particularly in developing countries (World Fair Trade Organization, 2024).

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According to previous reports, the welfare of small-scale producers is influenced by various factors, such as the demands of global competition and challenges affecting their access to international markets, specifically the strict regulations imposed by export destination countries. In addition, the encroachment of investors who predominantly favor large-scale industries poses another obstacle for small-scale producers (Jayn, 2019). In response to these challenges, fair trade aims to provide assurances to small-scale producers in developing countries. These assurances include the provision of fair contracts that offer fair prices for their products, sustainable purchasing contracts, increasing productivity, as well as developing skills and knowledge (Pramono, 2015).

In line with previous studies, fair trade began to proliferate within Indonesia in the mid-1980s. Since its emergence in Indonesia, fair trade has significantly assisted small-scale producers in several regions, such as Yogyakarta, Aceh, Malang, Mataram, and Bali (Chairawaty, 2012). Fair trade, with its certification, ensures that small-scale producers including farmers, fishermen, traders, and craftsmen adopt fair, responsible, and sustainable business practices. In addition, its certification can guarantee that a business entity fulfills the rights of the workers (Septyan, 2022). This helps to ensure the eradication of exploitative practices that often affect small-scale producers, such as artisans.

A notable business entity certified by fair trade in Bali is Mitra Bali Fair Trade, also known as Mitra Bali. The entity is located in Gianyar Regency, specifically in Lodtunduh Village, Ubud District. Since its establishment in 1993, Mitra Bali has been assisting craftsmen in exporting their craft products. Gusti Alit, one of the craftsmen collaborating with Mitra Bali, stated that craftsmen were happy to work with the entity due to transparency in financial matters. Craftsmen also received an advance payment of half, which could help finance the production process (Hasan, 2016).

Despite the potential, one challenge affecting fair trade implementation is the limited education among craftsmen in Indonesia. The majority of information about fair trade is written in English, making it difficult to access such information (Sylviana, 2018). Given the benefits offered in the fair trade scheme and the challenge of artisans' limited knowledge, this study proposes the question whether: (1) craftsmen engaged in fair trade-based trading are guided by an understanding of principles; (2) the implementation of fair trade provides social welfare for its producers. Therefore, this study aimed to discuss artisans' understanding as producers regarding the idealism and principles of fair trade, as well as to explain the benefits obtained by craftsmen after participating in trade with the fair trade scheme. Due to the limited reports on fair trade in Indonesia, the results are expected to contribute to expanding the knowledge base related to fair and ethical trade. The findings are also expected

to address the practical implementation issues of fair trade in Bali comprising craftsmen as part of the creative industry.

## 2. Literature Review

Several studies have investigated the implementation of fair trade schemes in Indonesia, providing valuable insights that support the analysis in this current study. Sylviana (2018) offered a comprehensive examination of the obstacles and challenges confronting fair trade initiatives within the Indonesian context. Instances of fair trade organizations facing bankruptcy showed the complexity of the situation. Sylviana's report primarily focused on the Indonesian Association for the Development of Handicraft Industries (APIKRI) as a prominent fair trade organization in Indonesia. By applying the principles of fair trade, Sylviana showed that addressing these obstacles and challenges was essential to APIKRI's resilience and effectiveness as a fair trade entity.

Another pertinent study exploring the role of fair trade organizations in Indonesia was undertaken by Suwecawangsa and Dewi (2023). The study explored the operations of the Indonesian Society and Fisheries Foundation (MDPI), particularly its efforts in assisting small-scale tuna fishermen to attain fair trade certification. Based on the Non-Governmental Organization (NGO) roles theory, Suwecawangsa and Dewi (2023) reported that MDPI served as a catalyst, partner, and implementer throughout the fair trade certification process, comprising four key stages, namely registration, coaching, inspection, and certificate issuance. The primary objective was to facilitate the integration of tuna commodities from Indonesia into the global export market, thereby empowering fishermen with increased bargaining leverage to influence prices and enhance their welfare (Suwecawangsa and Dewi, 2023).

