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Alternative Trading Organisations:

A Case Study of the Trade Aid Movement in New Zealand

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Abstract

This research provides a study of an alternative trading organisation (ATO). It outlines international ATOs, their origins and development, their objectives and activities as well as the trading relationship with their trading partners. The New Zealand Trade Aid Movement's origin, development and growth, their objectives, activities, operational and organisational structures, trading partners and products are examined in greater detail. The Trade Aid Movement's volunteers, staff and board members' motivations, understanding and perceptions of the Trade Aid Movement are also analysed.

The research identifies a number of issues and dilemmas the Trade Aid Movement has faced in the past and how these have shaped it. It highlights the inherent contradictions between the Trade Aid Movement's educational and social goals and its economic goals and the challenges it faces in an environment where success is marked by profit and determined by market forces.

Indeed, the decisions and choices the Trade Aid Movement makes now will have a huge impact on the growth and development of it in the next decade. Whether, or not they will achieve their stated objectives of promoting sustainable development for their trading partners by establishing fair trade and to work actively towards removing these injustices more effectively, remains to be seen.

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Chapter One

Introduction

The Role of Trade in Development

The role of trade in the growth and development of Third World countries is a source of great controversy and is widely debated amongst policy makers and academics. The existing economic development literature puts forward two fundamentally different perspectives on the relationship between trade, growth and development. (Greenaway, D. 1988; p.1). Trade is portrayed as either the engine of growth and development or as the single most important obstacle to it. However, both perspectives agree on the importance of trade and it always plays a starring role, but it is either as hero or villain. It is how the trade links work which is the main disagreement between the competing theories, in particular whether developed countries working through the international trade structure determines the growth and development of the domestic economies of the Third World. (Helleiner, G.K. 1972; p.15-32).

The development theories of the 1950s and early 1960s focused mainly on the concept of stages of economic growth. The process of development was viewed as successive stages through which all countries must pass. (Todaro, M.P. 1981; p. 57). The Third World was perceived to be in the traditional or precondition stage and only had to follow a certain set of rules of development to launch into self sustaining economic growth. The role of international trade was perceived to be the "engine of growth"; the primary stimulator which would increase productivity, utilize labour resources and increase incomes of the Third World. (Milner, C. in Greenaway, D. 1988; p.64). However, the resource transfer of money, food, technology and private investment, identified as necessary preconditions for economic growth and development from the West to the Third World countries, was not achieving the rapid economic growth and development aimed for. (Todaro, M.P. 1981; p. 61).

Growing disenchantment with the development theories of the 1950s and early 1960s and the results of these, led to policy makers and academics expounding new theories. These early development theories were replaced with a school of thought which linked colonialism and the economic policies implemented after the Second World War to the growing inequality and impoverishment of the Third World. (Todaro, M.P. 1981).

Whether intentionally exploitative or unintentionally neglectful, the co-existence of rich and poor nations in an international system dominated by unequal power relationships between the centre and the periphery rendered Third World nations development efforts virtually impossible. Certain groups within Third World countries (eg. landlords, merchants) who enjoyed political, social and economic power, whether knowingly or not, perpetuated the international capitalist system of inequality. (Todaro, M.P. 1981). The existing international trading structure provided a classic example of this belief. New development strategies were called for by Third World countries, policy makers, international development agencies and others. The "Basic Needs Approach" and "Redistribution with Growth" were the catch cries of the development strategies in the late 1970s. These development strategies emphasised the meeting of people's basic needs - food, housing, clothing, access to clean water, health care and jobs. (Todaro, M.P. 1981; p.70). The goal was to reduce or eliminate poverty, inequality and unemployment within the context of a growing economy.

It was out of this climate that the Trade Aid Movement in New Zealand and other Alternative Trade Organisations (ATOs) in Western countries were established:

"Alternative trade began as a response by Northern non-government organisations..., (to) the continued poverty and unwitting oppression sustained by lack of awareness of the existing trading structures." (Tiffen, P. 1991; p.17; A). Committed to the fair trade principle, eg. trade without exploitation of the underprivileged by middlemen and multi-national commodity organisations, ATOs believed that the poor and the oppressed of the Third World now would have the opportunity to meet their basic needs.

