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Department of Social Work

The University of British Columbia
Vancouver, Canada

Date 16/2/96
ABSTRACT

Since mercantilism, which began in the mid 1600s, there have been numerous systemic changes in the global trading system. The most significant changes have been colonialism, the slave trade, peasant enclosures, industrialization and the formation of global economic institutions. Each one of these has had a marked effect on the distribution of resources and the wealth generated from their manufacture.

Mercantilism, a theory related to trade and commerce, brought about intense competition amongst Northern countries in order to secure markets and resources. Colonialism was a way of assuring traders access to both primary resources and overseas markets in Southern countries. This pattern of trading whereby Southern countries provide the raw resources for the benefit of those in the North is still relevant, and has contributed significantly to divisions in wealth between the hemispheres.

By the early 1800's mercantilists posed a threat to the aristocratic classes, which found themselves land rich but money poor. This, along with the growing movement towards industrialization, led to the eviction of peasants from land they had lived on for centuries. Two sources of cheap labour became available. Peasants who were desperate to find work in order to survive, and those deemed to be slaves from the developing world. Their labour was used to clear land for cultivation and for factory work. This combination of cheap labour and access to primary resources from the South enabled Northern countries to forge ahead with the industrialization of their economies.

The year 1944 was an important year for global trading. Three institutions, namely the International Monetary Fund (IMF), the World Bank and the General Agreement on Tarriffs and Trade (GATT) were formed shortly thereafter. These international organisations would help solidify globally the ideology of laissez-faire
economics. They would also play a direct role in influencing Southern governments to reduce trade barriers. It is claimed by critics that the IMF, the World Bank and GATT have used their power to uphold policies which have pried open Southern economies for the gain of those in the North. Critics believe these policies have been particularly negative for those living a subsistence lifestyle. Poverty in the developing world is currently at catastrophic levels with 34,000 children dying every day from malnutrition and disease. Some charge the IMF, World Bank and GATT for increasing the vulnerability of the poor and ecological destruction.

Fair trade is a system of trade which deliberately seeks to establish a more equal basis of exchange between the two geographical hemispheres. It helps to counter some of the imbalances of the current trading system. With the commitment of Alternative trading organisations (ATO's) thousands of men, women and children have secured a lifestyle which is both economically viable and ecologically sustainable. The challenge for fair trading is to apply alternative trade models more widely, and to promote fair trading as a part of mainstream commercial activity. One way the fair trading system is doing this is through labelling products sold in supermarkets with a fair trade label. Those products with a fair trade label have passed the fair trading criteria agreed to by the International Federation for Alternative Trading.

Social Work is one of many professions that could help support fair trading. By organising fair trade networks as part of social development practice, social work could be active in supporting an economic system which empowers those who are most disadvantaged, and thereby reduces the inequality perpetuated by the current trading system.

There are a number of other key roles for social workers. They could educate the public about global economic issues through conferences, workshops and writing educational material. Another role for social workers is that of negotiation.
Social workers in the international development field would be in a good position to link Southern producer groups to Northern fair trading businesses. They could also link socially responsible business in the North to marginalised groups in their own countries. A third role for social workers committed to fair trading, is research. Topics could include ongoing analysis of the social and environmental effects of the current trading system, exploring the effectiveness of various alternative trading models and research on factors that could help facilitate the growth of socially responsible business.

There are three international bodies which help social workers maintain a global perspective. They are the IFSW (International Federation of Social Work), the IASSW (International Association of Schools of Social Work) and the ICSW (International Council on Social Welfare).
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ACKNOWLEDGMENTS

I would like to acknowledge a number of people who have tirelessly supported and guided me. Firstly to my father, Stanley Quinn, who researched the Zimbabwean material in this thesis with skill and enthusiasm. To my adviser, Frank Tester, whose understanding, commitment and expertise in the area of international development inspired and challenged me constantly. I would also like to thank other members of my thesis committee: Roopchand Seebaran and Robin Hanvelt. Lastly to my relatives and friends for their political insights and generous support.
Recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world ...