Compared to the aforementioned studies on fair trade organizations in Indonesia, Dewi and Suwecawangsa (2022) presented an examination of East Bali Cashews (EBC), a company implementing fair trade practices for cashew commodities in Ban Village, Karangasem. EBC assumed a significant role in the application of fair trade schemes, acting as a pivotal entity directly engaging with small-scale producers in trade activities. Operating as a social enterprise, EBC not only prioritized economic objectives but also emphasized community welfare and environmental sustainability (Dewi and Suwecawangsa, 2022). Although Dewi and Suwecawangsa's study (2022) primarily emphasized the role of social enterprises as key participants in fair trade practices, it did not provide an assessment of the direct impacts on small-scale producers.

The three aforementioned studies all focused on organizations and companies implementing fair trade without exploring the perspective of producers. Chairawaty's study (2012) filled this gap by exploring the

experiences of producers engaged in fair trade-based trading. Chairawaty (2012) specifically examined the impact of environmental protection initiatives undertaken by coffee farmers who were members of the Koperasi Permata Gayo (KPG) subsequent to obtaining fair trade certification. This commitment to environmental preservation became a fundamental obligation for farmers upon joining fair trade.

The implementation of environmental protection not only had ecological ramifications but also significantly affected the coffee farmers of KPG, particularly on an economic level. For instance, farmers incurred reduced costs as they no longer needed to purchase chemicals, such as herbicides. Chairawaty's study (2012) provided insights into the benefits accruing to small-scale producers following the adoption of fair trade principles but focused solely on environmental preservation. In contrast, this present research aimed to analyze artisans' comprehension of all ten fair trade principles.

### **3. Methods and Conceptual Framework**

#### ***3.1 Method***

In this study, a qualitative method with a phenomenological approach was utilized. Essentially, phenomenology seeks to address how the structure and essence of the experience of a phenomenon were for a group of humans (Oetomo, 2005). The perspective had implications for understanding what people experienced and interpreted the world. The phenomenological approach was employed to understand artisans' comprehension as small-scale producers involved in fair trade practices and how the implementation of fair trade benefitted artisans. Data collection techniques included in-depth interviews, observations, and literature studies.

In-depth interviews were conducted with 8 key informants directly involved in fair trade practices at Mitra Bali, and 1 informant was the founder of Mitra Bali. The other 7 informants were craftsmen who worked with Mitra Bali and met the following criteria: (1) craftsmen who had collaborated with Mitra Bali for 5 years or more; (2) craftsmen working under Mitra Bali; and (3) craftsmen who had received fair trade socialization, training, or similar activities from Mitra Bali. Data collected from informants related to fair trade practices at Mitra Bali included artisans' understanding as study subjects of fair trade principles and the impact of fair trade practices on artisans.

#### ***3.2. Conceptual Framework***

The concept of fair trade in international relations arose from the perception that free trade failed to adequately protect small producers in developing countries. These producers encountered barriers hindering their ability to

compete equally in the global market, leaving the producers vulnerable to exploitation and harm. Issues such as limited access to trading resources in the free market, access to information, transportation infrastructure, and funding further compound their challenges were not realities for producers. Fair trade emerged as a solution, which aimed to integrate small-scale producers into larger cooperatives offering enhanced opportunities (Samnegård, 2007). Fair trade endeavored to address injustice perpetuated by free trade systems that often oppressed the underprivileged, such as labor rights violations, human rights abuses, and environmental damage committed by multinational corporations (Suwecawangsa and Dewi, 2023).

Fair trade in the international trading system seeks to integrate ethical values by conducting business activities based on principles of justice. Producers paid their workers fair wages, and the raw materials used were purchased from local communities, and this was contrasted with the logic of producers in free markets. Producers strived to pay their labor as cheaply as possible and buy raw materials at the lowest possible prices in free markets, hence, the resulting products could be sold at competitive prices (Wiranata, 2014). Fair trade served as a guide for business and trading practices, prioritizing ethical societal values over mere profit. Additionally, it operated on principles of dialogue, transparency, and mutual respect, to foster justice, establish fair trade conditions, promote sustainable development, and safeguard the rights of marginalized worker and producer groups, particularly in developing countries (Ranti and Nizmi, 2014).