Objectives of the Alternative Trading Organisations

Though very diverse in their histories, objectives, approach and locations, these ATOs all have the basic aim of changing what they perceive to be unfair structures of international trading by way of 'alternative trade' which is non-exploitative, beneficial and fair to all, particularly to the Third World producers and craftspeople. Wherever these organisations are based they share four basic principles:

- * co-operate with the poor and oppressed in Third World countries, to improve living conditions mainly by promoting trade in products from those countries;
- * provide information when selling products, to increase awareness of unfair international structures;
- * reflect in their own structures a commitment to justice, fair employment, public accountability and progressive working practices;
- * campaign for fairer trade. (Young, G. 1990; p.25).

The focus on the position of the Third World producers distinguishes ATOs from 'conventional trade' organisations and determines certain features, including: paying a 'fair price'; provision of finance and credit; assistance with marketing and promotion and educational activities. Few ATOs trade with private companies and most try to ensure that the benefits are distributed equally to the members or to the people in the local community. For many ATOs trade is not the main reason why they offer a 'long term and sustainable partnership' with producer groups in the Third World. The main objective is to offer the means by which the producer groups can improve their standard of living, health care,

educational and other local facilities. Nevertheless, the local objectives of ATOs may often conflict with the commercial realities of operating as a business venture.

ATOs preoccupation with producer groups means that ATOs often operate at less than normal efficiency in purely economic terms such as: shipping small quantities or supplying advance credit for the purchase of raw materials. However, this does not mean that social objectives are used as an excuse for any inefficiencies. The aim of ATOs and producer groups is to trade more fairly and equitably for the benefit of the producer communities.

Sales channels vary greatly between ATOs. Some are based firmly on local action groups who have joined a national organisation and sell through their local shops; some have started from a national base and developed a local network of volunteers; and others sell through mail order catalogues. As an integral part in selling their trading partners' products, ATOs focus their efforts upon educational activities to raise the awareness of the major causes and consequences of the unfair and exploitative trading patterns among their consumers.

The products sold also vary between ATOs. Some ATOs focus on handcrafts which utilise traditional skills and local resources to make marketable goods. These ATOs are responding more directly to the needs of the poorer members of societies as well as recognising certain aspects of peasant life, agricultural cycles and the need for alternative sources of income to arrest the population flow to the urban areas. Other ATOs focus on importing commodities such as tea, coffee and jute, highlighting trading practices which they believe exploit and oppress the developing countries. Some ATOs, like the Trade Aid Movement in New Zealand discussed in this study, import and sell both.

The New Zealand Trade Aid Movement

The Trade Aid Movement is an alternative trading organisation involved in importing and selling crafts and commodities from Third World countries in New Zealand. It consists of a parent company, Trade (NZ) Inc, an importing company, Trade Aid (Importers) Ltd and a network of 27 Trade Aid retail shops throughout New Zealand. Together they form the network of the Trade Aid Movement. Like other ATOs elsewhere in the world the Trade Aid Movement has similar objectives and characteristics to those which distinguish ATOs from more conventional trading organisations. Its aims are to:

- * trade fairly with the powerless and use this as a vehicle to locate the inequalities in current trading patterns;
 - * educate ourselves and other New Zealanders about trading injustices and their causes;
 - * fight against these injustices and work towards removing them whenever they occur by establishing that there is a fairer way to trade;
 - * establish real partnerships with producer groups to assist them in achieving self reliance.
- (Trade Aid. 1992; E1).

However, as we will see throughout this study, the aims of Trade Aid may often conflict with the demands of economic viability.

Research Objectives

The main goal of this research is to provide a case study of an ATO, the Trade Aid Movement in New Zealand. To achieve this goal the research has the following objectives:

- * to examine the origin, development and growth of the Trade Aid Movement in New Zealand, identifies its objectives as well as its present organisational and operating structure. It also provides a descriptive analysis of the Trade Aid Movement's trading partners and their products;
- * to examine the motivation, awareness and perceptions of the volunteers, staff and board members of the New Zealand Trade Aid Movement; and
- * to examine the origin and development of ATOs as well as identifying their objectives and activities and their trading partners and products.

