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**‘FREE TRADE’ OR FAIR TRADE? HOW CHANGES IN THE
CURRENT INTERNATIONAL TRADE SYSTEM COULD ACT AS A
DEVELOPMENT TOOL FOR THIRD WORLD COUNTRIES:
THE BRAZILIAN CASE**

A thesis presented in fulfilment of the

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ABSTRACT

This study analyses and discusses the impacts of fair trade on cooperatives in Brazil. It also addresses the debate on free trade, showing its weaknesses and strengths; and it acknowledges the importance of governments' macropolicies in promoting development through trade. This study supports the view that international trade, as practised today, is detrimental to the economies of Third World countries, and it suggests actions to overcome negative impacts of international trade. One of these suggestions is alternative trade. However, this study argues that alternative trade, although an efficient tool in promoting the interests of small farmers, poor communities, and unskilled workers, should not be substituted for mainstream trade. Instead, alternative trade should act as a complement and promote the interests of those who have been losing with trade liberalisation policies. In examining one of the alternatives to free trade (the fair trade movement) research was conducted in Brazil in 2001. The evidence from research shows that although fair trade is found in its initial stages in Brazil, the impact has been beneficial to those cooperatives involved with it. The research also found differences between rural and urban participants. Groups in a rural context shared same experiences and types of products (agriculture), while groups in an urban context shared different experiences and were involved in other types of products (manufactures). Although all groups shared some similar difficulties, rural groups were more disadvantaged in terms of the distance, lack of infrastructure, communication problems, and lack of access to services. This study concludes that although the fair trade movement is still in its initial stages in Brazil and has had minor macroeconomic impacts on the Brazilian economy, it should be encouraged since it creates opportunities for marginalised groups to sell their production and reach a minimum standard of living. The study also argues that both alternative and mainstream trading systems have their strengths and weaknesses, and that the ideas behind alternative trade should be incorporated into the mainstream trading system in order to make it fairer to all participants.

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TABLE OF CONTENTS

Title Page	i
Abstract	ii
Acknowledgments	iii
Table of Contents	iv
List of Figures	viii
List of Maps	ix
List of Tables	x
List of Plates	xi
Abbreviations	xii
INTRODUCTION	1
CHAPTER 1: THE FREE TRADE DEBATE	7
Introduction	7
Trade Theories	8
Positive Aspects of Trade Theories and Potential Benefits of Free Trade –	11
Problems with ‘Free Trade’	13
Economic Perspectives	13
Problems with Trade Theories’ Assumptions	13
Protectionism	17
Terms of trade	24
Non-economic Perspectives	28
Colonisation and Historical Terms of Trade	28
Security and Sovereignty	32
Labour standards and Human Rights	35
Environment and Externalities	40
Reaching an equilibrium	43
Summary	46

CHAPTER 2: ALTERNATIVES TO FREE TRADE	48
Introduction	48
Government Initiatives	50
South-South Cooperation and Trade	50
Import Substitution	54
Non-Government Initiatives	56
Alternative Trade	56
Activities of Fair Trade Organisations	58
Characteristics of Fair Trade Organisations	60
Objectives of Fair Trade Organisations	62
Labelling and Monitoring	64
The Consumer Side	66
Current Developments	69
Difficulties of Fair Trade	70
Ethical Trade	74
Summary	78
CHAPTER 3: THE BRAZILIAN CONTEXT	80
Introduction	80
Brazil	81
Poverty and Inequality	83
Brazilian Economy and Trends in International Trade	89
Agriculture and Land Distribution	92
Links between Labour Market, Education and Poverty	93
Perspectives of Brazilian Mainstream Trade	95
Alternative Trade in Brazil	96
Summary	101

CHAPTER 4: METHODOLOGY AND FIELDWORK	102
Introduction	102
Methodology	102
Research Design	102
Data Collected through the Surveys	105
Selection of Participant Groups	106
Methods	107
Fieldwork	109
Fieldwork Problems	109
Time	109
Privacy	110
Local Disputes	110
Adaptation and Misunderstandings	111
Research from Fieldwork	113
Personal Reflections and Feelings	114
Adapting Research Tools to the Reality of the Indigenous Group	114
Being an Inexperienced Researcher	116
Being a Foreigner in my Country	117
Feelings of Fear	118
Feelings of Guilt	120
Feelings of Anxiety and Depression	122
Summary	123
CHAPTER 5: FAIRNESS THROUGH FASHION – AN URBAN EXAMPLE	124
Introduction	124
Case Study 1 – Fair Trade Rio	125
Background Information on Fair Trade Rio	125
Visit to a Fair Trade Rio Producer Partner	128
Findings and Results	129
Case Study 2 – Fashion Co	131
Background Information on Fashion Co	133
Visit to Fashion Co	135

Findings and Results	139
Summary	141
CHAPTER 6: TRADITIONAL FAIR TRADE PARTNERS – A RURAL EXAMPLE	142
Introduction	142
Case Study 3 – Andirá – an Indigenous Cooperative	145
Background Information	146
The Visit	149
Results	154
Personal Reflections	156
Case Study 4 – Castanhal – a small village Cooperative	157
Background Information on Castanhal	157
Visit to Castanhal	159
Results	163
Summary	164
CHAPTER 7: CONCLUSION	166
Suggestions for Future Research	169
APPENDICES	
1. Social and Economic Indicators, Brazil	171
2. Details of Interviews	175
BIBLIOGRAPHY	176

LIST OF FIGURES

1.1	Growth in world merchandise trade, selected years	11
1.2	World merchandise trade by region, selected years (share of volume, percentage)	12
1.3	Trends in average tariff rates for developing and industrial countries, 1980-99	18
1.4	Export price of selected primary commodities, 1990-2001	25
3.1	Wealth concentration in Brazil	86
A1.1	Illiteracy rate in Brazil	171
A1.2	Life expectancy in Brazil	171
A1.3	Income distribution in Brazil (minimum salaries)	171
A1.4	Inflation rate in Brazil	172
A1.5	Exchange rate in Brazil	173
A1.6	Foreign debt, Brazil	173
A1.7	Trade balance, Brazil	173
A1.8	Exports and imports in 2000, Brazil	174
A1.9	Brazilian trade partners, 2000	174

LIST OF MAPS

3.1	Brazilian Map – Political Division	82
3.2	Fair Trade Producers in Brazil	97
6.1	Fieldwork in the Amazon	160

LIST OF TABLES

1.1	Tariff escalation in selected developing and industrial countries, 1994-2000 (unweighted average, percentage)	19
1.2	Anti-dumping initiations by reporting party from 01/01/95 to 30/06/01	22
1.3	Anti-dumping initiations by affected country from 01/01/95 to 30/06/2001 (percentage)	22
1.4	Export prices of primary commodities, 1990-2001	25
1.5	Growth in the volume of world merchandise exports and production by major product group, 1990-2000 (annual percentage change)	26
1.6	World merchandise exports by product, 2000 (billion dollars and percentage)	27
1.7	Exports of agricultural products, manufactures, food by region, 2000 (percentage)	31
1.8	Growth in the value of world merchandise trade by region, 2000	31
3.1	International poverty lines, selected countries	83
3.2	Income distribution in Brazil	84
3.3	Other social indicators in Brazil	86
3.4	Public expenditure on education and health in selected South American countries	87
5.1	Rio Projects and Fair Trade Rio tasks	126
A1.1	National account data, Brazil	172
A1.2	Indicators of industrial production (percentage variation)	172

LIST OF PLATES

1	The Settings of Fieldwork: a rural community in the Amazon	108
2	The Settings of Fieldwork: a <i>favela</i> in Rio de Janeiro	108
3	The hosts of fieldwork: Castanhal headquarters	115
4	The hosts of fieldwork: Hosts during the visit to Andirá	115
5 and 6	Boat trip to Barreirinha	119
7	Woman roasting cassava flour	121
8	Group of indigenous women looking after the children	121
9 and 10	View from the window of Fashion Co. (Rocinha)	137
11	Work at Fashion Co.	138
12	Top produced by Fashion Co. in partnership with M. Officer	138
13 and 14	Samples of Fashion Co. products in fashion parades and in the media	140
15	Guarana field of the Andirá group	143
16	Guarana field of the Castanhal group	143
17	Native bee project of Andirá group	148
18	Bee project of Castanhal group	148
19	Basket used for harvests	151
20	Ceramic oven used to roast guarana	151
21	Housing in one of the Sateré-Mawé villages	153
22	Native bee project adapted to the natural environment	153
23	Guarana plantation of the Castanhal group	161
24	Italian volunteers working with Castanhal group	161
25 and 26	Artercraft school at Castanhal group	162

ABBREVIATIONS

ATOs	Alternative Trade Organisations
AIDS	Acquired Immune Deficiency Syndrome
EFTA	European Fair Trade Association
ETI	Ethical Trading Initiative
EU	European Union
FINE	FLO, IFAT, NEWS! and EFTA
FLO	Fairtrade Labelling Organisation
FTZs	Free Trade Zones
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
HDI	Human Development Index
H-O model	Heckscher-Ohlin Model
IBGE	Brazilian Institute of Geography and Statistics
ILO	International Labour Organisation
IMF	International Monetary Fund
IS	Import Substitution
LDCs	Less Developed Countries
MST	Brazilian Landless Movement
MERCOSUR	Southern Cone Common Market
MNCs	Multinational Corporations
NGOs	Non-Governmental Organisations
PAB	Brazilian Artcraft Program
SEBRAE	Brazilian Support Service to Micro and Small Enterprises
TNCs	Transnational Corporations
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
US	United States
WTO	World Trade Organisation

INTRODUCTION

The role of international trade in the growth and economic development of developing countries has been highlighted over the decades. The increased importance of international trade has been fostered by a trend towards trade liberalisation that has been taking place since the creation of the Bretton Woods institutions and the establishment of the GATT (General Agreement on Trade and Tariffs) and WTO (World Trade Organisation).

There is an extensive literature on the development of trade liberalisation and international economic relations. While neoclassical economists and liberal politicians argue that international trade has brought benefits to all countries, using arguments such as trade theories based on comparative advantages, there is an increasing number of authors who argue that trade liberalisation has created winners and losers. However, few of those authors provide solutions or alternatives to the problems that trade liberalisation has brought to the losers.

The alternative trade movement provides suggestions that could improve the situation of those who are currently being impoverished by trade liberalisation. However, the literature on alternative trade and civil movements is still in its initial stages compared to the literature available on mainstream trade. In addition, the changes suggested by alternative trade organisations and civil movements are usually not taken seriously by governments, economists, or representatives of the interests of mainstream trade.

Although there is considerable dissemination of information through the media and the Internet, civil movements and non-governmental organisations, most of the world's population remains unaware of the impacts international trade brings into their lives. When drinking a cup of coffee, having a piece of chocolate, or buying a t-shirt, one hardly considers the production chain behind the final product or the conditions under which workers have produced these goods, whether they be agricultural, mining or manufactured goods.

People from both developed and developing countries have been caught in a cycle of production, growth and consumption, created and maintained by large businesses. By producing and consuming, people provide and receive benefits from this cycle. However, most of the world's population only provides their work without receiving their share of benefits. Most of these people are located in developing countries. Often, their work is the basis of a production process; they are the people who provide basic and primary material; the people who provide cheap labour in exchange for poor living conditions.

Although most mainstream organisations acknowledge the negative effects brought by globalisation to developing countries, little has been accomplished over the decades to alleviate poverty and to promote equal conditions of trade in global markets. Cooperation and financial aid have started to be questioned. For instance, the transfer of short-term financial help to developing countries has become not a charitable action, but a prevention to widespread crises into the global financial markets. After the debt crisis in the 1980s, countries became aware that they are all economically linked to each other, and 'cooperation' has become a rational way to avoid shocks in the economies of developed and developing countries. In addition, it appears that there is still a long way to go until cooperation is brought into and enhanced in current international trade practices. Therefore, there is an urgent need to review the international trading system if all countries want to receive benefits from it.

Although there is extensive literature on mainstream trade and trade liberalisation, trade theories and models, trade practice appears to be different from theory. While there have been considerable developments in the field of economics, a great deal remains to be done in the international political economies of developing countries. Issues such as protectionism, terms of trade, historical patterns of production (international labour division), sovereignty, labour standards, and environment concerns need to be addressed in multilateral trade discussion and negotiations. This would be the first step in making the international trading system beneficial to all countries.

At the same time, this study acknowledges that there are mechanisms for improvement of economic conditions for developing countries outside the mainstream trade system. These mechanisms could happen on two different levels: governmental and non-

governmental. In the governmental level countries could either pursue a more inward approach shifting their policies to import substitution, or pursue an outward approach through economic integration or strengthening of trade and cooperation among developing countries. On the other hand, non-government initiatives include alternative trade movements, which started through civil movements, non-governmental organisations, and private businesses, and aim to make production of developing countries' producers available in Northern alternative markets. Third World producers receive better payments for their produce under the alternative trade scheme, which is then reinvested locally for community development.

This dissertation attempts to discuss in detail one of these options, the alternative trade movement, also known as the fair trade movement. Alternative trade proposes that trade should not be seen as a form of aid, but as a recognition of the value of labour in developing countries. Paying what alternative trade organisations call a fair price, the exchange of products and services to developed countries provide to Third World producers a minimum standard of living. It is important to emphasise, though, that alternative trade does not aim to replace mainstream trade, but to work as a complement, making trading fairer to all countries which engage in it, helping specific groups (small rural and urban producers) in developing countries to access markets in developed countries, and promoting changes in mainstream trade practices through advocacy for developing countries and educational campaigns for consumers in developed countries.

Experience in developing countries shows that where alternative trade partnerships have been established, conditions of living have improved (Brown, 1993; Madeley 1996; Uriarte and Grüniger, 2001a). The present work attempts to investigate the impacts of alternative trade in Brazil. Four participant groups were selected for analysis, and the results showed that although the impacts of the alternative trade movement are not economically significant at a macro level in Brazil, it brought considerable benefits for those involved with it. Similar experiences from other studies with other participant groups in Brazil reached similar results (Uriarte and Grüniger, 2001a; 2001b).

While alternative trade organisations have helped to link producers from Third World countries to markets in developed countries, they have also aimed to diversify their

actions into educational campaigns and advocacy. These two tasks are fundamental for the future of the alternative trade movement, as they aim to bring the benefits of alternative trade into the mainstream trade system. Only by creating positive changes in the mainstream trade system, would alternative trade organisations be able to reach the majority of people who are currently excluded from the benefits of trade, since alternative markets themselves are not able to absorb all production from Third World countries. By overcoming their own limits by bringing producers into mainstream markets, alternative trade organisations would not only accomplish the task of providing markets to developing countries producers but also make the mainstream trade system fairer to developing countries. In addition, partnerships between alternative trade organisations, governments, businesses and civil society are important for the success of the alternative trade movement, as supported by Uriarte and Grüniger (2001a).

This is the reason why I concentrated a major part of the literature review on the free trade debate and trade liberalisation problems. By identifying the problems trade liberalisation has brought to developing countries, it is easier to propose solutions and changes that will in the long term benefit and bring economic and social growth to Third World countries.

Chapter 1 examines the free trade debate, acknowledges the positive aspects of international trade, and presents criticism of some of the international trade practices in place today. The chapter discusses the main problems of trade liberalisation and the impacts it has had in developing countries, such as flaws in trade theory assumptions, existing protectionism from both developed and developing countries, declining terms of trade for primary produce, colonisation and historical patterns of production, sovereignty issues, labour standards, and environmental concerns. In the last section, the chapter suggests a few solutions to make the mainstream trade system beneficial to all countries.

Chapter 2 presents some suggestions outside the mainstream trade system for the problems brought by trade liberalisation. These suggestions are presented at two separate levels: governmental and non-governmental. The dissertation provides a brief discussion of government initiatives, which includes strengthening of South-South cooperation and trade, economic integration, and import substitution policies. The main

focus of Chapter 2, however, is on the alternative trade movement. The chapter discusses the activities, characteristics, and objectives of Alternative Trade Organisations (ATOs). The chapter also discusses the role of consumers in the alternative trade movement, current developments, and difficulties and limitations of alternative trade. At the end of chapter, there is a brief discussion of Ethical Trade Initiative (ETI), commonly mixed with Fair Trade in the literature. Ethical Trade is related to voluntary adoption of codes of conduct by companies operating in developing countries.

Chapter 3 provides a brief explanation of the Brazilian context in this research. The purpose of the chapter is to provide the reader with general information about Brazil, such as its main social problems, economic conditions and international trade trends, and briefly discuss the impact of the alternative trade movement and other civil movements taking place in Brazil that are relevant to this study.

Chapter 4 presents the methodology used in the research of the impacts of alternative trade on selected producer groups during fieldwork in Brazil. It discusses the problems and limitations of methodological tools used in the research. It also provides an account of the fieldwork experience, such as problems arising during fieldwork, impressions, and personal feelings.

Chapters 5 and 6 present the case studies of this dissertation. Chapter 5 focuses on the experiences of two urban alternative trade producer groups in Rio de Janeiro. Both groups produce clothing and sell their products to different trade partners. Both groups are located in marginalised areas of Rio de Janeiro (*favelas*) and counted on the support of non-governmental organisations or professionals for cooperative and community development. Chapter 6 focuses on the experiences of two rural alternative trade producer groups in the Amazon. Both groups produce guarana and ceramics; they export their production to Italian alternative trade organisations. They are also assisted to some degree by non-governmental organisations and volunteers. Chapters 5 and 6 have a similar structure, they present background information on all participant groups, provide information about the visit to producer groups during fieldwork, and finally present the results and findings of research.

The final chapter provides the conclusions for both case studies, as well as wider implications of the free trade and alternative trade debate in the context of developing countries. The final chapter also aims to provide directions for further research as well as to discuss other issues arising from this study.

The thesis concludes that both systems, mainstream and alternative, have their strengths and weaknesses, and that one should not replace the other. Instead, it would be interesting to merge ideas from the two systems, taking into consideration the needs of people in developing countries. In addition, a few changes within the mainstream trade system would be helpful in promoting development in Third World countries. These changes are suggested at the end of Chapter 1.

The research based on the case studies in Brazil, presented in chapters 5 and 6, showed that although the impacts of the fair trade movement are small in macroeconomic levels, they should not be neglected since they brought improvements to participant cooperatives. The changes observed during fieldwork were not only in economic terms, but also in terms of social improvements, such as better access to education and training, empowerment of poor (in some cases marginalised) communities, gender empowerment, strengthening of self-esteem of cooperative members, and preservation of culture and traditions. The research also revealed differences between rural and urban cooperatives, with the latter having better access to resources and assistance.

CHAPTER 1

THE FREE TRADE DEBATE

INTRODUCTION

International trade theory was born during the Mercantilist period, an era of great commercial expansion for European countries due to technological advances in navigation, significant changes in the structure of politics with creation of Nation-States, and changes in the structure of societies with the *Enlightenment*. However, international trade had been taking place for a long time before Mercantilism was expounded, and with motivations other than profit making, such as cultural, political, strategic, or for social relations (Polanyi, 1944).

Over time, people realised that it was economically worthwhile engaging in activities in which they had advantages in terms of natural abilities or resource endowments (Todaro, 2000:468). Today, trade is deeply rooted in international relations, and the importance of international trade has been strongly reinforced by the globalisation process. It is clear by the way multilateral trade negotiations advance, that there is no way back to a past in which trade was not one of the most important aspects of our lives, if such a period ever existed. It is important to note, however, that the predominance of economics and international trade issues in our lives brings benefits to a few and significant losses to others (Carlisle, 1996; Dunkley, 2000; James, J., 2000; Madeley, 1996; Todaro, 2000; Winters, 1999). For the reason that it is unlikely that the present 'free trade' model will be of less importance in the near future, it is necessary to find alternative channels to bring more benefits to those who are currently being impoverished by trade liberalisation, and make the world economic integration process beneficial and fairer to all countries.

This chapter has the objective of exploring and analysing the 'free trade' debate. It is important to distinguish, however, the free trade theory from current 'free trade'

practices¹. It is beyond the scope of this thesis to present a full technical economic analysis of trade and free trade theories. Rather, the aim of this chapter is to illustrate the actual impacts of ‘free trade’ practices, which have not always followed the inner assumptions of trade theories. The argument is that what is called ‘free trade’ by governments and business corporations in multilateral negotiation arenas is nothing but regulated trade, which itself distorts some of the basic assumptions of trade theories. In addition, it is argued that the trade liberalisation process tends to promote the interests of corporations rather than people, putting profit motivations before people’s needs. It is also important to notice that impacts on the international system brought by economic liberalisation and trade expansion may not be reflected entirely in terms of economic gains or losses, as often assumed by some governments and economists. Economics does not portray all the impacts that trade liberalisation may have on each individual country and on the international system. Therefore, there is the need to incorporate social, cultural and environmental impacts in the analysis, which are as important (and at times even more important) than economic impacts (Broad and Cavanagh, 1995; Cavanagh, 1997b; Daly, 1996; Dunkley, 2000; Madeley, 1996; Madeley, 2000; Marsh, 1996; Martin and Schumann, 1996; Morris, 1996).

The first part of this chapter will discuss trade theories, the positive aspects of trade, and the potential benefits of a free trading system. The second part of this chapter will present the problems with the actual ‘free trade’ practices, in terms of economic and other non-economic perspectives. Finally, this chapter will briefly discuss other current important issues of trade liberalisation, and then present, where possible, alternatives to the mainstream trade system, which will be further discussed in Chapter 2.

TRADE THEORIES

The initial exponent of trade theories was Adam Smith, with the publication of *The Wealth of the Nations*. Smith believed that each person acting in pursuit of his or her own interests would help the economy to achieve greater economic efficiency and

¹ It is important to acknowledge that the current trade liberalisation process does not reflect all ideas and theories of free trade, in which markets are free from barriers and impediments to trade. Dunkley (2000:8-9) and Kelsey (1999:2-3) acknowledge differences between trade theory, globalisation, and their practices. In this thesis, the criticism is directed to current trade practices rather than trade theories themselves.

therefore generate greater collective wealth in society. Smith created the theory of absolute advantage, in which one individual should specialise in what he or she did most efficiently. By concentrating time and efforts on the production and sale of a single product with absolute advantage, this individual would be able to get access to a greater range of products and services offered by other individuals pursuing the same interest (Marsh, 1996:18-19). This theory was then applied to the international trade context, with individuals being replaced by countries. Smith's theory encouraged countries to specialise in the products in which they had absolute advantage in order to achieve 'mutual gains from trade' (Dunkley, 2000:108-109; Todaro, 2000). In addition to specialisation, Smith also believed that markets would best determine the limits for production and specialisation (Dunkley, 2000:108). Therefore, State intervention was harmful to economy, as markets would be more efficient in the allocation of resources.

The theory of absolute advantage was extended by David Ricardo, and it is known as the theory of comparative advantage. Ricardo believed that countries should specialise not in the product with the absolute advantage, but in the product in which they had comparative advantage. Ricardo's theory suggests that countries should specialise in products which they were more efficient in producing, in comparison to the efficiency of other countries, regardless of their absolute advantages (Appleyard and Field, 1998; Dunkley, 2000; Todaro, 2000:468-469). The basic assumptions on which comparative advantage theory was based, and which were found in most economic textbooks, are summarised as follows: (a) each country has a fixed endowment of resources, and all units of each particular resource are identical; (b) factors of production are completely mobile between alternative uses within a country; (c) factors of production are completely immobile externally; (d) a labour theory of value is employed in this theory, which implies that the relative value of a commodity is based solely on its relative labour content; (e) the level of technology is fixed for both countries, although the technology can differ between them; (f) costs of production are constant; (g) there is full employment; (h) the economy is characterised by perfect competition; (i) there are no government-imposed obstacles to economic activity; and (j) internal and external transportation costs are zero (Appleyard and Field, 1998:29-30). Some of these assumptions were relaxed for other advanced trade models based on the comparative advantage theory, such as transportation costs and the formation of price based on the

labour theory of value. Most of the assumptions, however, are considered valid in current trade models.

It was only in the beginning of the 20th century that other factors of production were included in trade theories, through the H-O model (Heckscher-Ohlin Factor Endowment model) (Appleyard and Field, 1998:128; Dunkley, 2000; Todaro 2000:469-470). The H-O model analysed trade of two commodities between two countries, and included two factors of production, labour and capital. The H-O model showed that countries with different endowments should specialise in the factor that was most abundant (Appleyard and Field, 1998:128; Todaro 2000). Some of the assumptions were different from the comparative advantage model, such as (a) identical technologies in trading countries; (b) different factor intensities for the produced commodities; and (c) same tastes and preferences in both trading countries (Appleyard and Field, 1998:128). The assumption of absence of policies restricting movement of goods between countries or interfering with determination of price was fundamental to the H-O model (Appleyard and Field, 1998:128). After the H-O model, several other modern models have been created, including computer simulations of trade conditions between countries or possible outcomes of multilateral trade arrangements. Their assumptions, however, remain similar to those stated by the comparative advantage theory and the H-O model.

The specialisation as suggested by the H-O model was a very practical solution for the patterns of trade that had been formed throughout the centuries through trade between metropolis and colonies (Todaro, 2000:470-471). Metropolis' had developed into manufacturing, while colonies were providers of raw materials and primary commodities. While the metropolis was capital factor abundant, the colonies due to political systems and importation of cheap labour (even slave labour) were labour abundant (Brown, 1993:41-42; Madeley, 1996:7; Todaro, 2000:470-471). In many ways, trade theories have evolved along with historical patterns to justify trade patterns themselves throughout history, and some of these patterns are present in trade structure today. Colonisation and its effects on current patterns of trade will be discussed later in this chapter.

POSITIVE ASPECTS OF TRADE AND POTENTIAL BENEFITS OF FREE TRADE

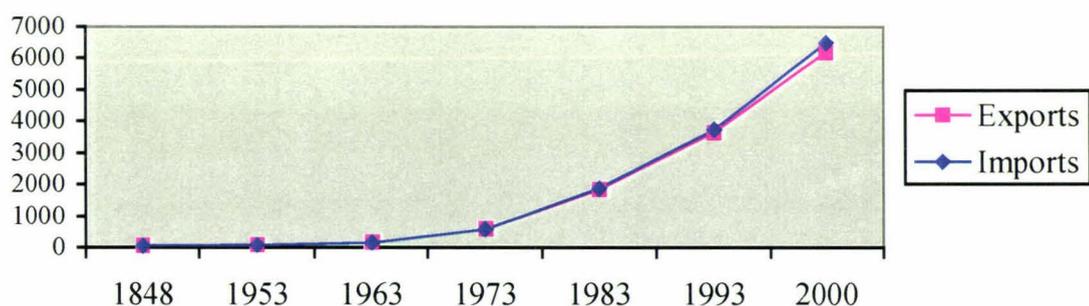
It is argued by some authors that some of the international trade practices today are unethical, since they have caused some degree of harm to the economies of developing countries. However, according to business and economic ethics textbooks, as long as exchanges are made *voluntarily* between parties, trade is considered ethical, regardless of its terms of trade. McGee (1999:83-84) provides a practical example of ethics and international trade:

The measure of whether a trade policy meets minimum legal and ethical standards is whether it violates anyone's property, contract or association rights. If it does, then it fails to meet the minimal ethical standard.

Therefore, although countries may not benefit from trade on the same levels, international trade is considered ethical due to its voluntary nature.

The ethical argument appears to be true, since despite the declining terms of trade, developing countries have maintained trade relations with developed countries, and world trade has had considerable growth in the last fifty years, as shown in Figure 1.1. Figure 1.2 (next page) shows the trends of international trade by regions.

Figure 1.1 – Growth in world merchandise trade, selected years (US*\$ billions)



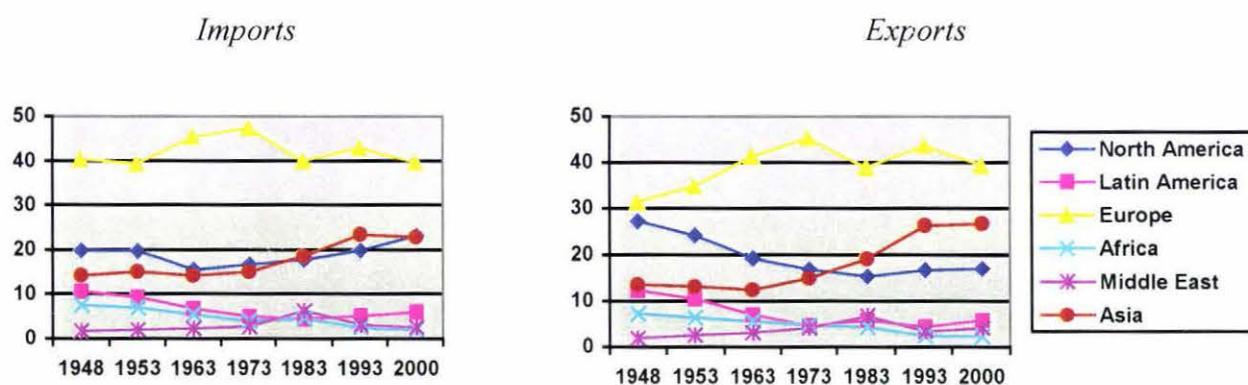
*United States (US)

Source: World Trade Organisation

The fact is that trade does bring some degree of benefits to countries (Madeley, 1996:4; Madeley, 2000; Todaro, 2000). Trade can increase productivity, consumption capacity (by reduction of costs of production), stimulate economic growth and promote a rise in real incomes of trading countries (Todaro, 2000:474).

Trade also promotes greater efficiency of resource allocation (Dunkley, 2000:109; Madeley, 1996; Marsh, 1996; McGee, 1999; Todaro, 2000); it challenges domestic monopolies and promotes market competition, at the same time eliminating distortions and inefficiencies (Madeley, 1996:65). Trade facilitates the access to scarce resources and markets (Madeley, 1996; Todaro, 2000:470, 474, 519), and encourages economies of scale, therefore reducing costs of production (Todaro, 2000:519). Trade also attracts foreign capital and expertise, and helps to generate foreign exchange which can be used for the increased imports required for further economic development in developing countries (Low and Nash, 1994; Todaro, 2000:519).

Figure 1.2 – World merchandise trade by region, selected years (share of volume, percentage)



Source: World Trade Organisation

Finally, authors such as Madeley (1996:4) argues that trade is beneficial because it promotes diversification of products and access to products that would otherwise be unavailable (Low and Nash, 1994:58; Marber, 1998). Madeley (1996:4) also argues that trade can help to raise living standards in developing countries. Winters (1999:43) adds that trade can indeed contribute to poverty alleviation. Other arguments in favour of trade are promotion of greater international and domestic equality by equalising factor prices (Todaro, 2000:474), incentives for product improvement and technical change (Todaro, 2000:519), creation of economic opportunities (Marsh, 1996:19), and greater freedom and respect for individual rights (McGee, 1999:72).

PROBLEMS WITH ‘FREE TRADE’

ECONOMIC PERSPECTIVES

PROBLEMS WITH TRADE THEORIES’ ASSUMPTIONS

Most liberal politicians and authors who use Smith or Ricardo’s theories to defend free trade fail to admit that the assumptions stated in the absolute and comparative advantage models are not present in our reality (Dunkley, 2000:110). It is argued by some authors, such as Korten (1996:185-186), that today, the idea of free trade is being used to defend the interests of corporation monopolies and big businesses, and not to the benefit of the whole society, as intended by the original trade theorists.

According to Korten (1996:185-186), Smith demonstrated in *The Wealth of Nations* that protectionism and state intervention in the economy tended to distort the self-corrective mechanisms of a competitive market, which according to his assumptions comprised small buyers and sellers. Korten (1996) also argues that the current world economic system has similarities to the monopolistic market system that Smith condemned. The free market idea of Adam Smith in 1776 was totally different to the ‘free market’ practices we have today. Smith’s concept of free market was one of a market composed of small buyers and sellers, all with little influence to control prices. According to Korten (1996:186), “Smith’s concept of a competitive market was one in which there were no large businesses with monopolistic market powers”. Korten (1996:186) adds that advertising, marketing and product differentiation also have a fundamental role today, which did not happen during Smith’s period:

The attention of producers [according to Smith’s theory] is on selling their goods at the best possible price, rather than driving other producers out of the market to capture their market share.

Another important assumption of trade theories, the immobility of capital and labour, is also not valid in practice. According to Korten (1996:187), Smith assumed that capital would be fixed in a particular place, and this assumption was fundamental to his theory. The reason was that the invisible hand had not only a market function, but also a social function. According to Appleyard and Field (1998:25), market had not only an important role in the accumulation of a country’s wealth but also in “the nature of the social order that it achieved and helped to maintain”. Therefore, according to Smith’s theory, in pursuing self-interest, one would also contribute to public benefit (Korten,

1996:187). Daly (1996:230-231) has also noted that it is unrealistic to assume immobility of factors of production (capital, investments and labour to a certain degree) in current trade models: “In today’s world, where billions of dollars can be transferred between nations at the speed of light, that essential condition is not met”.

Smith was not in favour of monopolies, as he claimed that the non-interventionist approach from the State would free markets from protection and therefore create ‘natural’ market incentives for perfect competition (Appleyard and Field, 1998:25; Korten, 1996). In this sense, according to Korten (1996:188),

Adam Smith was most definitely not an advocate of gigantic corporations, detached from commitment to any place, funded through capital markets that separate the management of capital from its actual ownership. The liberal economic model, which Smith’s name is invoked to legitimize, is in fact much like the model he opposed as inefficient and contrary to public interest.

Concerning the rise of MNCs (Multinational Corporations) monopolies, Hawken (2000:28) points out that the world’s top 200 companies have twice the assets of 80 percent of the world’s population. Hawken² (2000:28) claims that the economic wealth of MNCs enables them to influence politicians and the public when required:

All democratic institutions are diminished and at a risk. Corporate free-market policies, as promulgated by the WTO (World Trade Organisation), subvert culture, democracy, and community, creating a true tyranny.

On the other hand, other authors, such as Brown (1993:79), argue that there was never a market economy in our history, and that the invisible hand of the market present in most economic arguments during the nineteenth century were actually ‘British hands’. According to Brown (1993:79),

It is one of the myths of history that there was ever a free and wholly unregulated market or a *laissez-faire* economy and a ‘night watchman’ role for the state, even in Britain in the nineteenth century. Markets have always been regulated, generally by those with most power - rulers, property owners, large companies – and just sometimes by those trying to limit monopoly power and discourage swindling.

Current trade theories also unrealistically assume full employment of resources, which includes labour. Unemployment is a serious issue that many governments face today, and as Madeley (1996:6) argues, “if there is unemployment, then putting resources to

² Some of the quotes in this thesis were taken from electronic journals or the Internet. Due to the formatting of the text in electronic journals and the Internet, it was not possible to locate the original pagination. For this reason, all quotes from electronic journals and the Internet will be referred as to the first page of the article or text.

work even if they have no comparative advantage may be more important to policymakers than economic theory”.

Another problem with trade assumptions is the inequality for developing countries with regard to access to perfect information. According to Madeley (1996:8-9), commodity-producing countries face a ‘perfect’ market for their goods, whereas developed countries that make manufactured goods, by contrast, enjoy an ‘imperfect market’. According to Madeley (1996:9), “manufacturers can claim special features for their goods and fix prices accordingly; the market is not ‘perfect’, so there is inevitably imperfect knowledge”.

Another questionable argument presented by free trade authors, such as McGee (1999), is about the non-existence of predatory prices set by MNCs, which drives smaller firms out of business. According to McGee (1999:80), “predatory pricing doesn’t exist. It is like a unicorn that exists on paper and in people’s minds but does not exist in reality (Koller 1971)... if it did exist, it would benefit consumers since the result would be lower prices”. McGee (1999:80) fails to observe that predatory pricing does exist and it is indeed a real issue. There is a growing monopoly of MNCs in all sectors of production and trade, as argued by Brown (1993), Goldsmith, E. (1996), and Hawken (2000), and which goes exactly in contrast with trade theories which assume several buyers and sellers. The number of buyers and sellers have been decreasing.

A few MNCs control the production and trade of most manufactured products. At the same time intermediate buyers are also decreasing due to the increase in intra-trade among corporations. Goldsmith, E. (1996:266) argues that “already, between 20 percent and 30 percent of world trade is between TNCs (Transnational Corporations) and their subsidiaries”. The question is, what happens next, after MNCs reach monopoly or oligopoly stages? Prices will be set up at their discretion, and there will be no competition to stop them setting higher prices. The bigger companies get, the harder it becomes for governments to control their actions or even deal with them. The weaker the country is, the easier it will be for these companies to act under these circumstances. With the many concessions developing countries give to MNCs in order to attract foreign investment - free trade zones, tax-free holidays, attractive treatment for joint venture and easy rules for repatriation of dividends (Marber, 1998) - the harder it will be

in the future for governments to regulate their markets in order to establish economic efficiency. Therefore, increase in monopolies and oligopolies by MNCs may not benefit the consumer, as argued by McGee (1999:80).

This argument is supported by Brown (1993:56): “in some markets there are just two or three giant firms dominating the market. It is in that case obviously quite easy for them to act in collusion, even while not actually employing inside knowledge. They can therefore manipulate the market”. In the same lines, Goldsmith, E. (1996:265-6) also argues about the negative impacts of collusions among TNCs:

As a few giant TNCs consolidate their respective control in the worldwide sale of a particular commodity, so is it likely to become ever less advantageous for them to compete with each other. Competition mainly reduces profit margins; cooperation, on the other hand, enables them to increase their hold over governments and to deal with the inevitable opposition from populist and nationalist movements and others who might seek to restrict their power and influence. Already, TNCs are resorting to more and more vertical integration, thereby controlling virtually every step in the economic process in their respective fields... In this way, TNCs are effectively insulating themselves from market forces and ensuring that it is they themselves, rather than competition from their rivals, that determine, at each step, the prices that are to be charged.

A final criticism of market and trade theories' assumptions is the unrealistic lack of space for government intervention, and the assumption that “a free market is the most neutral and hence unbiased method of income allocation” (O’Byrne, 1996:8). According to liberal economists, trade should not be concerned with income redistribution, and according to market forces, “you receive your due as a[n] individual as measured by your productivity and as valued by the neutral market factors of supply and demand (O’Byrne, 1996:9). Therefore, according to liberal economists there can exist no agreed-upon basis for redistribution (O’Byrne, 1996:10). Hayek, cited on O’Byrne (1996:11), argues that:

attempts to redistribute wealth, whether within a country or internationally, are inherently misguided. No single country or series of corporate activity, it would be argued, is responsible for the current distribution of global wealth.

However, redistribution issues are inherent to trade liberalisation since trade creates winners and ‘temporary’ losers that need to be compensated, according to trade theories. In addition, the liberal argument ignores a colonising past which still influences the lives of many people in both developing and developed countries.

Finally, perhaps one of the major problems with 'free trade' practice is not only the rupture of previous trading assumptions, but also the establishment of new ones, as supported by Morris (1996:219):

The infatuation with large-scale systems leads logically to the next postulate of free trade: the need for global markets. Anything that sets up barriers to ever-wider markets reduces the possibility of specialization and thus raises costs, making us less competitive.