According to the World Fair Trade Organization, the concept of fair trade was based on 10 principles, namely: (1) creating opportunities for small producers; (2) transparency and accountability; (3) practicing fair trading; (4) prompt, fair, and adequate payment; (5) no child labor or forced labor; (6) no discrimination between male and female workers; (7) a healthy, safe, and comfortable working environment; (8) developing worker skills; (9) promoting/socializing fair trade practices; and (10) caring for the environment (WFTO, 2023).

Social welfare encompasses understanding individual and societal well-being across various aspects of life. This approach expanded the understanding of welfare beyond income levels or material wealth but also included broader aspects of life. Several aspects that encompassed the quality of life of individuals and society included: (1) economic aspects, including decent employment, the ability to meet basic needs, economic growth, and economic stability; (2) social aspects, including community involvement, social support, as well as equality and justice in society; (3) The health aspect included access to good healthcare services, physical and mental health, and the ability to lead a healthy life; (4) The education aspect encompassed access to quality education and opportunities

for learning and skill development; (5) The environmental aspect included awareness of the importance of maintaining a clean and healthy environment, the preservation and protection of the natural environment, and access to good air and water quality; (6) The social justice aspect emphasized the importance of fairness in resource allocation and opportunities, protection of human rights, eradication of socio-economic inequalities, and empowerment of marginalized groups (Dwi, 2023).

The author utilized the concepts of fair trade and social welfare to analyze artisans' understanding and the benefits obtained by craftsmen by participating in fair trade schemes. By obtaining the 10 principles of fair trade, the investigator formulated interview questions aimed at assessing artisans' grasp of fair trade schemes. Within the scope of this report, focusing on craftsmen as primary stakeholders, the analysis delved into the actions and comprehension of craftsmen, as well as the welfare benefits craftsmen received through their involvement in fair trade schemes.

## 4. Results and Discussion

### 4.1 Fair Trade Practices by Mitra Bali

Bali was known for its tourism industry, and the growth of tourism also supported the development of the creative industry in Bali, bringing many changes to Balinese society. As part of Sapta Pesona, the element of souvenirs discussed the role and support of the community in providing souvenirs such as handicrafts (Andriana, 2019), and this had become popular as tourism grew in Bali, but craftsmen did not benefit much. Craftsmen faced poverty, and tourism did not help much, and the middlemen also profited greatly from artisans, whose average income in Bali was IDR 950,000 (Sari, 2022).

Based on this reality, Mitra Bali emerged as a social enterprise implementing a fair trade scheme for handmade craft export commodities. Mitra Bali was founded in 1993, and started as a foundation operating in the handicraft sector, assisting craftsmen as small-scale producers. In its development in 1995, Mitra Bali transitioned into an export company under the name PT Teduh Mitra Utama, and this transition occurred because a foundation entity could not engage in export activities that generated profit. With the profit, Mitra Bali could operate as a financially independent institution and not rely on funding, and over time, in 2000, PT Teduh Mitra Utama changed its name to PT Mitra Bali Fair Trade (Agung Alit, founder of Mitra Bali, personal interview, November 20, 2023). Subsequently, Mitra Bali had been practicing fair trade since its establishment as a foundation, but fair trade certification was obtained starting in 2005 and ensured that the company had fulfilled the rights of craftsmen as small-scale producers.



Since its establishment, Mitra Bali had been striving to assist craftsmen who earned little from the tourism industry, despite playing a significant role in this sector, and many people in Bali made a living as artisans, specifically in the Gianyar Regency. Craftsmen were one of the groups frequently exploited in trade, often having to wait weeks for payment for their hard work, and many had even fallen victim to fraud. The presence of Mitra Bali was an effort to reduce poverty, specifically among craftsmen who struggled to compete and enter the global market. Mitra Bali was committed to collaborating with craftsmen and all parties concerned with supporting fair and sustainable welfare for craftsmen and the environment.

For fair trade practices to run smoothly, the cooperation of craftsmen was crucial, and craftsmen were also expected to adhere to the principles of fair trade. Mitra Bali had criteria for its artisans, namely: (1) quality assurance; (2) timeliness; (3) fair pricing; (4) honesty in skills; (5) honesty in capabilities; (6) honesty in design; (7) honesty in raw materials; (8) honesty in sourcing raw materials; (9) adherence to fair trade principles; and (10) refraining from attempting to bribe the Mitra Bali team (Mitra Bali, 2016). This ensured sustainable benefits for all parties involved.