The study will identify the issues and dilemmas the Trade Aid Movement has faced in the past and how these have shaped it. It will also identify the challenges it faces as a Movement committed to promoting fair trade in an environment where success is marked by profit and determined by market forces. This study does not examine the impact of the Trade Aid Movement has on the Third World producers nor does it discuss the relationship between ATOs' philosophies and the general debate of the role of trade in growth and development of the Third World.

Research Methodology

A comprehensive literature search was undertaken on the subjects of alternative trading organisations and alternative trade. It was evident that very little research had been carried out on alternative trading organisations or alternative trade let alone the impact of these

organisations have on the Third World producers. Such a study is beyond the scope of the present work. Much of the literature which exists is focused on debate over the role of international trade in the growth and development of Third World economies.

Sixty-seven ATOs around the world were therefore contacted for information focusing upon their objectives and activities. Over half (34) of those ATOs organisations contacted replied and provided information about their organisation. In response to the question of what research had been undertaken, none had undertaken any comprehensive evaluation of their organisation or any research on the impact of their activities upon their trading partners.

The key element in this research is to provide a case study of a specific ATO, the New Zealand Trade Aid Movement, in order to collect information on this neglected area of development studies. Although an individual case study may not reflect the many facets of ATOs' activities, it does provide a valuable first step towards understanding the issues which arise in the development of the Trade Aid Movement.

Almost all the information gathered on the New Zealand Trade Aid Movement is from primary information sources. Files, annual reports, minutes of meetings, correspondence and other relevant documents were collected from the national head quarters of the Trade Aid Movement in Christchurch.

A nation wide survey of volunteers, staff and board members (both past and present) of the Trade Aid Movement was conducted. The aim of the survey was to ascertain members' motivations, perceptions and understanding of the Trade Aid Movement as well as measuring its perceived effectiveness:

* thirty questionnaires were sent to past and present Trade Aid staff and board members of Trade Aid (Importers) Ltd and Trade Aid (NZ) Inc. A total of 21 were returned; and

* each of the 27 Trade Aid shops were sent 30 questionnaires to be completed and returned by staff and volunteers within a month. Of the 810 sent out, 287 (36%) completed questionnaires were returned. This represents a good response rate for a self completion survey.

Copies of the questionnaire are attached in Appendix A. All completed and returned questionnaires were listed, collated and analysed by using standard research techniques.

Outline

This study starts with an outline on international ATOs, their origins and development, their objectives and activities. It will identify the unique characteristics of ATOs as well as examine the trading relationship with their trading partners. This chapter is mainly descriptive and provides a background for the following chapters.

Chapter Three examines the origin, development and growth of the Trade Aid Movement in New Zealand. This chapter highlights and identifies the issues and the tensions which have shaped it as well as examining its present organisational and operational structure. The chapter also provides a descriptive analysis of Trade Aid's trading partners and their products and briefly examines the relationship between the Trade Aid Movement and its trading partners in the Third World.

Chapter Four analyses the motivations, perceptions and understanding of the staff, board members and volunteers of the Trade Aid Movement which emerged during the analysis of the research findings. The first section of this chapter examines the motivations, why they

are part of the Trade Aid Movement and what the volunteers perceive their involvement achieves. The second section analyses their understanding about the Trade Aid Movement's objectives and activities. Section III discusses volunteers, staff and board members views on how effective the Trade Aid Movement is in achieving its objectives and their suggestions for increasing Trade Aid's effectiveness. Volunteers, staff and board members were also asked to identify what issues will help shape the Trade Aid Movement in the next ten years. These responses are examined in Section IV.

Chapter Five presents a summary of the main findings of this research study. It identifies the primary characteristics of ATOs, examines the Trade Aid Movement in New Zealand; its objectives, growth and development as well its organisational and operational structure. Key findings from the survey results are again examined. The chapter then identifies some of the implications of the research findings in the context of the future development and growth of the Trade Aid Movement.

Chapter Summary

This first chapter has provided an outline of the issues that are discussed in this study. It has identified the objectives of the research and outlined the methodology. A brief summary of alternative trading organisations was presented along with the aims of the New Zealand Trade Aid Movement. The next chapter will discuss in greater detail the growth and development of alternative trading organisations in the global context.