Morris (1996:220) also argues that the main consequences of globalisation and expansion of markets may not be felt purely in economic terms. The consequences would be in terms of weakening of cultural and social bonds within countries; establishment of new patterns of global consumption in which every person has the same needs, which does not reflect the reality; and the shift from self-reliance towards greater dependence among countries. On the same lines, Hawken (2000:28) also stresses that globalisation endangers self-reliance within countries, and threatens small business: "smaller local businesses can rarely compete with highly capitalized firms that seek market share instead of profits".

PROTECTIONISM

Protectionism is not seen as an efficient government tool by liberal economists, who argue that the costs of protectionism would be passed on to citizens. At the same time, protectionism is claimed to be unfair since it leaves trade partners worse off (Todaro, 2000).

In most of the cases, protectionist measures come after lobbying from sectors who would lose under structural adjustments required by trade liberalisation processes and who are not willing to go through these structural changes (Todaro, 2000). Protectionism becomes potentially dangerous when countries use it to reap benefits at the expense of other countries (Todaro, 2000)³. Anti-protectionist authors argue in favour of weak economic regulation from government – in other words a minimalist state; leaving regulation to the free forces of market as a way to efficient allocation of resources.

³ This highly criticised form of protectionism is also known as 'predatory protectionism' (Todaro, 2000).

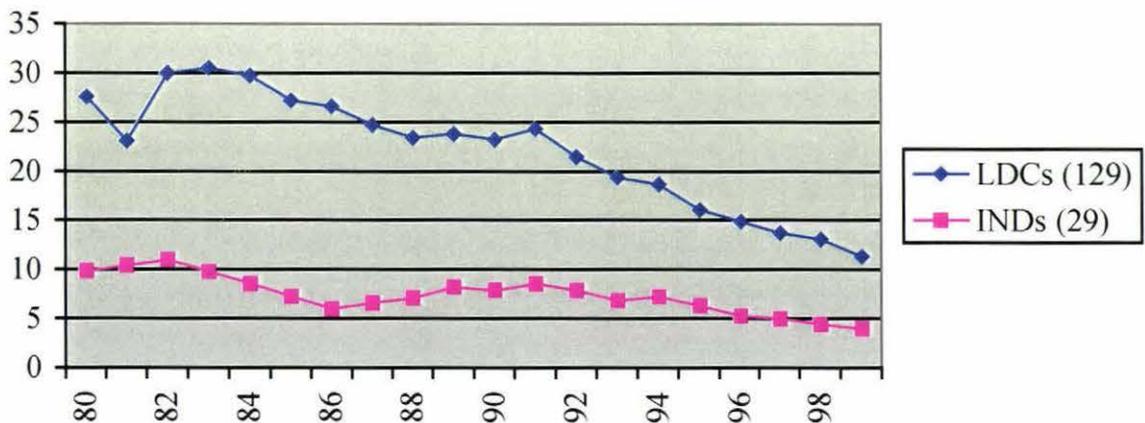
The biggest obstacle for growth in trade and diversification of production for developing countries is protectionism from developed countries. Todaro (2000:503) argues that although trade liberalisation initiatives have increased, trade barriers have at the same time been strengthened over the years:

During the 1980s, for example, 20 out of 24 industrial countries *increased* their protection against LDC (Less Developed Countries) manufactured or processed products. Moreover, their rates of protection were considerably higher against LDC exports than against those of other industrial nations.

Even with trade liberalisation and multilateral agreements, these barriers remain the main impediment for market access by developing countries.

It is claimed that developing countries have received special treatment in most multilateral trade agreements. However, Madeley (2000:62) argues that “in practice it is Western countries, not developing countries, that have received special treatment”. This resulted from a system of tariff escalation which means that higher tariffs are placed on processed goods; the greater the processing, the higher the tariff, harming processing and the development of manufacturing industries in developing countries (Todaro, 2000:503-504). Figure 1.3 shows the trends in average tariff rates for developing and industrial countries. Table 1.1 shows tariff escalation for selected developing and industrial countries. Although tariffs are lower in developed countries, as shown in Figure 1.3, developing countries have consistently reduced tariff rates in the last two decades, while developed countries had less significant reduction in tariffs.

Figure 1.3 – Trends in average tariff rates for developing countries and industrial countries, 1980-99



Source: World Trade Organisation

Table 1.1 – Tariff escalation in selected developing and industrial countries, 1994-2000
(unweighted average, percentage)

Country	Year	<i>Agriculture</i>			<i>Manufactures</i>		
		1 st stage	Semi- proc.	Fully proc.	1 st stage	Semi- proc.	Fully proc.
China	1997	19.3	34.3	29.2	7.4	13.3	19.3
Korea	1999	49.9	93.2	31.8	3.4	7.8	8.0
Bangladesh	1999	16.1	23.0	29.2	17.6	20.7	24.1
India	1997	25.4	29.9	42.8	23.6	35.4	36.4
Kenya	1999	16.4	24.7	24.7	15.2	17.9	18.6
Madagascar	1998	4.9	8.3	7.6	1.1	6.7	7.7
South Africa	1997	12.4	10.9	15.6	4.9	18.6	13.8
Egypt	1997	33.0	36.9	44.5	24.2	29.5	39.5
Argentina	1998	10.0	13.9	16.0	7.7	12.0	15.3
Brazil	2000	9.5	13.2	15.6	8.9	11.9	15.8
Mexico	1998	15.1	14.9	30.5	8.2	10.2	14.2
Australia	1998	0.3	0.7	2.3	0.7	5.6	6.5
Canada	1999	1.7	3.6	7.0	0.7	4.2	5.1
EU*	1999	7.3	12.0	13.1	0.6	4.9	4.0
US	1999	7.1	4.5	10.3	0.6	5.0	4.1
LDCs (60)	1994- 2000	17.9	23.2	27.7	10.7	11.9	15.5
INDs (23)	1998- 2000	4.8	8.6	12.0	3.2	3.6	5.1

* European Union

Source: World Trade Organisation

According to Madeley (2000:62), the Uruguay Round agreement did nothing to lower most of the trade barriers. One example of the negative impact of trade tariffs is on textiles and clothing exports by developing countries, presented by O'Byrne (1996:5):

The cost of these trade barriers on textiles and clothing was estimated by the *Human Development Report 1994*, to be approximately \$50 billion a year. This number is approximately equal to the total flow of foreign assistance.

On the same lines, Todaro (2000:504) argues that a study by UNDP (United Nations Development Program) estimated that the Multi-Fibre Arrangement (MFA) costs the Third World \$24 billion a year in lost textile and clothing export earnings, and other trade restrictions by developed countries cost LDCs at least \$40 billion a year in foreign exports and lowers their GNP (Gross National Product) by more than 3%.

Therefore, authors such as Raghvan (1997) believe that developing countries stand to lose with the trade liberalisation wave. Raghvan (1997:20-21) argues that developing countries embraced trade liberalisation and market forces. However, at the same time, “the industrialised world which has been preaching these doctrines, but not practising them, is erecting new barriers against the South on grounds of protecting the environment and social standards” (Raghvan, 1997:20-21).

The current non-protectionist argument is also inconsistent when analysing the history of developed countries. At some stage in their history, developed countries openly used protectionist measures to develop their own industries. Today, however, most developed countries argue that protectionism is harmful to the growth of developing countries. According to Brown (1993:79), “United States, German, Japanese and Korean industries were all built up behind protective walls, but thereafter such protection was used by those already well placed to prevent others from becoming established”. The arguments for such protection from developed countries is also discussed by Brockway (2000). According to Brockway (2000:25), industries are threatened in their home market by severe competition from foreign industries; and that competition may be made possible by wages or working conditions that are considered by developed countries exploitative or dangerous.

Domestic policies of developed countries also affect market access and economic conditions in developing countries. According to Madeley (2000:45) changes in the agricultural policies of Western governments have a great impact on developing countries: “the level of overall subsidization of agriculture in Western countries rose from US\$ 182 billion in 1995, when the WTO was born, to US\$ 280 billion in 1997 and US\$362 billion in 1998”. Marsh (1996:23) also discuss the impact of agricultural domestic policies of developed countries on developing countries:

In most rich countries, agricultural policies have protected farmers. Internal prices have been kept high either by subsidies or by controlling the amount available on the domestic market. Where more has been produced than can be sold at home, export subsidies have been made available.

Export subsidies of developed countries are particularly harmful for farmers in developing countries, who cannot compete with cheap subsidised agricultural production from developed countries (Madeley, 2000).

Marsh (1996:19) believes that there is no reason for developed countries to place barriers for trade:

obstacles to trade must be regarded as morally as well as practically objectionable. Those who oppose greater freedom, as do agricultural lobbies in many developed countries, are regarded as acting in a self-interested manner, to the detriment of society as a whole. International trade is no exception.

Marsh (1996:23-4) goes on to state that:

low-cost agricultural exporters lose traditional markets not only in the countries concerned but wherever dumped exports reach the world market. It also means that countries seeking to develop their agricultural sectors are denied access to markets in which they could compete.

One way to combat subsidies and dumping practices is lodging a formal anti-dumping complaint at the WTO. However, the costs for lodging a formal anti-dumping complaint for developing countries against developed countries is expensive and the process itself is complex. According to Madeley (2000:72),

anti-dumping proceedings at the WTO are like the Ritz Hotel – open to all. It is therefore rare for developing countries to challenge a developed country. By contrast, developed countries frequently invoke anti-dumping measures against developing countries.

Table 1.2 (next page) shows anti-dumping initiations by reporting parties and Table 1.3 (next page) shows anti-dumping initiations by affected countries.

It is clear from Tables 1.2 and 1.3 that developed countries and middle upper income developing countries lead the numbers of complaints, but developing countries receive the majority of complaints. Only three low income countries lodged anti-dumping complaints, two of them being India and Indonesia. Excluding India and Indonesia from the statistics, the number of low income countries complaints lodged at the WTO would fall from 14% to 0.122%.

Table 1.2 – Anti-dumping initiations by reporting party from 01/01/95 to 30/06/01

Reporting	95	96	97	98	99	2000	2001	Total	(%)
								Total	
Low Income (3)	6	32	18	37	75	44	17	229	14%
Middle Lower Income (9)	7	15	20	27	29	9	2	109	6.6%
Middle Upper Income (13)	66	98	85	103	93	94	25	564	34.4%
Total Developing countries	79	145	123	167	197	147	44	902	55%
High Income (7+EU)	78	79	120	87	159	125	90	738	45%
Total	157	224	243	254	356	272	134	1640	100%

Source: World Trade Organisation and World Bank

Table 1.3 – Anti-dumping initiations by affected country from 01/01/95 to 30/06/2001, (percentage)

Affected	Reporting				Total
	Low Income	Middle Lower Income	Middle Upper Income	High Income	
Low Income	12	6.5	26.6	54.9	100
Middle Lower Income	16.5	7.9	32.3	43.3	100
Middle Upper Income	9.95	9.15	33	47.9	100
Higher income	15.16	4.28	40.85	39.7	100
Total	14	6.6	34.4	45	100

Source: World Trade Organisation and World Bank

New forms of protectionism currently in place and which have been damaging to developing countries are technical measures and phytosanitary requirements. Henson and Loader (2001:87) argue that

as the liberalisation of tariff and quantitative restrictions on trade in agricultural and food products has progressed attention has increasingly focused on technical measures such as food safety regulations, labeling requirements, and quality and compositional standards...it reflects wider recognition that technical measures can act, either explicitly or implicitly, as a barrier to trade in a similar manner to tariffs and quantitative restrictions.

Henson and Loader (2001:99) claim that SPS (Sanitary and Phytosanitary) measures are considered the most important impediment to agricultural and food exports to the EU (European Union). Henson and Loader (2001:99) argue that this impediment reflects “poor access to compliance resources, including scientific and technical expertise, information and finance” by developing countries. Finally, Henson and Loader (2001:100) suggest that WTO and other international organisations should facilitate the participation of developing countries, taking into consideration safety and technical measures.

On the other hand, it is argued that not only developed countries have erected trade barriers, but developing countries also have barriers against imports. Madeley (1996:66) defends protectionism in developing countries by saying that these barriers are justified “because they are necessary to promote ‘infant industries’, which are just starting and which need time to get established” (Dunkley, 2000; Todaro, 2000:504-507). Controlling or limiting imports is not an easy task, since at the same time developing countries want to avoid imports and develop their own industries, the counter-effect would be a decrease in export growth (Madeley, 1996).

Gujral (1993:39) argues that developing countries need to have more access to international markets. According to William H Duper (director of the UN Development Program) cited in Gujral (1993:39),

the national markets of [the developing countries] are opening, [but] the global markets remain restricted; where can the developing nations sell their products unless the global markets are also freed of protectionist restraints?... The international community must strengthen its support [for] global human development...not only through increasing aid but through improving developing countries’ access to the global markets.

On the same lines, Madeley (1996:70) points out that if developing countries want to have access to markets in developed countries, it is necessary that developed countries restructure their industries and move away from goods that Third World countries are able to produce and sell, creating conditions to strengthen trade and reduce trade barriers.

TERMS OF TRADE

Some authors claim that international trade has been damaging the economies of developing countries due to declining terms of trade, and also causing the onset and worsening of debt due to the problems of trade balance. There are several explanations for the declining terms of trade for primary products. One of them is concerned with the elasticity of product prices that are exported by developing countries. The inelasticity of demand for commodity products, such as coffee, tea, and other primary products does not help to improve export conditions for developing countries, which cannot afford to increase production. Increase in the production of inelastic goods will inevitably lead to lower prices and greater difficulty for small producers to bear the costs of production. According to Madeley (1996:34) “between 1982 and 1990 world market prices for coffee, cocoa and tea – three of the developing world’s major export crop earners – fell at an average rate of 11 percent a year”. On the same lines, Todaro (2000:463-465) also argues that the elasticity of demand for primary products is low:

Most statistical studies of world demand patterns for different commodity groups reveal that in the case of primary products, the income elasticity of demand is relatively low – the percentage increase in quantity of primary products demanded by importers (mostly rich nations) will rise by less than the percentage increase in their GNPs. By contrast, for fuels, certain raw materials, and manufactured goods, income elasticity is relatively high.

Table 1.4 (next page) shows the evolution of primary commodities export prices from 1990 to 2001. Figure 1.4 (next page) shows the trend of export prices for some selected commodities, chief exports of some African, Asia, and Latin American countries.

On the other hand, demand for manufactures exported by developed countries tends to be elastic, both for the case of increase in income or for product differentiation: “as living standards rise, so the demand for radios, watches, etc. also rises” (Madeley, 1996:9). Table 1.5 (page 26) shows the evolution of trade growth in manufactures in comparison with other primary commodities, and Table 1.6 (page 27) shows the world merchandise exports by products in billions of dollars and percentage share. Both tables show that manufactures have higher percentage change (growth in production and exports), and larger share in the world trade, in comparison to primary products. This means that developed countries and middle-upper income developing countries have larger participation, and therefore receive most benefits from international trade.

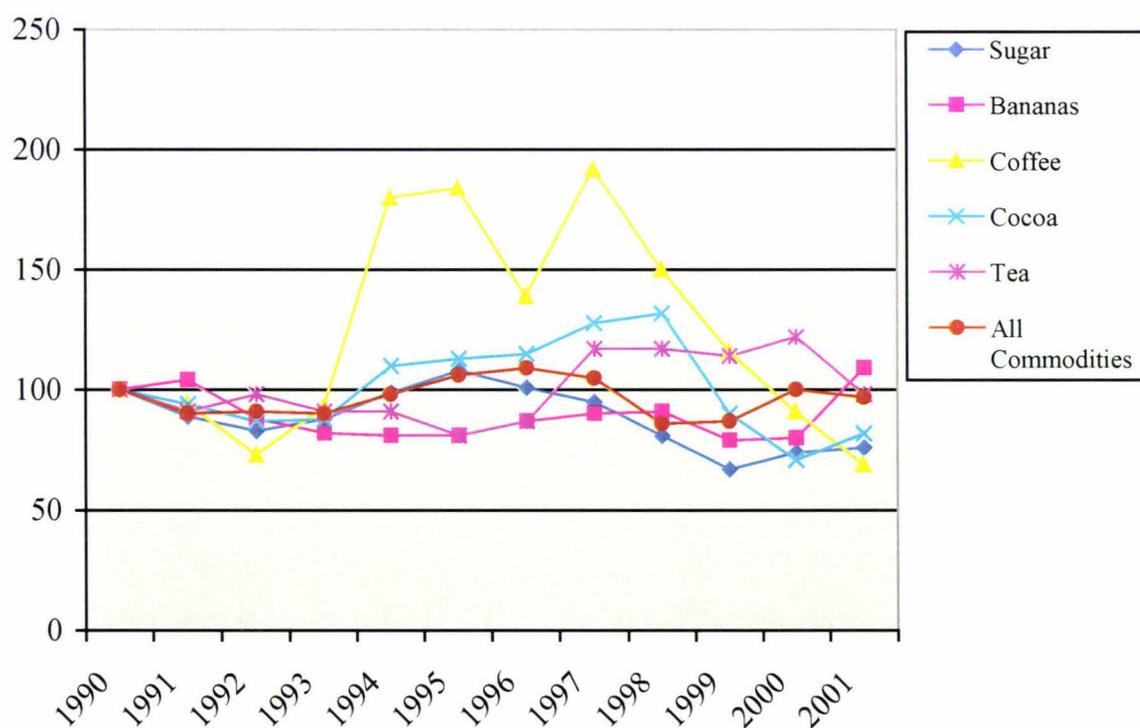
Table 1.4 – Export prices of primary commodities, 1990-2001

Commodities	91	92	93	94	95	96	97	98	99	2000	2001
Food, beverages, and tobacco	99	98	97	111	118	125	122	106	89	85	83
Agriculture	96	99	117	129	135	130	120	99	102	104	106
Raw materials											
Minerals	87	84	72	84	100	89	92	78	77	86	81
Total	94	94	96	109	118	117	113	96	90	91	89
Crude Petroleum	84	83	73	69	75	89	84	57	78	123	116
All Primary Commodities	90	91	90	98	106	109	105	86	87	100	97

Note: (Indices 1990=100)

Source: World Trade Organisation

Figure 1.4 – Export price of selected primary commodities, 1990-2001



Note: (Indices 1990=100); 2001 prices based on second quart of year.

Source: World Trade Organisation

Table 1.5 – Growth in the volume of world merchandise exports and production by major product group, 1990-2000 (annual percentage change)

	1990-00	1997	1998	1999	2000
World merchandise exports	7.0	11.0	5.0	5.0	12.0
Agricultural products	4.5	6.0	0.0	2.5	8.0
Mining products	4.0	9.5	4.0	-1.5	0.5
Manufactures	7.5	12.0	5.0	7.0	14.5
World merchandise production	2.5	4.5	2.0	2.5	4.5
Agriculture	2.0	2.5	1.5	2.5	1.0
Mining	1.5	3.5	1.5	-2.0	3.5
Manufacturing	2.5	5.5	2.5	3.5	6.0
World GDP*	2.0	3.5	2.0	3.0	4.0

*Gross Domestic Product

Source: World Trade Organisation

Increases in the production of export commodities have been pushed by policies in developing countries with the aims of generating foreign exchange and establishing trade balance weighted by imports of manufactures. However, policies encouraging commodity exports have helped make terms of trade deteriorate even further, since the price paid for primary commodities has not increased in the last decade and, at the same time, there was an increase in offer of commodities caused by increased competition among developing countries. This argument is supported by Madeley (1996:50-1):

During the past 10 years the external debt of most developing countries has grown by massive proportions...the need to earn money to service debts of this kind has lead many governments to encourage an expansion of export crops even though they are already in over-supply.

Structural Adjustment Programs also exacerbated deterioration of terms of trade. According to Madeley (1996:51), “structural adjustment programmes imposed by the International Monetary Fund (IMF) and the World Bank have encouraged such expansion and contributed to the fall in price of many internationally traded commodities”.

Table 1.6 – World merchandise exports by product, 2000 (billion dollars and percentage)

	Value	Share
All products	6186	100%
Agricultural Products	558	9.0%
Food	442	7.2%
Raw materials	116	1.9%
Mining products	813	13.1%
Ores and other minerals	62	1.0%
Fuels	631	10.2%
Non-ferrous metals	120	1.9%
Manufactures	4630	74.9%
Iron and steel	144	2.3%
Chemicals	574	9.3%
Other semi-manufactures	449	7.3%
Machinery and transport equipment	2566	41.5%
Textiles	157	2.5%
Clothing	199	3.2%
Other consumer goods	541	8.8%

Source: World Trade Organisation

Monopolies and oligopolies in the purchase and sales of commodity products by TNCs also played an important role in the declining terms of trade. According to data provided by Madeley (2000:91),

Six corporations handle about 85 per cent of world trade in grain, eight TNCs account for between 55 to 60 per cent of world coffee sales, seven account for 90 per cent of tea consumed in Western countries, three account for 83 per cent trade in cocoa, three account for 80 per cent of bananas. Food products account for three-quarters of agricultural trade.

Brown (1993:56) also support this argument. Madeley (2000:91-92) also argues that

TNCs need a regular supply of primary commodities, preferably enough of an over-supply to keep their prices low. By their demand for export crops, the corporations effectively encourage farmers to grow them, often at the expense of food crops. Because of the need to earn more hard currency to repay foreign debt, developing countries have been encouraged by the World Bank and other donors to give their farmers incentives to grow and to trade agricultural commodities.

Fischer (1991:24) also claims that “the long-term decline of commodity price is mainly the outcome of falling long-term production costs as a result of new technologies and intensified competition in the world economy, including the competition generated by more advanced developing-country exporters”.

In this sense, it is important for small producers, who depend heavily on the trade of their production for their living, to find alternative buyers and better prices for their production. Selling it to middlemen, who in turn will sell the produce to TNCs, hardly covers the costs of production, and keeps producers chained to this process indefinitely. One of the alternatives to this problem which will be further discussed in Chapter 2 is the alternative trade movement, which links small producers directly to markets in developed countries.

Another way to reduce trade balance debts, caused by the declining terms of trade, is a shift towards production of manufactures. Todaro (2000:467) argues that the pessimism about the declining terms of trade is known as the Prebisch-Singer thesis, which argues that “there was and would continue to be a secular decline in the terms of trade of primary-commodity exporters due to a combination of low income and price elasticities of demand”. As a result, over the last decades, there was a long-term transfer of income from poor to rich countries, which could only be reduced by protecting domestic manufacturing industries through import substitution (Todaro, 2000:467). However, if developing countries are not able to access markets to sell their manufactures, either due to internal difficulties in developing domestic industries or to external barriers to their production, they will remain locked in the production of primary products. Enhanced cooperation between developed and developing countries, and also between developing countries themselves, is required to change this picture.

NON-ECONOMIC PERSPECTIVES

COLONISATION AND HISTORICAL TERMS OF TRADE

The colonisation process that took place from the 16th to 20th century had great impacts on the economic structure of new born countries and, therefore, on the shape of international trade. Colonisation was responsible for the establishment of the structure

of colonial economies, as the production of agriculture or primary products for export was determined by the metropolis. The main characteristics of colonial economies were concentration on a few export products (mainly agriculture or primary materials), difficulties or obstacles to diversification of production (as the main purpose of colonies was to provide raw material to the centre), over supply of primary products, and the establishment of local elites (Brown, 1993; Madeley 1996).

Brown (1993:42) supports the argument that colonies were allocated single or a few crops by metropolis, causing economic dependence on two or three export products subject to instability of demand. Dependence in colonies was not restricted to their export products, but also in the production chain, which includes tools and markets, as described by Brown (1993:20):

Even when they were not set to work as slaves in mines and on plantations, the peoples of the Third World became dependent for their tools and their markets on colonial and foreign powers that were beyond their control. This was the essence of what came to be called 'free trade'.

According to John Stuart Mill, cited in Madeley (1996:7), "colonies should not be thought of as civilizations or countries at all, but as agricultural establishments whose sole purpose was to supply the larger community to which they belong". This argument by Mill illustrates that there was never an interest from the centre in fully developing their colonies, but in making them profitable markets by buying cheap raw material and selling it back in the form of processed goods.

This is the reason for centres to control the levels of production, in order to guarantee the over supply and therefore lower prices, as well as the levels of processing in the colonies. According to Madeley (1996:35),

colonies were developed as an arm of the 'master's' economy and encouraged to grow export crops. The snag was that too much was planted. This 'over-supply' combined with slavery, low wages and control of distribution networks to give the North rock-bottom prices and the South a tiny return. The 'over-supply' of most primary commodities has continued to the present day, with the developing world finding it difficult to shake off the colonial pattern. Diversification to manufactured products has been difficult because of lack of purchasing power at home and import barriers in industrialized countries.

A further argument for the difficulty in diversification of production is presented by Goldsmith, E. (1996:260):

Third World countries that have sought to diversify their production have immediately been accused of practicing *import substitution* – a heinous crime in the eyes of today’s economists, especially those who are influential within the Bretton Woods institutions.

The creation of a local elite was fundamental to the maintenance of colonial patterns. According to Goldsmith, E. (1996:257), Western support to local elites in developing countries was the most effective means of opening up markets. In addition, Goldsmith, E. (1996:257) believes that elites in developing countries are “representatives” of Western interests, “probably to the same extent as were the colonial administrators that they have supplanted”. Finally, Goldsmith, E. (1996:255) argues that the end of formal colonies did not end the ‘colonial economics’:

Formal colonialism came to an end not because the colonial powers had decided to forego the economic advantages it provided but because, in the new conditions, these could now be obtained by more politically acceptable and more effective methods.

Also, Brockway (2000) and Goldsmith, E. (1996:253) criticise the philanthropy of developed countries in promoting development and aid to developing countries:

The massive efforts to develop the Third World in the years since World War II were not motivated by purely philanthropic considerations but by the need to bring the Third World into the orbit of the Western trading system in order to create an ever-expanding market for our goods and services and a source of cheap labour and raw material for our industries.

Today, most lowest-income developing countries have not changed their specialisation towards export crops and export of raw materials. At the same time, there has been an increasing diversification towards manufactures (clothing and apparel) by middle lower income developing countries, and high-tech manufactures by middle upper income developing countries. However, having export crops as the main product export places least developing countries in a very weak bargaining position. Brown (1993:42) argues that

unfortunately for the South, and for the theory, there are major differences in the bargaining position of manufacturers and of primary producers in the world market. In the first place, many food products are perishable and cannot, therefore, be held off the market, as manufactured goods can, to prevent a fall in price. Secondly, and what is more serious for the Third World producers, they do not have the facilities for processing, packaging and storing, so as to get a better price and add value to their basic product. It is either the local middlemen from the towns or, more often, agents of companies from the First World who benefit from the added value at all the stages of processing, packaging, transporting and marketing the product from producer to consumer.

Developing countries are also disadvantaged in regards to the scope of their production. Brown (1993:27-28) argues that

It is only in certain minerals and fuels and tropical fruits and beverages that the Third World is the major supplier, and in a very few of these that the Third World has a monopoly... The First World in fact provides most of the food and raw materials entering world trade in addition to most of the manufacturers – over two-thirds of all manufacturers, around 85 per cent in the case of chemicals, machinery and transport equipment. The problem for most Third World countries is that they have nothing else to offer on the world market except products of the land, including minerals, and often only one product from each country.

Table 1.7 shows that developed countries are actually the leaders in food and agricultural exports, and Table 1.8 shows the growth of trade by region.

Table 1.7 – Exports of agricultural products, manufactures, food by region, 2000 (percentage)

	Agricultural	Manufactures	Food
Western Europe	41.2	42.3	44.4
Asia	19.2	30.0	18.7
North America	19.0	17.8	16.2
Latin America	11.8	4.7	13.1
Eastern Europe	4.3	3.2	Not available
Africa	3.3	1.2	Not available
Middle East	1.1	0.8	Not available

Source: World Trade Organisation

Table 1.8 – Growth in the value of world merchandise trade by region, 2000

	<i>Exports</i>		<i>Imports</i>	
	Value 2000	Annual % change 2000	Value 2000	Annual % change 2000
World	6186	12	6490	13
North America	1058	12	1504	17
Latin America	359	20	388	16
Western Europe	2441	3	2567	5
Africa	145	27	137	7
Middle East	263	46	171	14
Asia	1649	18	1481	23

Source: World Trade Organisation

The disadvantages of developing countries in foreign trade extend to two other important issues: re-investment of profits by developed countries, and the trouble caused by speculation in developing countries' markets. According to Madeley (1996:9),

Industrialised countries have generated enough money from their manufacture of goods to develop services such as transport fleets, banking and insurance, which again are in growing demand. So these countries are in a much stronger trading position than countries whose economies are based on primary produce.

Also, since the current main economic actors in foreign trade are TNCs, the development of services is further encouraged by the dominance of TNCs over capital and latest technologies (Brown, 1993). Finally, speculation causes further commodity price instability (Brown, 1993; Madeley, 1996). Madeley (1996:36) argues that

The speculator makes life harder for commodity growers and for governments of producing countries. Prices fluctuate more than they would if there was no speculation, making it more difficult to plan.

Authors, such as Brockway (2000:25), argue that development will only be fostered when developing countries abandon colonisation patterns: "by exploiting their cheap labour to produce things for export to the developed nations, the developing nations condemn themselves to a neocolonial status". As a solution for neoimperialism, Brockway (2000:25) suggests increased trade between developing countries:

Third World nations will escape from neoimperialism only when they are able to sharply reduce manufacturing things for the First World and increase manufacturing things for trading with one another.

The issues of South-South cooperation and trade will be discussed in depth in Chapter 2.

SECURITY AND SOVEREIGNTY

Countries should be able to make decisions at their discretion in order to guarantee the interests, security, and welfare of their citizens in all levels, which for instance includes economic or food security.

Free trade has challenged the concept of sovereignty. One practical example is the non-discriminatory clause after the GATT (General Agreement on Tariffs and Trade) Uruguay Round. An example was provided by Madeley (1996:143):

a country that bans the export of logs has to apply similar treatment to its own domestic industry...from a development viewpoint, this is one of the most worrying aspects of the outcome of the [GATT Uruguay] Round, one that goes beyond purely environmental issues. It would seek to remove a country's right to do what it wants with its own resources...this could lead to considerable conflicts between countries.

According to Madeley (2000:46), Trade Related Investment Measures (TRIMs), after the GATT Uruguay Round, also interfere with domestic economic policies:

Under the agreement, special treatment for domestic companies is not allowed; governments have to afford the same treatment to foreign investors. Neither can they insist that foreign investors use local labour. They cannot take measures which they believe would allow their own industries to develop and create economic linkages that might help their development effort, if that could be challenged by other countries as a restraint on their trade. National legislation that stands in the way of this principle has to be revoked.

It is hard for developing countries to raise their voices and express disagreement with these new trade policies. A common attitude of developing countries, within the international arena, is to 'agree' with developed countries trade measures in order to receive some benefits from this alignment. This argument is supported by Madeley (2000:11), with a practical example:

At the end of September 1999, President Clinton announced that the US would cancel the debts owed to it by some of the world's poorest countries, mostly African. He said he was responding to an appeal by the Pope and other religious leaders. The following day a US agriculture official claimed that the US had formed an alliance with sub-Saharan African countries on the Seattle talks. This seemed like an attempt at a deal on debt relief in exchange for African support in the trade talks.

Therefore, although most developing countries may not necessarily agree with multilateral trade policies or trade liberalisation itself, often they are not able to find alternative ways to it or strength to raise their opposition.

Finally, trade interests can interfere greatly behind the political scenes of developing countries, as exemplified by Goldsmith, E. (1996:258):

of course when a government unfavourable to Western commercial interests somehow succeeds in coming to power, Western governments will go to any ends to remove it from office...Goulart [Brazilian president in 1960] had sought to impose a limit to the amount of money foreign corporations could take out of the country. Worse still, he initiated a land-reform program that would have taken back control of the country's mineral resources from Western transnational corporations. He also gave workers a pay raise, thereby increasing the cost of labour to the transnationals, in defiance of IMF (International Monetary Fund) instructions. As a result of Goulart's actions, aid was immediately cut off, and an alliance of the CIA (Central Intelligence Agency), US investors, and Brazil's landowning elite engineered a coup d'état that brought a military junta to power. The military reversed Goulart's reforms and reintroduced precisely those conditions that best satisfied US commercial interests.

A final argument against further trade liberalisation by developing countries is in relation to the compensation for the initial losses while 'adjustment' takes place. For sectors which lose in the short-term, according to trade theory; it is the role of government to compensate for the losses while carrying out policies for structural adjustment. However, this is a difficult task to accomplish due to government deficits in developing countries. Winters (1999:59) argues that

Trade liberalization is generally held to have long-run benefits, but it more or less requires adjustment in a country's output bundle to achieve them. If adjustment is costly, liberalization could lead to periods of decline and/or poverty before things get better.

Structural Adjustments do not come without political struggles within countries, and often the chosen policy results in protecting domestic markets rather than promoting required adjustments (as discussed earlier), which may be obviously costly in political terms. Winters (1999:62) reinforces the importance of compensation for those disadvantaged by adjustment through specific compensatory policies: "if trade liberalisation causes poverty among certain sections of society, a natural response is to ask whether society can not offset the effect directly". Finally, Winters (1999:62) acknowledges the dangers to governments in assuming the costs of adjustment:

Making a general commitment to compensate individuals for adverse shocks is most unattractive, however. It has potentially huge costs and it shifts private risks to the public sector, with all the attendant problems of people taking on extra risk precisely because they keep any gains while the government gets the losses. It is not the role of the state, nor is it feasible to absorb every negative shock that might afflict individuals. On the other hand, it is difficult to make a moral case as to why trade shocks warrant adjustment assistance while other do not. A further complication is giving compensation in a way that encourages rather than discourages adjustment.

A possible solution provided by Winters (1999:62) for compensatory policies is the creation of safety nets, or general compensatory policies: "safety nets can not be the only response to threat of increasing poverty from trade liberalization, but they are an important part of it. They can generally be better targeted than other policies and they are not very distortionary of market forces". Winters (1999) also suggests complementary policies and infrastructural support as a way to enhance trade liberalisation and compensatory policies.

A complicating factor is when structural adjustments have to occur at international levels, since there is no superior institution to promote financial support for those countries which need to undertake structural adjustment. Therefore, further cooperation

on the development of multilateral institutions with the purpose of helping countries to undergo structural adjustment is required. This may have been the case of the ITO (International Trade Organisation) which never took place, or the UNCTAD (United Nations Conference on Trade and Development), which, although created, had little impact on the establishment of current trade policies.

Lack of cooperation and compensation seem to be the case for developing countries in multilateral negotiations, in particular Africa. According to Madeley (1996:135),

most of Africa stands to lose [in GATT negotiations]. According to the OECD (Organisation for Economic Cooperation and Development)/World Bank report, the Uruguay Round could worsen Africa's terms of trade by a further 0.2 per cent. While there is a strong case for the gainers from the Uruguay Round to compensate the losers, this was little discussed in the negotiations. The expected gain to industrialised countries of over \$140 billion a year represents over twice the amount of development aid that those countries give annually to poorer countries.

Finally, providing compensation for uncompetitive industries in developed countries is also important in promoting market access for developing countries, as argued by Todaro (2000:529):

Unless some scheme of adjustment assistance is established whereby the governments of developed nations assist industries and their workers financially in the transition to alternative and more profitable activities, trade barriers against competitive Third World exports will be difficult to remove.

LABOUR STANDARDS AND HUMAN RIGHTS

Labour standards and human rights issues across countries should be also taken into consideration when analysing the impacts of free trade in developing countries. Although labour issues are often reflected in terms of unemployment rates and underemployment issues in the economic theory, employment is a core issue for all politicians and governments. Employment availability is an important component in domestic policies, although it gets detached from free trade theories. At the end of the day, politicians want to reach for those who keep them in power: voters. And voters are often discontented with free trade policies since it may result in job losses in the North or tough adjustments in the South. Unless effective forms of 'support' are passed on to the governments, it would be hard to let free trade set in without discontentment in a great portion of the population (Kapstein, 1996).

There are many factors changing the nature of employment today, such as hi-tech communications, lower transport costs and freer trade. According to Martin and Schumann (1996), these new factors help to set up fierce global competition. Broad and Cavanagh (1995:18) also defend this argument:

Technology has combined with globalization in a devastating manner to spawn this crisis of work. Unlike previous industrial revolutions, the two most important technological innovations in recent decades – information/computers and biotechnology – destroy more jobs than they create.

Fierce competition for jobs does not only happen between developed and developing countries, but has become even stronger among developing countries. Indonesian Industry Minister Tungki Ariwibowo, cited in Martin and Schumann (1996:146), points out that “competition... has long been developing even between countries with the lowest wages. The rates are no higher in China, Vietnam and Bangladesh”. Martin and Schumann (1996:146) believed Ariwibowo used this argument to defend state-authorized exploitation of workers. Ariwibowo also claimed that “if the minimum wage is increased, ‘we cannot compete on wages with them’ [therefore] his government’s strategy is to bring production of the highest possible value into the country” (Martin and Schumann, 1996:146). Obviously, the competition between developing countries may undermine possibilities of South-South cooperation, or political alignment in multilateral arenas for more beneficial trading policies.

In regards to disputes over complaints about social dumping in many WTO anti-dumping actions presented by developed countries, the opinions are quite divergent. For instance, Martin Khor (1994), cited in Cavanagh (1997b:96), believes that

the attempt to place labour standards in the World Trade Organisation (WTO) ‘is quite clearly prompted not by feelings of goodwill towards Third World workers, but by protectionist attempts to prevent the transfer of jobs from the North to the South’.

However, Khor cited in Cavanagh (1997b:96) believes in the true intentions of Scandinavian countries when asking for better labour standards in developing countries:

when the Scandinavian unions and governments pressed for a social charter in GATT over the years, their motivation was the improvement of worker rights in the developing world. [However] when the United States started to push for the linkage in 1984, it was the result of the pressure of labour rights advocates from unions, churches, and human right groups working with independent trade unions.

Some of the civil protests in developed countries concerned about poor labour conditions in developing countries are backed up with humanitarian and ethical

initiatives. With increasing dissemination of information through advances in communications, people are now being able to see what happens in other countries. Consumers started to be aware of the conditions to which workers were subjected to produce goods, which would then be exported to them (Raghvan, 1997). According to Cavanagh (1997b:99), “increased pressure in the 1990s by human and labour rights groups led some firms to adopt their own voluntary codes of conduct for their subcontractors”. Chapter 2 will further discuss labour codes and the benefits of labour standard regulations through Ethical Trading Initiatives. However, there is still a long way to go until all companies adopt and promote labour standards.

The difficulty in establishing labour codes and standards has been acting as a major impediment for free trade and bringing conflicts to multilateral trade negotiations. According to Madeley (2000:20), developed and developing countries are not able to reach an agreement in regards to labour standards in multilateral trade negotiations. Developing countries see labour standards claims as a disguised form of protectionism. For instance, on child labour issues, some developing countries argue that the problem is the poverty that causes parents to send their children out to work (Madeley, 2000:20).

Another relevant issue on labour standard problems is the absence or poor enforcement of labour codes in Free Trade Zones (FTZs). The exploitation by multinational companies in FTZs is very severe, and most of the time gender biased, as described by Goldsmith, A. (1996:268):

The workforce is mostly composed of unmarried women between the ages of seventeen and twenty-three. In Mexican FTZs, these women account for about 50 per cent of the workforce. They are the preferred workers, as their wages tend to be lower (often less than \$1 per day), and they are considered better suited to repetitive tasks that require nimble fingers.