Excerpt from the Universal Declaration of Human Rights
INTRODUCTION

Social work is concerned with issues regarding equality and justice on both
the micro and macro level. A macro issue having a profound effect on people's lives
is systemic inequality produced by the global trading system. Historical and current
trading relationships between the Northern and the Southern hemispheres have
increased disparity in wealth between the developed (First World) and the
developing world (Third World). For example, in 1985, the poorest fifth of the
world's population received 1.6% of the world's income whilst the richest fifth
received 74.2% (Isbister, 1991: 18). This has led to growing malnutrition, disease and
death through starvation in the so-called Third World. Figures from a 1993 Human
Development Report, by the United Nations, paint a bleak picture for the
developing world; 800 million people still do not get enough food to eat and 34,000
children die every day from malnutrition and disease. The environment has been
negatively altered by the North/South trading system. For example, 850 million
people live in areas that are in varied stages of desertification, and tropical forests
are being decimated at the rate of an area equivalent to one soccer field per second
(Human Development Report 1993). These changes have increased homelessness
and starvation for many.

Social work strives to support systems which empower the most
disadvantaged. An economic model which aims to counter some of the imbalances
of the present trading arrangement is called "alternative" or "fair" trade. Fair trade is
a system of trade in which partners seek deliberately to establish a more equal basis
of exchange between the two geographical hemispheres. However, alternatively
traded products to date remain firmly on the margins of consumerism. The
challenge of the 1990s is to apply alternative trade models more widely, and to promote fair trade as part of mainstream commercial activity.

Given the ethical foundation and skills associated with social work, it seems crucial that the profession should play an active role in this fundamental issue. Organising fair trade networks are part of social development practice - hence its relevance to community-oriented social work. Fair trade is inspired by concern for social justice which lies at the heart of social work. The issue of fair trade has a dramatic effect on the environment, indigenous groups which are increasingly threatened by land takeovers, the survival of men, women and children who are politically and economically marginalised, and the working conditions of millions.

There are six chapters included in this document. Chapter one gives an historical overview of the global trading system. Chapter two covers the Bretton Woods conference and describes the role of three global organisations which were formed shortly after the conference. This chapter also covers several economic theories and describes their impact on global trade and North/South relations. Chapter three introduces fair trade and gives examples of producer groups who have improved their circumstances through links with alternative trading organisations. It also outlines different models in the fair trading movement. Chapter four is a case study of Zimbabwe. It highlights the impact of the global trading system on the Zimbabwean economy and the social repercussions of a structural adjustment program. Chapter five is a case study of fair trade in Zimbabwe. The final chapter concludes by focusing on the role of social work in the field of global trading and possible future research.
CHAPTER 1

AN HISTORICAL OVERVIEW OF GLOBAL TRADING SYSTEMS

This chapter will describe the present global trading system, tracing its roots back to economic ideologies of Europe and North America, and the inequities produced by mercantilism. It will then explore the impact of industrialization on global trading and the growing support for a market-driven political and economic system. The focus will be on North/South relationships, and how political and economic changes and institutions have affected trade and, consequently, increased disparities.

The discipline of economics is primarily concerned with how natural resources can be used profitably and how the wealth generated from them will be distributed. In order to make decisions about wealth distribution, certain assumptions and beliefs about society and the human condition are made (Wright, 1993). The western hemisphere has, historically, been dominated by three theories of economics: classical, neo-classical and Keynesian. Global trading has been governed by the ideas which emerged from these theories.

Classical economics was born from the work of a group of British economic philosophers which, between 1775 and 1850, devised theories which supported the belief that the greatest good would be achieved by a "freely competitive market" (Wright, 1993). The ideas were based on philosophical assumptions put forward primarily by Descartes, Newton and Locke. Both Newton and Descartes believed that the intellect and its powers of reasoning were superior to intuitive sensory perception. In fact it was useful to have an inherent distrust of the senses. These ideas encouraged human beings to view themselves as different and superior to
other beings in the natural world. Therefore a school of thought emerged whereby some human beings found ways to reconstruct their environment instead of co-existing within it. Locke incorporated these ideas and the motivation of self interest into a theory which espoused the construction of an ideal political foundation (ibid). With the synthesis of these ideas, classical economic theory was founded on the principle that resources and the human condition were best served by a freely competitive market. The market would be a self regulating system based on supply and demand. Neo-classical economic theory was extended to include pricing and the flow of goods. This economic theory purported that goods and services should enjoy a natural, unhindered flow and that government regulation and control would negatively effect production and distribution. Thus the principle of free trade was born.