Mitra Bali was a non-governmental actor involved in fair trade practices, and this indicated that besides the government, non-governmental actors such as companies, non-governmental community organizations, and small-scale producers were key actors with roles in fair trade practices. The increasing complexity of issues in International Relations studies and the expansion of actors dealing with these issues justified the equally important role of non-governmental actors alongside the government (Dewi and Suwecawangsa, 2022).

As a non-governmental actor, Mitra Bali practiced fair trade through various efforts such as building markets by offering artisans' products to prospective buyers to secure orders. With these orders, craftsmen gained employment, enabling them to earn wages and profits. These profits contributed to the advancement of their businesses, fulfilling their basic needs and supporting them, which ultimately aimed to achieve welfare for the artisans.

In assisting with marketing artisans' products, several stages were carried out at Mitra Bali, starting with issuing purchase orders (PO), and this included the quantity of the order, buyer's name, total order value, item prices, deadlines, master samples, and deposit or down payment, upon receiving an order, craftsmen received a 50 percent down payment of the total cost. Craftsmen then began the production process until completion, followed by quality control by Mitra Bali, and received full payment for all products that passed quality control. This demonstrated the implementation of transparency and responsibility principles, and tangible expressions of support and solidarity

toward the artisans included timely, accurate, and fair payments. Mitra Bali always strived to provide sustainable orders, which aimed to increase artisans' income, businesses, and quality of life.

Following the fifth principle of fair trade, which prohibited the use of child labor and forced labor, Mitra Bali did not allow its craftsmen to employ forced labor or child labor. Craftsmen were required to provide the identities of their workers to verify the age of those involved in the production process. Additionally, Mitra Bali did not permit wage discrimination based on gender and strongly opposed discriminatory wage practices.

To ensure proper working conditions, Mitra Bali paid attention to the workshops of its craftsmen by conducting regular visits and ensuring healthy, safe, and comfortable workshops for all workers were a necessity. Additionally, providing support in the form of training was also a focus for Mitra Bali. Craftsmen participated in various training programs such as product development, bookkeeping, cost calculation, English language courses, driving courses, and attending various events aimed at enriching and broadening the artisans' knowledge, and this was intended to enhance their skills and self-quality.

Environmental conservation was also carried out through the reduction of plastic waste, proper disposal of waste in legal areas, and the development of products using environmentally friendly materials to have a positive impact on the environment. The Tree Monument was one of the manifestations of Mitra Bali's environmental conservation efforts. The Tree Monument involved planting ten jackfruit trees representing the ten fair trade principles (Figure 1).



Figure 1. Tree Monument (Photo: Abhi Mahardika's documentation)



The interpretation of fair trade by Mitra Bali was a business model that prioritized more than just profit. As a company certified in fair trade, Mitra Bali must implement fair trade principles throughout the supply chain, starting from the grassroots level. This was done through guiding fair trade principles to ensure that craftsmen met the criteria expected by Mitra Bali. This was to guarantee the smooth implementation of fair trade practiced by Mitra Bali, with a primary concern being the welfare of craftsmen as the bottom link in the supply chain.

#### *4.2 Craftsmen's Understanding of Fair Trade Practices*

Small-scale craftsmen generally lack a comprehensive understanding of the spirit of fair trade due to a limited entrepreneurial spirit. The craftsmen often struggled to envision the future of their businesses and faced challenges in effectively identifying market potential. Moreover, craftsmen typically encountered barriers in accessing education, which hindered their ability to obtain information about fair trade, much of which was available in English. This affected their willingness to adopt fair trade practices (Sylviana, 2018).

Mitra Bali's role as a social enterprise was to educate craftsmen through training programs and socialization efforts, thereby enhancing their understanding of fair trade practices. Mitra Bali's efforts to improve artisan understanding included greening programs to raise awareness about environmental preservation. Craftsmen were also provided with English language courses in the hope that the craftsmen could have a better understanding and access to information about fair trade. Agung Alit, founder of Mitra Bali said, in their efforts to educate craftsmen about fair trade, Mitra Bali hosted a weekly fair trade lunch program and craftsmen were invited to lunch and discuss fair trade, the challenges faced, and potential solutions (Agung Alit, personal interview, November 20, 2023). Mitra Bali sees education through social programs as a means to help craftsmen better understand fair trade practices.