The same pattern of exploitation happens in other FTZs, as reported by Goldsmith, A. (1996:268-269), who also describes the health dangers of cities located close to FTZs. Poor working conditions in FTZs were also reported by Cavanagh (1997a) and Ross (1997). Other local industries sublocated by MNCs also present similar problems: “the *maquiladoras* are characterised by providing poor living and working conditions and strong restrictions on union activities. Health and safety regulations are routinely ignored” (Goldsmith, A., 1996:268). Concerns over labour conditions in FTZs may lead

to further protectionism by developed countries, as argued by Goldsmith, A. (1996:271):

FTZs also affect the global economy through the straightforward mechanisms of competition. By offering lower production costs through the elimination of basic standards, FTZs take work away from regions in which those standards are maintained.

Therefore, FTZs start to be not only a process which happens in developed countries, but slowly being transferred to developed countries. A practical example was provided by Ross (1997:29), in which he describes illegal immigrants working for fashion industries in sweatshops within the American territory. According to Ross (1997:29), these workers have been submitted to the same conditions as those workers in FTZs in developing countries, in addition to the stigma (and threat of expulsion) for being an illegal immigrant.

Competition between developing countries to attract foreign investments and companies, and jobs, is also a problem in FTZs, as described by Brown (1993:45):

In advertising these enterprise zones the authorities give the game away. They offer to international companies, which are considering a new site for their plants, a package of concessions: cheap labour – young, educated and English speaking – tax exemptions and reductions, free trade for imports and exports, with assistance for establishment, political stability and restrictions on trade union activity, good geographic location along major air and sea routes.

Because of the high competition to attract MNCs to the countries, the number of FTZs increased considerably in the last decades. According to Madeley (1996), 63 countries have already set up FTZs.

Protectionism caused by weak labour standards in developing countries is noticeably stronger in the US (Madeley, 2000). Reich discussed this issue recently in an interview with *The Economist* (2000, June 4). According to Reich, US claims that labour standards are a matter of national security: “governments that abuse their workers are... ‘bad actors’ who ‘will sooner or later threaten global peace’” (*The Economist*, 1994:70). A second protectionist argument presented by Reich was economic security. According to Reich (*The Economist*, 1994:70, my emphasis),

Poor labour standards in the third world help to keep production costs in those countries low. But *America and other civilised places* cannot compete with sweatshop labour. In this way, inadequate standards in the third world destroy jobs elsewhere.

However, Reich does not question where most of these jobs available to developing countries come from. Developed countries, which originally created and hosted most MNCs could have a role in regulating TNCs in relation to the way they employ people overseas, rather than blaming developing countries governments for exploitation. Often governments in developing countries see the presence of TNCs as an opportunity rather than a threat of exploitation. In addition, ideally, TNCs should have some degree of corporate responsibility over their actions in both developed and developing countries, as constantly argued by Cavanagh (1997a; 1997b). Corporate responsibility would not only be beneficial to workers in developing countries, but would also promote positive marketing for consumers in developed countries. Once news on sweatshops or bad labour conditions are available to consumers through media or the Internet, it becomes costly to clean up the company's image. Another possible criticism of protectionist arguments by developed countries is that protectionist measures are taken only when it pleases developed countries. It seems that it is not good for developing countries to have a comparative advantage in cheap labour, which 'ruins' American and 'other civilised countries' economies. But it is certainly good for those same civilised countries to flood Third World markets with subsidised food products displacing thousands of small (and often poor) farmers.

The best protectionist argument Reich presents is the humanitarian concern. He believes that "practices such as slavery, child labour, and suppression of rights to free speech and assembly are all bad things. It is morally wrong for the West to turn a blind eye" (*The Economist*, 1994:70). Obviously, everyone agrees with his statement. However, there are several ways in which developed countries could help developing countries in dealing with humanitarian issues without using protectionist measures. At the end of the day, protectionism will hurt even further the economy of developing countries and ultimately people. What is truly missing is good will from developed countries to act in a more favourable and fair way towards developing countries.

Defenders of low wages in developing countries, such as Low and Nash (1994:58), argue that the complaints on low wages in developing countries should be addressed only in economic terms:

Often, the basis of the complaint is that wages (broadly defined to include the total cost of hiring a worker) are too low, making 'legitimate' competition impossible. The notion

that wages should be more equal across countries ignores vital considerations relating to domestic price structures and labour productivity.

Marber (1998:97) also defends the use of the comparative advantage by developing countries of their cheap labour: “to deny these countries the opportunity to exploit their own comparative advantage – cheap labour – makes First World protests seem hypocritical, self-righteous, and economically short-sighted”.

Finally, one of the most notable examples liberal economists like to present in order to defend ‘free trade’ in developing countries is the Asian miracle. Also known as Four Asian Tigers, Hong Kong, South Korea, Taiwan and Singapore have achieved high levels of economic growth in the last decades (Todaro, 2000:503). However, the way economic development and trade liberalisation was conducted in those countries challenges the very Western notion of human rights and democracy. Some authors, such as Martin and Schumann (1996:145), emphasise the problems with the Asian miracle: “the boom goes hand in hand with corruption, political repression, massive environmental destruction, and often extreme exploitation of a labour force with no rights (most of it made up of women)”. Madeley (1996:10) argues that these countries were able to develop economically by finding foreign markets still open to manufactured goods, and by using the comparative advantage of their workforce, who were paid low wages and often had labour rights denied. Finally, Todaro (2000:503) and Simms (1996:13) question the economic liberalisation in the East Asian export success: “the production and composition of exports was not left to the market but resulted as much from carefully planned intervention by the government” (Todaro, 2000:503).

ENVIRONMENT AND ‘EXTERNALITIES’

Calculating externalities costs and including them in the final price of products within domestic economies is often a difficult task. International trade tends to neglect externality costs in the final price even further. Those externalities, however, have high costs for local economies, and the final consumers overseas usually do not have to cope with disturbances caused by them. For instance, the costs associated with land degradation, deforestation, loss of wildlife, reduced biodiversity, and pollution (Marsh,

1996) are hardly felt in other continents, but they do affect the life of local people who have to cope with environment degradation.

The trouble with the covering of externalities costs in foreign markets is that prices do not reflect the real costs of production, which are often reduced as much as possible in order to remain competitive. Morris (1996:225) argues that “prices don’t provide accurate signals within nations; they are not the same as costs. *Price* is what an individual pays; *cost* is what the community as a whole pays”.

Some authors, such as Brockway (2000), Dunkley (2000), Madeley (1996), Martin and Shumman (1996), to mention a few, are concerned with externality issues, and with the primacy of economics over other important aspects such as environment, human rights, and even sovereignty, as described earlier. Dunkley (2000:13) believes that non-economic arguments against free trade should also include ‘community sovereignty’ arguments, which includes preservation of the environment, culture, community, and sovereignty rights. In addition, according to Martin and Schumman (1996:147), the primacy of economics over other aspects “conveys a fateful message: namely, that health and environmental protection, democracy and human rights must take a second place whenever this serves the world economy”. Finally, Madeley (1996:28) presents similar arguments:

International trade can have an impact on a country’s physical environment which damages the base of development; such costs are often not calculated. Trade barriers that protect an economic activity can also mean that such activity is carried on in a way that causes environmental damage.

Marsh (1996:20-21) argues that due to poor compensation for externality costs, conclusions regarding the benefits of free trade become uncertain:

In an ideal world policy would ensure that both producers and consumers faced the full cost of the decisions they take. In the real world such fine tuning is beyond the capacity of policy makers. Not only are there technical problems of evaluation, but appropriate policies are likely to face strong political opposition. The neglect of such issues means, however, that it is impossible to come to reliable conclusions about the overall gain or loss to the economy from trade.

Other important issue regarding externality is over-exploitation of monocultures and genetic engineering (Madeley, 1996:31; Madeley 2000). The relations between agriculture and environmental degradation have worsened due to the structure of international trade, in which high specialisation of developing countries in the export of

monoculture crops is encouraged. In addition, there are concerns caused by technological advances in the last few years, namely the genetic engineering evolution, as described by Madeley (2000:107):

the [African] delegates [at the WTO Seattle meeting] feared that gene technologies ‘will destroy the diversity, local knowledge and sustainable agricultural systems that our farmers have developed for millennia, and that it will thus undermine our capacity to feed ourselves’. Western science can contribute to improving agricultural production in Africa, they say, ‘but it should be done on the basis of understanding and respect for what is already there’.

Some authors, such as Morris (1996:222), present a quite ‘ironical’ analysis of the inclusion of externality costs into the final price to consumers:

Wage raises, environmental protection, national health insurance, and liability lawsuits – anything that raises the cost of production and makes a corporation less competitive – threatens our economy. We must abandon the good life to sustain the economy. We are in a global struggle for survival. We are hooked on free trade.

Along the same lines, Daly (1996:230) argues that

The free traders seek to maximize profits and production without regard for considerations that represent the hidden social and environmental costs. They argue that when growth has made people wealthy enough, they will have the funds to clean up the damage done by growth.

Finally, Broad and Cavanagh (1995:18) argue that

increased trade is likely to continue to be based on the unsustainable exploitation of natural resources. This creates two challenges: first, to raise standards of living in the big emerging markets and other Southern nations without exceeding the Earth’s environmental limits and, second, to get Northern societies to acknowledge the costs to the environment of their already high standards of living. Across the board, nations – and individuals – need to acknowledge the environmental costs of economic decisions.

Other authors, such as Bhagwati (2000:19), on the other hand, see environmental concerns as a disguised form of protectionism, which according to them does not bring people any benefits:

One result of these mistaken arguments against globalization has been an insistent clamour for certain environmental and labour standards to be linked to rules on international trade. But by seeking to create new ‘obstacles’ to free trade, you undermine the freeing of trade, while mixing up trade with a moral agenda undermines that very moral agenda. It gives other countries the definite impression that you are using ethical rhetoric to mask protectionist self-interest.

On the same lines, Low and Nash (1994:58) argue that the attention should be given to the correction of externality problems rather than to trade restrictions. Low and Nash (1994:58) believe that cooperation should play a vital role in trade relations and environment, in order to not hurt the interests of developing countries:

the charge of 'eco-imperialism' responds to circumstances where powerful countries decide that particular environmental standards are appropriate for the world at large and then unilaterally adopt enforcement measures. Such an approach could be costly to developing countries, particularly if the objective is harmonisation of environmental policies internationally, including production and process methods, regardless of differing ambient absorptive capacities and social priorities. International cooperation on these issues will be far less damaging to developing countries than unilaterally imposed coercive measures.

REACHING AN EQUILIBRIUM

A few actions can be taken to improve the position of developing countries in the 'free trade' wave.

Firstly, there is a great need to restore the role of the State and the primacy of politics over economics. This argument is defended by Martin and Schumann (1996:11), who argue that "the most foremost task of democratic politicians on the threshold of the next century will be to restore the State and the primacy of politics over economics. If this is not done, the dramatic fusing together of humanity through technology and trade will soon turn into its opposite and lead to a global crack-up". Governments need to recover their social agendas rather than serving the interests of corporations (Cavanagh, 1997b).

Secondly, developing countries should concentrate efforts in the diversification of their production. They will have to overcome not only external difficulties represented by protectionism by developed countries, but also internal barriers. Madeley (1996:55) describes the internal barriers as the "lack of knowhow, skills and training; lack of capital; and lack of export promotion services to exploit the possibilities that do exist despite obstacles on the demand side". Madeley (1996:65) also believes that countries should reduce protectionist barriers to developed countries, as barriers often distort internal market prices, not helping exporters. In addition, it is necessary for developing countries to depreciate their currencies to make exports more competitive and make imports more expensive (Madeley, 1996:65). Finally, Madeley (1996:54) argues that there are great opportunities for developing countries in two sectors: processing agricultural commodities into foodstuff and developing their exports of textiles and clothing. This argument has practical examples in this study. Chapters 5 and 6 present case studies of alternative trade cooperatives that follow these opportunities. Two urban groups studied in Chapter 5 are involved with the production of clothing and apparel

(manufactures), while two rural groups studied in Chapter 6 are involved with the production and processing of guarana.

Thirdly, it is necessary to promote a fair distribution of income through trade. Madeley (1996:12) questions the morality of a trading system in which “hungry people export food to the over-fed”. Madeley (1996:12) argues that changes need to be made in the international trading system, since Third World countries are part of it but have no control over it: “the present-day pattern of international trade was shaped by the colonial era, and the gainers, the industrial nations, show little willingness to change it, even though it keeps many millions in poverty”. Marber (1998:102) also emphasises the need for more support from developed countries, which could be translated into market access for developing countries: “according to recent trends, it appears that the First World is exporting far more to the developing world than it imports”.

Developing countries should also aim to direct their policies towards their citizens rather than to the demands of MNCs and developed countries’ governments, regardless of the trade option developing countries may choose. Streeten (1973), cited in Todaro (2000:521), argues that “perhaps economists have been barking up the wrong tree when disputing which set of price policies contributes more to equality. In an inegalitarian power structure both [free trade and protectionism] make for inequality; in an egalitarian power structure; both may make for equality”. Madeley (2000:43) also argues that even though countries can increase earnings from trade, it may not necessarily reach those in need as resources obtained from trade may be used elsewhere.

Fourthly, developing countries should become more active in multilateral arenas and perhaps act collectively for their own benefit, as developed countries do. Also, developing countries should pursue more space and voice within multilateral organisations, in order to make these institutions more democratic. Speth (1999:15) argues that:

Developing countries must strengthen their capacities to negotiate international agreements on trade and finance, comply with these agreements, and compete at the international level. Wealthy countries must create a time-bound facility that provides integration assistance to emerging and pre-emerging markets before those countries join global finance markets. This assistance should be used to strengthen regulatory frameworks and supervisory institutions.

Authors such as Madeley (2000:24) have hopes that larger participation and democratisation of the trading system are not too far away, and that the EU, Brazil, and some African countries will help to encourage and promote reforms in the WTO, “in order to increase efficiency, transparency and accountability”.

Fifth, developed countries should increase cooperation with developing countries. Todaro (2000:715) suggests that this could be done through reduction in debt burdens, creation of funding sources such as the Tobin Tax⁴ (Gilpin, 2001:270), creation of new international institutions such as a World Central Bank in order to promote financial stability and further development assistance to developing countries, as well as reform the IMF and World Bank, which he considers the major existing institutions for global economic growth and stability.

Sixth, it is necessary to develop a cosmopolitan view and encourage the promotion of human rights all over the world (Dower, 1996:13). In addition, the ideas present in civil movements need to be developed for citizens all over the world, regardless of their location. Cavanagh (1997b:103) believes that “it will be citizen movements creating pressure on governments and directly on corporations that will be central in the creation of codes and other mechanisms to promote corporate accountability”. This is the case for alternative trade (to be discussed in Chapter 2), originally created by citizens movements and NGOs (non-governmental organisations).

Seven, it is necessary to increase the degree of corporate responsibility by TNCs. According to Cavanagh (1997a:44-45), it is important to work towards a consensus in which worker rights and environmental standards should be protected; find ways to promote, enforce, and monitor codes in industries, and finally create wage policies which are clear and adequate. Cavanagh (1997a:45) suggests that ILO (International Labour Organisation) could offer some assistance in the establishment of these measures, and that funds for the accomplishment of these measures could be provided by each company to pay for independent inspection.

⁴ The Tobin Tax is a tax proposed by James Tobin in order to control short-term capital flows. Gilpin (2001:276) suggests that other economists, such as Paul Krugman, recommend developing countries some type of control over financial flows in order to avoid instability which has led to crises in the past, such as the Asian Crisis in 1998.

Finally, developing countries should concentrate efforts to find and invest in alternatives to the current trade practices, however, rather as a complement than substitute to the mainstream trade system. These alternatives are the enhancement of trade and technological cooperation among developed and developing countries; import substitution policies; promotion of alternative trade practices; and the enhancement of corporate responsibility. These alternatives will be discussed in depth in Chapter 2.

SUMMARY

Trade has always had an important role in the relations between countries. With the globalisation process, trade has become a fundamental tool capable of promoting economic growth and development. Trade can contribute to poverty alleviation by increasing consumption capacity, promoting greater efficiency of resource allocation, promoting competition and eliminating monopolies, reducing costs of production and finally providing countries with goods that otherwise would be unavailable.

However, the benefits of trade have been unequally distributed, which may have caused some countries and economic sectors to lose with the trend towards trade liberalisation. The debate on 'free trade' is relevant since it allows us to identify the distortions and problems of the trade liberalisation model as practiced today, and find ways to correct and make it advantageous for all countries involved. Therefore, once problems with the current trade practice are eliminated, developing countries would receive greater benefits from mainstream trade.

Among the problems with trade liberalisation and the current mainstream trade system are the assumptions made in trade theories that are not present in the reality of trade practices, such as immobility of factors of production, perfect competition, full employment of resources, and perfect information. Another relevant problem is the level of protectionism from both developed and developing countries. Protectionism leads to two consequences. Firstly, developing countries are technically impeded in diversifying their production into manufactures. Secondly, by promoting protectionism themselves, developing countries create internal barriers to update their industries, diversify production and promote export growth. Finally, the terms of trade have

adversely affected the performance of developing countries exports. Declining terms of trade have two causes: inner inelasticity of demand for agricultural and primary products in comparison to high elasticity of demand for manufactures, and over production by developing countries. Imperfection in market competition caused by TNCs oligopolies has also caused further deterioration in terms of trade.

Non-economic impacts are also important components of the 'free trade' debate. Colonisation and historical patterns of trade, for instance, played a considerable role in establishing current patterns of trade among countries. Some authors believe that mainstream trade systems will only be equal for all countries when developing countries abandon colonisation patterns and move onto production of manufactures. Some of the suggested ways to accomplish this change is through import substitution and further cooperation among countries. Another problem of free trade practices today is the challenge to sovereignty. Some of the new trade measures conflict with domestic interests, and according to new trade rules, international trade interests should prevail over domestic interests, which may cause conflict, not only among states but also within states. Finally, the impact of trade liberalisation on labour standards, human rights, and environment are issues should be taken into consideration on the 'free trade' debate.

Equally important to the 'free trade' debate itself is the creation of alternatives to the mainstream trading system, and changes that should take place within mainstream trading system. Among these changes, it is important to emphasise the need to restore the primacy of politics over economics, diversification of production by developing countries, better access to global markets by developing countries, better distribution of income in developing countries, government priority to the social demands rather than demands from corporations, larger participation of developing countries in multilateral institutions, increase in cooperation and trade among both developed and developing countries, promotion of human rights and improvement of labour conditions in developing countries, and finally, promotion of corporate responsibility among MNCs. Alternative trade should be promoted, not as a substitute for the mainstream trade system, but as a complement to it. Alternative trade will be discussed indepth in Chapter 2.

CHAPTER 2

ALTERNATIVES TO FREE TRADE

INTRODUCTION

This chapter aims to analyse some of the proposed alternatives to mainstream trade. The alternatives, for the purpose of this work, are separated into two groups. The first group of alternatives is comprised by government initiatives, while the second is comprised by non-government initiatives. Government initiatives focus on macroeconomic policies, and non-government initiatives are related to movements from either civil society or private businesses. This chapter will briefly examine these initiatives, and its main focus is in one specific alternative – fair trade – which will be discussed throughout this chapter and later, with presentation of two case studies in Brazil, in Chapters 5 and 6.

The main purpose of establishing alternatives to the mainstream trade system is to provide better opportunities to Third World producers; making the trading system fairer to all participants. Mégrelis (1980:135), an author who defends the incorporation of fair trade practices into mainstream trade, defines fair trade as “better prices for third-world raw materials, both in monetary terms and purchase-power terms”. Another definition of fair trade, which will be discussed later in this chapter, is the payment of higher prices for the produce of small producers in developing countries, with the production being sold not in mainstream but in alternative markets in developed countries. This practice was created and is supported by NGOs located in developed countries. There is not a common rule followed by all alternative trade organisations (ATOs). However, in practice, they have the same aims, which is to help producers in the Third World to find markets that pay better prices for their production, and to promote development through empowerment of poor communities. However, it is important to keep Megrelis’ (1980) definition in mind as it aims for the incorporation of Third World production in mainstream markets through better prices, rather than small sales to alternative markets. According to Megrelis (1980:143), the fair trade concept should go beyond the traditional concept of trade:

Fair trade should encompass more than just the simple movements of goods from one place to another, which is the image of the industrial civilization. Fair trade has no sense if it does not apply to finance, technology, men, and information.

It is important to emphasise that alternatives to the mainstream trade system or to policies of international organisations such as the World Bank or IMF are neither very welcomed nor taken seriously by mainstream trade representatives. According to Korten (1996:184),

these tenets [sustained economic growth, free markets, economic globalisation and international competition] have become so deeply embedded within our institutions and popular culture that they are accepted by most people without question, much as the faithful take for granted the basic doctrines of their religious faith. To question them openly has become virtual heresy and invokes the risk of professional censure and career damage in most institutions of business, government and academia.

Before discussing alternatives to the mainstream trade system, it is important to acknowledge that there were alternatives proposed within mainstream institutions. However, they have not been effective, despite their intentions, in protecting the interests of developing countries. A good example is UNCTAD. United Nations passed a resolution creating the UNCTAD in 1961, due to increasing concerns over the deteriorating terms of trade of developing countries (Madeley, 1996:145). UNCTAD worked as a forum and monitoring centre to help protect the interests of developing countries (Brown, 1993:92). However, since its creation, UNCTAD has not been able to achieve its goals, and the main reason pointed to by Madeley (1996:148) was the lack of interest by developed countries in providing support to UNCTAD:

By the early 1980s, UNCTAD's integrated programme was in tatters, defeated by the unwillingness of Western countries to take it seriously. Although a common fund had been agreed in principle, it was allocated only \$750 million rather than \$6 billion, and was clearly going to be of limited benefit.

Equally important was the attempt to create the International Trade Organisation (ITO), which was discussed during Bretton Woods. Due to divergences of trade policies in developed countries, the creation of the International Trade Organisation remained on paper. The Havana Charter, the base of ITO, was agreed to by most countries but rejected by the US Congress (DPC, 2001).

GOVERNMENT INITIATIVES

SOUTH-SOUTH COOPERATION AND TRADE

Cooperation among developing countries is one the alternatives to mainstream trade. If countries currently disadvantaged by the mainstream trading system could act in cooperation, the results would be better than those of individual developing countries negotiating with developed countries. Todaro (2000:489) believes that:

While exploring profitable opportunities for trade with the rest of the world, developing countries should seek ways to expand their share of world trade and extend their economic ties with one another.

The first positive change would be easier adjustments to diversifying production. If developing countries face high barriers for processed goods in developed countries' markets (Madeley, 1996), the same would not necessarily happen in South-South trade. Madeley (1996:38) believes that South-South cooperation is indeed a better deal for developing countries, since it secures stable and better returns for producers.

Madeley (1996:16) believes that South-South cooperation should naturally increase due to the spread of democracy in the developing world:

the spread of democracy in the developing world can be expected to lead to more debate about the future and direction of international trade. With people in the South increasingly seeking more control over their destiny, so their governments will be seeking ways of exercising more control over trade, rather than just being passive recipients of a system that maintains their peoples in poverty.

Cooperation should not only be applied to increasing the production and trading of manufacturers among developing countries, but also in collectively reducing the production of overproduced commodity products. According to Madeley (1996:53), "a reduction in the volume of commodities being produced and exported... is likely to improve matters for the developing world". Reduction in commodity production would not only increase international prices, but would also allow shifts towards diversification of production, since fewer resources would have to be devoted to commodity production (Madeley, 1996).

One way to accomplish reduction in commodity production is through International Commodity Agreements. International Commodity Agreements aims to stabilise international prices by controlling levels of production of primary products such as

coffee, sugar, and tea in producing countries, often by establishing quotas (Todaro, 2000:500). However, in order to work effectively, International Commodity Agreements require great cooperation and compromise among the participants (Todaro, 2000:500).

The main problems for the establishment of International Commodity Agreements are the lack of trust among developing countries and the self-motivation to get benefits by negotiating individually. Madeley (1996:39) presents a good example of individual interests over collective achievements among developing countries:

Indonesia, one of the top five cocoa-producing countries but not a member of the cocoa agreement, increased its output of the crop by 20 percent a year in the early 1990s and shows no signs of slowing down. This could mean that global supply exceeds demand and drives down prices.

By joining the cocoa agreement and reducing production, Indonesia could help, along with other developing countries, to drive the price of cocoa up, giving better returns to producers. Another example regarding International Commodity Agreements failures was presented by Madeley (1996:41):

tea-producing countries have differing interests which has so far made agreement difficult; protracted negotiations for an international tea agreement having been taking place, intermittently and without success, since the late 1960s. African producers have expanded their tea output substantially over the past 25 years and have been reluctant to accept restrictions such as export quotas.

A final example of failure of International Commodity Agreements is the International Coffee Agreement (ICA). According to Madeley (1996:45)

the International Coffee Agreement (ICA) was set up in 1963 to try to stop the downward drift of prices, and to 'stabilise prices above their free market level'. It did this by regulating the supply of coffee beans coming on to the world market. Producing countries each agreed to export a 'quota', a certain quantity of coffee, which was a little less than they would have normally export without controls. By exporting slightly less than they might have done, the producing countries received a higher price per bag – and their overall revenues were higher.

Although it worked well in theory, in practice countries continued to produce coffee on previous levels, not turning away from over-production and creating a black market for excess production (Madeley, 1996:45-46). Madeley (1996) argues that the agreement intended to control the exports but failed in controlling the production. As a result, there was a considerable "build up of stocks that countries could not sell, and it was clear that when the agreement ended, many of the stocks would be released on to the world market and the price would plummet" (Madeley, 1996:45-46). Madeley (1996:48)

suggests that although commodity agreements might have helped to reduce fluctuations in the past, they did not prevent the decrease in world prices. He questions the efficacy of international agreements and suggests that producer associations may offer a better prospect for producers (Madeley, 1996:48). However, Brown (1993) questions the efficacy of producer associations in controlling production and prices. According to Brown (1993:42),

while the numbers of manufacturing companies in the world can be counted in their thousands, and the number is reduced with every year that goes by, there are millions, literally tens, even hundreds of millions, of peasant households engaged in primary production. The manufacturers can and do form combines and cartels to keep up prices. For the primary producers to reach commodity agreements is very difficult indeed.

A successful example of Commodity Agreement is the OPEC (Organisation of Petroleum Exporting Countries), who have managed to control oil prices since its creation. Without cooperation and alignment of trade policies, members of OPEC would not have been able to control prices. It is important to acknowledge, though, that oil is a more important and needed commodity than coffee, tea or cocoa, for instance. But experiences from the alignment can provide ideas on policies for developing countries intending to establish commodity agreements.

Another further difficulty of commodity agreements is the lack of money to establish the agreements, especially in the creation of buffer stocks (Madeley, 1996:48-49). An alternative to International Commodity Agreements, as suggested by Madeley (1996:173), is export taxes by developing countries:

A report to the Commonwealth Secretariat, *Export Taxes on Primary Products*, suggests that countries exporting primary raw materials could gain substantially by jointly agreeing to impose export taxes on their products. It shows how developing countries can obtain higher revenues from their exports of primary commodities, and that it is feasible for producing countries to act in concert, put taxes on their exports and increase their overall revenue.

Economic integration is also defended as a way to enhance South-South trade and cooperation. Todaro (2000:488) suggests that:

The long-run benefits from trade among developing countries themselves through the creation of regional trading blocs similar to the original Common Market or the European Union (EU) may offer better prospects for a balanced and diversified development strategy than the current almost exclusive reliance on the very unequal trading relations that they individually engage in with the developed nations.

It is believed that economic integration may encourage a rational division of labour among a group of countries, and enable local industries to lower their production costs

through economies of scale (Todaro, 2000). According to Todaro (2000:525), economic integration also leads to the possibility of coordinating industrial planning:

developing countries at relatively equal stages of industrial development with similar market sizes and with a strong interest in coordinating and rationalizing their joint industrial growth patterns stand to benefit most from the combined inward-and outward-looking trade policies represented by economic integration.

Finally, Todaro (2000:527) believes that “effective regional blocs can provide a buffer against the negative effects of globalization while still permitting the dynamic benefits of intraunion specialization and greater equality among members to take place”.

However, economic integration has its shortcomings. According to Todaro (2000:525), economic integration requires strong leadership from developing countries’ governments, a global and not so national view of reality which he believes is lacking in many developing countries. Another important requirement is trust among countries joining economic integration. However, the difficulties in combining economic and financial policies, as well as maintaining trust within regional blocs has not been overcome by some regional blocs in developing countries, such as the MERCOSUR (Southern Cone Common Market).

There are several other constraints for South-South cooperation. Firstly, and most serious, is the lack of financial resources to establish trade infrastructure among developing countries (Madeley, 1996). As a solution, Madeley (1996) suggests the creation of a bank and an international organisation to promote South-South cooperation, providing credit for required investments, and stabilising commodity prices when necessary. Secondly, developing countries do not have a tradition in trading or acting in group (Madeley, 1996), and the temptation to acting in their self-interest, establishment of conflicting policies, or political differences could jeopardise possible alliances and cooperative actions. Thirdly, developing countries often produce similar types of commodities, which can hinder trade among them (Madeley, 1996). Fourthly, it is necessary to conduct trade among developing countries without interference from developed countries. However, due to the lack of infrastructure, most of the trade between South-South countries is conducted by Northern middlemen, who have reaped some of the trading benefits (Madeley, 1996). Therefore, with the development of infra-

structure and better communication systems, developing countries will be able to eliminate Northern middlemen from trade.

It is necessary to emphasise that promoting South-South trade does not imply breaking up South-North trade, but seeking other profitable opportunities. Brown (1993:159) argues that although South-South trading is highly beneficial, having two separate trading blocs, North and South, “would be unnecessarily limiting”:

there are real benefits for both [developed and developing countries] from mutual interaction. Markets for much of what the Third World produces exist only in the First World, and much of the equipment which the Third World needs can only be found in the First World.

In conclusion, South-South trade and cooperation, despite inner difficulties, could be an alternative tool within mainstream trade, which would help developing countries to reap more benefits from trade: “if countries of the South trade more with each other, they can reduce their dependence on the North and have a more diversified trading base” (Madeley, 1996:160).

IMPORT SUBSTITUTION

Another alternative to mainstream trade is import substitution (IS). Import substitution policies aim for the development of local industries for goods that would be otherwise imported from other countries. Import substitution is usually perceived by some governments as a way to become more self-reliant and less dependent on other countries, while other governments see import substitution policies as an obstacle to trade liberalisation, by promotion of protectionism.

Import substitution policies create barriers (tariffs or quotas for instance) on selected imported commodities or manufactures. The purpose is to encourage the creation of local industries to produce these goods. At first, prices charged by local industries are usually higher than import prices, since costs of production for newly set up industries are higher than those of established industries (Todaro, 2000). Todaro (2000:504) believes that the rationale behind the establishment of import-substituting manufacturing is

either that the industry will eventually be able to reap the benefits of large-scale production and lower costs (the so-called infant industry argument for tariff protection)

or that the balance of payments will be improved as fewer consumer goods are imported. Often a combination of both arguments is advanced.

Therefore, protection against competitive imports is fundamental in the IS model, since competition from cheap import goods hinders the development of local industries.

This IS model is highly criticised by free traders because of its protective measures. As argued in Chapter 1, protectionism leads to distorted market prices, and it is not the most efficient way to allocate resources within an economy. Also, past experiences with IS policies have not always been successful, and most of the countries which once were in favour of import substitution now adhere to trade liberalisation. Perhaps the best example is Latin America. Todaro (2000:507) points out five undesirable outcomes of Import Substitution policies. First, many industries will remain inefficient and costly behind protectionist policies, be they publicly or privately owned (Todaro, 2000:507). Second, the benefits of IS policies have not reached government or people in developing countries in the past, but rather foreign firms using tariff walls, taking advantage of investment incentives, and then sending profits and royalty fees abroad (Todaro, 2000:507). Third, government subsidies for capital goods and intermediate products imports by companies played a major role in IS policies, and Todaro (2000:507) points out two consequences from the subsidies:

first, capital-intensive industries are set up, usually catering to the consumption habits of the rich while having a minimal employment effect. Second, far from improving the LDCs' balance of payments situation and alleviating the debt problem, indiscriminate import substitution often worsens the situation by increasing a need for imported capital-good inputs and intermediate products while... a good part of the profits is remitted abroad in the form of private transfer payments.

A fourth problem of IS policies is their impact on traditional primary-product exports, due to overvaluation of exchange rate, which raises the price of exports (Todaro, 2000:507). Finally, Todaro (2000:509) points out that IS policies worsened problems of inequalities in developing countries:

Import substitution policies have in practice often worsened the local distribution of income by favouring the urban sector and higher-income groups while discriminating against the rural sector and lower-income groups.

Despite criticisms towards Import Substitution policies, there have been positive outcomes from import substitution policies in Latin America. Most industrial parks and infrastructure were set during that period, particularly in the Brazilian case. Another successful example of IS policies is the Asian Miracle, as described in Chapter 1.

Todaro (2000) also sees other positive aspects in import restrictions, such as greater control by developing countries over their economic destinies, incentives to foreign business to invest in local import-substitution industries, which he believes helps to generate high profits potential for greater saving and future growth. Finally, due to overvalued exchange rate policies in the IS process, developing countries can afford imported equipment and reserve a share of their domestic market for local producers; with the expectation of becoming competitive enough to reach world markets (Todaro, 2000:513).

NON-GOVERNMENTAL INITIATIVES

ALTERNATIVE TRADE

The alternative trade movement is a relatively new development in the international system. It encompasses not only international trade but also citizen movements and NGOs' initiatives in developed countries. The alternative trade movement is a process that has accompanied the increase of the NGO sector and the acknowledgment that market access in international trade and development of Third World countries should not only be concentrated at governments levels, but also should include civic participation.

There are many definitions of alternative trade, also known as fair trade. Madeley (1996:150) presents one of the definitions:

Alternative trade consists of non-governmental organisations and businesses in the North buying goods from producer groups in the South and then selling them, through shops, mailorder, churches, and, increasingly, supermarkets and retail chains.

Krier (2001:5) defines fair trade as "a trading partnership which aims for sustainable development of excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning". Brown (1993:156) defines alternative trade as

a system of trade in which the partners seek deliberately to establish a more equal basis of exchange between the First and Third Worlds. In addition to seeking a fairer relationship, the aim has been to establish a more direct relationship between groups of producers and consumers in the two worlds and a greater understanding among consumers of the need of the producers for support for their independent development.

Finally, Regan (1996:193) defines fair trade as the

price which enable producers and their families to earn an adequate living – this implies a fair price, advance payments when needed and a long-term relationship; a fair working environment – one that does not harm producers either physically, psychologically or socially; production which is both economically and ecologically sustainable – one which meets the needs of this generation without damaging the needs of future generations; uses efficient methods to get products from producers to consumers and which bypasses speculators and unnecessary intermediaries; preference for local production, medium sized enterprises and equal distribution of the income generated; raising awareness in Europe about fair trade issues; campaigning against unfair trading practices.

The origins of the alternative trade movement are quite controversial. Madeley (1996) believes that the origins of alternative trade started in the mid-1960s through Britain's Oxfam. Brown (1993:156) also supports this argument:

alternative trading evolved from the attempts of a number of First World charities to move beyond collecting money for the relief of victims of famine, war and natural disasters...Oxfam, the best known of these aid agencies in the UK (United Kingdom), moved in this direction from its origins as small committee of Quakers in Oxford which raised funds for famine relief during the Second World War.

On the other hand, Beekman (1998:8) and ICDA (1995) claim that the movement began over 30 years ago in the Netherlands.

Since its origins, the alternative trade movement has grown along with the number of ATOs, producer groups and annual turnovers. Madeley (1996:150) claims that there are several hundred ATOs in the countries of the North, 130 in the United States alone, all working along broadly similar lines. Madeley (1996:150) also claims that the combined annual turnover of ATOs is around \$200 million. Broad and Cavanagh (1995:18) also acknowledge the growth of ATOs:

“Fair trade” entrepreneurs, who are particularly strong in Europe and are spreading in North America, are now responsible for hundreds of millions of dollars of trade in coffee, textiles, and other products and are developing new notions of what constitutes socially and environmentally responsible trade.

Finally, ICDA (1995:104) illustrates the impact of this movement growth according to the number of producers:

Producer and price surveys by EFTA (European Fair Trade Association) and university researchers document that the fair trade organisations buy from ca. 800 trading partners in 45 countries in the South. Most of these partners are associations of cooperatives, workshops, small factories, etc. encompassing – by a very rough estimate – ca. 800 000 producer – families ie. some 5 million persons.

Most of the people involved in fair trade cooperatives in developing countries are families, and often men, women, and sometimes their children and other members of the family work together in the cooperatives (ICDA, 1995).

One of the main components of the alternative trade movement is the higher prices paid for the produce by ATOs to producer groups in developing countries. For this reason, the prices for final consumers of fair trade products tend to be higher. Therefore, since fair trade product prices are higher, the standard of fair trade products also needs to be higher (Madeley, 1996). Fair trade products are typically crafts (both decorative and utilitarian), furnishings, textiles, clothing, household goods, and foodstuffs, such as coffee and tea (Madeley, 1996:150).

Crafts and traditional agriculture products are important parts of the alternative trade movement. Trade Aid (1998:6) argues that “by paying a fair price for these goods, Trade Aid supports the efforts of Third World artisans as they work to maintain their cultural heritage and to get back the dignity and hope that comes with being able to feed, clothe and educate their own”. According to Jackson, cited in Trade Aid (1998:55), the alternative trading of clothing and craft are fundamental to Third World countries, since “the strength of a culture is often symbolised in clothing and craft, so the preservation of a craft tradition is linked to the preservation of a culture”. Trade Aid (1998:55) believes that the sale of craft using traditional skills both helps maintain the traditions, and provides an extra source of cash. Brown (1993:162) also supports this argument: “trade [in handcrafts] has the special advantage that the people of many Third World countries have retained originality of patterns, colours and designs in their domestically produced household goods, which has been lost to machine production in the First World. ‘Ethnic’ products have become fashionable”.

Finally, ATOs also take into consideration environmental concerns with relation to producer groups in developing countries; as they believe that alternative trade can also help in promoting environmental care (Robins and Roberts, 1998:10).

ACTIVITIES OF ALTERNATIVE TRADE ORGANISATIONS

The activities of alternative trade organisations have not only increased but also have become diversified over the years. ATOs have become specialised in the marketing of products, development of new trading schemes such as labelling and certification, and

development of educational campaigns and advocacy. For instance, ATOs have made information about their producer groups available to consumers (Madeley, 1996).

One of the main aims of alternative trade is to eliminate the middlemen. Brown (1993:64) argues that while in developed countries middlemen are admired for delivering the goods, in developing countries middlemen are usually hated for reaping the benefits of trade without doing “any real work”, leaving farmers and artisans in an exploited condition. Brown (1993), ICDA (1995), Lorenz (1992), Madeley (1996), just to mention a few, believe that the elimination of middlemen from the trade with developing countries is one of the most important steps towards better returns for small producers. ICDA (1995:104) adds that not only the middlemen cause losses to small producers, but also larger buyers in the mainstream trade system:

Throughout the world, small-scale producers have many stories to tell about their bad treatment by commercial traders who place big orders and never show up again, refuse to pay the agreed price – or refuse to pay at all, because allegedly the merchandise did not reach them in good condition or in time.

