

Trade

'Fair trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.'

-Definition from the Fair Trade Foundation, Oxfam and Tradecraft.

Trade is the buying and selling of goods and services. Trade between various countries of the world has taken place for thousands of years. Trade enables people to obtain food and materials they cannot produce for themselves. For example, the UK does not have a climate suitable for growing bananas, and therefore needs to import these from abroad. There is nothing in the human activity of trade that is intrinsically cruel or exploitative. However, unequal trading relationships, tariffs, globalisation, power, surplus-dumping and protectionism all have implications for world development and social and global justice.

A global trading market

In the past, our fresh food was produced by farmers who lived relatively near to the people who would consume the food they grew. Today, the transport of food by air, together with new methods of harvesting and storage, means that food sold in shops comes from all over the world. By the time a person has had breakfast and got dressed for the day ahead, the material goods they have consumed, used and eaten will, in all likelihood, have come from many different countries. A global market has lots of advantages, but there are disadvantages too.

Free Trade

The global market is controlled by international trade rules and, in theory these rules follow the principle of free trade. Free trade is trade without intervention from governments, where prices and products are determined by the market forces of supply and demand. In other words, countries produce the goods they are best at; producing and

trading their surpluses for products they cannot produce, or are less efficient at producing.

However, in practice, the richer and more powerful countries subsidise their own produce and protect themselves against cheap imports by imposing tariffs and quotas. They also dump surplus produce on poorer countries, often at prices lower than it would cost farmers there to produce them. Rich countries get away with this because they have greater power and influence within the international institutions that regulate trade. In addition, many poor countries rely on loans from rich countries or large international organisations. The loans are given on the condition that the recipients abide by the rules of free trade and this means subsidies and protectionism are not allowed.

In summary, poorer countries are not allowed to protect their markets yet richer countries can protect theirs. So whilst free trade might initially be seen as fair for all and an equal playing field, this is far from reality.

World Trade Organisation (WTO)

International trade flows have tripled in the last 20 years, but benefits of this trade are unequally shared. Trade has the potential to reduce poverty and enable people to lead dignified lives, improve living conditions, send their children to school and access healthcare when needed. But trade 'liberalisation', enforced by the WTO, makes it increasingly difficult for small trading countries to make trade work for them.

WTO is the only international agency overseeing the rules of international trade. Their decisions are absolute and every member must abide by its rulings. In theory WTO is democratic and each member has one vote. But in practice, the WTO is quite undemocratic and poor countries are subject to bullying and exclusion from key discussions and decision-making. Therefore, because of power imbalances, free trade does not lead to poverty eradication or environmental sustainability. When

the rules are rigged and loaded in favour of the wealthiest countries and their business interests, no matter how hard people work in the developing world, or how much their countries produce, trade relationships benefit the rich world most.

What difference can Fair Trade make?

Fair trade is about paying poor producers a fair price. It is an alternative approach to conventional international trade and represents a trading partnership which aims at sustainable development. The goals of fair trade are to improve the livelihoods and well-being of producers by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship. It also campaigns for changes in the rules and practices of conventional international trade and aims to protect human rights by promoting social justice, sound environmental practices and economic security. The Fair Trade mark is seen in almost every UK high street and supermarket and marks out products that have been fairly traded.

The Trade Justice movement

'Our vision is trade that is low carbon, is in the interest of the many, not the few, and of institutions that are democratic and accountable.'

The [Trade Justice Movement](#) aims to make trade work for people and the planet. It is a coalition of organisations concerned with trade justice, including trade unions, aid agencies, environment and human rights campaigns, Fair Trade organisations, faith and consumer groups, who believe that everyone has the right to feed their families, make a decent living and protect their environment. They campaign to remove the trade tariff barriers that cost poor countries in excess of \$100 billion a year - twice as much as they receive in aid.

Social Enterprises and Co-operatives - a contemporary example

Social enterprises or co-operatives provide models for new ways of working that are more likely to ensure a fair and transparent trade and employment system. In most companies there are workers and

owners, but in a co-operative the workers are the owners. This means they take part in the decisions and share the profits generated by the businesses.

An example of a social enterprise is [Assisi Garments](#), a Fair Trade project in southern India that sells its organic, cotton garments through People Tree. It was established over 20 years ago as a rehabilitation centre for deaf, mute and economically disadvantaged women as well as women who were considered unfit for marriage by their families.

Assisi was the first Indian manufacturer to receive the Soil Association mark for organic cotton. Employees are paid 50% above the standard wage, given free accommodation, water and electricity and help towards establishing a sustainable future. People Tree has worked with Assisi since its inception, during which time regular orders have helped to build success, with staff growing from just 8 in the early days to over 150 employees today.

Is 'fair' going to be enough?

The South Korean-born Cambridge economics [Professor Ha-Joon Chang](#) considers how the world could re-design its economic and trading system in '23 things they don't tell you about capitalism'. He proposes that the world economic system needs to 'unfairly' favour developing countries in order to build a more equal and just system. Whereas most rich countries have actually found it difficult to implement full blown free-market reform, many poorer countries, especially in Africa and Latin America, have been forced to adopt free-market policies in order to borrow money from free-market loving international financial organisations (such as the International Monetary Fund and the World Bank).

Ruthless implementation of free-market policies, such as minimal public spending, privatised water supplies and lack of public education and health systems, have meant that the people needing the most help will be worst hit by free-market policies. He argues that developing countries already suffer from so many disadvantages in the international system that they need favourable treatment to have a hope of developing sustainable economies.