Based on interviews with Mudita, a wood artisan at Mitra Bali, he interpreted fair trade as a trading scheme that did not employ child labor and did not exploit or discriminate against male and female workers. Furthermore, actions to protect the environment and nature were crucial (Mudita, personal interview, November 2, 2023). Karyawati, a silver artisan at Mitra Bali said, "Honest and fair trade, where we sell products knowing the market price together" (Karyawati, personal interview, November 3, 2023). Gusti Suartini, an artisan at Mitra Bali who had physical limitations, said that she felt helped by the presence of fair trade which provided opportunities for her despite her physical limitations (Gusti Suartini, personal interview, November 2, 2023).

According to Wahana, a dream catcher artisan, fair trade was transparent trade, which meant being open with fellow craftsmen and home workers, as well as ensuring timely payment for labor (Wahana, personal interview, November 1, 2023). Fair trade helped craftsmen in combating poverty by creating a platform that assisted small producers in their endeavors, such as crafts based on justice (Candri and Sarna, personal interview, November 1, 2023). According to Sudarta, a silver artisan at Mitra Bali, “Fair trade is about mutual respect, meaning we respect each other as friends and the environment” (Sudarta, personal interview, November 2, 2023).

Based on interviews with craftsmen at Mitra Bali, fair trade was perceived as a platform that could help combat poverty, and this was realized through transparent and honest fair trade, where prices were openly discussed among fellow craftsmen and workers. Fair trade, as a safe working environment, ensured there was no child labor, exploitation, or discrimination against workers. Additionally, environmental conservation efforts created a comfortable and safe environment, and fair trade not only respects individuals but also nature. Mitra Bali’s artisans, as small producers in the supply chain, understood that fair trade practices not only have a positive impact for them but also on nature and the environment around them.

Fair trade, with the principle of creating opportunities for small producers, aimed to support marginalized small producers to help those trapped in poverty towards a more prosperous economy (WFTO, 2023). Along the way, craftsmen created opportunities by helping other craftsmen with business management and providing the craftsmen with the knowledge to start developing themselves (Wahana, personal interview, November 1, 2023). The principle of creating opportunities for small producers was interpreted by craftsmen as sharing knowledge that could help their businesses. With the knowledge received, craftsmen began to see opportunities that had never been seen before.

The principle of transparency and accountability involved labor, producers, and members in the decision-making process. With this, the relevant information was received by all trading partners including producers, and this realized good and open communication flow at all levels of the supply chain (WFTO, 2023), before accepting orders, craftsmen discussed deadlines with Mitra Bali. Karyawati said: “I set the time, there’s a discussion between the office and the buyer to avoid delays” (Karyawati, personal interview, November 3, 2023). The principles of transparency and accountability were interpreted as involving discussions and openness between producers and the company. This was key to the success of establishing sustainable cooperation.

In the practice of fair trade, suppliers or producers had the responsibility to provide products on time, and producers respect contracts and deliver

products on time according to the desired quality (WFTO, 2023). Paint craftsmen faced difficulty in finding craftsmen who could provide raw wooden sculptures, and this caused production processes to encounter obstacles (Sarna, personal interview, November 1, 2023). The decrease in the number of raw wooden sculpture craftsmen was due to the changing interests of young people in Bali. Many young Balinese preferred to work on cruise ships or become baristas in coffee shops, and the artisan profession was seen as rough and less prestigious (Agung Alit, Sudarta, Candri, personal interview, November 2023). Another factor that could affect the product manufacturing process was the presence of traditional ceremonies. Artisan communities were still deeply involved in the traditional socio-cultural system, such as traditional ways of life and the strong “*ngayah*” system (a voluntary activity performed by Balinese people) (Arsa, et al., 2020). As Balinese people, craftsmen had obligations that must be fulfilled according to tradition, and to prioritize these duties over their work. Craftsmen interpreted the principle of fair trade practices by striving to deliver products on time despite the challenges faced.