Special care to avoid the presence of middlemen in trade is being taken by many ATOs, as argued by Gutfeld (2000:7):

TransFair USA monitors the coffee once it is imported into the United States. Importers purchase directly from the farmer’s cooperatives, cutting out the middlemen. Importers often provide credit to the farmers against future sales to help the cooperatives stay out of debt between harvest seasons.

One of the reasons why Third World producers enjoy working within the alternative trade framework is exactly because ATOs take into consideration producers’ needs, and because the main concern in the trade relation is people rather than profit, as described by Brown (1993:158): “the main ideal behind alternative trading is concern for people – the subsistence farmers who are the small-scale primary producers”. ICDA (1995:104) also supports this argument:

[Third World Producers] appreciate working with fair trade organisations because beyond just selling to a buyer and finding new markets, it is a trustworthy relationship that in many cases evolves to a partnership. Producers value the decent price fair trade organisations pay for their produce and goods.

The structure of Alternative trade organisations’ work is described with great precision by Brown (1993:163):

The ATO has first to find the producer groups in the Third World who are looking for a new outlet for their products so as to establish their independent development. Indeed, the most important role of the ATO may be in helping small-scale producers to get

organised, to become a stable group and to join up with other local groups, so that there is a firm structure capable of collecting produce from many households, providing storage facilities, setting up processing plant, managing supplies, organising transport and communication with markets at home and overseas. Second, the ATO must be relied on to provide information, which will almost certainly not be available locally – about prices, markets, styling, packaging, quality control, health and safety standards, new uses for old products, transport and shipping and tools, machines and plant for processing, all on an open and fair basis. This information will need to be stored – not just in files and catalogues, but in computers – and to be communicated by modern means of telephone and electronic mail, telex and fax. The chief point is that all information must be available and not restricted by monopolistic operations.

CHARACTERISTICS OF ALTERNATIVE TRADE ORGANISATIONS

Alternative Trade organisations have inner characteristics that differentiate them from other development and aid NGOs. According to Brown (1993:166), ATOs “are based on the principles of equality, fair exchange, reciprocal benefits, mutual respect, and the avoidance of corrupt practices. The essence of a network is that it is a way of linking individuals and groups that leaves them free to make their own independent decisions within a mutually agreed framework of cooperation”.

ATOs seek to work with developing countries’ partners who have democratic structures, promote the recognition of the role of women during production and also in decision-making (Brown, 1993:165). Brown (1993:169) argues that alternative trade is based on three assumptions:

That trade should be built up to a scale which is normal in the mainstream commercial market; that trade development should be seen as a working partnership, all the partners sharing information and taking the major decisions jointly; that the ultimate aim is to move towards independence in terms of competence and financial viability.

Madeley (1996:151) also presents some characteristics of ATOs:

[ATOs] give priority to the small producers that find it difficult to undertake export trade without a sympathetic marketing partner; they are especially interested in the organisational structure of producer groups; they prefer groups in which members have a say in the way they run and which have other benefits, such as educational or welfare schemes, they pay fair prices which allow the producer a reasonable return, and will often give advance payments on orders; they build their range around products made by producers they want to support; they promote their suppliers among their customers, giving information about the project, the locality, and the difficulties faced by small producers; they aim to provide help with information on overseas marketing requirements and assist with matters such as design, technology, packaging, labelling, and sales promotion.

ICDA (1995:103) argues that the main characteristics of ATOs are:

To support the efforts of cooperation and trade by the South's producers for a better standard of living and fair trade income distribution; and to take initiatives and participate in activities aimed at establishing a fair production and trade structures in the South and on the global market.

According to ICDA (1995), price arrangements are determined by ATOs together with producers, and should always provide a decent standard of living to producers and their families. Often, price arrangements vary between 0 to approximately 70% more than what mainstream buyers pay (ICDA, 1995). In addition, advance payment for production is an important characteristic of ATOs. Alternative trade organisations pay producers up to 50% of the value of orders in advance, with the purpose of assisting producers in product development, and in the improvement of organisational and marketing skills (ICDA, 1995). The marketing of alternative trade products is also another relevant role of ATOs, according to ICDA (1995:103):

When marketing the products in the North, fair trade organisations offer customers information on the products and their producers, informing how small-scale producers are negatively affected by the existing international trade structures and regulations, and support political action for more equitable mainstream trade so that small-scale producers get a fair chance to compete on the major commercial markets.

An important component of the alternative trade movement is the final consumer. Madeley (1996:159) argues that the number of people buying fair trade products for its social cause has increased. In this context, it has become an important activity of ATOs to develop marketing campaigns to increase awareness and number of consumers of alternative trade products. According to Madeley (1996:159),

Campaigns for fair trade are already raising consciousness about the issues and leading to better returns and decent livelihoods for producers. Fair trade shopping in Europe is still in its infancy, but it has enormous potential; prominent retailers and supermarkets especially could be a huge growth area.

There are many ways in which the final fair trade products reach the consumer in developed countries. Krier (2001:13) argues that the two most important retail channels are world shops and supermarkets in Europe. He also argues that other retail channels for fair trade products are local solidarity groups, wholefood shops, independent commercial stores, and institutional customers like schools or local administrations, importing organizations, and mail order catalogues (Brown, 1993:157; Krier, 2001:13; Madeley, 1996). Finally, Krier (2001) believes that the development of e-commerce through the Internet will have a significant impact on mail order businesses in the future

(James, J., 2000; Krier, 2001:13). Many of the larger ATOs have already made available on-line shopping facilities.

Another interesting characteristic of the alternative trade movement is that most of the work is done by volunteers in developed countries, although recently there has been considerable development of job opportunities (Krier, 2001:13). However, according to Krier (2001:13) most of the work in the world shops and solidarity groups is still done by volunteers; approximately 100,000 volunteers are actively involved in the alternative trade movement in Europe. This is also the case for most ATOs in developed countries, which includes Community Aid Abroad in Australia, Trade Aid in New Zealand, and many others located in the US, Canada, and Japan.

Cunningham and Atkinson (1994:51) describe the criteria used by alternative trade organisations in the selection of producer partners:

they must buy from small Southern producers who are economically disadvantaged by the present trading conditions; producers must be paid a minimum price above local or world market conditions (this price will include a margin for investment in new equipment and improvement in techniques; producers will be provided with adequate prefinancing on fair terms where necessary; trading contracts will be of a specified minimum duration, to allow producers to plan ahead.

Advocacy has also been an increasingly important role of ATOs, as described by Brown (1993:157). ATOs have been involved with public relations work, promotion of products of Third World producers (Brown, 1993:157), and defending the interests of developing countries in multilateral negotiations, such as in UNCTAD and WTO through participation in conferences, production of working papers and other forms of advocacy support to developing countries. The advocacy work is perhaps of the greatest importance in the fair trade movement, since, in practice, it aims to incorporate alternative trade practices into the mainstream trade system, which obviously will promote larger impacts than the simple retailing of a small part of Third World production in alternative markets.

OBJECTIVES OF ALTERNATIVE TRADE ORGANISATIONS

The objectives of alternative trade organisations are manifold. Firstly, and most importantly, ATOs aim to co-operate with small scale producers in order to help them improve their living conditions. Equally important is the promotion of education

campaigns for Northern consumers about the global trading system, and the campaigning for more justice in the trade structure through advocacy (Cunningham and Atkinson, 1994:46).

Alternative trade organisations have broadly similar objectives. For instance, Trade Aid (1998:10) has a very comprehensive list of objectives for alternative trade. It comprises (a) the establishment of effective partnership with suppliers taking into account their needs and aspirations; (b) to trade in a way to encourage sustainable development and self-reliance; (c) to give priority to producer groups which are most disadvantaged; (d) to give priority to producer groups which recognise the role of women in development; (e) to give priority to groups which preserve or revive their cultural heritage in their craft; (f) to increase purchase from trading partners that meet the criteria at the best possible price for the producers; (g) to increase the sale of these products through the Trade Aid network of cooperatively run shops or through other outlets; (h) to expand the number of producing groups by seeking new trading partnerships; (i) trade at sufficient level of profitability to ensure the long term viability of the organisation; and finally (j) to allocate a proportion of income from sales to support education objectives (Trade Aid, 1998:10).

Trade Aid (1998:11) has also developed a list of education objectives which is commonly found in mission statements of other ATOs. The main objectives are to (a) promote greater awareness of the needs and rights of peoples and countries who are disadvantaged by trading injustices; (b) encourage informed debate about the issues which affect our trading partners; (c) promote debate and campaign for fundamental change to end unjust relationships between the powerful and the powerless in rich and poor nations; (d) present information and ideas to enable people to make ethical choices; (e) promote fair trade and sustainable development; and (f) co-operate with like minded organisations working for change (Trade Aid, 1998:11).

A final example of objectives of ATOs is provided by FINE, an acronym which stands for the first letters of FLO (FairTrade Labelling Organisation), IFAT (International Federation of Alternative Trade), NEWS! (Network of European World Shops) and EFTA (European Fair Trade Association). According to FINE, cited in Krier (2001:5), the goals of fair trade are

(1) 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; (2) to promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process; (3) to raise awareness among consumers of the negative effects on producers of international trade so that they can exercise their purchasing power positively; (4) to set an example of partnership in trade through dialogue, transparency and respect; (5) to campaign for changes in the rules and practice of conventional international trade; and (6) to protect human rights by promoting social justice, sound environmental practice and economic security.

Although most of the objectives are shared by the various ATOs, some of them operate in different ways and prioritise different goals. Some of them are more concerned with direct help to Third World farmers; others are more concentrated on the development of certification schemes and monitoring; while others focus on educational campaigns and advocacy.

LABELLING AND MONITORING

Fair trade labelling started as a result of pressure by ATOs to make the alternative trade movement go mainstream, by having commercial importers and mainstream retailers join the movement. Labelling initiatives are now present in most developed countries: US, Canada, and in 14 countries of UE - the exceptions being, according to Krier (2001:13), Greece, Malta, Portugal and Spain.

Some of the most well-known labelling schemes involve organisations such as Max Havelaar (Holland), Fairtrade (UK) and TransFair (Germany, Switzerland and a growing number of European countries) (Cunningham and Atkinson, 1994:51), as well as TransFair USA, TransFair Canada, not to mention the most currently important fair trade labelling organisation, the FairTrade Labelling Organisation (FLO).

ICDA (1995) argues that the labelling trend started in 1980s and was an advance after fair trade organisations had guaranteed part of the market for fair trade products. The first step for the labelling movement was the creation of trademarks for fair trade products by ATOs. The purpose, according to ICDA (1995:105), was to give “companies abiding by the basic fair trade conditions” a label with a trademark for their fair trade products, therefore making fair trade products recognisable in supermarkets and other commercial retail outlets.

ICDA (1995) argues that the labelling system started in 1989 in the Netherlands, with Max Havelaar's label for coffee. After the labelling scheme, Max Havelaar-coffee won over 2.5% of the Dutch coffee market (ICDA, 1995:105). The same trend was followed by the FairTrade Foundation, which created a label to differentiate green products from fair products (Pearce, 1994). Since coffee, other products have been labelled under fair trade schemes, such as cocoa, chocolate, honey (ICDA, 1995), tea, and clothing (Gutfeld, 2000; Pearce, 1994), sugar, bananas, orange juice, and lumber (Gutfeld, 2000:8).

In order to receive certification, producer cooperatives need to adhere to some requirements. Beekman (1998:9) argues that each ATO own their label and define the conditions under which producers, traders and industry acquire the right to use the fair trade label in their commercial promotion. Therefore, the requirements vary according to each labelling organisation. In general, however, producers need to prove to that the revenue is going to be used to within the cooperative, or for community development, and that the product meets the international requirements (Gutfeld, 2000:7). In addition, Beekman (1998:9) points out that, generally, producers and exporters have to be democratically organised, need to exert effective democratic control over their management, and products must be up to international standards in terms of quality and quantity and accountable to the labelling organizations. As a practical example, Gutfeld (2000:7) presents the TransFair requirements:

A cooperative must be able to show that the bulk of the revenue is going to the growers themselves and that it is meeting the international groups' criteria, including requirements that cooperatives be independent and democratically controlled and share such objectives as working to improve farmers' living conditions.

Beekman (1998:9) adds that there are requirements also for importers and buyers of fair trade products:

these [requirements] include giving their supplies secure market access; enabling them to build effective and sustainable commercial relationship; paying them a premium over current market prices and guaranteeing a floor price that effectively covers both direct and indirect production. In addition they must ensure that their suppliers have access to credit facilities so they can finance their commercial operations.

The role of labelling organisations goes beyond to the monitoring and certifying producers and buyers. According to Beekman (1998:9),

the labelling organization must define and adapt the fair trade criteria, enforce and supervise the rules of the game, maintain a register of authorised producer organisations and buyers, and maintain an environment that allows the system to work efficiently. It is also responsible for profiling and defending the public authority and credibility of the label and promoting labelled products. Most importantly, that labelling organisation remains accountable to the consumer public and must retain their confidence.

In addition to the promotion of social and economic development, the alternative trade movement is also concerned about environmental conditions in the rural livelihoods of Third World countries. In regards to the coffee case, currently the most important commodity in alternative trade, Gutfeld (2000:7) argues that “much of the Fair Trade coffee is grown in the shade, under the forest’s canopy, which helps preserve the area’s natural habitat. Many farmers avoid pesticides or use only minimal amounts”. Products which are environmentally safe are acknowledged during certification.

Labelling initiatives are fairly new to the alternative trade movement, and there is still a long way for it to develop. Although there is increased demand for fair trade products and labelling schemes will make these products more easily available to the consumers, the market share in developing countries for fair products is still too small to make a big difference in developing countries. As Beekman (1998:9) argues, “while the impact of fair trade labelling appears to be unquestioned, its global impact should not be overestimated. In a global perspective fair trade is no more than a tiny niche market”. It is worth emphasising, however, that the positive impacts alternative trade and labelling initiatives bring to producer groups is great in comparison to options within the mainstream market, as will be discussed in the case studies in Chapter 5 and 6. In addition, labelling and certification represent a step further for the fair trade movement. With the development of certification, fair trade products will be more available in mainstream markets, rather than only in the alternative markets. It is likely that availability of fair trade products in mainstream markets may increase consumption of these products, further strengthening the movement.

THE CONSUMER SIDE

Consumers have played a significant role in the alternative trade movement. They are the people who financially maintain the movement. Increased concerns about the conditions in which farmers and producers live in Third World countries triggered the

consumption wave of socially-friendly products. Cunningham and Atkinson (1994:46) argue that “consumers in the North increasingly realise that, acting together, they can be powerful agents in bringing about positive change and a more just world”. In addition, Zadek and Tiffen (1996:6) argue that “an increasing number of people in the global North concerned with conditions of poverty in the South are signing up as fair trade costumers, buying a range of products from coffee to Christmas presents”.

Many polls confirm the consumer trend towards fair trade products. A Gallup poll in Britain carried in 1989, cited in Brown (1993:180), showed that the British people were ready for the introduction of fair trade products into their market. The results of the poll showed that “as a long-term solution to world poverty, 45% favoured fairer trade, compared with 37% who favoured government aid and 6% charitable donations” (Brown, 1993:180). In addition, according to the same poll, if a higher price meant better wages for the producers, 79% would pay more for a product (Brown, 1993:180). On the same lines, Howard (1995:18) claimed that “independent market research suggestes that, given the opportunity, between 24-40 per cent of people would be keen to shop ethically, even if it costs slightly more”. Cunningham and Atkinson (1994:51) also acknowledged the role of consumer research of fair trade products: “market research showed that 37% of Germans would pay 25% more for their coffee if the quality is good, it is available in ordinary shops and there is a guarantee that the extra money goes to the producers”. Finally, Zadek and Tiffen (1996:8) argue that

This positive reality is supported by many surveys of consumers’ ethical concerns recently carried out by the UK-based Co-operative Wholesale Service [show that] as many as 60 per cent of those surveyed said that they would be willing to boycott a shop or product because of concern about environment or social performance.

The danger of consumer polls for fair trade products is that although many people express their willingness in shifting their purchases towards fair trade products, in practice this does not happen at the same levels as expressed in the polls. ICDA (1995:107) argues that “surveys in various countries consistently show that between 10 and 15% of consumers in Europe are willing to buy fair trade products, even when these cost somewhat more, but that only 1-2% are doing so in a regular basis”. Zadek and Tiffen (1996:8-9) also argued that more than statement of intention is needed to strengthen the alternative trade movement:

for fair trade to become mainstream, we need far more than a statement of intention. Even a short-run sense of outrage may be assuaged by corporate press releases and

advertising. And it is unrealistic to expect the bulk of consumers to spend a major portion of their time assessing the ethics of the hundreds of individual products – and associated companies – that they want to buy or buy from.

Finally, Brown (1983:162) argues that “it is not possible to rely on good will, commitment or solidarity for continuing the sales of Third World products, where they come into competition with attractive, well-designed goods made in the First World”.

There are many ways that fair trade products are promoted. One is through labelling and certification in order to make fair trade products easily available to consumers in mainstream shops, as discussed earlier (ICDA, 1995). The second is through the promotion of marketing campaigns. ICDA (1995:107) argues that “Marketing is still the Achilles’ heel of fair trade. Stepping up the professionalism of World Shops is one way to attract new customers”. Brown (1993:158) also suggests that reporting the truth about producer groups in developing countries is a good marketing strategy:

The essence of an alternative is that the consumer should be told the truth, not only about what is in the product but also the truth about the producer, her or his conditions of life and work, what they get for their work and what it does to the environment.

Brown (1993:162) also stresses the importance of becoming more “professional” in promoting fair trade products, not only in terms of marketing but also in product development:

Successful trading requires professionalism at every stage. Designs have to be adapted to modern tastes and to the arrangements of a modern household. Fashions change and there is an insatiable demand for something new. Packaging is today a large element in what sells a product.

ICDA (1995:107) argues that it is difficult to get more ‘mainstream’ retailers to turn to fair trade products. ICDA (1995) presents the case for fair trade coffee:

there are probably two main reasons why the major coffee roasters are reluctant to market fair trade coffee brands: they are allergic to external monitoring and influence (ie from labelling organisations), and marketing a ‘fair trade’ coffee would imply that the other coffee brands sold are not fair trade. Roasters would have no defence if it ever became a public issue.

In regards to the increase demand for fair trade products, Howard (1995:18) argues that the recently set up Fair Trade Foundation is another indicator of a growing consumer trend... if the foundation is convinced that the products that companies are applying to validate are fairly traded, then they are allowed to display the fair-trade logo on their products. The logo guarantees UK consumers that the third-world farmers and producers get a better deal.

Consumer demand is also helping to accelerate the process of inserting alternative trade products into mainstream shops, as argued by Howard (1995:18): “for the first time, fairly traded products like Cafedirect and Clipper teas are reaching supermarket shelves, and several groundbreaking fair-trade companies are thriving around the UK”. Another good example, although the outcome is still unknown, is Starbucks (Beaudoin, 2000:20; James, D., 2000). Beaudoin (2000:20) argues that

Starbucks has recently taken more active responsibility for the wages of farmers. The company has recently entered into a licensing agreement with TransFair USA, a nonprofit concern that oversees fair trade coffee practices. Beginning of this year, Starbucks will sell ‘fair trade’ coffee from Guatemala and Nicaragua in over 2,000 US stores and through its Web site. Transfair USA will certify the farms that provide coffee to Starbucks’ existing suppliers. ‘FairTrade’ coffee will conform to European standards that guarantee a living wage to farmers. After one year, Starbucks will evaluate the program, in the hopes that if consumers have responded positively, it can expand its sales of fair trade coffee.

On the other hand, there are trading organisations who have originally devoted their sales only to fair trade products, such as Equal Exchange (Beaudoin, 2000:20).

Some authors, such as Brown (1993), ICDA (1995), Reijntjes (1998), and believe that it is fundamental for the fair trade movement to become mainstream: “unless alternative approaches to trade become mainstream, the inequity and environmental damage inherent in conventional trading practices will remain unchallenged” (Reijntjes, 1998:5). It is therefore important for ATOs to invest in consumer campaigns, certification, education, marketing, and advocacy, not only to increase consumption of fair trade products, but also create better conditions for developing producers in the mainstream trade system.

CURRENT DEVELOPMENTS

There has been strong support from some European governments with regard to the enhancement of the alternative trade movement (ICDA, 1995:107). Krier (2001:12) also reinforces this argument: “relationships between Fair Trade organisations and institutions of the European Union have... grown more intense”. The links between the EU and ATOs have been strengthened in terms of resolutions on Fair Trade bills passed by the European Parliament; applications from Fair Trade organizations for co-financing of educational and development activities; campaigning directed at EU institutions; the establishment and promotion of the Fair Trade Day, held on various

occasions in the European Parliament; and the inclusion of Fair Trade in the new Cotonou treaty (Krier, 2001:12). ICDA (1995:107) adds that EU has started to give fair trade products preferential treatment: “in a resolution adopted in January 1994, the European Parliament supported the development of fair trade. [Also,] some national Parliaments, like Luxembourg’s are also doing so”. Other measures by the EU are programs for quality control and improvements implemented to meet the demands of the European market and to enhance the attractiveness of the product; publicity and advertising is used to convince customers to buy fair trade products, and attempt to create a worldwide awareness with regard to attention to decent and sustainable socio-economic production conditions essential if trade is to benefit people (ICDA, 1995:107).

Another significant current development is the increase in the numbers of producer partners in developing countries, and the quantity and diversity of products available to consumers. However, current market share for fair trade products has not been enough to cover all potential fair trade producers in Third World countries. Gutfeld (2000:8) argues that in 1999, “about 550,000 Fair Trade farmers in 22 countries harvested 70 million pounds of coffee that could meet Fair Trade criteria...of this amount, just 27 million pounds were sold at Fair Trade price”.

Also increasing is the number and the diversity in themes of organisations and/or institutions related to ATOs, as described by Krier (2001:7): they are

organizations which aim to help producers to meet European market requirements through such things as product development, skills training, consultancy services; financial organizations like Shared Interest (through which money from ethical investors is channeled to Fair Trade organizations in the North and the South at better-than-market rates) or Oikocredit; and NGOs, directing some of their awareness-raising activities towards responsible consumerism or a fairer exchange between North and South.

DIFFICULTIES OF ALTERNATIVE TRADE ORGANISATIONS

As with any alternative movement, alternative trade faces several difficulties. The first and most important is its current dimensions. The alternative trade movement, although bringing changes for many communities in developing countries, is still small when compared to the mainstream trade system. Zadek and Tiffen (1996:6) argue that “fair trade still makes up only a tiny proportion of overall trade – in the order of US\$ 300-

500 million per annum”. Brown (1993:157) also argues in the same lines: “relative to the Third World’s total trade, which amounts to hundreds of billions of dollars, alternative trade is small indeed, accounting only for a few hundred millions”.

A second difficulty is in accessing mainstream markets (Brown, 1993; ICDA, 1995; Madeley, 1996; Zadek and Tiffen, 1996), as discussed earlier. ICDA (1995:107) argues that

Department stores and supermarkets have more practical reasons for hesitating to sell fair trade products such as restrained shelf space, uncertainty about the fair trade products’ turnovers, fair trade-products are more likely to take turnover away from other products instead of increasing the overall sales figures, etc.

ICDA (1995:107) also points out that the best trading mainstream channel so far has been smaller supermarket chains, “increasingly willing to experiment with specialists’ racks for fair trade products”.

A third difficulty is in relation to price. Here difficulties are two-fold. First, it is important to acknowledge that prices for alternative trade products are *per se* higher than those in the mainstream market, as they include social and environmental costs, often neglected in mainstream prices. Also, there are no economies of scale in alternative trade, which makes the costs naturally higher than those in mainstream markets. A second catch with fair trade prices is the great difficulty in establishing what constitutes a ‘fair price’. In theory, a fair price is the price which will cover for total costs of production, which includes fair payment for their labour and environmental costs. Although it is not a major problem establishing fair prices for agriculture produce, it is hard for artworks, for instance. Zadek and Tiffen (1996:6) also add to the discussion that

what constitutes a ‘fair’ price can be understood in many different ways, such as: more than the local price; more than the price available from other international traders; enough for producers and their families to attain a ‘reasonable’ living standard; a price that enables the Northern partner to be no more than barely viable; a trading regime that allows Southern producers to earn the same as their Northern trading partners; and returns to all parties involved directly in the chain that reflect input, skills and risk, and not bargaining position alone.

Fourthly, some producers are still not adapted to the operational needs of the cooperatives, as argued by Beekman (1998:9): “it would seem that in some cases fair trade procedures have not been adapted to the operational needs of farmer’s

organizations, especially under present unstable market conditions". Beckman (1998:9) adds that

fair trade labelling organizations have not paid sufficient attention to the development and organization of the necessary management support services. Management is also a critical factor at farmer level. The minimum scale of operations needed to run an export business is far beyond the scope of small and often isolated farmers. Lacking the management skills needed to operate the business, they have to hire in managers over whom they may have little control. If there is no effective control and accountability is not enforced, the temptation to address private interests above co-operative interests can be irresistible and leads to serious problems.

Finally, credit problems are of great concern to both sides of the alternative trade movement. Beckman (1998:9) argues that

the certifying organizations cannot solve these huge problems on their own. Strong global alliances with trade and industry, development organizations, ethical (and conventional) financial institutions, universities and consultants are needed in order to build a system that works and hence challenges 'business as usual'.

On the other side, credit is also a major problem for producers. Often, as described by producer groups during fieldwork in Brazil which will be discussed in depth in Chapters 5 and 6, a common complaint is the difficulty in holding on to an overseas fair trade partner when credit or payment is not readily available, since most of the time these producers are harassed by middlemen, always ready to buy the produce at a very low price but with ready-to-go cash. Also, being small farmers, access to credit in banks is hard to obtain.

Other difficulties, revealed during fieldwork in Brazil, are concerned with communication between ATOs and participant groups, problems with delivery of the produce, and quality control. Communication is a great problem not only due to the diversity of languages and dialects, since often producer groups in developing countries are not educated in English or other European languages. Most of the time, a third party works voluntarily to provide the link between ATOs and producer groups. When the third party is absent, communication may become a problem. Another issue is the difficulty of producer groups obtaining access to means of communication, such as phone, fax or the Internet. Secondly, export costs to developed countries tend to be high, and often producer groups alone cannot cope with them. Difficulties arise when producer groups and ATOs are not able to combine efforts to organise the transport of produce. Finally, quality control is a common difficulty among producer groups. The market for fair trade products is quite demanding in terms of quality control, since

prices are higher compared to products available in mainstream markets. Certification schemes are useful, since they control not only the quality of the produce but also the social conditions in which cooperatives work. However, without the support, information and training from ATOs, producer groups are often not able to reach the quality levels required by fair trade consumers.

Most of the solutions for the difficulties of the alternative trade movement lie in strengthening the movement through increases in sales (therefore the number of loyal consumers), and in finding partners in larger businesses willing to promote the social and economic interests of Third World producers. As a starting point, Brown (1993:189) suggests that “at some stage in their development, all networks of NGOs are going to need to have the financial support of government powers of taxation and the political influence of government authority over trading practices”. Obviously, this could also pose some difficulties to the movement, since bureaucracy or demands by partners could weaken the original ideas and actions of the movement. However, without changes to the original ideas of the alternative trade movement, the outcomes would be positive. Taking this problem into consideration, continuous links with business and governments, and the development of a strong marketing sector will also prove fundamental to the success of the alternative trade movement in the future.

An often neglected alternative is the development of consumer markets for wealthy elites in developing countries, who could absorb part of the fair trade production. However, market research to assess this possibility is yet to be made. Finally, further investments in grass-root movements in developing countries, and educational development for fair trade producer cooperatives will also help to strengthen the alternative trade movement.

Finally, it is also important to acknowledge that government support from both developed and developing countries to alternative trade movements is fundamental, since there are important linkages between governments, producers, consumers and citizens.

ETHICAL TRADE

Ethical Trade is commonly mixed with Fair Trade in literature, although they are parts of different movements. While fair trade was organised by civil movements with support of NGOs, Ethical Trade is an initiative of private businesses, influenced mainly by NGOs and consumer demand (Tallontire and Blowfield, 2000).

Ethical Trade has come to existence as a result of pressure from civil society on businesses to promote social corporate responsibility. It has gained strength in the last couple of decades by increasing numbers of companies in the North (both in Europe and US) adopting voluntarily codes of conduct to cover the labour conditions of their suppliers in developing countries (Barrientos, 2000:560).

The Ethical Trading Initiative (ETI) was created in the UK in 1998. Originally it was an attempt by NGOs such as the Fair Trade Foundation and Oxfam to elaborate codes of conducts for companies, which would be implemented and monitored to guarantee satisfactory labour conditions (Hale, 2000). According to Barrientos (2000:560), ETI “brought together different stakeholders in the UK: companies, NGOs, and unions, with the support of the Department for International Development”, with the purpose of establishing a common approach towards ethical trade, and to avoid a proliferation of different labour codes. In addition, according to Barrientos (2000:560), ETI also established a common baseline code of conduct, which is built on core ILO conventions.

In promoting Ethical Trade, businesses are not only bringing benefits to workers but also promoting a good marketing image to consumers. Companies have become concerned about their image when events such as discoveries of labour exploitation in sweatshops in developed countries were made public through media (Cunningham and Atkinson, 1994; Hale, 2000:349; Raghvan, 1997). The development of communications systems has facilitated the knowledge of the diverse situations across the world, such as working conditions in FTZs and EPZs (Export Process Zones), health conditions of workers, child labour and even slave labour (Barrientos, 2000:563-564).

In most cases, corporations do not control all steps of the production; often they subcontract companies in developing countries (Barrientos, 2000:561;564; Hale 2000:352; Ross, 1997). One of the most notorious examples of subcontracting is in the fashion industry. Hale (2000:352) argues that “intense international and local competition, combined with the demands of the fashion industry, has meant that the garment industry of the 1990s has been characterised by a massive increase in subcontracting”.

Subcontracting poses several problems to workers, both in developed and developing countries, as described by Hale (2000:352):

This growing pattern of international subcontracting means that the whole industry works on the basis of flexibility, short-termism, competition and insecurity. It is therefore no surprise that workers themselves are faced with these problems. As production is moved to cheaper locations, millions of workers in industrialised countries are losing their jobs, not only in Europe and North America but also in the newly industrialised countries of Asia.

Being part of on a scheme such as the Ethical Trade Initiative (ETI) gives corporations the opportunity of controlling and reacting to adverse labour conditions in their supply chains (Barrientos, 2000), as well as ensuring that minimum labour conditions would be met. In taking greater social responsibility, corporations preserve markets by enhancing the stability of their commercial environment (Barrientos, 2000:564). However, Hale (2000) argues that it is not easy to solve the subcontracting problem, since subcontracting chains have become increasingly complex over the decades. Hale (2000:353) argues that one of greatest problems is actually knowing where goods have been produced: “most companies operate through agents, trading companies, or local contractors. These middlemen increase their power by providing as little information as possible”.

Maintaining levels of profit and customers are the main objectives of companies: “companies are therefore keen to avoid the bad publicity that can be generated by NGO campaigns...as a result, many large companies are now opting for a more ‘positive’ image which ethical trade can promote” (Barrientos, 2000:564). Besides promoting a good image, corporations could in the future improve labour markets, and at the same time create consumer markets in developing countries (Tallontire and Blowfield, 2000).

This new trend may be a result of the need to link social welfare and markets again (Barrientos, 2000:562).

Not only businesses are interested in promoting Ethical Trade, but also consumers. There has been increased interest on the consumer side about the conditions in which goods they purchase have been produced. According to Cavanagh (1997a:41), consumers seem to be willing to use their purchasing power to help promoting the interests of workers: “more than three-fourths of consumers polled in a 1995 survey of over a thousand adults by Marymount University said that they would avoid purchasing goods made in sweatshops, even if this meant paying higher prices” (Cavanagh 1997a:41).

Monitoring and verification of working conditions through external assessment are the main methods of guaranteeing the ethical trade scheme. Other important steps are the strengthening of trade union movements in developing countries, support of governments for social needs and enforcement of codes of conducts for multinational companies operating in their territory, and support to citizens movements concerned with labour conditions and environment (Cavanagh, 1997a). Hale (2000:354) also argues that monitoring and taking action are the most important parts of ETI:

As part of their commitment to ethical trade, some larger companies insist that their own representatives visit at least some of the factories from which the companies source. Some are also setting up their own buying operations and establishing more direct relationship with local manufacturers. This is sometimes accompanied by a dramatic reduction in the number of suppliers. Such a closer working relationship does provide greater opportunity for monitoring the implementation of company codes by those particular companies.

As in the fair trade movement, Ethical Trade also faces limitations and difficulties. The first difficulty is in relation to the scope of the movement, as pointed out by Barrientos (2000:566). Codes are adopted voluntarily by companies; there is no international enforcement for MNCs. There are recommendations for codes of conduct, such as those proposed by ETI and ILO. Therefore, the strengthening of the ETI movement will depend on the good will of companies in abiding by codes of conduct (Barrientos, 2000:566). Secondly, as also pointed by Barrientos (2000:567), codes of conduct do not cover all issues relevant to the movement in developing countries, such as workers' poor health, lack of education, gender discrimination or provision of social benefits. ETI

should be made in a more democratic way in developing countries. Hale (2000:354) argues that the main recipients of ETI often are not consulted on the relevance of codes:

although [ETI] is fundamentally about workers' rights, workers themselves have not been part of the process. Codes are not negotiated between employers and workers, but are introduced in a top-down fashion by the employers themselves ... In short, codes of conduct are being introduced on behalf of workers without their knowledge or consent. It is simply assumed that workers will see this initiative as being in their interest.

Participation by workers is important since workers themselves can monitor the conditions in which they work and ensure that their rights are not being violated (Hale 2000:356). In addition, it is important to further develop communication between ETI, NGOs, employers, and trade unions, in order to elaborate codes that will be useful and helpful for workers. A final difficulty pointed out by Tallontire and Blowfield (2000:574-575) is that some Third World countries see Ethical Trade Initiative as a form of protectionism, as a way for governments in developed countries to ban products from Third World countries based on labour standards. Third World countries also claim that their participation in such schemes often are very small, and ETIs are the result of decisions and ideas in the North reflecting Northern values and priorities: "the initiatives may not take account of issues affecting developing country producers and developing countries have rarely been involved in formulating principles and criteria" (Tallontire and Blowfield, 2000:575). Other weaknesses of application of ETIs in developing countries as pointed by Tallontire and Blowfield (2000:575) are lack of knowledge and access to technical resources, sovereignty issues, financial limitations, lack of scientific consensus, and lack of uniformity with codes applied in other countries.

Finally, as in the fair trade movement, Ethical Trade Initiative aim to have their ideas incorporated into mainstream trade practices rather than replacing them. Barrientos (2000:568) argues that ethical trade could be complementary but not a substitute to other forms of regulation of labour standards:

[Ethical trade] reinforces the notion that companies operating in a global environment should have a commitment to development...it is not a substitute for development policies by government and other agencies, but it could contribute to finding new approaches to development issues.

In conclusion, fair trade and ethical trade could be useful tools for developing countries to reap more benefits from international trade and from TNCs operating in their territories, although these alternatives are not intended to replace government

macropolicies. These movements are best targeted at the poor and marginalised by mainstream trade practices. In general, however, these alternatives could bring benefits to developing countries. Madeley (1996:175) points out that:

Organising together to get a better deal from commodities, to increase trade with each other, to step up alternative trade, exercise more control over TNCs – all need to be key elements in a developing country strategy to change the international trading system for the good of the majority of humanity.

SUMMARY

Alternatives to free trade practices have come from initiatives from either governments, civil society, or private businesses. Although not readily acknowledged by mainstream actors, alternatives to free trade practices are important to developing countries, since they aim to benefit those who are most likely to lose with trade liberalisation, i.e. small farmers and workers in Third World countries.

Among government initiatives for alternatives to free trade practices, South-South cooperation and trade, economic integration, and import substitution are policies which have their shortcomings, but also have achieved moderate levels of success in the past, and could be used again by developing countries, not as a substitute but as a complement of policies for the international mainstream trade system.

On the other hand, non-governmental initiatives have smaller impacts but nonetheless have proved to be effective when employed in partnership with small producers in developing countries. Alternative trade movements have come to existence through citizens and NGO movements in developed countries, and their main purpose is to provide Third World producers with market access in developed countries, and better trading conditions.

Recently, the fair trade movement has gained strength and has diversified into other tasks, such as educational campaigns and advocacy. There has also been an increased trend to adapt fair trade practices into the mainstream trading system. In bringing fair trade ideas to the mainstream trade system, the impacts on the lives of small producers would be considerably larger than the selling of their products in alternative markets.

Equally important has been the social responsibility of corporations through voluntary adoption of codes of conduct. The Ethical trade movement has also increased over the past decades. The adoption of codes by multinational companies provides not only reasonable working conditions for workers in Third World countries, but also provide multinational companies with a good image to consumers. Public pressure and consumer awareness of working conditions in developing countries has played a considerable role in the strengthening of ethical trade.

CHAPTER 3

THE BRAZILIAN CONTEXT

INTRODUCTION

This chapter has the objective of presenting the setting of the fieldwork and case studies. It presents the Brazilian context, briefly explaining the Brazilian insertion in the world economy, and reviewing economic and social conditions in which participant groups from case studies are living.

Brazil may not be the best model to study the impacts of alternative trade on macroeconomic data due to its size and privileged economic conditions, in comparison with other Third World countries. However, the case studies in Brazil are interesting examples of the development of links between NGOs and civil society, as well as solidarity links between developed and developing countries, providing economic opportunities for those currently impoverished by trade 'liberalisation'.

Throughout this chapter and in Chapters 5 and 6, I will argue that although alternative trade movements have brought significant changes for specific communities and therefore should be considered an effective alternative way for community development, the overall impact on Brazilian society and economy remains very small. Obviously, this may not be the case for smaller developing countries, such as ACP countries (African, Caribbean and Pacific), which may have more access to alternative trade markets in European countries. However, the argument defended is that where alternative trade has the potential to bring significant changes despite the size of the country or the community, it should be encouraged.

At the same time, macroeconomic and trade policies should be used in conjunction with community development by Third World governments in order to guarantee better trading conditions for smaller producers, when they join mainstream trade. Finally, governments of developing countries should make greater efforts to spread the benefits of trade in a more equal way within their societies. Unfortunately, despite any chosen

trade policy in the past (either liberal or protectionist), inequality has been increasing and deepening over the decades, and Brazil is known as one of the most unequal countries in the world (Eakin, 1997:5, 105; Fausto, 1999:330).

This chapter is divided in three parts. The first part presents general information about Brazil, both in the international domestic context, and brief political and economic history. The first part also explores the main problems of Brazilian society; poverty and inequality. The second part presents recent developments in the Brazilian economy and the trends in international trade. This section also presents some of the problems related to agriculture and land distribution, as well as problems related to the labour market, education and poverty. Finally, the last part explores the alternative trade movement in Brazil, which is in its initial stages but nonetheless has brought positive changes to a few producer groups.