The impact of mercantilism on global trading

In order to shed light on our current trading system, it is useful to explore the development of mercantilism, a theory related to trade and commerce. The most active period of mercantilism occurred between 1660 and 1760. It was the beginning of a global trading relationship which is still relevant today and has contributed significantly to the differences in wealth between the two hemispheres. To date, this income gap continues to increase. For example; "in 1960, the richest 20% of the world's population had a total income that was 30 times that of the poorest 20%. By 1989 it had almost doubled to 59 times and the gap is still growing" (Salcedo, 1994: 3).

One of the principal tenets of mercantilism is that a country's future security relies on the accumulation of bullion reserves. A way of achieving this end is increasing production of goods for the export market, restricting imports and
disallowing the export of bullion. Thus the emphasis on the balance of trade becomes dominant. In 1549, a number of writers emphasized this point in The Discourse of the Common Weal of this Realm of England (Henry, 1958: 11) by stating; "we must alwaies take care that we bie no more of strangers than we sell them..... for so wee shold empooverishe owr selves and enriche them". Thus the amassing of treasure was central, as the Discourse explains.

Precious metals are light to carry in relation to their value, they do not perish, they go current everywhere, they are most easily divided into many pieces: for these reasons they are chosen by common consent of all the world, that is known to be of anie Civilitie, to be instrumentes of exchange to mesure all thinges by, most apt to be ether caried far, or kept in store, or to receave (for) thinges whereof we have aboundance, and to purchase them other things which we lacke, when and wheare we have most (neede) (ibid).

At the time of a trade depression around the 1620s Thomas Munn wrote a definitive work called Englands Treasure by Fforeign Trade. This document earned the status of the "bible for later mercantilists". He reiterated earlier beliefs and promoted the concept of selling more to others each year than one would import. This theme would be expanded to legitimise attacks and wars on others in order to prevent their comparative advantage. Thus mercantilism was infused with the exercise of military power.

Another important figure to have a powerful impact on the mercantile system in England was Sir George Downing. He helped to construct a system in which trade between England and the colonies was contained and protected, therefore ensuring prosperity. Sailing through foreign waters was risky business and so mercantilists sought a close relationship with the state to ensure safe passage.
Relationships between the state and the mercantile sector varied throughout Europe. Most countries, however, adopted principles which would assist mercantilism.

Mercantilists believed that wealth was of a fixed nature. If one country was able to increase its wealth, it would be at the expense of another country. Colonialism was a way of securing access to primary resources and overseas markets and therefore was deliberate exploitation. "The overseas expansion of the core states in the 17th and 18th century was to all intents and purposes a commercial undertaking - an undertaking whose aim was to achieve a self-sufficient economic empire and whose driving force was mercantilist capitalist" (Short, 1993: 9).

Developing countries shackled by colonialism, and restricted by their limited manufacturing base, were willing sellers of raw resources. To this day, they continue to supply primary goods to Northern countries which not only deplete their own reserves, and negatively effect their environments, but also pass the value-added benefits of manufacturing on to the developed world.

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 (Barratt Brown, 1993: 42).

In order to secure markets and resources, intense competition developed among mercantilists over the establishment of overseas trading links. By the mid
18th century, the Dutch had established their preeminent position with trading links secured in India, Indonesia and the American continent. The Dutch East India Company became world renowned. Dutch success soon sparked rivalry from other European countries, particularly Britain. This led to several wars during the late 18th century. Therefore, from the 17th century onwards, global trading would be dominated by the interests of those in Northern countries who accrued wealth from the trading and exploitation of resources.