Payment that went through negotiation processes included quick, accurate, and fair payment and this had been agreed upon collectively. Wage distribution was carried out fairly, considering the principle of equal wages for both males and females (WFTO, 2023), and craftsmen paid their workers using a piece-rate system. Craftsmen strived to always pay their workers on time, it was not uncommon for craftsmen to allow their workers to take advances, meaning receiving their wages beforehand and then doing the work afterward (Mudita, personal interview, November 2, 2023). Craftsmen understood that the principle of quick, accurate, and fair payment was not only about providing a fair wage amount but also about the importance of timeliness.

Fair trade ensures that there is no child labor and forced labor, both in companies and in home-based work. The involvement of children in the production of fair trade products was seen as learning traditional arts or crafts under supervision and did not harm children (WFTO, 2023). Karyawati expressed that: “Children should not be employed because childhood is a time for playing and learning” (Karyawati, personal interview, November 3, 2023). This posed a challenge for craftsmen because their knowledge as craftsmen came from their parents, and had been exposed to it since childhood by helping their parents to work, thus directly absorbing skills from their parents (Mudita, November 2, 2023). Craftsmen understood the prohibition of employing labor in fair trade practices and interpreted children who assisted in the production of crafts as a means for craftsmen to pass on their skills, children who helped were only filling their spare time, with no coercion to complete the tasks, and the craftsmen never target tasks for children.

Fair trade promoted gender equality by ensuring that both females and males could access the resources needed to be productive (WFTO, 2023), and Mitra Bali craftsmen never felt discriminated against by the decision. Gusti Suartini said, “Here, there is never any distinction between females and males, when there is a willingness to learn, females should be able to do any job as well” (Gusti Suartini, personal interview, November 2, 2023). The principle of not distinguishing between male and female labor was interpreted by craftsmen as the intention to learn and the spirit of work that differentiated individual qualities, not their gender.

The workshop environment was an integral part of the craftsmen’s activities, and it was important to maintain a healthy, safe, and comfortable working environment for craftsmen. For silversmiths, waste containing chemicals was placed in a special area far from the reach of children, and while working, unforeseen events could occur, therefore, a first aid kit (P3K) was always available in the workshop to provide immediate assistance in case of incidents.

Craftsmen faced difficulties in promoting fair trade, and this was because society sometimes finds it hard to believe that implementing fair trade was genuinely beneficial and could have a positive impact when pursued earnestly. The principle of community economics, which solely seeks profit, was one of the factors causing this (Sudarta, personal interview, November 2, 2023). Nevertheless, craftsmen continued to strive to socialize fair trade, at least within their local communities.

Regarding environmental issues such as waste management, it was important to take action to preserve the environment. According to the Fair Trade Labeling Organizations International, those who wish to participate in fair trade must be willing to make efforts to protect the environment (Chairawaty, 2012). Based on interviews with Mitra Bali craftsmen, the efforts made by craftsmen included using recycled materials as one of the raw materials for their crafts. Craftsmen used materials obtained from nature such as bamboo, which was processed using traditional techniques passed down through generations of Balinese communities to make woven crafts. The woods used in the production process were not obtained through illegal logging. Organic waste resulting from their crafts was planted in the backyards of their homes and could be used to make compost, and for wood waste, the craftsmen reused it for product drying processes using ovens or used it as fuel for cooking. However, there were still craftsmen who burned plastic waste resulting from their production activities or daily routines, and this was due to the villagers’ habit of finding it easier to burn waste in the backyard than to dispose of it in legal waste disposal sites (Sudarta, personal interview, November 2, 2023). Through the actions

taken by craftsmen, it could be concluded that craftsmen's interpretation of environmental care principles involved using raw materials from legal sources and processing waste from production.