BRAZIL

The Brazilian population is approximately 170 million. It is the fifth largest population in the world, behind China, India, US and Indonesia. Brazil is also the fifth largest country in terms of geographical area, with a total area of 8,547 thousands of square km (World Bank, 2001).

Brazil was discovered in 1500 by Portuguese explorers. Colonisation processes by Portugal began in order to occupy land and to provide merchandise to the international market. Sugarcane was the main commodity produced and it had its peak production period in the 16th and 17th centuries, followed by the gold cycle in Minas Gerais. Brazil remained as a colony until its independence in 1822. After Independence and the political shift towards the Republican system in 1889, the main economic activity was the production and export of coffee by the Southeast region in the 19th and 20th centuries (Fausto, 1999; Furtado, 1991; Levine, 1999). Only in the early 20th century did Brazil has start to diversify its production with manufactured products.

Brazil is a Federation comprising 26 states and one Federal District that hosts the government headquarters. Politically, the states are grouped in 5 regions: North (N), Northeast (NE), Southeast (SE), South (S) and Centre-West (CW). The Northern region

includes the states of Acre, Amazonas, Roraima, Pará, Rondônia, Amapá, and Tocantins. The Amazon rainforest is located in this region. The Northeast region is known as the poorest region in Brazil, with nine states: Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, and Bahia. The Southeast region is the most industrialised and wealthiest of Brazil, and comprises the states of Rio de Janeiro, São Paulo, Minas Gerais, and Espírito Santo. The Southern region had a different colonial experience since most of the immigrants came for settlement (as in the case of colonisation in the north of the US and Canada), and not for agricultural business as in the Northeast region. For this reason, the Southern is the region with the highest rate of human development in Brazil. The Southern region comprises the states of Rio Grande do Sul, Parana, and Santa Catarina. Finally, the Centre West region includes the states of Mato Grosso, Mato Grosso do Sul, Goiás, and the Federal District. Refer to Map 3.1 for the Brazilian Map of Political Division.

Map 3.1 – Brazilian Map - Political Division



Source: IBGE (Brazilian Institute of Geography and Statistics).

POVERTY AND INEQUALITY

Brazil is the largest catholic nation in the world, and the world's third largest democracy following India and the US (Eakin, 1998:2). According to the World Bank (2001), Brazil is the eighth largest economy in the world, with a GDP of US\$ 742.8 billion. Although it may sound as though Brazil is a rich country, this is not reflected in terms of wealth per capita. In 1999, Brazil ranked 70th position in the world ranking of GDP per capita, with a total of US\$ 4,420. In terms of GNP measured at PPP (Parity Purchase Power), the conditions were even worse: Brazil was 81st in the world, after some of its South American neighbours such as Argentina (56th), Chile (68th), and Uruguay (70th). In terms of the Human Development Index (HDI), Brazil is ranked in 74th position, after Argentina (35), Chile (38), Uruguay (39), all considered countries with high human development (UNDP, 2000). The number of people living below the poverty line is quite high in Brazil, as illustrated by table 3.1.

Table 3.1 – International poverty lines, selected countries (US\$ dollar)

	Pop below \$1 a day (%)	Poverty gap at \$1 a day (%)	Pop below \$2 a day (%)	Poverty gap at \$2 a day (%)
Brazil (1997)	5.1	1.3	17.4	6.3
Bolivia (1990)	11.3	2.2	38.6	13.5
Chile (1994)	4.2	0.7	20.3	5.9
Paraguay (1995)	19.4	8.3	38.5	18.8
Uruguay (1989)	<2	<0.5	6.6	1.9
Venezuela (1996)	14.7	5.6	36.4	15.7

Source: World Bank

In other words, according to international standards, 30.1% of the population in Brazil live with \$2 or less a day, which currently in numbers would equal approximately 51 million people. To illustrate the dimension of this number, 51 million people is the combined population of Belgium, Canada, Denmark and Finland. This illustrates the economic inequality within Brazilian society. The bottom 30% of Brazilian society earns only 4.44% of total income. On the other hand, the national poverty line states that only 17.4% of Brazilians live below poverty line (World Bank, 2001). It accounts for 29.2 million people. Although there is always the controversy of which would be the

right number, 29.2 million people is still a significant number. This would represent the combined population of Australia, New Zealand, and Switzerland. Table 3.2 provides further illustration of Brazilian economic inequalities.

The population growth rate is decreasing in Brazil. The rate has declined from 3% in the 1960s to 2.5% in the 1970s, until reaching 1.4% in the 1990s (IBGE⁵, 2001:21). The average number of children per family declined from 5.8 in 1970 to 2.3 in 1999 (IBGE, 2001:21). Finally, there has been an increase in the role of women in the economy as the number of economically active women has increased from 39,4% in 1992 to 41.4% in 1999 (IBGE, 2001:119-120). However, even though the participation of women is increasing, there is a real and urgent need to promote equality of opportunities between genders, as well as to promote women's interests in government investments in health and education areas, which are often neglected, in particular among the poorest classes.

Table 3.2 – Income distribution in Brazil

1992					
	40% poorest		10% richest		Relation between (B/A)
	Total	Average Salary (A)*	Total	Average Salary (B)*	
Brazil	21624208	0,7	5406104	13,33	19
SE	10096876	0,93	2524256	15,08	16,20
NE	5415548	0,35	1354000	8,41	24,04
S	3564136	0,89	891112	14,35	16,19
N	859500	0,69	214887	10,95	15,83
CW	1558755	0,76	389749	14,53	19,12
1999					
	40% poorest		10% richest		Relation between (B/A)
	Total	Average Salary (A)*	Total	Average Salary (B)*	
Brazil	24372596	0,94	6093180	17,63	18,83
SE	11098388	1,29	2774630	20	15,5
NE	6177813	0,58	1544545	11,49	19,72
S	3962589	1,15	990656	18,38	16
N	1117393	0,88	279362	14,48	16,45
CW	1835910	1,02	459002	19,33	18,86

* Minimum salary in Brazil was R\$180 in 2001, equivalent to US\$70

Source: IBGE

⁵ Quotes in other languages were translated by the author for the purpose of this thesis.

Another important aspect of Brazil is the differences between its various regions. Due to colonisation processes and land occupation, some regions have developed faster than others, and this is reflected in most social indicators. For instance, the general illiteracy rate in Brazil is 13.3%. However, in the most developed regions, Southeast and South, the rate is 7.8% whereas in the Northeast region, the poorest region in the country, the rate is 26.6%. Refer to Figure A1.1 in Appendix 1 for data on the illiteracy rate in Brazil. Another example of the regional differences is in life expectancy. As illustrated in Figure A1.2 in Appendix 1, people from the Southern region have an estimated life of 70.8 years whereas people from the Northeast have an estimated life of 65.5 years.

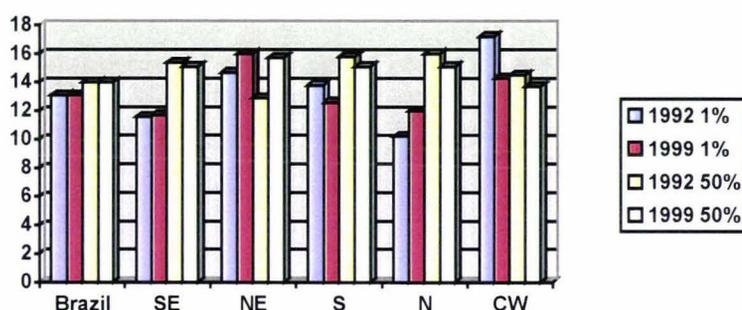
Other examples of social differences between regions and other social indicators for Brazil are available in Table 3.3. It is important to note that no matter which indicator is being evaluated, the Northeast region has always the worst rates in comparison to the rates obtained for the Southern and Southeast regions (Eakin, 1997:5; Levine, 1999:5-10). There are several possible explanations for these imbalances, such as the patterns of colonisation, land occupation, the shift from production of sugarcane in the Northeast to coffee in the Southeast region in the end of 19th century and early 20th century. Today, these imbalances could be expressed by preferences for the Southern and Southeast regions for local and foreign investments, due to the presence of infrastructure and skilled labour. Imbalances could also be explained in terms of lack of commitment from the Brazilian government in developing the interior earlier in the 20th century. Only after the 1950s did the government start to be aware of the need to develop the interior. It came as a change in policy direction under the government of President Juscelino Kubitschek (in office from 1956 to 1961), who transferred the capital from Rio de Janeiro to Brasilia partly with this purpose in mind.

Imbalances are not only found between the regions but also *within* regions in Brazil. There is a greater concentration of wealth in the higher classes as already described by Table 3.2. Figure 3.1 also illustrates wealth concentration in Brazil, showing wealth concentration of the richest 1% and poorest 50% per region. Although policies with the purpose of eliminating poverty and increasing income in lower classes have been implemented in preceding decades, their results have not had significant impact on the structure of wealth distribution in Brazil. Camargo and Barros (1993:60) argue that “after a long period of high economic growth, Brazilian society is still striving to solve

the basic problem of the poverty of half its population". It is argued that focusing solely on economic growth will not be enough to promote development and bring people out of poverty in Brazil if policies to combat the high level of inequalities do not take place. Examples of inequalities between social classes are present in everyday life in Brazil. DaMata (1999:295) presents an example concerning the lack of sensitivity from public figures to the unequal conditions of Brazilian people:

Meanwhile, in the impoverished and corruption-ridden northeastern state of Alagoas, the governor's wife proudly parades before the peasants in gold jewelry, French suits, and Italian shoes. A true egalitarian, she says, 'Poor people have just the same right to see me pretty as people in society'.

Figure 3.1 – Wealth concentration in Brazil



Source: IBGE

Table 3.3 – Other social indicators in Brazil

	Brazil	SE	NE	S	N	CW
Population (number)	160,336,471	70,067,880	46,400,796	24,514,219	7,828,407	11,273,592
Urbanisation Rate (%)	79,7	88,7	63,6	78,4	Na	81,8
Infant Mortality Rate (per 1000)	34,6	24,4	53,0	20,7	34,1	24,5
Doctors per 1000 habs	2,56	3,39	1,73	2,62	1,15	2,35
People who rely on Public Health	49,1	41,8	61,6	50,1	56,4	46,35
Children per family	2,3	2,1	2,6	2,2	3,1	2,2

Source: IBGE

There are many authors who argue that Brazil should invest more in infrastructure, education and health in order to ease inequalities. However, according to data from the World Bank (2001), despite increased investment in education and public health, the HDI actually *decreased* over recent years. According to Camargo and Barros (1993:61), although “lack of social infrastructure is itself a consequence of low government expenditure in the social sectors. But that is not the case of Brazil”. Camargo and Barros (1993) argue that the problem is not the amount being spent but rather the inefficiency in which the transmission of funds is distributed among public services. According to the authors, “the inefficiency of the transmission process does not allow this expenditure to get down to the poor in the form of reasonable social services” (Camargo and Barros, 1993:61-2). Table 3.4 illustrates this argument. Argentina, Chile and Uruguay have higher HDI indices, although Brazil invests more in education than any of them. In terms of expenditure in health, only Argentina spends relatively more than Brazil.

Table 3.4 – Public expenditure on education and health in selected South American countries

	Public Expenditure on Education		Public Expenditure on Health
	% of GNP		% of GNP
	1980	1997	1980-98
Brazil	3.6	5.1	3.4
Argentina	2.7	3.5	4.0
Bolivia	4.4	4.9	1.1
Chile	4.6	3.6	2.4
Paraguay	1.5	4.0	2.6
Uruguay	2.3	3.3	1.9
Venezuela	4.4	5.2	3.0

Source: World Bank

A few conclusions could be drawn from this analysis. Firstly, it is necessary to invest in restructuring public sector management, in order to make administration more efficient and less costly to the government. Although it is claimed that Brazil spent 5.1% of GNP in education in 1997, a significant part of these funds may have never reached those which they were intended for. Secondly, there is a considerable need to restructure the

public services which provide education, health and other social benefits. Some changes in the educational, health, and social security systems have been started during the last decade, but concrete results are yet to be seen. Finally, and perhaps most importantly, it is necessary to address directly the issue of corruption in government departments in regards to transfers of funds, public bids, and human resource management. Although there has been some degree of action in this area, there is still much to be done, especially in terms of changing not only the mentality of people working in the government but also in the overall Brazilian society.

There are some other social problems that need to be taken into consideration when analysing Brazilian development issues. Inequality is not only reflected in economic differences, but also strongly in the area of racial and gender discrimination (Fausto, 1999:330-331, 336-337). While gender discrimination is also present in Brazil, there is a changing trend in the role of women in Brazilian society. Many families are headed by women, in addition to the increasing number of women in the labour force in recent decades (Eakin, 1997:142). Larger participation of women in the Brazilian economy is caused both by emancipation of women and increase of poverty, which forced some women to look for jobs. The increase of women in the workforce was also felt during fieldwork research in Brazil. In the two urban case studies in Rio de Janeiro cooperative members were all women.

Although women are present in the labour force, discrimination is felt when comparing male and female salaries for the same job (Levine, 1999:172; Levine and Crocitti, 1999:300). Even more perverse is the situation of rural women, who usually have to work double shifts: one to financially help the family and the second to secure food, water and care of children at home (Uriarte and Grüninger, 2001a:11). The conditions of rural women are described by members of the MST (Brazilian Landless Movement), (1999:266):

Among the people who live in the countryside, those who most suffer the wretched living conditions are, without doubt, the women and children. The women perform a double work shift, dedicating themselves to domestic activities and labor in production. The majority receive nothing for their labour. They do not participate in the decisions about the family economy. The women are who most suffer a lack of health care for themselves and their children.

Finally, another major problem which affects the whole Brazilian society is the high rate of crime and violence, particularly in the *favelas* (Levine, 1997:156-157; Levine, 1999:7-8, 10-11). Drug trafficking plays a major role in this problem (Eakin, 1997:79, 110-112; Levine, 1997:170). Over recent decades, crime has become more diversified, including kidnapping and direct assaults on citizens. When organised crime is not in the background, inequality plays its role. There is a mass of people living in poverty and desperate for food and shelter, with little hope for change. A practical solution for violence could be to combat existing inequality and raise the standard of living amongst lower classes. Law enforcement against organised crime should also be strengthened, with police being educated to differentiate between criminals and citizens, which it has failed to do so far, harassing decent citizens who happen to live in the periphery, especially in the *favelas* in major cities such as São Paulo and Rio de Janeiro. These dwellers, as will be discussed in Chapter 5, often see the police more as a threat than protection (Eakin, 1997:112; Levine, 1997:166).

BRAZILIAN ECONOMY AND TRENDS IN INTERNATIONAL TRADE

Brazil has diversified its production from agriculture to manufacturing since the beginning of the 20th century. Authors such as Abreu (1990) and Sayad (2001) state that the Great Depression in 1929 was in fact very important for the Brazilian economy, since it promoted the industrialisation process and a reduction in the importance of coffee in the economy. The post-war period was also important, according to Sayad (2001), since it marked a period of import substitution which lasted until the beginning of the 1980s. Suzigan (2001a) argues that import substitution was especially significant to the Brazilian economy since it contributed to growth in industrial production accompanied by an increase in internal demand and a reduction in imports. Protectionism against imports was also a characteristic of this period. Protectionist policies were used under the arguments of protecting infant industries, national interests, and problems in the balance of payments (Suzigan, 2001c). Although the import substitution process brought positive changes to the Brazilian economy, it had its shortcomings, as described by Allen (1999:451):

Not very surprisingly, eliminating competition also eliminated the impetus to improve quality, with the result that many Brazilian products are second-rate – a fact that became distressingly apparent when trade barriers were relaxed. For everything from condoms to canned goods to cars, Brazilians are discovering that the imported version is really

better. Doubtless, competition will improve the Brazilian versions, but for now, it is taken as a given that the foreign version is better – and there is a strong element of truth to this idea.

The process of opening the Brazilian economy to foreign markets began in the mid-1970s, but not without difficulties. As Sayad (2001) describes it, inflation was a serious issue, and along with the two oil shocks in 1974 and 1979, created major financial turmoil followed by the foreign debt crisis in 1982. In a period of economic instability, controlling high rates of inflation became the major task of the Brazilian government. Several economic plans attempting to restructure the economy followed in the eighties, however all failed to successfully tackle inflation and recession (Sayad, 2001). Data on the Brazilian inflation rate and foreign debt levels is available in Figures A1.4 and A1.6 respectively in Appendix 1⁶.

In 1994 the foreign debt was renegotiated under the Brady Plan (Carneiro, 2001), and a new currency was created under the Real Plan. The Real Plan promoted de-indexation of prices and wages, reduced inflation rates, and reduced trade tariffs. The reduction of trade tariffs had been occurring since the beginning of the 1990s, during the government of Fernando Collor de Mello. The reforms on foreign trade consisted of removal or reduction of non-tariff barriers, decreasing the average import tariff levels (Canuto, 2001a). Tariffs were reduced by more than half between 1990 and 1994, from 32.2% to 14.2% (Canuto, 2001a).

Although the Real Plan was able to control inflation, it did not achieve the levels of economic growth it originally intended. In addition, the Plan caused trade deficits (Sayad, 2001). The opening of the Brazilian economy was associated with an overvalued exchange rate, which promoted increases in imports. The trade deficit was only controlled after the devaluation of Brazilian currency in 1999 (Canuto, 2001b). Data on the Brazilian exchange rate is available in Figure A1.5 in Appendix 1.

In addition to changes in the volume, the composition of trade also changed after trade liberalisation, shifting from basic products to manufactured goods. Canuto (2001b) states that while basic products accounted for 42% and manufactured goods for 45% of the total exports in 1980, in 1998 this had changed to 25.4% and 57.5% respectively.

⁶ Other relevant data on the Brazilian economy is available in Appendix 1.

According to Canuto (2001b:1), Brazil has become highly involved in international trade, which poses both opportunities and challenges:

A close analysis of Brazil's foreign trade reveals the country's increasing integration in world market circuits. The latter offer opportunities and challenges: on the one hand, they provide opportunities to expand the production of goods for export, as well as the acquisition of equipment and technology for technological renewal; on the other hand they offer serious competitive challenges and in several cases, discourage local production.

Further details on the composition of Brazilian imports and exports in 2000 are available in Figure A1.8, and information on Brazilian trade partners is available in Figure A1.9 in Appendix 1.

Although protection against imports today is not as strong as it was in the past, it still plays an important role in protecting the economy against 'disloyal business practices' (Suzigan, 2001c). Protection has been assured both by an increase in tariffs and through the devaluation of the exchange rate in 1999. This devaluation also served to promote a not-so-stated return to a 'new' import substitution model, as described by the Brazilian Minister of Development, Mr Sergio Amaral. According to Amaral, the devaluation of the exchange rate made imports naturally more expensive, making internal production more competitive. Amaral believes that some sectors, such as the electronic industry, will gain strength (Cruz, 2001). He believes that this process is a competitive type of import substitution, in comparison to the previous model in which tariffs were raised to protect infant industries. Amaral argues that the original model was inefficient because the industry 'was always infant'; behind protective walls there was no need to become competitive. The difference today, as suggested by Amaral, is that the Brazilian government wants companies to set up production in Brazil. The government intention is to show international companies the advantages of investing in production locally. Amaral argues that the Brazilian government has become more articulated, with a role of facilitating rather than intervening and distorting the market (Cruz, 2001).

According to Amaral, Brazil also needs to invest in trade partnerships with other emerging markets such as China and India (Cruz, 2001). Finally, Amaral also argues that Brazil should have a more aggressive position in multilateral trade negotiations, be more competitive, and access more foreign markets. Amaral also argues that Brazilian

businessmen should act together and, at the same time, prepare their business to become more competitive and global (Cruz, 2001).

A counter argument to the import substitution model is offered by Gordon (1998). Gordon (1998:13) claims that the new import substitution model is still protectionist, and criticises the Brazilian 'insistence' that foreign firms produce their goods in-country. According to Gordon (1998:13), the automobile industry provides a good example of protectionism:

In Brazil, the tariff on imported cars of 63 per cent is cut in half for locally made cars that have significant local content. The overall result of such policies is that US merchandise exports to Brazil were \$12.7 billion in 1996 – sizable, but little more than \$12 billion the US exported to thinly populated Australia.

Finally, the government of Fernando Henrique Cardoso, in office since 1994, gave priority to carrying structural reforms on the 1988 Federal Constitution through the National Congress, as well as privatising most of the public companies (Sayad, 2001). The purpose was to prepare the economy for global competition. Sayad (2001) argues that issues such as the high level of capital mobility, rapid growth in foreign investment, market deregulation, and flexibility of labour contracting had to be addressed in these reforms. Most of the required reforms were already carried out. However, some important changes still need to occur, such as the reform of the social security system, the tax system, and changes in the labour codes.

AGRICULTURE AND LAND DISTRIBUTION

The agricultural sector in Brazil has become more modern and efficient in recent decades. According to Sayad (2001), Brazil has succeeded in occupying land that once was considered unproductive through technological improvements. In addition, Brazil has sought to diversify the production of its crops. However, problems regarding land distribution still remain. Brazil is considered one of the countries with most unequal distribution of land in the world (Camargo and Barros, 1993; ICDA, 1995). According to Camargo and Barros (1993:71), unequal distribution of land in Brazil has three serious consequences: it generates unequal distribution of income and poverty in the agricultural sector; it induces migration to urban centres, worsening the problem of oversupply of unskilled labour and therefore reducing wages in the urban sector and

increasing government spending in urban infrastructure to combat poverty in urban centres; and it reduces the productivity of land.

The difficulties of rural workers are greater than of the urban workers. Usually, farmers have low salaries, harder working conditions, are threatened with unemployment due to modernisation, lack support from government and other institutions, lack access to services, rarely have the protection of trade unions, and often do not have enough land to survive (ICDA, 1995:41). In addition, small farmers often have their rights violated by the intensive exploitation of larger farmers, as described the MST (1999:265):

The conditions of work, and the relationships of domination and exploitation imposed especially on the rural wage earners, are an affront to human dignity. Many wage earners are treated like slaves. The labour and social rights established in the Constitution are completely disrespected, and unknown by the workers themselves. The salaries paid in the rural environment are always below the minimum requirements of nutrition. The labor conditions in the establishments using family-based production are also inhuman, involving children and the entire family, in shifts that reach up to fourteen hours daily.

Large farmers and often the middlemen reap the profits of production, either by paying low wages to rural workers or by buying the produce at prices below market value (ICDA, 1995). In addition, there are problems accruing from concentration and underutilisation of land in Brazil, as argued by members of the MST (1999:264-5):

The manner in which the land is utilized does not represent the interests of society as a whole and, much less, of the workers. The enormous potential that these available natural resources represent is not employed for the economic progress and well-being of the entire population. The overwhelming majority of lands are idle, badly utilised, underutilised, and destined for extensive cattle grazing, or simply, for speculation and reserve wealth. The best lands are destined for monoculture exports, such as sugarcane, coffee, cotton, soybeans, and oranges. Meanwhile, the production of basic foods for the internal market is practically stagnant.

LINKS BETWEEN LABOUR MARKET, EDUCATION AND POVERTY

Another important economic development issue that still needs to be properly addressed by the Brazilian government and society concerns the link between the labour market, education and poverty. Several studies have been carried out to analyse the impact of these factors on workers and the overall economy. However, practical and efficient actions to promote education and training, and therefore the composition of a higher skilled work force, is still to be done.

Camargo and Barros (1983:76) argue that the low qualifications of the Brazilian labour force is the main cause of poverty in Brazil, and that it is also a mechanism of inter-generational transmission of poverty. The authors argue that this cycle of poverty and lack of education should be addressed if poverty is to be alleviated and if equality of opportunity is to be promoted, and suggest three actions: better quality of the basic public education system, financial support to the families of the poor to prevent early dropout from the school system, and incentives for the generation of employment opportunities where on-site training could be provided (Camargo and Barros, 1983:76). Dos Santos (2000) also supports the need to improve the skills of the Brazilian labour force. According to Dos Santos (2000:135-136), unskilled labour impacts negatively in the negotiation potential of skilled workers, who end up accepting lower salaries compared to international levels fearing unemployment. In addition, Dos Santos (2000:154) argues that the Brazilian working class has been overexploited by companies. He claims that there was considerable increase in productivity of companies in Brazil, however, at the same time, there was a decrease in real wages during the same period. He argues that in 1960, salaries represented 60% of national income. Today, the participation of salaries in the national income is less than 30%, while financial sector participation increased considerably its participation in national income (Dos Santos, 2000:154). The consequences, according to Dos Santos (2000:154), would be higher unemployment, even with low inflation and moderate growth rate; increase of violence; informal markets; hunger; and stronger concentration of income in higher classes.

Dos Santos (2000:136) also argues that technology could adversely affect the labour force in Brazil and in other developing countries. According to Dos Santos (2000:136), world industrial expansion has happened along with a decrease in offers of industrial jobs. In developed countries, workers shift to other service sectors such as knowledge, culture, education, entertainment, management and marketing. However, Dos Santos (2000:136) argues that these jobs are mostly available in developed countries according to the new labour division.

In conclusion, there is an urgent need to promote education and training to the labour force, promote effective agrarian reform, promote reform on the basic public educational system, provide families with financial assistance to help them keep their children in school, and review labour legislation that negatively affects the interests of

workers, therefore promoting a more efficient labour market (Camargo and Barros, 1993:76-77). In addition, it is fundamental to address inequality issues and wealth concentration (Abreu, 1990) as a way to reduce poverty and create resources for poverty alleviation policies. Finally, it is necessary to conduct the transfer of technology in an appropriate way, in order to make Brazilian industries modern. This would assist workers in keeping their jobs, since structural unemployment is a characteristic of the Brazilian economy.

PERSPECTIVES OF BRAZILIAN MAINSTREAM TRADE

It is clear that the Brazilian government and private business have great interest in inserting Brazil into global markets through promotion of the export sector. As in developed countries, most of the Brazilian GDP is now concentrated in services (60%), while agriculture and industries account both for 20% (Sayad, 2001). Onis (2000:108) also argues that Brazil has become modern and competitive in the global market:

The signs of a nascent capitalist reorganization are clear: sound money, trade liberalization, privatization and a shrinking state role in the productive sectors of the economy, a strengthened private banking system, growing capital markets, and greater investment from abroad.

Although Brazil has assumed a relatively significant position in global markets, this has not happened without criticisms from the Brazilian government, especially in terms of the need to implement mechanisms to avoid financial disturbances caused by speculation and trade deficits. In a recent speech, President Cardoso emphasised the need to implement a tax for capital movement in order to guarantee liquidity for Third World economies, at the same time producing funds for policies to combat poverty, hunger, and diseases in developing countries (*Folha de São Paulo*, 01/11/01). Cardoso defends a new world order in which nations could be truly free, “without the oppression of some States over others, of some markets over others” (Cardoso in *Folha de São Paulo*, 01/11/01).

Equally important is the recognition that developed countries are financial recipients of developing countries, as explained by Dos Santos (2000) in the theory of dependence. According to Dos Santos (2000:147), economic data has been manipulated in order to hide financial transfers from South to North, caused mainly by unequal trade. Transfers

have been worsened by payments of interests, royalties, technical services and remittance of profits from TNCs (Dos Santos, 2000:147). Therefore, it is important for the Brazilian government and businesses to take into consideration the problems brought by globalisation when opening domestic markets and investing overseas, and find practical solutions for them.

Besides establishing new partnerships with emergent countries and investing in regional integration, MERCOSUR and FTAA (Free Trade Area America), Brazil has been more active at multilateral negotiations. Particularly in the WTO, Brazil has had some important victories in the last couple of years. An example is the victory over the US in the political dispute for the patents of medicine for AIDS (Acquired Immunodeficiency Syndrome), which gained support of several countries, NGOs, and international organisations such as the World Bank (*O Globo*, 01/11/01). The World Bank conducted research and found that US and Germany would be the main winners of patents for medicine, reaping US\$19.1 billion and US\$6.7 billion respectively through intellectual rights payments per year (*O Globo*, 01/11/01).

Brazil is also preparing two anti-dumping initiations against the US, one to contest the high level of subsidies for soy farmers⁷, and the other to contain the abuses of applications of antidumping initiations. To accomplish positive results, Brazil is preparing a permanent team of trade specialists to defend the Brazilian interests at the WTO (*Gazeta Mercantil*, 01/11/01).

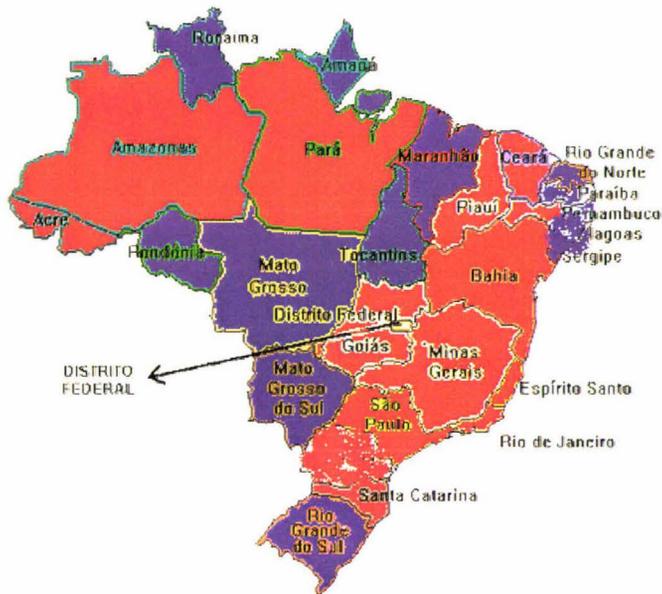
ALTERNATIVE TRADE IN BRAZIL

At the start of this research, I had no information on producer groups or organisations related to alternative trade in Brazil. The first contact with Brazilian producer groups was made through contacts with European ATOs. Through the contact with overseas ATOs, it was possible to establish a network between producer groups and NGOs in Brazil, and ATOs and NGOs overseas.

⁷ The Brazilian government claims that the economy loses US\$ 1 billion per year in soy exports due to the heavy subsidies conceded by the American government to their soy farmers (*Gazeta Mercantil*, 01/11/01).

The alternative trade movement is in its initial stages in Brazil. Through the present research, it was possible to locate 20 fair trade producer groups in Brazil. Their locations are showed in red in Map 3.2.

Map 3.2 – Fair Trade Producer Groups in Brazil



Brazilian producer groups working with ATOs overseas produce both agriculture products (orange juice, coffee, guarana, nuts, tea, banana) and manufactures (handicraft, fashion, jewellery, home decoration, ceramics). There is also an organisation, BSD (Business and Social Development), which works in partnership with FLO to certificate products in Brazil. BSD has carried out several assessment studies of producer groups (Uriarte and Grüniger, 2001a; Uriarte and Grüniger, 2001b), and has helped producers in the certification of orange juice and bananas for the European alternative markets.

The results BSD has reached concerning the impact of fair trade on producer groups are similar to the results of this research. One of these conclusions is that the impact of alternative trade in Brazil is small but nonetheless helped disadvantaged producers to reach markets and get better prices for their produce (Uriarte and Grüniger, 2001a:10).

child labour, equality of payment for both genders, and strengthening of self esteem and awareness of workers rights were also similar to the findings of this research. Finally, BSD had some of the same methodological problems of this research, such as assessing groups prior to their engagement in fair trade production.

The studies carried by Uriarte and Grüninger (2001a; 2001b) also showed that there has been a trend towards shifts to organic production on the part of producers, as well as support from FLO for this change: “in regards to meeting the environmental requirements, FLO has put some pressure on producers to get organic certification, but there are difficulties in finding efficient ways to combat plagues without the use of pesticides” (Uriarte and Grüninger, 2001a:11). Although the organic market is still infant in Brazil, that would certainly be another opportunity for alternative trade producer groups in assessing other foreign markets. According to Uriarte and Grüninger (2001b:3-4), the world market for organic products trades US\$20 billion, with considerable growth in UK, Sweden, Denmark, and Switzerland with rates between 25 to 40% per year.

Uriarte and Grüninger (2001a; 2001b) were able to identify in their study important links among government, labour unions, producers and civil society. According to the authors,

the success of fair trade initiative depends on the establishment of partnerships with NGOs, governments, consultancy services, and local markets. These partnerships not only reduce costs and risks but also provide strengthening of local communities and help producers meet qualitative and quantitative goals required to guarantee access to markets (Uriarte and Grüninger, 2001a:2).

According to the authors, city councils participated in some of the projects by lending buildings and equipments, providing health access and dentistry material, as well as sharing costs such as fuel, phone, water and power bills (Uriarte and Grüninger, 2000a:16). These partnerships proved to be fundamental in the context of the cooperatives they were studying. In addition, this example could also be extended to the realities of other producer groups, such as the Castanhal group in Chapter 6. The establishment of partnerships, according to the authors, has also helped to reduce rivalries between institutions which previously were disputing space, in special agricultural production and environment conservation (Uriarte and Grüninger, 2001b:11). The same experience was found in the case study in the Amazon, when the

two participant groups decided to combine efforts and establish a business partnership to avoid competition and increase production. Finally, it was also emphasised by their study that alternative trade projects had a positive image in public opinion in the cooperatives' regions (Uriarte and Grüninger, 2001a:16).

Labour unions have also been helpful in the alternative trade movement. According to Uriarte and Grüninger (2001a), labour unions have defended the rights and interests of rural workers and small landowners. The main priority of labour unions has been to register producers with the Ministry of Labour as rural workers (Uriarte and Grüninger, 2001a:14), so they can receive government benefits in the future. However, according to Uriarte and Grüninger (2001a), if the movement is to have larger impacts on rural producers, an expansion on the volume of fair trade products is required.

Uriarte and Grüninger (2001a:27-29) present a few conclusions on the viability of alternative trade in Brazil. According to the authors, the rules of alternative trade need to be clearer, transmitted to producer groups, and monitored by final buyers. Special attention needs to be given to distribution of price throughout the production chain (Uriarte and Grüninger, 2001a). Also important is the need to provide further assistance to poorer communities in order to make them better adapted to the requirements of alternative trade. In addition, partnerships need to be established in a transparent way, and communication needs to be enhanced, rather than the 'simple trust in the quality of partners'. Finally, Uriarte and Grüninger (2001a:28-29) suggest that the involvement of public sector and civil society should be encouraged in order to bring larger benefits to the producer groups and to the alternative trade movement itself.

Future trends for partnerships with government and other institutions have a positive outlook. Cooperatives seeking partnerships could find some of the current export incentive program by the Brazilian government useful. During fieldwork, I identified three possible partnerships which would be helpful for producer groups: PAB (Brazilian Aircraft Program), SEBRAE (Brazilian Support Service to Micro and Small Enterprises), and the Post Office export program.

The Brazilian Aircraft program (PAB) was created by the Ministry of Development, Industry and Foreign Trade with the purpose of generating income and occupations for

Brazilian artisans, promoting exports and the development of local art craft traditions, as well as import substitution of handicrafts (PAB, 2001). The handicraft sector in Brazil is highly informal, there is no account of the number of people involved in the sector. Estimates are of 8.5 million artisans, generating an income of R\$28 billion per year. The average salary of an artisan estimated by the government is 3 minimum salaries, ranging from one in rural areas to 5.5 or 6 in urban centres (PAB, 2001).

Important steps have been taken in order to strengthen and regulate the art craft sector in Brazil, such as the establishment of partnerships with SEBRAE and the creation of a Brazilian Handicraft Association (ABRA). The purpose of ABRA is to regulate production of handicraft as well as acknowledge the work of artisans as a registered profession. Other objectives of ABRA are to coordinate and develop activities to encourage and give incentives to Brazilian artisans, helping to increase cultural, professional, social and economic conditions, and to develop and promote handicraft in Brazil. Training will also be provided to cooperatives registered at the Ministry, in order to provide them with management skills, product development (especially presentation and packaging), and hints on market trends (PAB, 2001). During the visit to PAB, I had the opportunity to see one of their training packages. It consisted of a 'game' in which participants would learn the process of production, trade, and investment. The approach is similar to PRA (Participatory Rural Appraisal), and the learning process was quite simple. Training packages were sent in the past to cooperatives, and new cooperatives can apply both for registering in the program and for training packages. With these policies, the Ministry aims to strengthen the handicraft sector in Brazil, by promoting changes in legislation in order to benefit artisans, and carrying out international and national market researches to support cooperatives in the direction of handicraft market. It has also considered the possibility of establishing partnership with Banco do Brasil to facilitate the export of handicraft products to foreign markets (PAB, 2001).

Other opportunities could be explored with SEBRAE and the Post Office Export program. SEBRAE provides support to small producers or entrepreneurs in finding market opportunities and providing technical training. The costs for becoming a member are low, and most cooperatives today find the links with SEBRAE useful in terms of improving the quality of products or getting technical training on the management of the cooperative, and product development. There is an increased

acknowledgement on the part of cooperative leaders that cooperatives need to become more professional and competitive in order to access global markets. Finally, the Export program of the Post Office provides easy export services to small cooperatives or businesses. Small businesses that decide to use the program will pay less tariffs and go through less bureaucratic hassles when exporting products, especially manufactures. The result will be faster deliveries. In addition, the post office export program, in combination with e-commerce, will be of great assistance to groups who want to trade through internet website, reaching more markets and providing reliable delivery of products.

SUMMARY

The context in which participant groups from the case studies are inserted is one of high inequality and poverty. Although macroeconomic data shows that Brazil is slowly reaching economic levels of developed countries, there is still a long way until all Brazilians can enjoy the benefits of the economic growth.

Trade has been one of the policies that helped in the economic growth. After trade liberalisation in the beginning of the 1990s, the Brazilian production and volume of trade has increased considerably. However, small producers and cooperatives still struggle to remain competitive and able to access both domestic and international markets.

The alternative trade movement has provided to a few groups the opportunity of reaching markets overseas. Although the movement is still small in Brazil, it has brought positive impacts to the communities involved in partnerships with ATOs located both in Brazil and overseas. The literature on the alternative trade in Brazil is also very small, the major contribution being by Uriarte and Grüniger (2001a;2001b). It is important to acknowledge, though, that there are increased interests from businesses and NGOs in promoting social causes and development of disadvantaged communities.

CHAPTER 4

METHODOLOGY AND FIELDWORK

INTRODUCTION

This chapter has the objective of introducing the methodology used in the fieldwork and in the analysis of the case studies, as well as to describe the experience of field research.

The original objectives of fieldwork were to investigate the impacts of alternative trade in Brazil, through research conducted with Brazilian and overseas NGOs, companies, and selected Brazilian fair trade producer groups (cooperatives). Four producer groups were selected as participants, two of them were located in Rio de Janeiro, and two others located in the Amazon. During fieldwork, I also intended to visit some other alternative trade cooperatives in Brazil to have an idea of their work and talk briefly about their difficulties, as well as gather quantitative data.

Going to Brazil to do research on fair trade was quite a challenge, although initially I did not consider it a big one. The reason was I was going to my country, I was going to speak my language, and in the original plan, I was not going to leave big urban centres. So, I felt confident that things would not go wrong because the environment that I was going to work with was the environment I was used to.