Of the imperial powers of Europe which had fought for dominance in the 18th century Britain emerged supreme. The loss of the American colonies was more than counterbalanced by gains in other parts of the world. British merchants dominated the trade routes in time of peace; her armed fleets controlled them in time of war. With her massive financial and industrial resources Britain was able to engage in full-scale war against France on the continent, and at the same time enlarge her colonial and commercial empire overseas. By 1815 Britain's imperial predominance was unchallenged, and the nation had entered an era of unprecedented growth in which her overseas empire and trade played an indispensable part (Williams, 1966: 188).

The slave trade

The slave trade played a significant role in increasing global disparity. Through exploitation of mainly Southern people, traders in the North were able to reap huge profits. The reasons for slavery were primarily economic - crops such as sugar, tobacco and cotton required large pools of labour for cultivation. Given the limited population of Europe, labourers were sought from both aboriginal cultures and the African continent initially, and later from India.

Between 1700-1720, approximately 20,000 slaves were imported to North America. By 1740, a further 50,000 had been sold and transported to other countries.
The slave trade meant that millions of African people were shipped to Northern countries to become property of a new ruling class, and subjected to brutal working and living conditions. The significance of these historical events led directly to the beginning of modern race relations.

It was not an abstract, natural, immemorial feeling of mutual antipathy between groups, but rather a practical exploitative relationship with its socio-attitudinal facilitation - at that time only nascent racial prejudice. Although this peculiar kind of exploitation was then in its incipiency, it had already achieved its significant characteristics. As it developed and took definite capitalistic form, we could follow the white man around the world and see him repeat the process among practically every people of colour (Frucht, 1971: 166).

The slaves were confronted with treacherous travelling conditions on their journeys to the North. Once on land, the conditions for the newly enslaved classes did not improve. On arrival they were cleaned up for the auction and sold as quickly as possible. Strenuous work and long days kept them occupied so that revolts were kept under control as much as possible. However outbreaks occurred, one example being the Jamaican rebellion in 1831 (ibid: 50).

The enslaved people were used in many parts of the world. For example the United States, the Caribbean, Fiji, Australia, Trinidad and British Guyana. They also found themselves working in a variety of areas, largely in the development and maintenance of products for trade and transportation. Initially they helped to clear the newly colonised land - a mammoth task - later they worked on the plantations. Some were used as domestic servants, whilst others became the lifeblood of the trading system. Some slaves were used to transport goods for export or import - others worked in the ports attending the numerous tasks associated with global maritime trade.
By providing free manual labour to Northern countries and their colonies, the slave trade contributed to the disparity between the hemispheres. Some historians suggest that the slave trade was; "largely responsible for Britain's pre-eminent economic position in the western world by the late 18th century, and perhaps even underpinned the nation's ability to become the world's first industrial power" (Walvin, 1983: 62).

Others suggest that the slave trade was only one strand of Britain's trading tapestry which led to the country's dominant economic position. However, the slave trade did translate into a marked shift in economic wealth between Europe, North America and developing countries. The selling of slaves meant the traders would benefit financially - the free labour meant that large tracts of land could be developed and used for production of goods for export. Therefore, in essence, slave labour set the stage for the conditions necessary for post-industrialization.

By the late 18th century, criticism of slavery led to its abolition. By 1778 a royal edict stated that all French slaves should be returned to their former countries. In 1807 a similar law was passed in Britain. In the United States slavery was maintained until shortly after the civil war in the 1860s. Mercantilists who had used slavery in order to substantially increase their trade were openly criticized by some. Adam Smith joined the critique of the mercantilists. He stated that the mercantile system; "professes to regulate trade to secure a favourable balance in the national interest but its real object is to secure our manufacturers a monopoly of the home market...... Therefore it is a system of policy contrived by merchants for mercantile ends" (Wilson, 1955: 5).

Smith distrusted unequal accumulation of wealth and monopolies. He believed; "the affluence of the rich supposes the indigence of the many" (Heilbroner, 1992: 27). It would lead, he believed, to some being forced into a subservient market relationship because of unequal circumstances.
The emergence of welfare liberalism

Adam Smith wrote two major works, *The Wealth of Nations* and *The Theory of Moral Sentiments*. Ideas in these books would later be used to develop the theory of market capitalism. Smith promoted the ideas of 'self interest' and 'progress'. Key to Smith's concept of progress was that humankind should be able to develop their ambitions without artificial market constraints. Smith also advocated respect for working people and the idea of reasonable wages. "What improves the circumstances of the greater part can never be regarded as an inconvenience to the whole: no society can surely be flourishing and happy, of which the greater part of the members are poor and miserable" (Heckscher, 1955: 328).