Based on the analysis of craftsmen's understanding of the 10 principles of fair trade, it was found that craftsmen already understood fair trade and its 10 principles, and this could be seen from the actions taken by craftsmen to implement these principles. The principles that craftsmen had implemented included creating opportunities for small producers, transparency and accountability, practicing fair trade, prompt, accurate, and fair payment, not using child labor and forced labor, not discriminating between male and female workers, maintaining a healthy, safe, and comfortable working environment, developing workers' skills, promoting or socializing fair trade practices, and caring for the environment. However, in implementing the principle of environmental care, their efforts were not optimal, mainly due to the lack of supporting facilities to aid in the processing of plastic waste resulting from production waste. Furthermore, the villagers' tendency to choose to burn waste was one of the contributing factors, and apart from this, the processing of organic waste was undertaken and had contributed to the implementation of the principle of environmental care by craftsmen.

#### ***4.3 Welfare of Craftsmen by Following Fair Trade***

In social entrepreneurship, fair trade acted as a cooperative effort that benefitted producers with fair payments and job opportunities. Fair trade aimed to create conditions for producers in developing countries to be free from poverty (Permana, et al., 2019). Fair trade and fair trade organizations had been repeatedly recognized by European institutions as well as national and regional governments for their contribution to poverty alleviation, sustainable development, and consumer awareness (Sari, 2022). The Fair Trade Standard, as one of the fair trade programs, was developed to ensure that small producers such as craftsmen received adequate wages for their craft products (Borsky and Spata, 2017).

As a business model, fair trade was about how its members realized the principles of fair trade, fostering sustainable business relationships characterized by mutually beneficial partnerships. Fair trade actors paid attention to business models that adhered to humanitarian norms, and in the process of producing goods, efforts to avoid the exploitation of human and natural resources were crucial. The profits gained were not solely for self-indulgence but were reinvested into programs that could benefit producers and communities (Ranti and Nizmi, 2014), and sustainable business encompassed economic, environmental, and socio-cultural sustainability. Craftsmen, as small-scale



producers, were a vulnerable group susceptible to poverty, and this could be seen from the numerous craftsmen who fell victim to fraud. Craftsmen often experienced delayed payments for weeks or even did not receive payment for their hard work, and it seems that this was a problem commonly faced among craftsmen.

Based on interviews with craftsmen, the most significant difference felt in practicing fair trade was in the payments received. Unlike before, after adopting fair trade practices at Mitra Bali, the craftsmen received fair and timely payments. Subsequently, craftsmen received an upfront payment of up to 50% of their total orders, and this greatly assisted craftsmen in running their businesses. The upfront payment received helped with their capital for the production process, and there was no need to take out loans when there was no capital to run their businesses. Additionally, the orders received by craftsmen were sustainable, ensuring there was work and income to sustain their businesses and meet their primary and ancillary needs. This demonstrated the creation of economic prosperity among craftsmen who followed fair trade practices.

The economy of craftsmen was greatly assisted by following fair trade practices, building their workshops, and houses, and even had savings (Sarna, personal interview, November 2, 2023) (Figure 2). Candri, a craftsman who had embraced fair trade, expressed, “Along the way, I could build a kitchen, build my own house, send my children to school, and even have my warehouse” (Candri, personal interview, November 2, 2023). Furthermore, craftsmen could also have savings and insurance (Gusti Ayu, personal interview, November 2, 2023), and also interpreted the social welfare attained through fair trade practices by showing the improvement in their economic welfare. Craftsmen could also meet their daily needs, send their children to school, and have health insurance, and this was also related to social welfare in terms of education and health aspects.

With the improvement of the craftsmen’s economy, other important aspects of their lives could be fulfilled, and since craftsmen had become acquainted with fair trade at Mitra Bali, they no longer had concerns about the future of their children. Craftsmen were now able to provide their children with quality education, even the opportunity to pursue education up to the university level (Wahana, personal interview, November 1, 2023). Mudita expressed, “I am grateful that we can fulfill what we need, including sending our children to school” (Mudita, personal interview, November 2, 2023). The meaning of social welfare in the aspect of education, according to craftsmen, lies in the ability to have access to education that could guarantee the future of their children.



Figure 2. Sarna craftsmen's workshop (Photo: Abhi Mahardika's documentation)

Not only education, but craftsmen could also access healthcare services. Wahana stated: "Based on my personal experience when I was still a worker, it was difficult to take my child to the doctor when they were sick. That's why I emphasize to my workers that if anyone in their family is sick and they need money, just say it, there's no need to feel embarrassed" (Wahana, personal interview, November 1, 2023). Social welfare in terms of health was interpreted by craftsmen as access to decent healthcare for everyone, and this could be seen from the actions of craftsmen who were willing to help their workers who needed money for medical expenses.