METHODOLOGY

RESEARCH DESIGN

The proposal to assess the impacts of fair trade in Brazil was quite a complex one. It was not possible to design a research project following the 'recipes' of most Social Science methods textbooks.

One of the methodological problems was that the groups I was going to visit in Brazil have not been part of any other research with the same evaluation purpose. Most of the books on methodology for Social Sciences recommend that an object should be studied

under the optics of pre-tests and post-tests. This was difficult in my case since I could not carry a pre-test before cooperatives joined partnerships with ATOs, so I was not able to compile before-and-after data for comparative purposes.

Another problem was that I did not carry out any other studies with control groups, which is also recommended by most method books. Time constraint was the main cause of that, as I only had two months in the field. In addition, the amount of data to be analysed would be too large, especially since most of the data I gathered was through participant observation, rather than from other methods.

One of the solutions Babbie (2001) suggests for making up for these problems is to clearly define the variables involved in the research, as well as their relationship with one another. From this viewpoint, the variable tested in the research hypothesis is 'fair trade', and it is defined by the various impacts fair trade had on the participants of the research, as garnered through interviews.

The models that would better describe the research design of both case studies are the ones described by Campbell and Stanley in Babbie (2001:224). This research design falls in the categories 'One-Shot Case Study', 'One Group Pre-test/Post-test Design' and 'Static-Group Comparison'. These models are not recommended by Campbell and Stanley as they often do not meet specific standards of experimental designs (Babbie, 2001:224), and for this reason, this may be one of the flaws of this research.

The problem with the first theoretical model, the 'One-Shot Case Study' (Babbie, 2001:224), was that there was no time to study any other successful or unsuccessful cooperatives not working with fair trade partners, and it was not possible to carry pre-test and post-test research with participant groups. The purpose of the study with a non-fair trade cooperative was to establish comparisons between the two types of cooperatives and their achievements. In addition, it is important to acknowledge that there was no way to carry out efficient research to evaluate the conditions of participant groups before joining partnerships with overseas ATOs. Therefore, it was assumed for the thesis that the presence or absence of improvements in quality of life and income would be assessed through observation and interviews, and the data resulting from that

would lead to the conclusion as to whether fair trade had positive or negative impacts on the people working in cooperatives.

There are also some elements of 'One-Group Pre-test/Post-test Design' (Babbie, 2001:224) in this research design, since it lacks a control group. According to Campbell and Stanley in Babbie (2001:224), it is hard to make a conclusive evaluation when there is the possibility that some factor other than the independent variable (in this research case, 'working with fair trade') might cause a change between the pre-test and post-test results. Although there were no pre-tests, a question present in the survey on financial situation before the participant joined the cooperative intended to substitute the pre-test. Unfortunately, many respondents were not able to remember their situation anymore. However, some of them did remember, and that gave me a base to compare their situation today with the past.

Finally, the 'Static-Group Comparison' (Babbie, 2001:224) appears in the research in the form of comparison of economic and social situations of cooperative members with the average situation of Brazilian people according to national and regional statistics. I acknowledge that there may be several flaws in this comparison, as people working with fair trade would not be excluded from the national data, and therefore may have been counted twice. In addition, such a generalisation and mixture of social classes for the national data would omit comparisons of fair trade cooperative members with their equivalent income level in Brazilian society. Nevertheless, the comparison was still useful to grasp some idea of improvements, however results should not be considered conclusive.

I would also like to acknowledge that the research design was not perhaps the most appropriate to verify the hypothesis on the impacts of fair trade on cooperative members, however it was the best option I had available at the time of field research. There has been little work done on the development of fair trade in Brazil, and this study may represent a start for future researchers. If one were to start or to carry out further studies in this area, certainly some changes in methodological methods would have to take place in order to achieve efficiency in research, as well as more precise results.

DATA COLLECTED THROUGH SURVEYS

I gathered descriptive data to create profiles of cooperative members, such as age, gender, marital status, and level of education. I also wanted to learn about their living conditions, as well as the number of people living and working in the household.

The data regarding the 'fair trade' variable was divided into two parts. The first part was about knowledge and approval of partnerships with ATOs, in which I intended to assess how much members were aware of their role within the alternative trade process. The second part was directly related to the thesis proposal, which was to assess the changes incurred after participants joined the cooperative. In this part of the survey, participants had to express positive or negative feelings towards the changes in their lives after joining the fair trade producer cooperatives, as well as describe in which ways these changes have occurred.

In another part of the survey, I asked participants to state their current income, as well as the income they had before they joined the cooperative. Again, as there was no other possible method to assess participants' quality of life before they joined the cooperative, I had to rely on the information they provided me in this part of the survey. Many of them have been part of the cooperative for so long that they could not recall the right income they received previously. This is why the open question about the impacts of fair trade was particularly important. If by chance they could not recall their income before joining the cooperative, they could still have the opportunity to state satisfaction, dissatisfaction, or indifference with the changes that may or may not have occurred since they started to work with fair trade partners. The opportunity they had to state the changes themselves opened my mind for other impacts I was not expecting, which made the whole process of the research quite interesting.

Finally, I aimed to gather other data on quality of life. This was done by asking participants about health and medical access, as well as access to education for their children. Also, I was particularly interested in learning about their views on how they related their work to the preservation of their culture, as most of participants were working with art crafts. I also asked questions about their views on the cooperative role in preserving the environment, participation in cooperative decisions, gender relations

within the cooperative, child labour and, finally, if they felt that there was any economic security just in being part of the cooperative.

SELECTION OF PARTICIPANT GROUPS

The participant groups I decided to visit during fieldwork were selected during research I carried out with American and European NGOs working with fair trade in developing countries. Most of the contact I had with European NGOs was made through the Internet. I located their addresses through a publication of the European Fair Trade Association (Krier, 2001). Other relevant addresses were found through Internet searches. I contacted over seventy NGOs and inquired about partnerships with Brazilian fair trade producers. I received information about 24 active participant groups in Brazil. From the 24 groups, I chose 4 groups upon which to base the case studies.

The criteria for selection of participating groups for the case studies were based on their location (access) and their creditability with well-established ATOs. Unfortunately, financial constraints on transportation and accommodation put off opportunities to visit larger and well-structured producer groups in the Northeast and in Southern region of Brazil. The final decision was made to visit two groups in Rio, and two groups in the Amazon.

The two producer groups chosen in Rio were Fashion Co⁸ and Fair Trade Rio. Fair Trade Rio is a NGO that coordinates producer partners, and trades parts of its production with larger international ATOs. Fashion Co. work has been acknowledged in the media as being part of an important social movement that has been taking place in some *favelas* in Brazil. Although Fashion Co. is not trading internationally with any ATOs, their work is very relevant to the field of alternative trade since the members of the cooperative receive fair payments for their production, albeit, paid locally. It definitely fits the definition of fair trade as used by EFTA cited in Krier (2001), as described in Chapter 2.

⁸ All names of cooperatives, participants, or other people I use in this thesis are fictitious. This was made in order to ensure confidentiality and privacy of participants.

The participants of the Amazon case study were chosen in the field, due to problems with a group selected before I left New Zealand for fieldwork. Originally, I intended to carry research with Goiás 'Artercraft Shop', a large association of artisans (over 500 participants) located in the mid-west region in Brazil. Fieldwork plans changed when I first visited them, and realised that 'Art Craft Shop' was not working with any ATOs. I felt that Goiás Art Craft Shop would not fit the requirements of a fair trade producer group. I then decided to work with two participant groups in the Amazon region, Andira and Castanhal, both working with Italian ATOs. I received considerable and reliable information on these two groups from several NGOs operating both locally (in Brazil) and overseas.

METHODS

The most common research methods used in this fieldwork research were participant observation, informal conversations, survey questionnaires, and interviews with key informants (NGO officials and other people who could provide reliable information on the case studies).

In regards to these research methods, participant observation was the most important tool, complemented by survey questionnaires. Other methods were still relevant, however they did not yield as much data as the participant observation and questionnaires. Burgess (1982:2) stresses the importance of participant observation in combination with other research tools:

The method of social investigation that is most often referred to in field research is participant observation which allows the researcher to work with individuals in their natural settings. However, this emphasis upon observational techniques is somewhat narrow as field researchers may complement their observations by conversations, informal/unstructured interviews, formal interviews, by surveys and collecting personal documents (written, oral and photographic evidence).

On the same lines, Burgess (1982:164) adds that "the emphasis [should be] placed on combining methods, so that data can be collected from different perspectives".



Plates 1 and 2 – The Settings of Fieldwork: Rural community in the Amazon and a *favela* in Rio de Janeiro.

FIELDWORK

Fieldwork was an essential part of this research since it was the means I chose to assess the impacts of fair trade in Brazil. It was not an easy task as I originally thought it was going to be, as I had to deal with difficult situations, face culture shock, and so on. Until I left big urban centres and started the research in the Amazon, I had never had contact with real poverty. Not the kind of poverty one can see in big urban centres, but the harsh kind, the neglected one.

I realised that there is a real gap between urban and rural poverty. I realised that it does not matter how much people suffer in big centres they are still better assisted than people in rural areas, where there is little opportunity, no media to cover hunger dramas, no institutions to help in promoting changes, as well as lack of transportation and difficulties in communication.

I believe that the cooperatives I visited in the rural areas are blessed for the fact that there are some overseas NGOs helping them to overcome poverty. However, this was the exception rather than the rule. Although I did not do any comprehensive comparative research with any control group (a group not working with fair trade) in the region, I could really feel that local people considered them 'lucky', for having a market for their production, and blessed for being helped by international NGOs. I will further discuss the biases between rural and urban cooperatives in Chapter 7.

FIELDWORK PROBLEMS

TIME

Most of the problems I had during fieldwork were related to time. I was always concerned about running out of time, since I had only one week in Rio and one week in the Amazon to do all the research for the case studies. Fortunately, I was able to visit and carry out the research with each of the groups, and the interviews and questionnaires went well with all groups where survey questionnaires were applied⁹.

⁹ The only minor problem was that the official from Fair Trade Rio was particularly busy during the period and asked me to send the questions for the interview through e-mail. I have not received his answers until now, and this was clearly a mistake. I learnt from this fact that after you leave fieldwork it becomes quite hard to recollect material and get into contact with people again.

However, I felt that if I had more time available with the groups, I could have conducted more in-depth research. Although all groups agreed to answer the questionnaire, the visits were very hurried. I did not have enough time to get to know them better, and in certain groups, there was an environment of suspicion and curiosity, which I did not have enough time to overcome. I felt that if I could have spent more time with both groups, I would have gathered more detailed data on the impacts of fair trade and of cooperative work in their lives, and I also would have learnt more about other difficulties they may face.

PRIVACY

Private contact with cooperative members during the visits in Rio was an issue that could have affected the data from fieldwork. I was never left alone with respondents in both Fair Trade Rio and Fashion Co. In other words, the people responsible for the groups were always present, and this could have put off the opportunity for any participant to make a complaint or express a negative feeling about being part of that group, or even complain how the work in that environment was developing. The only chance they had to do it was through the survey questionnaire, although no complaint was made through questionnaires. Perhaps if I was alone with participants, I could have asked some other questions that I was not comfortable doing while those responsible for the groups were present.

LOCAL DISPUTES

Information that was provided by some participant groups was quite disturbing. Although the heads of the groups had been doing the same type of approach for development (empowering poor communities), they often had complaints about each other. A member from one of the groups even mentioned that they were thinking about lodging an action against the other group because of the appropriation of the logo 'Fair Trade'. There were also complaints that this same group would take advantage of loans in banks for their producer groups, as they would borrow the money at lower interest rates and lend it at higher interest rates to producer groups.

This sort of information provided by both groups made me feel at times that I was in the middle of a battle, and made me wonder about the real objectives of the head of the

groups, i.e. whether they wanted to work to empower needing groups or make their names in the market of aiding NGOs.

ADAPTATION AND MISUNDERSTANDINGS

I had to adapt fieldwork plans due to problems with one of the participant groups. After fieldwork in Rio de Janeiro, I proceeded to Goiânia to visit the participants of the original second case study, a group called 'Art Craft Shop' in the State of Goiás. Initially, I had trouble in meeting them, as they were involved in art craft exhibition in a neighbouring city. Despite the fact that the head of the group was very helpful in scheduling interviews, getting members to talk to me and answering the questionnaire, this was costly in terms of time.

During the first interview with 'Art Craft Shop', I found out that they were not working under fair trade guidelines. I did not feel upset with them because there were problems of communication. They were exporting part of their production to NGOs, but not NGOs related to fair trade. Also, they did not have any knowledge of what fair trade was. At that stage, I thought it was a good idea to leave this group out of the research and try to focus on new groups. I recorded in my journal frustrations regarding this problem:

It does not matter how much the fieldwork is planned beforehand, things always go a little bit – or even totally – different from what was planned. It does not mean that we should not plan anything since things might go wrong anyway, but we should be always ready to make changes.

In regards to participant groups, I wrote on the same day:

One should expect everything in relation to participant groups, although we hardly expect that they will change their minds in regards to the participation on the research, or give misleading information. If they do so, the results we are expecting to get could be wrong. In other times, they might not feel confident to give proper information, or perhaps they never had them and used the contact with researcher for promotion or to seek an opportunity.

I cannot quite remember why I wrote the last sentence, but during that period, I was clearly confused and afraid that all efforts towards effective fieldwork were failing because of the problem with the second case study. The issue on communication problems between researcher and researched is discussed by Burgess (1982:17): "even when research intentions are declared, the question still remains about whether the researched fully understand what is being done". Finally, I also noted that although I

was open about the nature of the research, gave copies of the research information sheet to all parties I visited, interviewed or even had informal but relevant conversations, some people just did not see me as a researcher but as a business opportunity, which of course concerned me.

Nevertheless, the opportunity of interviewing one of the officials (Mr Barbosa) of the 'Art Craft Shop' gave me some insights on general problems art craft cooperatives face in Brazil. Barbosa explained that setting up price for art crafts is complicated, and prices often differ greatly among artisans within the cooperative. He also explained that due to the exchange rate in Brazil and great interest from overseas buyers, artisans preferred to export production rather than selling it locally. For this reason, artisans started to get familiar with e-commerce and had part of their products photographed and included in web shops. Barbosa also mentioned that there is a great attempt on the part of artisans in improving the quality of their work, as overseas buyers tend to buy products of higher quality. Finally, Barbosa mentioned problems related to occupational hazards for artisans, in particular when working with soapstone, and claimed that awareness of artisans to health risks and occupational hazards was low, as most of them work without safety apparel, even though the cooperative recommends its use. Some of the trends noted in the 'Art Craft' Shop were also noted in fair trade producer groups, such as interests in e-commerce and improvement in the quality of products.

Due to problems with 'Art Craft Shop', I had to adapt fieldwork plans to include new participant groups. The decision on new groups (Andira and Castanhal) was made through an invitation I received from Andira for a visit, which was originally declined due to lack of time. At the beginning of fieldwork, although I was quite interested in the work of both Andira and Castanhal, I thought that a trip to their location was not possible, due to the distance (they are in a remote area in the Amazon), financial, and time restrictions, and also because I already had two other case studies to which to dedicate myself.

After discussing the possible changes for the second case study with my supervisor in New Zealand, and getting his approval to change it, I started to organise the trip to the Amazon. I contacted the heads of the Andira and Castanhal groups, who responded positively about a visit and taking part in the research. After initial contact, it became

hard to talk to them due to a collapse of phone lines in Manaus (capital of the State of Amazonas). I took the chances and, trusting the last information I received by e-mail from Andira, I bought the plane ticket and went to Manaus. Things could not have been more perfect as both visits were planned and confirmed by the groups. I believe that if I had not been to the Amazon, I would not be able to grasp the existing biases between rural and urban cooperatives, and perhaps the work would not be as interesting as it is now.

RESEARCH FROM FIELDWORK

I carried some research on other fair trade producer groups while on fieldwork. The intention was to get appointments to visit briefly other producer groups who were not too far away from participant groups, and at the same time gather some quantitative information on the topic. To my surprise, this work was more difficult than I expected.

It was hard to locate some groups because the information I got about them from overseas ATOs was either incomplete or addresses and phone numbers had changed. From those groups I was able to contact, just a few responded straight away. These groups were quite helpful in the sense that they gave me some background of their history and activities, their present production and the extent of contact they have with fair trade organisations overseas.

I also felt that during the weeks I was not travelling and visiting participant groups, it was easy to put the research aside by getting distracted by friends and family. In regards to this, I wrote in my journal:

It is very easy to get distant from the research, and even easier to lose the research routine, just by having family around.

I visited public universities, libraries, NGOs, and government departments, including the PAB to check the number of groups supported by the government that would be working with fair trade. During these visits, I found out that officials from government and even professors from universities in Brazil were not that familiar with the concept of fair trade as an alternative way of trade. Another thing that surprised me during

fieldwork was how advanced the dissemination of information was through the Internet¹⁰.

Unfortunately, I was unable to gather specific information about fair trade in Brazil, although I had gathered enough information on Brazilian current economic and social conditions, on the views of the Brazilian government on NGOs (especially on those operating in the Amazon). There is not much written about fair trade in Brazil. For this reason, I believe that this work will be a small but helpful contribution to this area.

PERSONAL REFLECTIONS AND FEELINGS

ADAPTING RESEARCH TOOLS TO THE REALITY OF THE INDIGENOUS GROUP

During the visit to different Andira tribes, I realised that I was not going to be able to use the same research methods with this participant group as the methods I used with both groups in Rio, since their realities are very different. I decided then to concentrate efforts on informal conversation, key informant structured interviews, and mainly participant observation. The reason for not applying survey questionnaires was that I had the fear that the data collected with these groups might not be valid. Zelditch (1982:168) believes that

There has been a spirited controversy between, on one hand, those who have sharply criticised fieldworkers for slipshod sampling, for failing to document assertions quantitatively, and for apparently accepting impressionistic accounts – or accounts that the quantitatively minded could not distinguish from purely impressionistic accounts, and, on the other hand, those who have, sometimes bitterly, been opposed to numbers, to sample, questionnaires, often on the ground that they destroy the fieldworkers' conception of a social system as an organic whole.

In the case of this specific participant group, samples and questionnaires, or any other quantitative research method with the purpose of evaluating economic or social impacts of fair trade would fail to report changes since their lifestyle differs enormously from other non-indigenous groups. Therefore, I believed that for this participant group quantitative data was not the best way to conduct fieldwork research.

¹⁰ In most of the places I visited in Brazil, (government, NGOs) I did not get anything in writing because all documents are now available through the Internet. I do not mean by this that the visit was useless because information was available online, since the physical contact and time spent in conversation sometimes give you more insights on the matter than any written document. Some of the websites were updated while I was in Brazil, so it was impressive to see how much information was made available in less than two months, before last Internet consultation in New Zealand.



Plates 3 and 4: The hosts of the fieldwork. Castanhal headquarters (top), and Andira hosts (below).

BEING AN INEXPERIENCED RESEARCHER

The first contact I had with the head of Andira group was during a dinner, on the same evening I arrived at the closest town to the Andira tribes. We talked about the story of his tribe and how they got involved with the fair trade guarana project, as well as issues and difficulties they are dealing with at present. Many times, he mentioned problems with his political enemies and how they were trying to take the credibility for the guarana project, all very relevant information for the research. Unfortunately, as I thought dinner would have only informal conversations, I did not bring a piece of paper or the tape recorder. He gave me more information that I was able to handle, and I regretted very much not having the tape recorder with me. After dinner at the hotel, I put everything I could in the notebook, but I am aware that some relevant pieces of information went missing, and it was going to be hard to get them again, as they were revealed during a very long and deep conversation.

In regards to documenting information, Whyte (1982:118) says, “the beginning student, who makes notes later and tries to reconstruct the interview completely from memory will be oppressed by how little he can bring back”. Sadly, this was true in my case. I felt frustrated, like I was a very inexperienced researcher for that. However, Whyte (1982:119) also recognises that is not always possible to record information straight away: “often the interviewer is unable to write up his interview immediately after it has been concluded”. This was also the case for field notes in most of the fieldwork in the Amazon, especially because of walking in the bush and travelling by boat most of the time while talking to participants.

At other times, I regretted not turning on the tape recorder because I was afraid that it would interfere in what we were discussing. The truth was I did not know what to do with regard to recording interviews during fieldwork. Most of the talk I had with locals of Andira tribes was very relevant to the research. Often I did not have any paper with me on which I could take notes and, again, I was unable to write up what was discussed after the visit since we had long boat trips after visits to the tribes. Whyte (1982:118) describes with good precision that sometimes the interviewer has to cope with “the additional formality in the situation provided by the recording equipment” and also that

“informants are likely to talk more ‘for the record’ with the machine than without, even when they have been told that the interviewer is going to write up the interview later”.

It is also worth mentioning that due to so many boat trips, so many visits and talks, one gets tired and fails in recording all data collected. For instance, the first trip (Manaus to Barreirinha) lasted over 24 hours in a very uncomfortable boat. The same evening I had meetings with some informants but I was unable to memorise or record all information due to physical and mental exhaustion.

BEING A FOREIGNER IN MY COUNTRY

Brazil is a large country full of regional differences. It was my first time in the Amazon, and I was surprised to see how different life was in there compared to the region I come from. I was also surprised with differences in ethnicity. An interesting example was the way I was treated by the people in the boat going to Barreirinha. Clearly for the people I met in the boat, I was not from their region. However, until I broke the ice and went to talk to them, they had no idea of where I was from. Initially, because I was very quiet, they thought I was from another country (America). Only after I talked to them they realised I was Brazilian, coming from the “South” (although I come from the central region, anything below the Amazon state is considered South for them)¹¹. During informal conversations in the boat, they kept emphasising how different I was from them. I felt then that regardless of where I was going to be during fieldwork in the Amazon, and despite the fact of being Brazilian, I was not going to be treated as one of them, but always as a foreigner. I also had this impression when I visited both groups in Rio, but in that occasion, I believed that the bias was mainly based on social class differences. In the Amazon, I felt that I was in most ways different from them, but still sharing the same nationality. Gans (1982:55) also observed social biases through the story of the social research practice: “modern participant observation began when middle-class sociologists studied working and lower-classes communities and, although they shared a common nationality, large cultural differences remained”. Language obviously was not an obstacle, but I did get to learn new words that were useful while I was doing fieldwork in the Amazon.

¹¹ Being treated as a foreigner actually happened from the moment I arrived at the Manaus Airport, at the start of the fieldwork. Most of the time during the visit to the Amazon, people made their first contact with me in English, which disturbed me a bit since I am Brazilian.

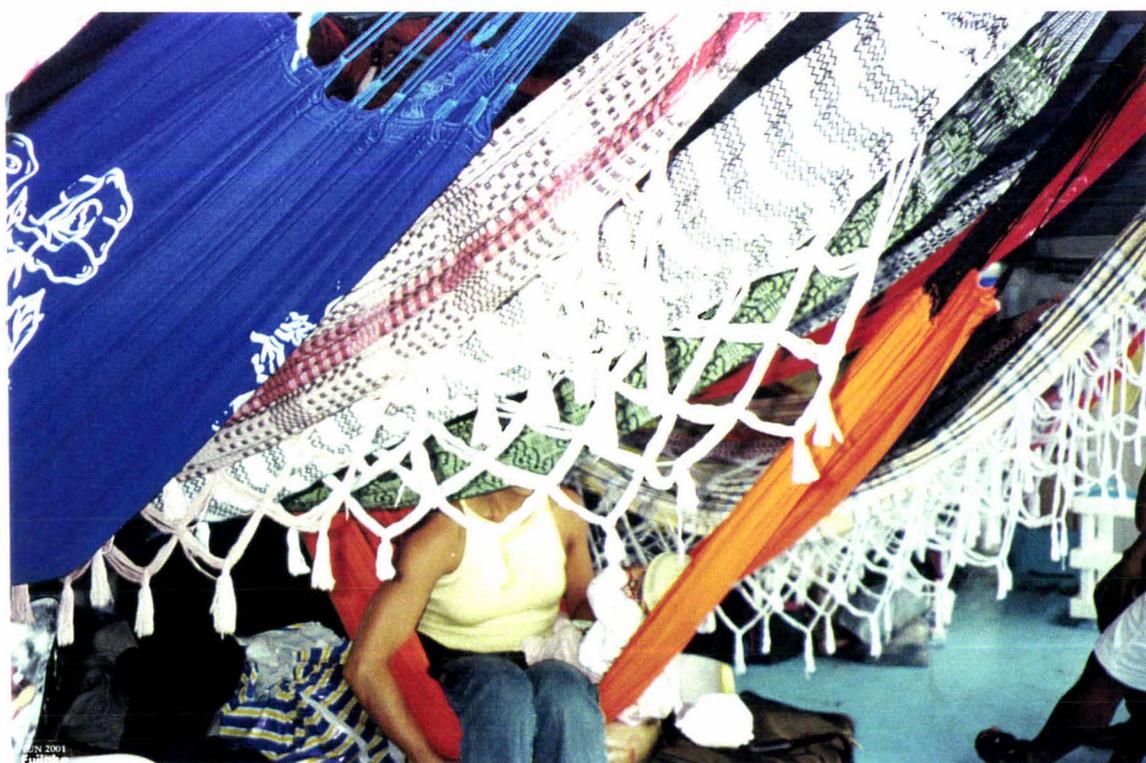
FEELINGS OF FEAR

Carrying research on areas considered dangerous in Rio and in small towns in the Amazon jungle certainly brought about a bit of fear. In Rio, visiting groups with people responsible for them eased fears since they were known in the area. However, in the Amazon I had to travel by myself most of the time. The only way to reach the participant groups in the Amazon was by boat. To visit Andira group, I had to stop in a small town called Barreirinha, and from there, I took another boat to go to the indigenous area. The trip to Barreirinha lasted almost 24 hours, and it was the worst experience of my life¹². I knew it would not be easy, as one gets all sort of instructions when talking to people working at hotels and taxi drivers about Amazon boat trips. The most common is “do not ever fall asleep in the boat, for two reasons: first you need to be awake in case the boat sinks (and thus be able to grab a lifejacket), second if you sleep people will steal all of your stuff”.

During the trip to Barreirinha, just after the boat left the port, I realised that it was overloaded with people and goods, and as the boat advanced its trip in the river, the weather changed for the worse. At around one o'clock in the morning the boat started to 'sink' as the waves formed by the wind in the river were entering the boat, and the water pump machine was not able to get rid of the water in the motor. It was a pretty 'bad' experience, especially as the boat was overloaded with people, there were clearly no lifejackets for everyone, it was very dark outside and there was no way to see where to swim in case of an emergency.

Another incident happened with one of the participants during a boat trip. He showed me a gun and told me I had nothing to worry about during the visit and that I was safe with him. Obviously, he did that with the intention to show me that I was safe. However, it had the opposite effect on me, since it became clear in my head that if he needed to carry a gun, certainly there was a reason for that. I was a bit disturbed by this experience.

¹² I bought the ticket to Barreirinha but I was a little bit concerned with the safety of the boats in the Amazon. The night before the trip to Barreirinha, there was a show on TV which showed how unsafe and old were the boats in the Amazon, and some hints for those travelling in those boats. I followed the hints given by the TV show when I bought the ticket, but that did not help much.



Plates 5 and 6: Boat trip to Barreirinha. Usually boat owners accommodate more people than the boat can handle.

I also felt a strong gender bias during the visit to Andira tribe. Golde, cited in Burgess (1982:47), also shares this view about gender biases in fieldwork: “young unmarried women are considered by their informants to be in need of protection”. Some other times, I felt a bit of distrust from other women for being single. Once I even felt too uncomfortable to join discussion followed by an expedition because of being the only female, thus having to wait for their return with other women and children from the village. Golde, cited in Burgess (1982:47), also discusses this issue: “women are given roles such as ‘child’, ‘sister’, or ‘grandmother’ that minimises their range of contacts to predominantly children and women... age and marital status can also influence the role to which a woman is assigned”.

FEELINGS OF GUILT

At times, I was afraid I was giving people too much trouble. One of the worst feelings I had during the fieldwork was when Mr Silva and his wife (from Andira group), after the visit to their location, decided to take me to Parintins (the largest city close by, almost 5 hours by boat). When we arrived in Parintins, I realised that he and his wife would also spend the night, and that made me feel guilty, because he would have to pay for accommodation. Things would have certainly been easier if he had dropped me in the nearest village from their location and from there I would have taken a boat myself to go to Parintins. However, nothing was discussed with me and, when I realised, it was too late. I did not have enough funds to pay for their accommodation although he did not seem to care much either. At that moment, I felt a bit upset because I was not consulted on what was going to happen, and I had no idea of what to expect from them either. It was a distressing moment, especially because Parintins was full of tourists that were going to attend a traditional party (*Festa do Boi*). There was no budget accommodation available, I became separated from them when we arrived in Parintins, and then I was sent by a guide to a comfortable hotel; however with a not-very-comfortable student rate. I had to use my own funds for that, and when I realised that Mr Silva and his wife might not find a place as well I started to feel particularly bad. Nevertheless, we met that night, we discussed the cost of fuel in the boat, and we came to an agreement, which to me did not feel like a fair price.



Plate 7: Woman roasting cassava flour. Cooking is still made in the traditional way among the Sateré-Mawés.

Plate 8: Group of women looking after the children.

Although he was happy to accept the money we agreed, I felt that I should have given them more money, to cover other costs as well. I was feeling guilty¹³ for being in that hotel as well, even though it was far from being a 5 star hotel. I was at the end of the fieldwork research, running out of money, not sure about how much would be granted to help with the research costs, and knowing that I would have to stay at least 3 more days on the road to interview the last group.

FEELINGS OF ANXIETY AND DEPRESSION

There were times in the fieldwork, especially when I was in the Amazon, that I doubted if I was going to be able to finish everything and go home (Goiânia) with the results that I was looking for. I was very confused during the several trips I had to make, as well as a little bit depressed with the poverty situation, which I had never experienced before.

One example was when I arrived in Barreirinha, a small and poor town close to where the Andira group was located. I walked from the port to the hotel, and I could not stop noticing the poverty in the town. Concerning poverty in Barreirinha, I wrote in my journal: "I am desolated to see the town. It is really poor, like nowhere else I have seen in life, there are lots of intoxicated people, and lots of unemployment". It was certainly one the biggest shocks I had during fieldwork. At the same time I was depressed, I was also trying hard to focus on the research and not to pass an image of someone who was confused and depressed to participant groups.

Although I was beset with doubts and uncertainties about fieldwork and the thesis, during the whole period I was in Brazil I developed a different feeling about being there. I am not sure if I was homesick while studying in New Zealand and then really glad about being home, but I started to think about how I would handle things in the future with regards to leaving Brazil again. Travelling all the time in Brazil and getting to know different people and different realities in my own country gave me perspectives on how development should be brought to regions where I was working. I see this fieldwork experience not only as a means to gather data for the thesis, but a lifetime

¹³ Guilty feelings after leaving fieldwork were also felt by other social researchers as described by Storey (1997).

lesson about my country and myself. Although I had doubts about my own capabilities while I was in the field, I have no doubts now that I was able to do the work properly.

SUMMARY

The fieldwork research had the purpose of investigating the impacts of the fair trade partnerships with producer groups in Brazil. The research methods used in the fieldwork consisted of participant information, informal conversations, survey questionnaires, and interviews with key informants.

The fieldwork research was essential for the assessment of the impacts of fair trade movement in Brazil. Several problems arose during fieldwork, such as culture shock, dropout participant groups, concerns with time, privacy, and local disputes between NGO officials. Nonetheless, fieldwork also provided me with results that initially I did not take into consideration, such as the significant biases between rural and urban producer groups.

Fieldwork also required a great deal of adaptation and improvisation at times. It also affected me as several feelings and perceptions about the study arose, especially during distressing times. Some authors, such as Clarke (1975), Storey (1997), and Whyte (1982), have reported some of the same impressions I had during fieldwork, such as concerns for being an inexperienced researcher, guilty, fears, self-consciousness, and anxiety. It is important to stress, though, that the more time I spent with participant groups, the weaker those impressions became. At the end, fieldwork was a different and enriching experience, not only in terms of this research but also for personal growth.

CHAPTER 5

FAIRNESS THROUGH FASHION AN URBAN EXAMPLE

INTRODUCTION

The fieldwork experience, which aimed to evaluate the impacts of alternative trade in Brazil, will be divided into two case studies. The first one is located in Rio de Janeiro, with the participation of two groups, Fair Trade Rio and Fashion Co. The second case study is located in the Amazon, with the participation of two groups, Andira and Castanhal.

The reason for the division is that some participant groups share similar characteristics in terms of type of production, social environment, and location. The urban groups (located in Rio de Janeiro) produced manufactures (clothing and apparel, home decoration) while the rural groups produced agricultural products (guarana, fruit juices) and indigenous art crafts. The production differentiation in rural and urban settings was also noted in other studies with fair trade producer groups.

The production of manufactures in urban centres of developing countries is believed to be the first step towards full industrialisation. This argument is supported by Ross (1997:10): “textile and apparel are traditionally where underdeveloped countries begin their industrialisation process, since they require a minimum capital investment – particularly in the labour-intensive sectors of sewing and assembly – and the raw materials are relatively common”.

The research with participant groups in Rio led to some similar conclusions, which will be analysed in this chapter. It was interesting to note that the fair trade movement in Rio and the organisation of the cooperatives and partnerships were top down but democratic, rather than organised by poor communities themselves. Behind each participant group was a leader from the middle or higher class. Nonetheless, their intentions were to promote empowerment of local communities through the

development of a tradable product, but the difference between leaders and members was clear within groups.

CASE STUDY 1

FAIR TRADE RIO

BACKGROUND INFORMATION

The first group visited during fieldwork was Rio Projects. Fair Trade Rio is a branch of this well-known organisation acting in the State of Rio de Janeiro. Rio Projects was created in 1993, as the result of reactions from the population to the insecurity prevailing within the city of Rio de Janeiro (Viva Rio, 2001). Since then, Rio Projects has been developing campaigns and projects, mainly in five areas: public security and human rights, education, community development, sports, and environment. Rio Projects is a non-profit, non-governmental organisation, which aims to stimulate the mobilization of individuals, businesses and institutions for peace, justice and democracy in Brazilian society. The activities of Rio Projects range from actions to overcome violence from firearms and alternatives for peaceful resolution of conflicts; free legal assistance and sports tournaments for low-income communities; police training programs; partnerships with musical concerts and other cultural events; community education; and a civilian volunteer service (Viva Rio, 2001). The projects have similar characteristics and goals, which are generation of products, operation within the dimension of public policies, establishment of lasting partnerships, acknowledgement of local associations, and valorisation of 'autonomous settlements' (Viva Rio, 2001).

The focus of this research with Rio Projects was on their community development program, the Fair Trade Rio Project. Fair Trade Rio Project has the objective of promoting better conditions of exchange between low-income producers and Brazilian and overseas buyers (Viva Rio, 2001). Fair Trade Rio also aims to improve producers' capacity both in terms of management and production, and encourage their involvement in community development (Viva Rio, 2001). The mechanisms used to promote the interests of producers are: "fair trade" certification to products, access to credit for micro producers, training, consultancy services for production systems, and business negotiations with potential buyers (Viva Rio, 2001). A table summarising the main

tasks of Fair Trade Rio is available in table 5.1. The goals of Fair Trade Rio are, firstly, to promote economic development of producer cooperatives in poor communities with the aim of increasing income and the availability of jobs. Secondly, experiment with new models of alternative production, trade, and labour; diagnose, qualify and make the productive process more professional in order to increase productivity and quality; consultancy and help cooperatives to implement new projects. Thirdly, to promote technical cooperation agreements with acknowledged institutions both at local and international levels; develop brands; and to create new forms of economic partnership (Viva Rio, 2001).

Table 5.1 – Rio Projects and Fair Trade Rio tasks

<i>Task</i>	<i>Description</i>
Create Opportunities	Rio Projects works with over 500 low-income communities
Investment	Fair Trade Rio negotiates its sales above market prices for low-income producers
Access to credit	Rio Projects offers access to micro-credit
Access to technical training	Rio Projects has established partnerships with other NGOs and government departments
Development of Producer Co-operatives	Rio Projects supports creation of cooperatives
Building long term trade relations	Rio Projects and Fair Trade Rio aim to establish partnerships with other fair trade organisations
Competitive prices and quality	Rio Projects and Fair Trade Rio aim to provide assistance in product pricing to meet market demands
External Monitoring	Monitoring of producers
Consumer Education	Promotion of public campaigns about the benefits of buying fair trade products.
Environmental Protection	Monitoring of production to guarantee an environmentally friendly process

Source: Fair Trade Rio website, available: <<http://www.vivario.org.br>>

The main problem identified by Fair Trade Rio concerning low-income producers is the lack of access to formal markets; therefore providing access to markets is one of the priorities of Fair Trade Rio. Market access is promoted by trade negotiations with established businesses on behalf of low-income groups associated with Fair Trade Rio (Viva Rio, 2001). The negotiation takes into consideration working conditions, wages

above market level, access to credit and technical training, and assistance in product creation in order to meet market demands (Viva Rio, 2001). According to Fair Trade Rio, participant groups need to meet the criteria to become partners. The criteria are democratic co-ordination and practice within cooperatives, socially sustainable work policies, environmental friendly production processes, and contribution to the social development of their community (Viva Rio, 2001).

On the first visit to Fair Trade Rio, I had the opportunity to have a long talk to Mr Barreto, one of the officials in charge of Fair Trade Rio. He was quite surprised to learn that there were other groups working with alternative trade in Brazil. Fair Trade Rio officials had no knowledge, until this talk, of the existence of other fair trade producer groups. During the talk with Mr Barreto, I arranged to visit one of their producer groups along with him and other Rio Projects officials. The purpose was to see their working environment, apply some of the survey questionnaires, and record interviews with officials of Rio Projects or members of the cooperative. Unfortunately, due to problems with time, the visit was hurried and the interviews had to be postponed. It was decided that interview questions could be answered through electronic mail and sent in a later date. However, I have not received their answers.

Fair Trade Rio chose to work with fashion because the textile sector had a strong tradition in Rio de Janeiro. The option of working with the textile sector was made since this sector has suffered greatly with the imports of cheaper foreign products (Fernandes, 2000). Fair Trade Rio currently works with independent dressmaker cooperatives. Fair Trade Rio believes that companies interested in working with Fair Trade Rio cooperative partners would not only make a good business deal and, but also good social investment (Fernandes, 2000).

Part of Fair Trade Rio's work is based on inspections and certification. With the creation of a "Fair Trade" label and other forms of support provided by Fair Trade Rio, it is believed that producers would have easier access to formal markets. The Institute of Religious Studies (ISER) is helping Fair Trade Rio with monitoring of groups and production (Viva Rio, 2001).

As described earlier, Fair Trade Rio is currently focusing on the partnership with clothing cooperatives producing t-shirts, polo shirts, shorts, uniforms, and caps (Viva Rio, 2001). Fair Trade Rio inspects working conditions, and helps to improve their working equipment and environment through the Rio Projects Credit Program. They also invest in training and help to mediate negotiations between cooperatives and businesses. According to Rio Projects, cooperatives that are members of Fair Trade Rio could increase their profit threefold in comparison to other cooperatives not linked to the project (Fernandes, 2000).