Malthus, another English liberal, supported some of the values espoused by Smith and others. He too focused on the working classes. His attack was two-pronged: he encouraged working class families to have fewer children in order to improve their economic circumstances; he also vehemently attacked the mercantile system for its exploitation and promoted legislation which would offer the poor some protection (ibid). Malthus developed some theoretical ideas which would later be termed the 'Malthusian dilemma'. He analysed the relationship between population expansion and resource availability, noting that the former increased exponentially, while the latter grew in a linear fashion.

Thus the momentum was building for a paradigm shift in trade and economic thought. Events in the early 1800s would provide a catalyst for the impending change. Heilbroner and Thurow, when considering this shift, ask:

How did wageless labour, unrentable land, and private treasures become factors of production; that is, commodities to be bought and
sold like so many yards of cloth or bushels of wheat? They answer that a vast revolution undermined the world of tradition and command, and brought into being the market relationships of the modern world (Heilbroner, Thurow, 1982: 15).

The social impact of industrialization and its effect on trade

A consequence of mercantilism, which shook the foundations of the traditional system and would spearhead the beginnings of an industrial revolution, was the mass peasant evictions from European countries between 1820-1840. Aristocrats found themselves in an unusual situation in that merchants were increasingly able to wield more power than themselves, given the latter's accumulating wealth. Many aristocrats in European countries found themselves land-rich and money-poor. To change their situation, wealthy landowners evicted peasants from their lands and replaced them with sheep. Wool was becoming a sought after commodity, and would guarantee a good income. Thus land was now considered a resource for making money as opposed to providing a livelihood for many. This new-found wealth would allow the aristocrats to maintain their status. One example in Britain was the Duchess of Sutherland who "evicted 15,000 tenants from 794,000 acres, replacing them with 131,000 sheep" (ibid). The tenants had little choice but to head for the towns and to try and sell their labour. A paradigm shift occurred; commodities could be traded with greater ease and became more lucrative than people. Money became synonymous with power and land could be bought and sold as a commodity. Peasants, who for thousands of years, had the security of land in exchange for their labour, were now vulnerable for the first time to market forces.

To date, a similar trend continues in developing countries. Peasants, who for centuries have worked a piece of land but have no title to prove it, find themselves
homeless and without the means to ensure their survival. For example, the Barabaig in Tanzania were evicted from their land so that a project, funded by the Canadian government, could grow wheat for export (Swift; Tomlinson, 1991: 40). Nomadic tribes in Sub-Saharan Africa have suffered a similar fate.

During the late 1700s, peasants headed for the cities in Britain and other European countries. If peasant families were unable to find employment there was a possibility they could die from starvation. Some families recorded their experiences in letters and diaries. The Shaw family is an example of one family's experience of being forced off the land as a result of the mass evictions in Britain. They moved to a workhouse in Chell, near Tunstall. Their initial welcome was troubling.

Everybody we saw and spoke to looked metallic, as if worked from within by a hidden machinery. Their voices were metallic, and sounded harsh and imperative. The younger ones were huddled more closely to their parents, as if from fear of these stern officials. Doors were unlocked by keys belonging to bunches, and the sound of keys and locks and bars, and doors banging, froze the blood within us. It was all so unusual and strange and unhomelike. We youngsters were roughly disrobed, roughly and coldly washed, and roughly attired in rough clothes, our under garments being all covered up by a rough linen pinafore. Then we parted amid bitter cries, the young ones being taken one way and the parents (separated too) taken as well to different regions (Harrison, 1985: 239).