Fair trade practices not only brought economic prosperity to craftsmen but also brought welfare to their social lives. Sometimes, in business endeavors, the craftsmen focused on seeking profit and resorting to any means to achieve it. This high level of individualism and selfishness could lead to not appreciating the efforts of others and even harming the workers (Sudarta, personal interview, November 2, 2023). This was where the difference lies between fair trade practices and other trading practices. Through fair trade, craftsmen learned to appreciate others and were able to act without greed and assist others in the process.

One of the craftsmen went as far as adopting a child abandoned by their biological parents due to economic hardships. The craftsman took the initiative

to adopt the child because, through fair trade, craftsmen learned to share, thus gaining the courage to adopt the child (Karyawati, personal interview, November 3, 2023). Craftsmen's interpretation of social welfare in the social aspect was the ability to respect and help each other as well as the community. After learning about fair trade, craftsmen found peace of mind by respecting others. Previously driven by selfishness and greed, solely focused on profit, fair trade transformed their perspective, shifting profit from being their sole priority.

Fair trade, in practice, did not tolerate discrimination against workers, and this was demonstrated by craftsmen's understanding of social welfare in the aspect of social justice, which entailed providing equal employment opportunities for everyone regardless of their physical condition. Through fair trade, craftsmen not only learned to respect others but also learnt how to respect the environment and nature. Although not on a large scale, efforts to preserve the environment had been made by craftsmen and ensured that the raw materials used for the production process did not come from toxic materials that could pollute the environment. Their raw materials also came from legal sources that did not harm the environment and also processed the waste from the production process as much as possible, and this was an effort to reduce environmental pollution caused by waste from their activities. However, craftsmen faced challenges related to the lack of facilities to support waste processing, and this was where the importance of the government's role comes in, to help the success of environmental preservation activities undertaken by communities such as craftsmen by providing good waste processing facilities.

Social welfare encompassed several aspects of life, including economic, social, health, education, environmental, and social justice aspects (Dwi, 2023). Fair trade, in its practice, had helped bring social welfare to craftsmen as a marginalized group and not only brought economic prosperity to craftsmen but also social welfare, health, education, environmental, and social justice. By participating in fair trade, craftsmen began to develop their businesses and also received fair payment for their products. With this, craftsmen met the needs of education and adequate healthcare for themselves and their families, and this demonstrated sustainability in the economic aspect. Socio-cultural sustainability was shown by craftsmen learning not only to prioritize themselves but also to appreciate others more. In their business activities, the craftsmen not only focused on seeking profit but also acted more compassionately towards their workers. Although not yet optimal, craftsmen could implement environmental sustainability aspects and were also aware of the importance of nature conservation and maintaining a clean and healthy environment.

## 5. Conclusion

Fair trade practices were believed to be a solution to the problems faced by small producers such as craftsmen who had difficulty competing on equal footing in the free market. Fair trade was a trading practice that strived for the welfare of small producers through a sustainable business relationship model that benefitted all parties. However, fair trade encountered challenges along the way, and many small producers were still unfamiliar with fair trade practices, mainly due to craftsmen's limited education and difficulty accessing information, as most information about fair trade was in English. Mitra Bali, as a social enterprise, endeavored to encourage craftsmen to implement fair trade principles. Furthermore, Mitra Bali had social programs aimed at educating craftsmen about fair trade practices.

By utilizing the concepts of fair trade and social welfare, study results indicated that craftsmen, as practitioners of fair trade, had understood the 10 principles. This was evident from the actions of craftsmen as producers who had implemented fair trade principles in their production activities. Furthermore, the application of fair trade practices could bring social welfare to craftsmen as a marginalized group, not only bringing prosperity in economic aspects but also in social, health, education, environmental, and social justice aspects. The findings of this report could provide input to the government, specifically in the province of Bali, regarding the support that could be provided to practitioners of fair trade, specifically in the field of waste management resulting from production processes. Furthermore, fair trade practices could bring benefits and welfare to small-scale producers who were marginalized.

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