Currently, Fair Trade Rio is able to produce 150,000 items per month, and there are a few new orders coming from established businesses. Rio Projects has a different approach in comparison with other traditional fair trade producer groups, since they are not only looking for foreign markets, but also interested in local markets. There are several channels of trading for Fair Trade Rio products: bulk sales to companies, Fair Trade outlets at strategic sale points in Rio de Janeiro, and e-commerce through the Fair Trade Rio website.

VISIT TO A FAIR TRADE RIO PRODUCER PARTNER

During the visit to one of the Fair Trade Rio producer partners, I had the opportunity of learning about their history, as well as about the reasons why individual members took part in the cooperative. Unfortunately, there were not many members of the cooperative around due to lack of work. This, along with lack of training, was the most serious problem they were facing. One of the officials from Fair Trade Rio, who accompanied me during the visit, told me that they would prefer having monthly orders than casual orders (for instance 3,000 t-shirts ordered every three months than a single casual order of 10,000 t-shirts). They prefer continuity in orders rather than uncertain large quantities ordered casually. In addition, the problems faced by the participant group I had the opportunity to visit were similar, according to Fair Trade Rio officials, to the problems faced by other fair trade producer partners of Fair Trade Rio.

My personal impression of Fair Trade Rio was not of a grass-root movement, but rather one that was born among middle-class professionals concerned about the levels of violence and poverty in Brazil, and especially in the city of Rio de Janeiro. The image I

had was one of an organisation based in the city centre (elite) but working on the periphery. This image was reinforced by the house where the NGO was situated, large and comfortable, with a clear swimming pool, located at the very heart of Rio's business centre. By making the comments about the house I do not mean to discredit the NGO's works, but to reinforce that this ATOs approach is a top-down one. Although the group I visited was equipped, there was a gap between the producer group installations and the NGO headquarters.

FINDINGS AND RESULTS

Only three members agreed to answer the questionnaire. Other cooperative members were not present at the cooperative headquarters during my visit due to lack of work. The participants of this group were females with ages ranging from 25 to 34. There was an average of 4 people living in each household, and one person per household working at the cooperative. Their monthly income varied between one to two minimum salaries (between NZ180 to NZ 360)¹⁴. Half of the participants were not familiar with the fair trade concept, although they export part of the production to fair trade partners. Those familiar with the fair trade concept claimed to have learnt about it in their workplace. After the idea of fair trade was presented to participants, all respondents approved of the idea.

Some participants had joined the cooperative through courses or meetings, while others were invited. The reasons for joining the cooperative were mainly related to the need of having an income – a job. They were aware of the final destination of the production, and most of the respondents claimed that the production was sold in fair trade shops in Brazil.

All respondents said that there was an improvement in income and quality of life after joining the cooperative. The changes happened in terms of education and finance (learning a new job and having income improved), and by being able to help other members of the community.

¹⁴ The reason for using New Zealand currency here is that New Zealand currency is quite close to the Brazilian currency. It is hard to convert the Brazilian currency into American dollars (US\$) due to high fluctuation in exchange rates in the last six months.

All respondents owned their houses, which means that no rents or mortgages had to be paid, and expenses were mainly related to food and other basic needs. Before joining the cooperative, their average income was of NZ180. All respondents had children (an average of 2.33), and all children were at school. Concerning access to professional medical assistance, all of them answered that they did not have easy access to it, although they did have access to medicine.

Finally, all respondents claimed that their work was very important for the preservation of their culture and traditions, and they saw the cooperative and the partnership with fair trade groups as helpful in terms of their economic security.

The main complaints about difficulties this group face were characterised by the lack of continuous orders (making the cooperative quite unstable at times), as well as lack of training. In regards to the lack of continuous orders, no action on the part of cooperative could be immediately taken to reduce it. However, training could be implemented with partnerships with some other NGOs or even with Rio Projects.

A serious problem not discussed during the visit was with regard to violence and organised crime in the cooperative neighbourhood. The location of this cooperative is in a previously autonomous settlement. The newborn district has a high rate of violence due to criminal activities, carried mainly by drug dealers. Dwellers often face problems with 'wars' between police and criminals, and at some other times, 'wars' between criminals themselves (criminals from within the village or from other neighbourhoods disputing local drug markets). People living in these areas are exposed to risks everyday, and often have to cope with the presence of crime. There is no use in presenting complaints to the police, who are often unable to cope with violence coming from the periphery.

The work at the cooperative proved important to members for several reasons, both expressed in the survey questionnaires and informal conversations. The work at the cooperative provides members with working experience, occupation close to their homes, income generation, and gender empowerment, as all members of the cooperative were females. Along with gender empowerment, strengthening of self-esteem was another important impact of the cooperative on participants' lives. Improvement in self-

esteem and awareness of worker's rights were also noticed in research with other fair trade producer groups, as suggested by Uriarte and Grüniger (2001a). Participants also mentioned market access to production, access to credit to improve equipment, and good working environment as improvements. Finally, members of the cooperative emphasised the importance of receiving advocacy support from the Fair Trade Rio and Rio Projects, as well as taking part in other projects of Fair Trade Rio, such as producing apparel for social campaigns, i.e. violence reduction and gun control.

CASE STUDY 2

FASHION CO.

The second visit of fieldwork was at Fashion Co., a cooperative of artisan women, located at Rocinha, in the city of Rio de Janeiro. Once considered a shantytown, Rocinha today is considered a 'city' within a city. It has two buses routes, four schools, two health centres, a commercial area with around 2,500 shops, and a population of 200,000 people (*Amai-vos*, 2001).

Fashion Co. produces fashion designs and clothing (using traditional artisan techniques), as well as home decorator items. Fashion Co. does not work with any ATOs overseas at this moment. There was a brief attempt to establish relations with ATOs overseas. However, the contact had to be postponed due to the internal structuring of Fashion Co. (Souza, 14/05/2001). I decided to include Fashion Co. in the urban case study since this cooperative works under conditions similar to other fair trade producer groups, even though they did not establish any partnership with ATOs. Fashion Co. trades its products with private businesses in Brazil in a sustainable and fair way; it receives payments above market levels which benefits excluded and disadvantaged members. The cooperative is based on democratic premises; part of the profits is reinvested in the cooperative and in the local community through purchase of equipment and promotion of training and courses. Finally, members enjoy their working environment¹⁵, and appreciate the acknowledgement of the value of their labour. On the

¹⁵ The main business partner of Fashion Co. is a well-known Brazilian clothing brand, M.Officer. During fieldwork, I visited one of the shops to verify if items produced by Fashion Co. were available in the shop and under what conditions. The items were displayed, with a tag explaining how the item was manufactured and information about the producer group who manufactured it. It was clear from the tag that the product was 'socially friendly'. M.Officer has also engaged in other alternative projects in the

other hand, business partners provide the cooperative the opportunity to produce, receiving appropriate payment for the labour. Not only businesses have the right to set up a price for the labour, but cooperative members also have right to discuss and agree with a value that they consider fair. Therefore, the case of Fashion Co. is an example of a domestic 'fair trade', since the production is made locally and sold in the Brazilian markets. Both sides, private businesses and cooperatives, gain from active participation in this process (Souza, 14/05/2001).

Fashion Co. has a similar way to establish the value of labour in comparison with other fair trade producer groups. Ms Souza, head of the Fashion Co. group, explained the price formation technique. Fashion Co. sends proposals of artisan techniques to be used in fashion clothing to business partners. Having studied the proposals, business partners prepare a model adapted for market, which is then sent back to the cooperative. Fashion Co. discuss with the artisans the possibility of going ahead with the model, taking into consideration levels of difficulty, quality control, and financial viability. The price for the new product is then established according to a combination of a price list kept by Fashion Co. and discussion with artisans involved in the production, until an agreement is reached. The price is established in a way that the work of the artisan is acknowledged. Fashion Co. then submits the final proposal with price to business partners. If the partner finds the product too expensive (therefore not marketable), Fashion Co. reduces the price (and the cost) to a 'fair' minimum. Ms Souza gave an example of a situation in which a business partner was not satisfied with the price: "a crochet blouse had 300 crochet balls attached to it, our business partner found it too expensive. We did not agree in reducing the salary of the artisan. We tried to negotiate a new blouse with fewer balls. We then worked in a way that the new blouse was as beautiful as the original one. In doing this, we were able to keep the price, acknowledge the value of the artisan's work, and reach a competitive price for our business partner" (Souza, 14/05/2001).

past, such as using plastic recycled from bottles to produce jeans, in a campaign to clean up the environment. Finally, this company has also invested in a partnership with Santa Casa de São Paulo (a public volunteered hospital which provides for the most disadvantaged parcel of the population). In this partnership, M. Officer invested in building a child ER, which receives around 12 thousand visits per month. M. Officer also maintains the building and often upgrades the medical equipment in the hospital. This is a practical example of social investment of private business in the community.

BACKGROUND INFORMATION

Fashion Co. is an artisan-orientated cooperative¹⁶. It develops art crafts, related to fashion design and clothing, as well as home decoration. The idea for the establishment of the cooperative came from a 'toy workshop' aimed at the children of the community in 1981. There was great interest from women in the workshop in taking ahead the proposal for the development of a small industry that would sell art craft products made of scraps of cloth, donated by industries. In this first moment, Fashion Co. recycled cloth and textiles, transforming it into art crafts (Souza, 14/05/2001).

The main purpose of Fashion Co. was to create conditions for the cooperative members to help in the family income without having to leave the community. Members were looking for work opportunities that could help them to generate income but at the same time cope with house activities and childcare.

Fashion Co. was always based on democratic premises. At initial meetings, women would gather in the *varandas* of their houses to discuss the establishment of the cooperative, promote elections, and organise future meetings. Today, Fashion Co. has its own headquarters, a three-floors building that was slowly built over the years. The headquarters has a very important and strategic function; it provides the members with a venue where constant experience exchanges and training take place. Also, it is a place where members receive visitors. In addition, the headquarters has an operational function related to the production and management of work. Constantly, several other activities take place in the Fashion Co. centre, such as weekly meetings, distribution of material for work, quality control in the artisan workshops, management, training and professional qualification, assemblies of members, among other activities. Fashion Co. has received some distinguished visits by important NGOs such as LEAD International Program, Rockefeller Foundation, British Council, Goethe-Institut, and UNESCO (Souza, 14/05/2001).

Fashion Co. has taken part in several exhibitions and fashion parades, and it has received awards and acknowledgements by NGOs and private businesses. These have

¹⁶ Background information about Fashion Co. was provided through brochures, documents, and interviews.

both enhanced the divulgation of the cooperative's activities and increased the commercialisation of the production. The achievements and awards Fashion Co. received in the last years helped to strengthen the self-esteem of the women in the cooperative. There are a great number of self-esteem issues for women living in the periphery of big urban centres, and this phenomenon was noted during the visit to a Fair Trade Rio producer partner. Father Manangão, from Rocinha, said in a recent interview to the magazine '*Amai-vos*' that if you live in Rocinha or in any other *favela* (shantytown), and when applying for a job you mention that you live in a *favela*, you are automatically out of the selection process. There is a great prejudice against those who live in favelas. However, the problems within *favelas* are similar to urban problems (in general violence, drug trafficking, unemployment) (Father Manangão, cited in *Amai-vos*, 2001).

An important landmark for Fashion Co. was the exhibition "*Retalhar*" (To Reshape) that took place in 2000. This exhibition included development of projects, production, and exhibition of products developed by artisans of Fashion Co., created in partnership with well-known fashion and decoration designers, as well as artists. For the exhibition, 16 of these professionals were invited to work with Fashion Co. The choice of professionals was based on the impacts of their work in the segments of the *Retalhar* exhibition, as well as on the fact that they were involved in cooperation with Fashion Co. in the past. The results of the exhibition were very important to Fashion Co., since it increased income for the cooperative members due to increase in orders. From the 16 original guests, three continued to work in partnership with Fashion Co. after the exhibition (Souza, 14/05/2001). Their continuous participation also enabled Fashion Co. to increase the number of women in the cooperative working full time, from 18 to almost 60. M.Officer expects the number of members to increase up to 120 in 2002 (M.Officer, 2001). In addition, M.Officer believes that it is important to create links between textile industries, fashion, and the Brazilian art craft sector in order to guarantee a stable source of labour to Brazilian artisans (M.Officer, 2001).

In terms of professional training and qualification, Fashion Co. had in the past a partnership with UNDP. From the results of that partnership, many other workshops took place in diverse sectors of Fashion Co. There are also partnerships with government programs for qualification of tailor/dressmakers, and for management of

the cooperative. Fashion Co. is continuously looking for new partnerships. Members of the cooperative believe that the qualification of the artisans and their work is fundamental for the work organisation (increase production), and for the name of Fashion Co. in the market. Better qualifications also result in the increase in the numbers of workers, therefore enhancing the social impacts of Fashion Co. in the community. At the same time, it maintains the quality of the production. Finally, Fashion Co. has been involved in the training of non-members from Rocinha, in particular teenage girls. The funds for the courses come from the profits received by Fashion Co., and from partnerships with other businesses. Every year an organisation or private business offers to host courses for teenagers in the community. In the course, teenagers learn not only how to work in the clothing sector, but also about sexual education. Early and unplanned pregnancy has become a major problem in *favelas* in Rio de Janeiro, and by providing information and courses to teenagers Fashion Co. intends to not only prepare the girls for the labour market but also for life.

VISIT TO FASHION CO.

As in the case of Fair Trade Rio, I did not have the opportunity to spend a long time during the fieldwork visit. I had an afternoon of meetings with the members of the cooperative, who agreed to answer the survey questionnaire and to participate in informal conversations about their work and life in Rocinha. I also had the opportunity to carry a key informant interview with the head of the group, Ms. Souza.

The headquarters of Fashion Co. is very well structured and organised. There is space for courses and training, as well as equipment and material for work. In comparison to the cooperative partner of Fair Trade Rio I had the opportunity to visit, Fashion Co. appeared to be in a better position. However, this could be explained in terms of the time of existence of the two cooperatives. The members of Fashion Co. have been working as a cooperative longer than the Fair Trade Rio cooperative.

The common complaints from the members of Fashion Co. were not related to the work in the cooperative or the lack of training as in the Fair Trade Rio cooperative, but rather about the current Brazilian economic situation, which is recessive. A common complaint from both groups (Fashion Co. and Fair Trade Rio) was the lack of continuity

in the orders, which they may be naturally prone to, since partnerships with private companies are more unstable than with NGOs or governments. However, in the case of Fashion Co., this risk would be reduced due to the great exposure of their work in the media. In addition, Fashion Co. has almost become an independent fashion label, which may help in future business partnerships. The work of Fashion Co. is no longer based only on the manufacture of clothing, but also in fashion design and trends that actually inspire other fashion designers and retailers. For this reason, they may be one step ahead of other clothing producer groups, which manufacture clothing items designed by people outside the cooperative.

Fashion Co. and Fair Trade Rio share other similar characteristics, which is strong leadership inside cooperatives and NGOs. In the case of Fashion Co., Ms Souza has done the lobbying as well as contacts and negotiations with business partners. Without her presence and her work, Fashion Co. would hardly have reached the status it has today. On the same lines, the officials working for Rio Projects are responsible for the positive achievements of producer groups working in partnership with Fair Trade Rio. Without their constant work and contact with overseas NGOs, as well as contact with local markets and people interested in the development of fair trade in Brazil, producer groups would hardly have a chance of assessing markets by themselves. Although strong leadership has brought benefits for both cooperatives, it has its shortcomings. For instance, leader dependence may occur. Once the leader abandons the project, the work at the cooperative may become unsustainable, or the cooperative could even finish. During fieldwork research in Brazil, two cooperatives located in the state of Minas Gerais, who were previously trading with ATOs in Europe, lost their leaders. In one of the cases, the leader became very sick and the cooperative could no longer run without her presence, which caused the cooperative to stop production and trade altogether with a European ATO. Issues on the role of leaderships within cooperative groups and NGOs were also discussed in literature by Storey (1998).

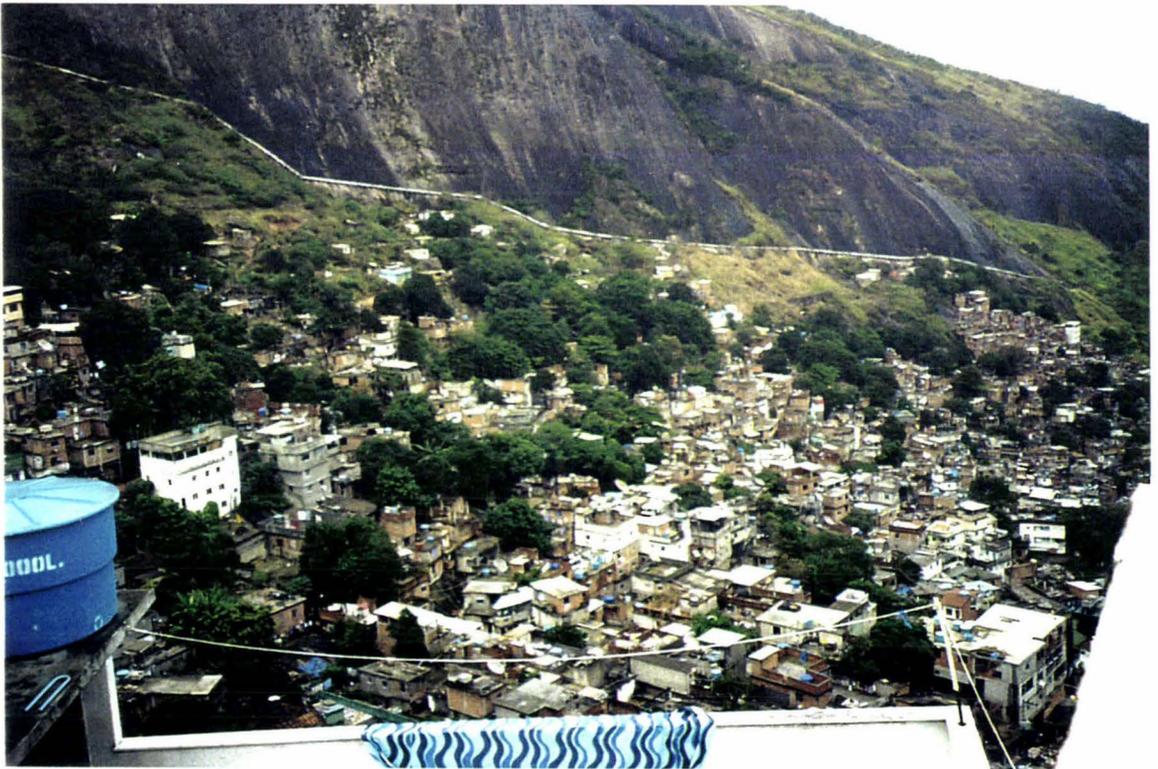
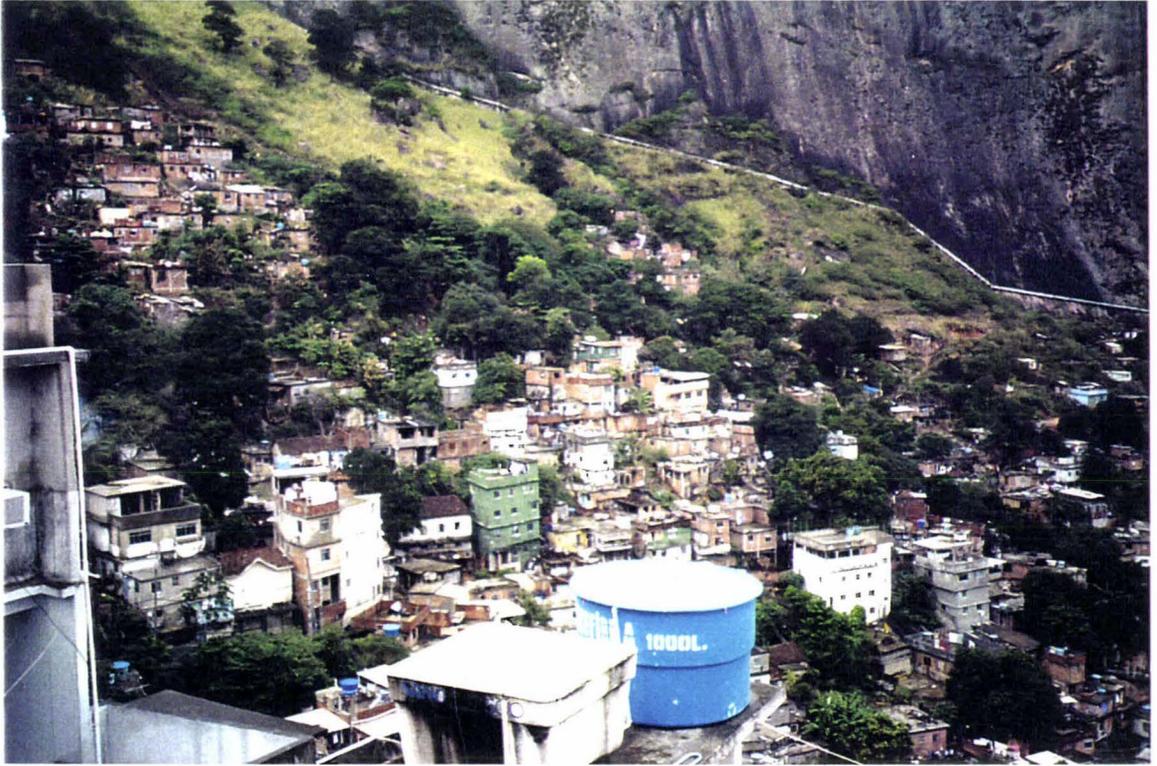


Plate 9 and 10: View from the window of Fashion Co. (Rocinha)



Plate 11 – Work at Fashion Co.

Plate 12 – Top produced by Fashion Co. in partnership with M.Officer

FINDINGS AND RESULTS

The participants of Fashion Co. were all females, over 60% married and with age ranging from 25 to 34. All were immigrants from other regions. There was an average of 4.4 people living in each household, an average of 2.3 people working in each household, and only one person working at the cooperative per household. The average education level was high school. The average monthly income was three minimum salaries (approximately NZ540). Only 15% were familiar with the concept of fair trade. It is important to bear in mind that members of Fashion Co. do not work with any fair trade partners. Those who knew the idea of fair trade claimed to have learnt about it in their workplace. After the idea of fair trade was explained to all participants, 66% of participants approved of the idea while 33% still did not have an opinion about it.

The participants had joined the cooperative through courses or meetings, while others took part in some projects of the cooperative, and then became members. The reasons for joining the cooperative were mainly related to the need for a job. Other respondents also claimed that they wanted to belong to that specific group for its cohesion, while others joined because they appreciated working with fellow members. They were not so aware of the final destination of their products; perhaps due to the diversity of buyers and projects Fashion Co. is currently involved with.

All respondents claimed that there were improvements in income and quality of life after joining the cooperative. The changes happened in terms of increase in income and quality of life, availability of jobs, working from home therefore close to the children, and the opportunity of meeting new people and working with a cohesive group.

All respondents owned their own houses, which had an average of 4.1 rooms. Before joining the cooperative, their average income was less than NZ180. Over 83% of respondents had children (an average of 2.33), and all children were at school. Concerning access to professional medical assistance, over 67% answered that they had easy access to it, while 16% consulted with local healers. In regards to medicine, again 67% answered that they had access, while 16% claim that sometimes they did not have the money to purchase it.

Finally, all respondents claimed that their work was very important for the preservation of their culture and traditions, and they saw the cooperative relatively helpful in terms of their economic security.

The main complaints of participants concerning the cooperative were the hardships faced today due to economic and social situation in Brazil rather than specific complaints about the cooperative. Perhaps the most relevant complaint within the cooperative context was the difficulty of accessing markets for their products. However, due to their increased exposure in the media and contact with several distinguished professionals, the trend is for their products to be easily traded in the near future.



Source: Revista Tudo and Revista Veja

Plates 13 and 14 – Samples of Fashion Co. products in fashion parades and in the media. Media exposure not only helps Fashion Co. to commercialise their products; it also helps to strengthen the self-esteem of cooperative members.

The problems brought by violence in Rocinha were also discussed, however in a very sensitive way. Although people living in that region would be exposed to risks, those would not be too different from risks in other parts of the city, including the centre and richer areas. Finally, it appeared that Fashion Co. has overcome some of the problems of legitimacy within the neighbourhood, by being acknowledged by the community as a viable cooperative, which aims to bring development to the region.

As in the case of Fair Trade Rio, positive impacts reported by members of Fashion Co. were market access, availability of an occupation, income generation, and having the opportunity to work from home. Positive impacts on gender empowerment and reasonable working environment were also mentioned in the survey questionnaires.

SUMMARY

Improvements in quality of life were felt by members of both Fair Trade Rio and Fashion Co. The opportunity of working in partnership with NGOs (in the case of Fair Trade Rio) and private businesses (in the case of Fashion Co.) has provided them with market access, one of the major difficulties of small producer groups. The improvements felt by members were not only expressed in economic terms. Also important were changes in the perception of their work, strengthening of self-esteem, awareness of their rights as citizens and workers, awareness of the value of their work, and increased gender empowerment within these cooperatives.

In addition, the support by NGOs and leaders within cooperatives has proved fundamental to the survival of these producer groups. Without their help and expertise in finding business partners and carrying negotiations, which proved to be beneficial to producer groups, the movement in Rio de Janeiro would not have gone ahead. Finally, it is important to acknowledge that companies and businesses in Brazil have increased interest in promoting social movements such as the valorisation of workers and social investments in communities where companies are located, as in the case of M.Officer.

CHAPTER 6

RURAL GROUPS IN THE AMAZON

A RURAL EXAMPLE

INTRODUCTION

This chapter has the objective of presenting the case studies of the Amazon, background information on the groups visited, as well as the assessment of the impacts of fair trade on them.

Two participant groups were chosen to be part of the Amazon case studies. The groups are located in the Amazon State; both produce guarana that is exported to ATOs in Italy. Recently, these groups decided to combine efforts to establish cooperation in order to access more markets and avoid competition between them. Other NGOs (Brazilian and Italian), which work closely with both groups, are helping them in terms of administrative and legal issues for the establishment of the cooperative. It is too early, however, to assess the impacts of this 'liaison' between the two groups, as it is still not officially set up.

Although both groups work with the same products, and are located in the same region, they do differ in terms of inner characteristics as well as in terms of their difficulties. Although there was not enough time to analyse deeper these differences they could be clearly noted especially in terms of the ways each group conducted their production process. The Andira group had a more ecological and indigenous approach for its production, and this reflected their cultural way of life. On the other hand, Castanhal group had a more 'commercial' approach for the production, although always taking into consideration environmental issues. Castanhal group had a more developed agriculture system, as portrayed in the Western 'alternative' models of agriculture development. It was quite interesting to look at two different ways to reach the same outcome.



Plate 15: Guarana field of the Andira group (natural part of the environment)

Plate16: Guarana field of the Castanhhal group (commercial plantation)

Both groups produce guarana¹⁷ and both groups have a strong cultural bond with it. However, this bond is greater for the Andiras, who are known to be ‘the sons of the guarana’ (Lorenz, 1992:39). Guarana has a mythical, cultural significance for Andiras, and its production and consumption need to follow certain traditions and protocols¹⁸. There is an increasing demand from both Brazilian and international markets for guarana, as it has become well known for its stimulant effects, among other medical properties such as intestinal regulator, cardiovascular tonic, and aphrodisiac. However, guarana is used more as a stimulant, as it contains between 4 to 5% of caffeine (whereas tea has only 2% and coffee 1%) (Lorenz, 1992:40). Guarana has also other medical properties, such as an energiser, for anti-stress, preventive of arteriosclerosis and thromboses, diuretic, analgesic effective in case of menstrual pain, headaches, reliever in respiratory crisis, moderator of appetite (therefore used for weight control purposes) (Castanhal, 2001).

An issue that I will leave unresolved in this thesis but is worth mention is with regard to intellectual and property rights of guarana to Andira people. They were the people who first adapted the wild plant into cultivation, they were the first to discover the medical properties of the guarana, and, finally, the guarana we have available today has high quality due to a “complex knowledge system which involve[d] genetics, pollination, reproduction, plant development, as well as agricultural knowledge, which were possible only due to the empirical observation of indigenous people, ‘the sons of the guarana’” (Lorenz, 1992:53).

There were attempts before to commercialise guarana on a small scale, and Andiras have been trading it for the last 300 years. Today, the instability in markets and its impacts on indigenous people have been too large, as they depend on the guarana as the main product for trading. It became necessary to search for an alternative way of trading, and fair trade was the best option. Lorenz (1992:140) also support this view: the

¹⁷ Guarana is a product obtained from the fruit of the Guarana plant, original from the Amazon. Its scientific name is *Paullinia Cupana*. It is used by the native population for its medical and stimulant properties. Its active principles are caffeine, tannic acid and piroguarana acid (Castanhal, 2001).

¹⁸ The true name of guarana, according to Andira traditions is Wará (Uggé, 1994). Guarana has always been consumed in a respectful way by Andira families in their homes or reunions. It has a sacred meaning for Andiras. According to their beliefs, when Wará is consumed, everything that is spoken or thought is a result of its wisdom, and the strength of Wará could make things that are discussed or thought real. “No one could say bad things during Wará” (Uggé, 1994:26). Therefore, in Andira traditions, guarana is linked with both ethics (not talking about bad things or other people) and traditions (Uggé, 1994).

“buyer would have the conscience that he or she was buying a product that would help the indigenous people - the only in the world with their characteristics, and the inventor of the culture of the guarana – to survive while being a different ethnicity”.

CASE STUDY 3

THE ANDIRA GROUP

The Andira group is an indigenous tribe located in the Amazon jungle. They have been in that region for over 350 years, and they are the finders and breeders of guarana. According to an Andira document, they also “live in the only genetic bank of guarana in the world” (Andira, 2001). In January of 1998, a new Andira Council took office with the challenge of carrying the ‘Guarana Project’, which was initiated in an experiment level three years earlier. It was the main economic activity for the Andira tribe, which comprised 70 villages and 7,000 people (Andira, 2001). Uggé (1994:9), who studied this tribe in the past, believes that Andiras “want to stop the suffering in terms of health, social abandonment, and the continuous promises from the government which are never met. They want a better future through studies and formal education, in their own territory, at the same time respecting the tribal traditions”. Guarana is an obvious way for Andiras to pursue economic development, as guarana is one of their products that can obtain better prices in the market (Lorenz, 1992).

In general, the ‘Guarana Project’ consists in selling guarana produced by Andira indigenous farmers for prices above market in order to promote increases in income, therefore improving quality of life for the whole tribe. The income received from the project is divided into three equal parts. One part is given to the farmers, the second part is given to the Council (in other to cover spendings and to guarantee the tribe common interests), and the third part is destined to cover other expenditure, such as processing, trading, consultancies, impact assessments, quality control, and research and development (Andira, 2001). It is important to acknowledge that the ‘Guarana Project’ has been developed without the help of any particular donation, loan and funding.

The Council has a commitment with guarana consumers in caring for (and where necessary rescuing and recovering) natural resources, the ecosystem, the identity, and tribal cultural heritage. The Council also guarantees equality and transparency in the

division of income generated by the project (Andira, 2001). The Andira group aims to develop a product both of high quality, which is natural, native and unique, as well as ethical; a product that internalises ecological and social costs, preserving cultural and civil values (Andira, 2001).

BACKGROUND INFORMATION

The Andira group is comprised of 70 villages, with 7,000 indigenous people, located in an area of around 800,000 ha. The Andira Council has a mission statement. Their mission statement defines the group as an “indigenous private and non-profitable institution, representative of the people of Andira, without political party or religious affiliation” (Andira, 2001). The Council’s goals are to raise awareness among Andira indigenous people about their rights and interests, establish organisations for the Andira people, preserve their cultural and physical integrity, create incentives for the traditional economy and economic alternatives in partnership with supporting institutions, and finally care for the richness that has been trusted to them by their ancestors (Andira, 2001).

Andira currently has several projects that are derived from the fair trade guarana project. One of them is the collecting and recycling of refuse produced in the villages. The objective of this project is to collect refuse produced in Andira villages, with focus on three special types: batteries¹⁹, plastic, and cans. The ‘Women Association of Andira Villages’ is in charge of conducting this project, which started at a campaign level. Today, the project delivers recyclable refuse to the City Council of Barreirinha, the nearest town to the village. The recycling project grew from a need for the Andira village to guarantee to fair trade importers the high quality of their guarana, which ought have low levels of heavy metals (Andira, 2001). Andira farmers are aware of the need to produce guarana of high quality in order to be able to find other fair trade buyers, therefore selling their product at a more sensible price, like any other product of high quality available in international markets.

¹⁹ The dispose of batteries became a major problem for this indigenous tribe. According to an Andira document (Andira, 2001), the liquid within batteries is called by Andira slang ‘*xerol*’, and it has several uses such as in art craft (production of necklaces), and as a writing device for men. In addition, according to this document, children in the village used to suck and drink the liquid from the batteries. The batteries were disposed anywhere in the village, and the remaining battery liquid contaminated soil and water.

Recycling was not an easy project at the start, though. A document from Andira Council pointed out several problems at the beginning of the project:

the major obstacle was prejudice. There were traditional authorities in the villages, at the start of the project, laughing at the leader of the Women's Association for going to villages gathering garbage. What changed the attitude of these authorities was the strong support by members of Andira Council, who reinforced the great importance of recycling in the guarana project. With that support, people started to understand the importance of a clean environment for their own survival. They understood that pollution was caused by the sharp increase of garbage due to the increased contact with 'involving societies'²⁰, and to the increase in the population (Andira, 2001).

The success of the recycling project was assessed, according to Andira, through an increased consensus and participation of villagers and leaders, and in the growth of the numbers of villages involved and the amount of refuse collected²¹ (Andira, 2001).

Another project that has been developed by Andira villagers is the native bee project. The native bee project guarantees better pollination for guarana, and at the same time the pollination of other wild fruits and cultivations. It is also aimed at the production of honey and its by-products²².

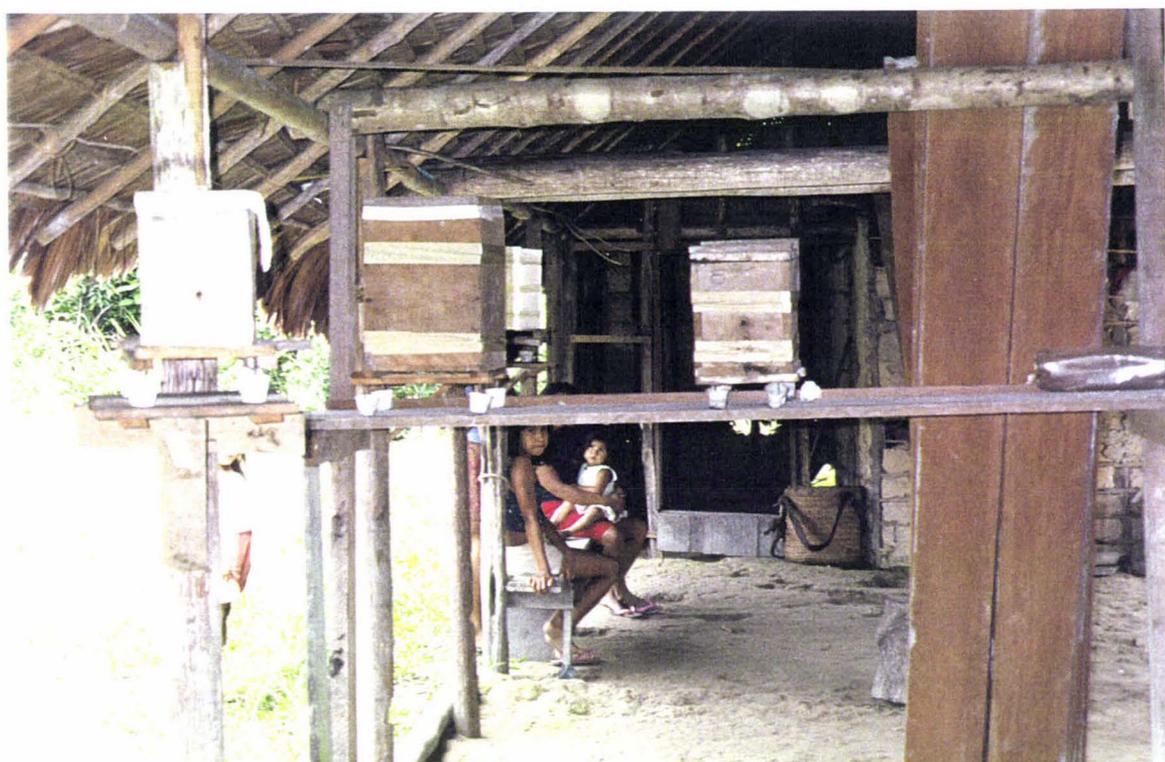
These two projects (recycling and native bee) aim to improve the quality of the guarana produced by Andiras, both by producing a cleaner product (by getting rid of pollution by chemicals in batteries and other heavy metals), and by having a natural way to increase production without the use of chemicals and fertilizants. These projects also aim to keep the environment clean, especially the water and the soil on which they depend. Uggé (1994:21) noticed in his research that Andira indians are very careful with their environment: "the forest is re-made in the plantation of the indian. He is before all a harvester than a transformer of nature; he has adapted to the Amazon jungle since he finds in her everything he needs. On the other hand, he acknowledges its fragile

Education, part of the recycling project, has been a major tool in combating the wrong use of batteries in the villages and teaching villagers about their correct disposal.

²⁰ Andira used the term 'involving society' to describe non-indigenous villages.

²¹ Another pollution problem without solution considered of uttermost importance for Andiras is the pollution in the rivers caused by the increase in the number of motorboats in the region. The Women Association of Andira Villages believes that this matter is urgent, and that it is important to prevent damage in this initial stage rather than having expensive and probably inefficient reparation of damage in future (Andira, 2001).

²² It is important to emphasise that the production of honey is culturally very important to the Andiras, and that the bee is an important and sacred insect that deserves respect according to their beliefs. The Andiras criticises the creation of bees with the purpose of producing cheap honey to be sold to intermediaries. For Andiras, the bees need to be well treated and respected.



Plates 17 and 18: Native bee project from Andira group; bee project from Castanhal group.

equilibrium and the possibility of the emergence of a desert if there is no traditional indigenous criteria [in its use]”.

THE VISIT

The visit to Andira group was set with the help of an NGO working with the Andira Council. Being in contact with this NGO was very helpful. They were able to provide good information on the Andira group, as well as helping me organise the trip, which would not have been an easy task if I had been left to organise everything by myself.

Ward and Chant (1987), cited in Storey (1997:16), describes the contact with NGOs as “a good way of gaining entry to communities and a satisfactory way of introduction to both leaders and residents”.

During the visit to Andira group, I visited three villages. I visited a *guaranazal* (a collection of guarana trees) used in their guarana project in the first village. The first village was well organised. There was a big satellite aerial, electricity, and a school. When I arrived for the visit with Mr Silva and his wife, most of the indians were working in the plantation. As it was the first time I had seen a *guaranazal*, I did not have a technical opinion about it, with the exception that it did not look like a plantation, but rather a number of guarana trees together. The field was partially clean and the work was all done manually by the indians, most of them not so young – in other words, a tough job for someone of their age.