How did industrialization and a newly-formed working-class affect trade? For Britain, who spearheaded the industrial revolution, it meant that the country was able to maintain its dominant trading status in Europe until the end of the 19th century. More importantly, it set up a long term comparative advantage for Northern countries. Early industrialization ensured that manufacturing jobs stayed in the North; therefore economic benefits and power accumulated. By the time
Southern countries began to industrialize, trading patterns for raw primary products were firmly established. Northern countries had the means of processing the products efficiently, and therefore continued to be the benefactors of the subsequent economic gains. First World technological advancement also undermined the efficiency of Third World competition. These global divisions in industrialization and technological efficiency are still evident today, and dictate trading patterns which continue to increase wealth disparity between the two hemispheres.

Competition amongst Northern countries also affected global trading relationships. For example, Germany and France developed more efficient technologies, and developing countries no longer viewed Britain as the only market for their primary goods. This competition led directly to British overseas investment in infrastructural development, so much so that "by 1913, one third of all British wealth was invested abroad: a truly staggering amount without historical precedent" (Edelstein, cited in Taylor, 1981; 70).

To this day, overseas capital investment continues to shape the global economic system. It is particularly relevant for both Japanese and American markets in the 1990s. Both countries continue to invest overseas as a way of ensuring economic and political leverage.

In the late 1700s, factories were set up throughout Britain to manufacture goods from the burgeoning growth in commodities. One example is cotton mills. By the early 1800s Britain had earned itself the reputation as the "workshop of the world" (Taylor, 1993: 10). This reputation also meant that many people, including children, would spend their lives working in dismal conditions. Children were employed in mills from the start: initially machines were small and so children were the most useful in operating them. However, conditions were so brutal that by 1802, a work law was passed which barred certain children (those who did not live with their parents) from working more than 12 hours a day. Night work was also
considered illegal. However, these laws only applied to cotton and woollen mills of a certain size.

**Table 1**

**Per capita levels of industrialization (U.K. in 1900 = 100)**

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<td>46</td>
</tr>
<tr>
<td>Third World</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>4</td>
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<tr>
<td>China</td>
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<td>India</td>
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</table>


Conditions in the factories were often damp, and the air was heavy with dust and the smell of machine oil. Child mortality and other illnesses were a direct result of the environmental conditions. A physician working in a hospital for 18 years during this time recorded some of the physical maladies from factory work. Spine malformations were common as were deformities related to the legs and knees - this was to be expected given the fact that workers spent inordinate periods of time standing, and were fined if they were caught sitting. The Power report (a report on the conditions of the working classes) included the following description. "I can bear witness that the factory system in Bradford has engendered a multitude of cripples, and that the effect of long continued labour upon the physique is apparent, not alone in actual deformity, but also, and much more generally, in stunted growth, relaxation of the muscles, and delicacy of the whole frame" (Engels, 1969: 185).
Another abuse was the fact that workers often had to accept payment in kind for their work and that employers would "sometimes bate (deduct) their wages for faults or underweight" (Harrison, 1985: 146). This occurrence was recorded in a song written in the late 17th century; "We'll make the poor weavers work at a low rate, we'll find fault where there's no fault, and so we will bate" (Ibid).

Events in the north and their impact on global trade

How would industrialization and other events at the time affect global trading? British infrastructural development in overseas countries would herald a new era of finances - the flow of capital. Capital injections into developing countries economies would translate into foreign ownership of industry. This ensured Northern owners a seemingly limitless supply of land, raw resources and cheap labour. This theme is still current, and to date has a profound impact on world trade and North/South disparity.

In 1831, a reform bill was passed which had the effect of making parliament more accessible to the emerging industrial bourgeoisie. The repeal of the Corn Laws in 1846 opened up the markets for free trade (Harrison, 1985). This repeal was considered a victory for the manufacturing capitalists. It meant an overhaul of the entire system of commercial, financial and foreign policy in their favour. The overriding goal in all policy and social change was to reduce the cost of manufacturing as much as possible. This led to downward pressure on wages for the working classes and reduced the cost of raw resources. All of this change led to a twenty year period of stupendous production between 1850 to 1870.