During this visit, we talked about different issues including production of guarana, art craft, and ceramics. One of the topics that caught my attention was the different type of ovens for roasting guarana. They explained how the ceramic oven was better than the iron one for that purpose²³. Besides quality in the roasting, the use of ceramic ovens helps indigenous people to rescue techniques that have been passed through generations in their tribes, helping them to have sustainable tools. Iron utensils and ovens are unsustainable since they are only obtained through contact (trade) with white people²⁴.

²³ The ceramic oven does not heat as much as the iron oven, which sometimes burns the guarana. Also, ceramic is their original and traditional way to cook and to burn guarana

²⁴ I chose to use the term ‘white people’ since it is the common term found in literature to describe non-indigenous people. I could not find an alternative and at the same time appropriate term for it. I would like to acknowledge here, though, that this is not the proper way to address non-indigenous people in

In addition, the raw materials for ceramic utensils can be easily found in their environment²⁵. Returning to the use of ceramics helps indigenous people to preserve their culture and their traditional ways of living²⁶.

Mr Silva explained that most of the guarana trees were abandoned due to the low price paid for the guarana in the local market. The costs of maintenance of guarana trees made trade unviable. Now that the sales are being made with ATOs overseas, part of the profits is being used to clean the indigenous areas where the remaining guarana trees were abandoned, in order to increase their production.

The second village I visited was Mr Silva's village. Again, just as in the first village, just a few indians spoke Portuguese. There was no electricity or school; the village was very rudimentary. The only light we had was the one coming from the fire and from our artificial torches. As soon as we arrived, we sat and talked for a while. It was a bit hard because they kept speaking in their own language, which is natural. They served dinner, which was also shared with members of other houses close-by²⁷, and I was impressively well-treated by the hosts. I think they did not have enough food but they did all they could to please me²⁸. I noticed that the food they have available now is very poor, composed only of rice, beans, and flour. There was no meat, vegetables, or fruit.

Brazil, as the Brazilian population is a mix of different ethnicities. When the term 'white' appears in this thesis, it is meant to imply Brazilian non-indigenous people.

²⁵ The aluminium and iron were brought to their tribe through white people. When indians used these instruments for the first time they thought they were more durable and better than ceramics. As a result, they quit the production of ceramic items, which created a great extent of dependence on white people.

²⁶ The indians took me to see how the ceramic oven was made. The oven was hidden in the bush, covered by a tent. They explained that there are a few requirements to build an oven according to their traditions. For instance, a pregnant woman should not look at the oven before it dries out; otherwise her look could break the oven. The oven usually takes fifteen days to dry when it is sunny, and thirty days when it is rainy. The material to build the ceramic oven is the same that it is used to make ceramic art craft, such as plates and pans. The basic material for ceramics is clay mixed with a burnt tree husk. For the varnish, they use the juice of a native tree. The process is artisanal and the material is collected in their own indigenous area. In other words, there are no financial costs in the local production of ceramics.

²⁷ Sharing is a tradition for Andiras. Uggé (1994:22) also noticed this during his research with Andiras: "Sharing is made in a very transparent way for all, it is essential for the survival of the tribe and for the groups who live in the village... food is the main basis for exchange and relations".

²⁸ Before we left to the other village, I mentioned that I had never seen a coffee plant. They took me to another area to see one. This was the kind of attention I received from them. All members of the village had good will to show me things that I had never seen, and lots of patience to explain how everything worked in there.



Plate 19: Basket used for harvests

Plate 20: Ceramic oven used to roast guarana

After dinner, an older indian came closer to talk to me about their life in the village. He told a few stories but he did not speak much, and all times he listened to me attentively. Other indians stayed close but did not talk to me. Sometimes I felt that they were talking about me, which is natural - after all I was new there, apart from being culturally different from them. I used the opportunity of talking to him to ask questions about medical and educational access for their tribe. He told me that the closest doctor (probably a health agent or a nurse) to their village was 10 minutes by boat, and as they have a boat with motor, the distance was not a major problem for them. Although that specific village was covered for medical emergencies, it made me wonder about the conditions for other distant villages, as they might not be so lucky to have a motorboat. I also asked about medication for diseases and for animal bites, he said they could get this type of assistance in the same place. The children in that village and in other villages were attending school in villages nearby; they go to school by paddleboat. As children get older, they have the option of going to the city to continue their studies.

I had the impression that villagers were not familiar with the concept of a monthly income. Houses were shared with all members of the village, and so was food. The only way I had to evaluate the impacts of the guarana project was by talking to members of the tribes in the villages I visited, and by seeing the improvements some villages had in comparison to others still not involved in the project.

The last village I visited was one hour by boat from the second village. I was quite impressed with the size of it; this one had also a school for the children. The classes for the children are taught in Portuguese and in their original language, so they preserve their language as well as their culture. When I arrived there, all children were attending school.

In this last village, I had the opportunity to see their native bee project. They had eight boxes operating and the bees were safe (without stings and safe to have close to their houses, especially with children) and native to their environment. The villagers I had the opportunity to talk with expressed great concern and care for their environment. Everything Andiras do is carefully planned in order not to hurt their environment, and



Plate 21: House of a Sateré-Mawé village

Plate 22: Native bee project adapted to their natural environment

the main reason for that is awareness that they depend on the environment for their own survival.

During the last visit, I asked some members of Andira tribe what they thought about the guarana project. Mr Silva talked a lot to me and to the villagers, and I felt that he was sometimes campaigning. It was a bit hard to talk to them again after the *propagandas* from Mr Silva; villagers looked at me with a little bit of distrust. I also had the impression²⁹ that there were several development projects directed to the Andira tribe, and that the fair trade guarana project was just one of the small projects. I also felt a lack of excitement about the ‘Guarana Project’ from people in the three indigenous villages I visited. I believe this might be caused by a lack of hope in being beneficiaries of projects going on in the Amazon. Surely there is a great amount of government funds being directed to that region, as well as money coming from overseas NGOs. However, most of the time these projects fail in addressing the needs of the poorest. In addition, there were several ‘tales of corruption’ about these projects³⁰. A further difficulty during the visits was that the indigenous people preferred to speak in their own language. I might have lost some of good information during translations.

RESULTS

There is a clear perception by local leaders of the economic and social problems Andiras face today. There have been attempts to solve these problems in the past. One of the most serious problems that has been increasing over the years is the increasing exploitation by intermediaries³¹. Several attempts to stop this exploitation have been made in the past, as described by Lorenz (1992:83-94)³². Today, they believe that

²⁹ I use the word “impression” since I do not have any documents to confirm these projects, and I did not have time to collect data on this issue due to lack of time in the fieldwork.

³⁰ However, these few remarks about corruption in projects in the Amazon do not apply in any way to fair trade projects.

³¹ Lorenz (1992:75) pointed out the inequalities in the trade between indigenous people and middlemen: “these merchants promoted a real theft of the so-called indigenous products (guarana, flour, art craft, honey, furs, ... wood) in exchange to goods (salt, oil, ... soap, sugar, matches, batteries, medicine, fabrics). In many cases, in transactions often unequal, merchants left goods of less value or no value at all in exchange to indigenous produce”.

³² There are accounts of the creation of ‘common shops’ in Andira territories in the past to combat exploitation by intermediaries, as explained in details by Lorenz (1992:83-94). Apparently, these shops did not prosper for long. Lorenz (1992:129-132) pointed out as reasons for the failure of the ‘common shops’ the price of guarana in the market and the price of other indigenous products in the market (unstable prices). In years of low prices or bad harvests, the products were hard to be replaced in the

villagers should adopt practices of collective purchase in the city. Although the Andiras were able to eliminate the intermediaries from the trade of guarana, they still suffer from exploitation when they buy expensive products they need from the intermediaries. As a result, Andira leaders believe it is necessary to organise themselves and buy collectively in the big cities. At the same time, Andiras want to buy products from people who they have bonds with, such as the villagers who are currently living in big cities (such as women's sewing groups in Manaus), as a way to keep strong ethnic ties, and "to conduct a process of reorientation of consumption of ecologically sustainable products, appropriated to their culture and reality" (Andira, 2001).

There is a possibility that the two groups comprising this present case study (Andira and Castanhal) will combine their efforts into cooperation. During fieldwork, the establishment of the cooperation was still being discussed; it was in an early stage. However, both groups claimed to be very excited about this cooperation. For me, as an outsider, the results of this cooperation would be clearly positive, since both groups work with the same type of production, same type of buyers (overseas alternative trade organisations), and both have the same levels of respect for the environment and for the social issues they face. On the part of the Andira group, this cooperation will be a step to demonstrate that indigenous culture and knowledge should not be seen as an obstacle to development, and that indigenous people should not be seen as passive beneficiaries of aid, but as responsible actors capable of managing and acting according to their own interests (Andira, 2001).

Finally, I would like to point out as a major impact of fair trade on this group, as shown in the case study in Rio, the increase in self-esteem and confidence. The Andira group prides itself on the attempt to become autonomous from the government, as described in an Andira document:

autonomy reaches a long way – it is important to emphasise that the 'Guarana Project' was born, grown, and developed in a totally self-financed way. In a strong sense: all the activities of technical assistance to the project in general ways (asked to the Association of Consultancy and Indigenous Research in the Amazon) was financed by the 'Guarana Project'. The NGO helping us would not have resources to work on other current

'common shops', and the lack of external aid made hard for these shop continue their operations, which in turn compromised the ability of increasing the production of indigenous products. There are also other causes for the failure, such as the lack of capital, and their own indigenous traditions (increasing the production to a large scale would compromise the quality of their products, which was not an option for them) (Lorenz, 1992:129-132).

projects in partnership with Coiab and other indigenous organisations if it was not due to the Andiras. It is a small step, maybe, of a long and hard path that someday will take indigenous communities to the total freedom of all assistance from government (Andira, 2001).

PERSONAL REFLECTIONS

During the trip to Andira villages, I started to question my own views on development. Spending time with Andira villagers made me think about how they see development and how I see development, and the implications that these differences could bring. If, on one hand, the priority of development for me was better housing for villagers, more nutritious food, better schools, better access to medical services and medicine, better means of transport, and probably a more comfortable life, I was not sure if we matched our priorities. They seemed to be satisfied with the way they were; all times Mr Silva emphasised that the most important thing they wanted, besides getting access to better food, was not being seen as lazy as targeted by media. They wanted to be able to look after themselves. I could see while I was visiting them that although they live in very rudimentary houses and they might not have that much food to eat, they are satisfied with their own way of life because they live in a community and they have the feeling of belonging to this community. Then, I thought about some of the negative impacts that development in the Western sense has already brought to them. They have suffered from negative impacts since they encountered white people. A few examples are *aguardente*, television, and iron and aluminium kitchenware (Silva, 20/06/2001).

Alcohol is part of the indigenous culture. As it was explained to me, they used to produce a drink out of fermented cassava, guarana and other plants. They used to drink this all day long during their rituals and ceremonies without getting drunk, and although the alcohol had quite a distinct taste in this drink, it did not have high levels of it. Through the contact with white people, they discovered a distilled drink called *aguardente*. Then heavy alcoholism became a problem for some of them. Now some members of their villages are addicted to alcohol and, in some other worse cases, some villagers became addicted to other drugs, again through the contact with white people.

Television was also a problem in some villages as described by Mr Silva. When the Brazilian government provided to Andira villages electrical power and TV sets to get

indigenous people more 'acculturated' with the rest of the country, some villagers stopped all work and spent all their time watching TV, which was natural, as it was a new thing in their lives. They got so involved with television that they forgot their work in the plantations, cooking, and other domestic tasks that started to be neglected.

Finally, the issue of iron and aluminium kitchenware was described earlier in this chapter, but is still relevant here. By considering something from the outside world better than their basic ceramics, they not only became more dependent on 'Western' items, but also they underestimated their culture, thinking that things coming from the white men were better than what they had in villages. It created a great problem of self-esteem for the indigenous people. This is a serious problem that they have started to face.

CASE STUDY 4

CASTANHAL GROUP

Castanhal group is located in Urucará, a small town in the Amazon. The city has 20,000 people and I could see that although it is a very small and poor town, it was better off than Barreirinha. Nevertheless, it had the same problems such as high levels of alcoholism and unemployment. I was quite surprised when I arrived at the Castanhal headquarters, because it looked very organised and tidy for a small cooperative. I was invited to stay there during the visit. The people I met there, as in the other groups, were very helpful, tried to show me what were the activities they developed, and how people lived in the colonies supported by Castanhal cooperative.

BACKGROUND INFORMATION

Castanhal cooperative was established in 1972 by rural producers, former landless peasants, of the communities of the Urucará area (Castanhal, 2001). The establishment of Castanhal cooperative had strong support from an Italian Priest, who lived in the community for several years and helped in the organisation and structure of the cooperative. One of the biggest achievements of Castanhal cooperative at its start was the way the land occupation was made, in a peaceful way. In a period in which struggles and violent disputes were taking place in Brazil, Castanhal group, with the help of Priest

John and the Catholic Church, was able to establish peaceful settlements in agreement with Brazilian law. Today, Italian volunteers continue the work of Priest John. These volunteers understand the difficulties of these communities, and they have been helping them by linking the cooperative to international fair trade markets.

The objectives of Castanhal cooperative are to promote education and technical training to agricultural producers in the region, and formal education for their children. They also aim for the development of the local agricultural production with particular care for the quality of the products produced (Castanhal, 2001). There are several activities being carried out at Castanhal, such as an agricultural school for the children of rural producers, courses and training for adult rural producers, production and sales of seeds and other agricultural products, and cattle ranching (Castanhal, 2001).

The main export product of Castanhal cooperative is guarana. Their guarana is cultivated in a completely natural way, without the use of any chemical product (Castanhal, 2001). Their guarana has a brand name (Guarana Tupã) and it has been exported to Europe for a few years now. The whole production process, including processing and packaging, is carried out in their headquarters (Castanhal, 2001). Castanhal also produces other products for overseas fair trade markets such as Brazil nuts, *cupuaçu*, *açaí* (Brazilian native fruits), passion fruit, and pottery (hand crafted according to local indigenous traditions) (Castanhal, 2001).

Pottery is an important part of Castanhal's work. One of the main purposes for the development of handicraft production in Castanhal is the preservation of the indigenous culture, which was inherited by them³³ (Castanhal, 2001). The production of ceramics and pottery nowadays is also a source of extra income. As in the Andira group, the material used in the production of ceramics is natural, and the production is handmade, without the help of equipment or chemical products. The main components of their pottery products are clay (*argila*) extracted from the margins of the river, the husk of a tree (which follows their inherited indigenous traditions) called *caraipé* (this tree is native to this region). For the varnish, they use a natural resin (*jutaicica*) also extracted

³³ The site in which Castanhal headquarters is located was previously occupied by indigenous tribes, and present dwellers are descendents from them. Over the years, Castanhal villagers have found many pieces of art craft produced in the past. They base their current pottery production on the style of these pieces, in order to preserve their ancestors culture.

from a native tree (*jutaizeiro*), which makes the item impermeable. The colours used in the ceramics are also found in nature (margins of rivers, leaves of trees, and juice of other native trees) (Castanhal, 2001).

THE VISIT

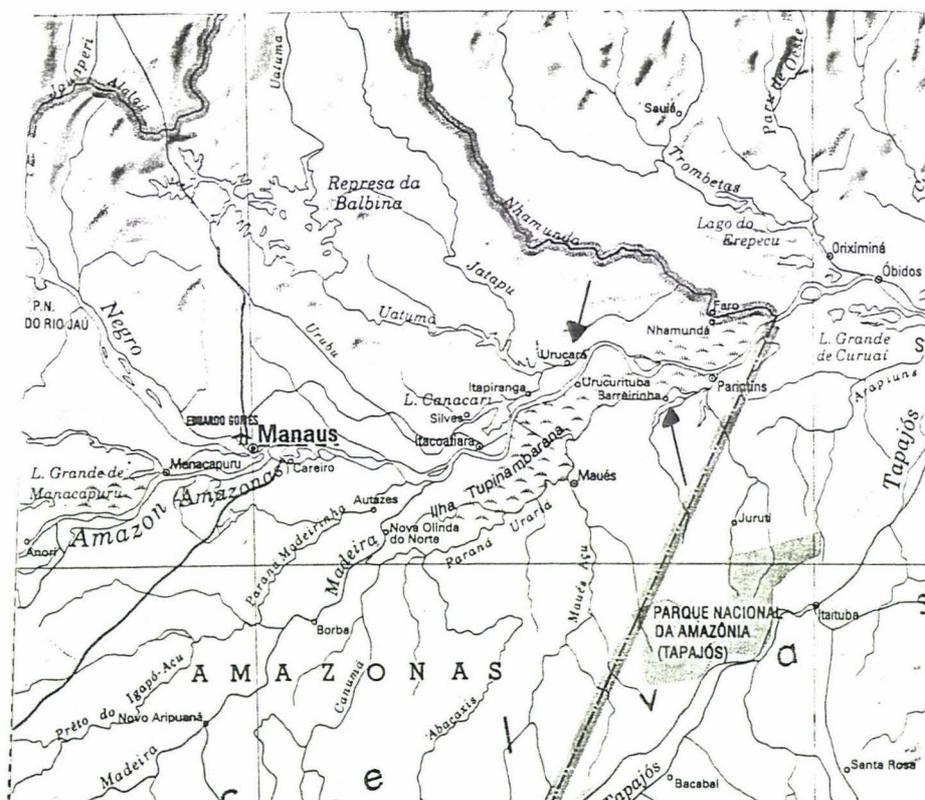
Castanhal leaders took me to visit a colony where people were working with guarana as well as ceramics production³⁴. They plant other crops, besides guarana, for their own needs. The colony was quite different from other settlements because it had the shape of a circle, and at the hub was the community centre. All families received a similar share of land. Executive members of Castanhal cooperative often visit them to check on their needs and the development of their work. I also visited their native bee project, similar to the bee project of the Andira group. However, the bee project in Castanhal was very advanced (they have over 50 boxes operating at the moment) and diversified (four different bee species, and soon they would be introducing a new species). Similarities of interests of the two groups (Andira and Castanhal) will be useful for the cooperation they aim to establish. They will be able not only to increase together the production of fair trade guarana, but also promote diversification of their production (more processed guarana products along with other Amazon products, such as the *cupuaçu* juice).

At the same day I arrived in Castanhal, there was a seminar on cooperativism for its members. The members were mainly former landless peasants, most of them with no formal education. Although I could not tell their level of wealth, I did notice that they were not living in absolute poverty, and that they were interested in learning more about cooperativism and organisation of their production. I went to the seminar in the afternoon, and I was invited to say a few words about my work and thesis, and to explain to cooperative members what happens to their production after it leaves Urucará. They were interested and asked several questions. Cooperative members also decided to answer the survey questionnaire, which was a relief. At that stage of fieldwork, I was in serious doubts about the validity of questionnaires for the producer groups, since in the other two groups in Rio just a few people decided to answer.

³⁴ I could not visit other villages or colonies due to problems with distance and time. Other villages were considerably far away from Castanhal headquarter, and I could not stay longer than planned.

This time I could have a larger participation and therefore have more precise ideas about the impacts of fair trade in this group.

The remaining time I spent in Castanhal cooperative, I talked to an Italian volunteer. I also interviewed the head of the group, and spent some time talking to other cooperative members to have an idea of the work at the cooperative and at the plantations.



Source: Hammond Atlas of the World, 1992

Map 6.1 – Fieldwork in the Amazon



Plate 23: Guarana plantation of the Castanhal group

Plate 24: Italian volunteers working with Castanhal group



Plates 25 and 26: Art craft school at Castanhal group

RESULTS

The participants of Castanhal were mainly males (85.7%), over 90% married and with age ranging from 25 to 55. All were from that region. There was an average of 5.5 people living in each household, an average of 3.7 people working in each household, and 1.5 people working at the cooperative per household. The average education level was primary school. The average monthly income was one minimum salary (approximately NZ180). Over 90% were familiar with the concept of fair trade. Participants claimed to have learnt about fair trade with friends and through their workplace. Over 85% of participants approved of the idea while 15% still did not have an opinion about it.

The participants had joined the cooperative through courses or meetings, wishing to become part of a cohesive group, while others took part in some projects of the cooperative, and then became members. The reasons for joining the cooperative were related to the intention of selling production to fair trade partners, selling production at better prices, and for considering joint negotiations better than individual negotiations.

All respondents claimed that there were improvements in income and quality of life after joining the cooperative. The changes happened in terms of increase in income and quality of life, in particular availability of food that is more nutritious, better prices for their production, and incentives to diversify production.

Most respondents (85%) owned their own houses, which had an average of 3 rooms. Before joining the cooperative, their average income was less than NZ180, with 46% being unemployed. Over 85% of respondents had children (an average of 2.6), and 75% of children were at school (children not studying were either too young for school or had finished their studies). Concerning access to professional medical assistance, 57.1% answered that they had easy access to it, while 21.4% consulted with local healers. In regards to medicine, only 7.7% answered that they had access, while 70% claim that sometimes they did not have the money to purchase it. Finally, all respondents claimed that their work was very important for the preservation of their culture and traditions, and they saw the cooperative as relatively helpful in terms of their economic security.

The main complaints of participants concerning the cooperative were market access, difficulty in reaching international standards, and harassment by intermediaries. Although Castanhal exports most of its production to Italian ATOs, the share of market is still too small to absorb the production of all members of the cooperative. It is necessary to either increase exports to current buyers, or to find other alternative markets. Secondly, some cooperative members have difficulties in meeting and keeping up with requirements made by overseas buyers, especially in terms of product quality. Finally, cooperative members, as also in the case of Andira group, have to cope with harassment by intermediaries who often offer to buy production paying lower prices. When negotiations with overseas organisations delay, or when there is a shortage of funds, producers often feel tempted to sell their production to intermediaries.

Positive impacts were income generation, improvement in quality of life – in particular quality of food, market access, access to training and to equipment through the cooperative, and diversification of their production. Finally, according to the Italian volunteers, the impacts of fair trade to Castanhal should not be evaluated only in terms of improvement of quality of life of the villagers, but also improvement in their self-esteem and their ability to carry a sustainable economic activity.

SUMMARY

Cooperation between rural producer cooperatives in the Amazon and ATOs overseas proved to be efficient, however with some limitations. Rural groups have become able to access markets overseas, guarantee better prices for their production, and diversify production. Changes are not limited to economic improvements. Producers have become aware of their rights, of the value of their labour, and to the importance of labour organisations and joint negotiations.

The fair trade movement has its limitations, as in the urban case study, concerning market access to fair trade products in the Third World. Although sales increase every year, the fair trade market has not been able to incorporate all the production from cooperatives. Nonetheless, the impacts were positive with producer groups, who now see themselves not as former landless peasants or assisted indigenous groups, but as

professional entrepreneurs, capable of promoting their products without quitting their beliefs and traditions.

CONCLUSION

This thesis attempts to discuss the debate between 'free trade' and alternative trade, suggest changes in the mainstream trade system and alternatives to trade liberalisation, and analyse the impacts that alternative trade has brought to producer groups in Brazil through the use of case study research.

The research showed that the problems with 'free trade' are not strictly related to economic and trade theories, but rather with current trade practices and with the structure of international trade that has been developed over the centuries through the colonisation process. As a result, developing countries are linked with their colonial past, providing raw material and low-tech manufactures to developed countries while importing food products and high-tech manufactures. Issues such as protectionism, declining terms of trade, labour standards and human rights, environment, and sovereignty were taken into consideration in the analysis of the impacts of 'free trade' on developing countries.

Nonetheless, this thesis acknowledges the importance of international trade to the development of Third World countries. In this sense, this thesis seeks to argue that trade should not be eliminated from the agendas of third world governments, but rather developing countries should have a more active position in multilateral trade arenas and find complementary alternatives to the mainstream trading system, such as South-South cooperation and trade, import substitution, and support to civil and businesses movements such as the alternative trade movement and ethical trading initiatives.

The setting for the practical research of this thesis was Brazil. The choice of Brazil as the location of case studies was highly relevant since Brazil has embraced trade liberalisation and it has opened its economy to foreign trade during the last decades. However, although adopting a more outward approach, Brazil retained autonomy over its trade decisions, and one of the best examples is the 'new import substitution model' discussed in Chapter 3. At the same time, Brazil shows great possibilities of joining leader countries in trade by becoming more active in the WTO. Again, a good example could be the Brazilian victory of the dispute with US over property rights of AIDS

medicine. It proves that although mainstream organisations have served the interests of developed countries in the past, these organisations may in the future become accessible to all countries despite their level of development.

The alternative trade movement in Brazil, as described in Chapter 3, remains in its initial stages and there is not much literature published on this trend. Few groups and individuals have been studying the movement in Brazil. The results of the impacts of fair trade on producer groups found in this research are similar to the results of other studies. This thesis and other research shows that the economic impacts on the Brazilian economy have been insignificant, however, the impacts on the lives of people involved in the movement had some importance. Although income generation and quality of life could not be improved dramatically, it did alleviate poverty and provide income and opportunities for marginal groups as presented in the case studies. In addition, it also provided groups with business opportunities, development of skills, training and education, strengthening of self-esteem, empowerment of poor communities, and preservation of culture and traditions.

This research also found interesting differences between rural and urban participant groups. These findings were made during fieldwork in Brazil, and confirm theories that urban groups are indeed in a better position than rural groups. The differences between the two groups are manifold. Firstly, urban organisations have better access to credit, equipment, communication, and support by other organisations if required. On the other hand, rural groups have less access to resources although the bond that unites members is stronger than in urban groups, largely because of the lack of options and resources. The lack of access to resources also made rural groups more independent from outside help, since during periods of shortage or hardship they could only count on themselves.

Secondly, urban groups produce manufactures, and both of the groups in the case study in Rio worked with fashion. There is a tendency for urban groups to work with low-tech manufacture, which is not expensive and does not require heavy initial investments (Madeley, 1996). On the other hand, rural groups produce mainly agricultural products, primary commodities, and art craft. Thirdly, urban groups see the opportunity of working in cooperatives as a way to generate extra income, while in rural groups work is seen as a way to get better deals for their production. Fourthly, there are heavy social

biases within urban groups, as observed in the case study in Rio. There were significant social differences among participants of the same group and at the same time between supporting non-governmental organisations and producer groups in the periphery. On the other hand, equality was noted within rural groups, where all members had the same living conditions. Cooperation was stronger in rural groups, as they all live closer and face the same type of problems. Fifth, the degree in which groups are harassed by intermediaries has decreased in urban groups. Urban groups have more options to sell their production whereas rural groups are more susceptible to intermediaries, especially in periods of shortage. Sixth, leadership is different within the urban and rural examples. Leadership in the urban fair trade movement comes from people who are educated and of a higher social status; whereas rural leaders have the same position and live under similar conditions as their fellow members. It was noticed, however, that even though they all had same economic conditions, leaders have had access to education and training. Finally, each group faces different kinds of poverty. Poverty in urban groups is related to violence and unemployment as the cooperatives visited were located in previously autonomous settlements. There is a great deal of organised crime, drug dealing, poor housing, and high rates of unemployment in the cities. On the other hand, rural groups are located in small towns. However, it is common to hear about violence against them, caused by a constant struggle for land and invasion in indigenous areas set by the Brazilian government.

Despite the limitations described in earlier chapters, such as small market share for alternative trade products, the alternative trade movement has brought positive impacts to the cooperatives studied in this thesis. The changes were noticed in terms of better terms of trade for producers (both rural and urban), income generation, gender empowerment, less dependence and progressive elimination of intermediaries, rural development, promotion of indigenous and traditional production techniques, and above all, increase of self-esteem in groups who were previously marginalized in the production chain.

In conclusion, both trading systems, mainstream and alternative, have their weaknesses and strengths, and efforts to combine both systems should be encouraged if all countries and segments of world population are to enjoy the benefits of trade. This thesis attempts to explain that trade theories themselves do not alone account for the current trading

system. Rather, the development of the international system and international political economy are responsible for the present trading structure. It is acknowledged by several mainstream international institutions, such as the UNDP and World Bank, that the current trading system is not beneficial to all countries, and that changes may need to take place to correct imbalances.

Alternative trade is a form of correcting these imbalances, although so far the impact has been small in comparison to its volume and the volume of mainstream trade. Nonetheless, advocacy and campaign have become one of the main roles of these ATOs, as a way to incorporate fair trade practices in the mainstream trading system. Equally important is the need to acknowledge and encourage partnerships between ATOs, governments, businesses, and civil society in promoting not only the fair trade movement as but also changes in the structure of the mainstream trading system.

SUGGESTIONS FOR FUTURE RESEARCH

The topics covered by this thesis are quite wide and contain issues that may need further investigation. For instance, the debate on 'free trade' is not fully covered by this thesis, and the advances in trade negotiations are likely to include issues such as intellectual property, genetically modified crops, and sovereignty issues that may adversely impact on the economy and political structures of developing countries.

Further research is also required in examining the role of Northern ATOs in the development of Third World countries. Movements such as the alternative trade were acknowledged to have positive impacts in Brazil. However, it was beyond the scope of this thesis to investigate the alternative trade movement in developed countries. Future researchers may want to study the movement itself in order to evaluate the present conditions and the future of alternative trade movements. Finally, it would be also interesting to develop research about the roles of Northern NGOs, in terms of advocacy, campaign, and support for social investment in developing countries by multinational corporations.

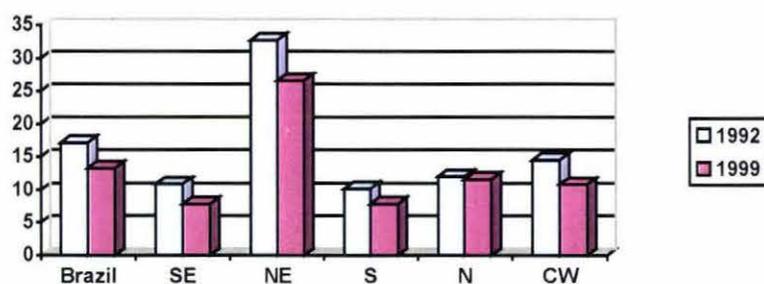
Finally, there is a great space for the development of the fair trade movement and cooperatives in the literature in Brazil, as the topic has not been fully explored in the last decades. There are great initiatives in Brazil that remain anonymous, but could provide efficient examples of cooperative work, organisation, and community development for the development studies literature.

APPENDIX 1

SOCIAL AND ECONOMIC INDICATORS

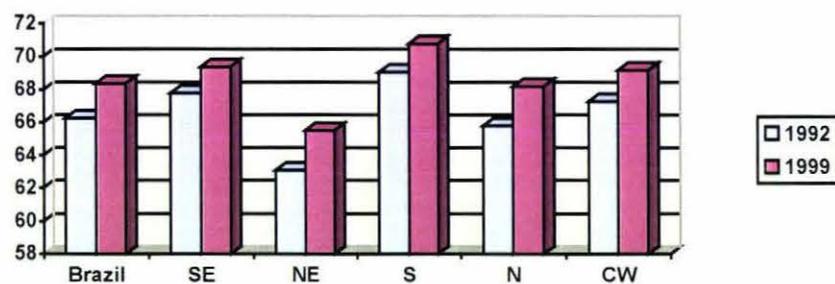
SOCIAL INDICATORS

Figure A1.1 – Illiteracy rate in Brazil, 2000



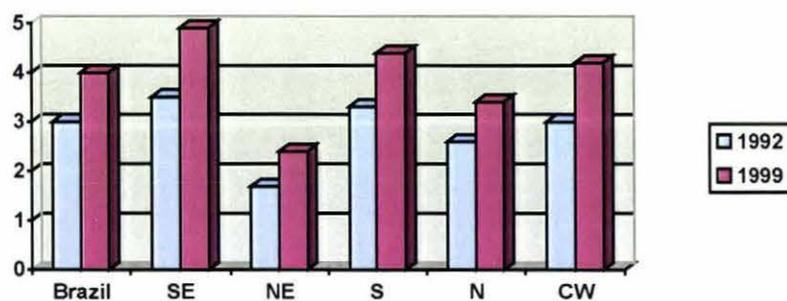
Source: IBGE

Figure A1.2 – Life expectancy in Brazil (years of life), 2000



Source: IBGE

Figure A1.3 – Income distribution in Brazil (minimum salaries)



Source: IBGE

ECONOMIC INDICATORS

Table A1.1 - National account data

	1995	1996	1997	1998	1999	2000
PIB*	646,1	778,8	870,7	913,7	960,8	1089,7
Variation PIB (%)	4.2	2.7	3.3	0.2	0.8	4.5
Gross savings**	125,8	138,4	149,3	148,9	153,1	Na
PIB**	705.4	775.5	807.8	787.5	529.4	595.9

*(in Billions of Reais)

** (in Millions of Reais)

** (in Billions of US dollars)

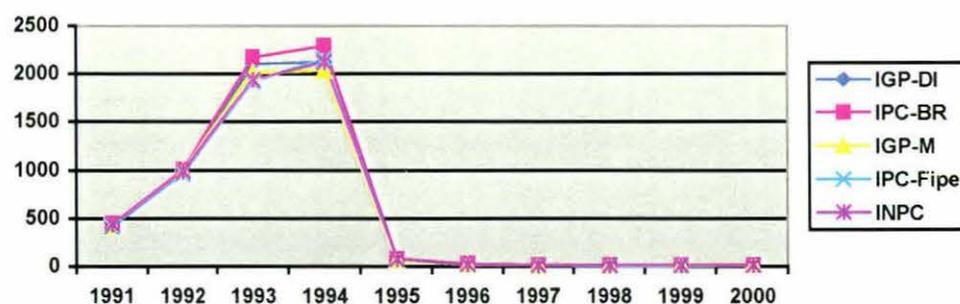
Source: Banco Central do Brasil

Table A1.2 - Indicators of industrial production (percentage, variation)

	1994	1995	1996	1997	1998	1999	2000	2001
Variation	7.6	1.8	1.7	3.9	-2.0	-0.7	6.5	3.1
Mineral	4.7	3.3	9.8	7.2	12.4	9.1	11.9	6.5
Extraction								
Transformation	7.8	1.7	1.1	3.6	-3.3	-1.6	5.9	2.7
Industry								
Capital goods	18.7	0.3	-14.1	4.8	-1.6	-9.1	12.9	15.2
Intermediate	6.5	0.2	2.9	4.6	-0.7	1.9	6.8	1.5
Goods								
Consumption	4.4	6.2	5.3	1.2	-5.4	-2.8	3.2	2.3
Goods								

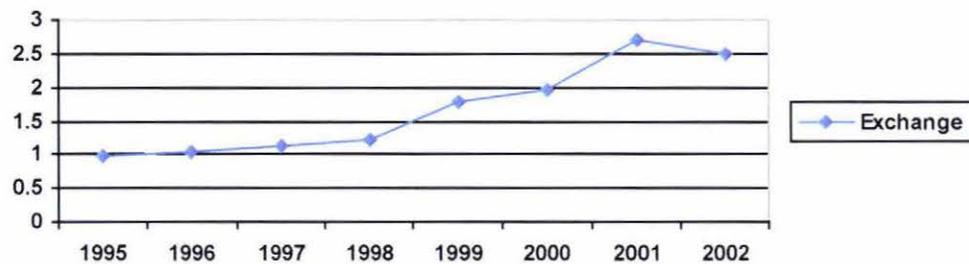
Source: Banco Central do Brasil

Figure A1.4 – Inflation Rate in Brazil, 1991-2000



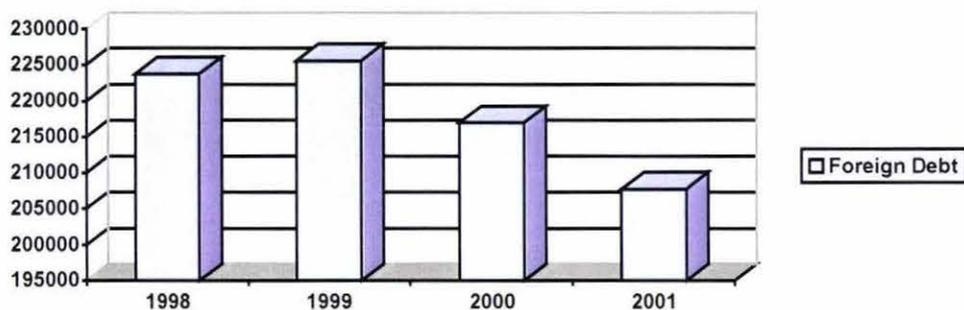
Source: Banco Central do Brasil

Figure A1.5 - Exchange Rate in Brazil (1US\$), 1995-2002



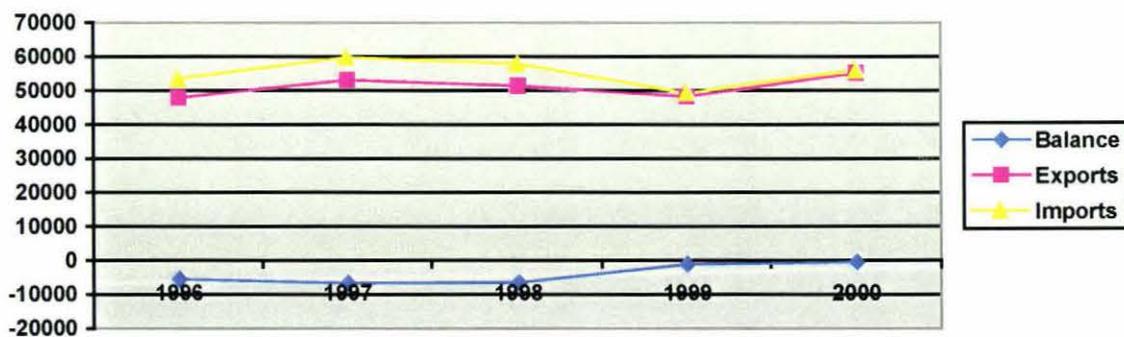
Source: Banco Central do Brasil

Figure A1.6 - Foreign Debt (US\$ million)



Source: Banco Central do Brasil

Figure A1.7 - Trade Balance (US\$ million)



Source: Banco Central do Brasil

APPENDIX 2

LIST OF INTERVIEWS³⁵

Mr Barreto*	11 May 2001	Mr Barreto works for Fair Trade Rio, he promotes the liaison of producers and businesses partners.
Ms Castro*	16 May 2001	Ms Castro works for Fashion Co. since its creation. She promotes the liaison of producers and businesses partners, and provides training and advocacy for cooperative members.
Mr Barbosa*	04 June 2001	Mr Barbosa is the head of the 'Art Craft Shop'.
Mr Uriarte	08 June 2001	Mr Uriarte works for BSD, which certifies orange juice and banana for the Fair Trade Labelling Organisation.
Mr Paglia*	18 June 2001	Mr Paglia works for a NGO that provides supports to Andira group.
Mr Silva*	20 June 2001	Mr Silva is the leader of the fair trade project in the Andira group.
Mr Paulo*	24 June 2001	Mr Paulo is an Italian volunteer who works with Castanhal group.
Mr Dias*	24 June 2001	Mr Dias is the leader of Castanhal group.

³⁵ Names followed by a star (*) are fictitious to allow for confidentiality, as agreed before the interviews.

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