British dominance in industrialization secured, in the short term, British sterling as the currency of international exchange. This allowed the City of London to impose a tax on world trade for its administrative duty. It also gave Britain more
political leverage in order to ensure that markets, in colonised developing countries, remained open. However, the cost of wars was a significant drain on the British economy, and domestic expenses continued to jeopardize Sterling as a sound currency. The American dollar therefore became increasingly popular as the preferred currency for international exchange after the Second World War.

In tracking the development of global trade it is important to note the impact that changes in the core countries (namely Europe and North America) had on the developing world. This analysis will go a long way in explaining the increasing disparity in wealth between the Northern and Southern hemispheres. The global economy since the 1820s experienced periodic 'boom and bust' cycles. In 1873 Northern countries began to experience the first signs of the Great Depression, which peaked in the 1930s. The impact on developing countries was immediate. Foreign loans became impossible to secure. At a time when developing countries could have begun to develop their own infrastructure and manufacturing base, opportunities dried up. Proponents of classical economic theory did not view the loan shortages as a problem for developing countries. David Ricardo, a revered classical economist, supported this view.

...developing countries would find their interest to lie in not industrialising. By importing manufactured goods in exchange for their raw materials (whose international prices might be dictated by production costs on the highest-cost soils or orebodies) they would gain an economic rent or superprofit as the world price was set above local marginal costs of production in most of these countries. They thus should remain raw-materials monocultures rather than emulate Britain's industrial (and protectionist) experience (Hudson,1992: 244).

These beliefs ignored the reality of "dual economies, that is, third world raw-material monocultures whose export sectors may be highly capital intensive despite
a massive overpopulation of under employed labour in the domestic subsistence economy" (ibid). Therefore, no long-term solutions were sought for the growing disparity in wealth and economic opportunity between the developed and developing world.
CHAPTER 2
THE BRETTON WOODS CONFERENCE

The year 1944 was a significant year for global trade. World War II, which ended in 1945, had a dramatic economic impact on the global economy. Western countries were keen to construct a peace time economy for the rest of the world and so a conference was held at Bretton Woods, in the United States. A major motivation for many was to prevent another international economic depression like the one that gripped the 1930s, and which had followed World War II. There was also unanimous agreement for a policy which made it difficult for countries to be protectionist about their international trading policies. Northern countries wanted to make sure that countries with manufactured goods would be ensured of the widest possible market for export.

Two conflicting ideologies emerged at the Bretton Woods conference: the British perspective represented by John Maynard Keynes, and the American viewpoint put forward by H.D. White. Keynes proposed that the international currency should be neutral. However the American dollar prevailed. Keynes believed that governments should focus primarily on self sufficiency and that only surplus goods should form the bulk of a country's trade. This contrasted with the American political view which supported the natural flow of goods with minimal government intervention. Given the economic dominance and power of the US economy, the American perspective solidified the laissez-faire ideology (Tester, 1992: 138).

This conference would also give birth to three powerful economic organisations. Each one would have a profound impact on trade and the economic prosperity of developing countries. The organisations were the International
Monetary Fund (IMF), the International Bank for Reconstruction and Development, (known as the World Bank) and the General Agreement on Tariffs and Trade (GATT).

Soon after setting up the IMF, the World Bank and GATT between 1945 and 1947, developing countries began the process of unhinging themselves from the yoke of colonialism. This meant that they would need assistance in order to restructure their societies. Developing countries attempted to set up an institution called the Special United Nations Fund for Economic Development (SUNFED). This was a direct result of a United Nations report in 1951. "It proposed that the industrially advanced nations of the world should contribute one per cent of their national income each year to provide a sum of $10 billion for SUNFED to raise living standards in the less developed lands by two per cent a year" (Barratt Brown, 1993: 98).

However, SUNFED's political power was blocked by Northern countries. The North supported the involvement of the World Bank and the IMF in the affairs of developing countries. The agreement on giving SUNFED annual payments was linked to First World powers reaching agreement on disarmament. Therefore, plans for SUNFED collapsed and the three economic organisations; the IMF, World Bank and GATT, maintained their influence.

In order to grasp the full extent of the impact of the IMF, the World Bank and the WTO on the economy and trade of developing countries it is useful to describe the conditions and theoretical assumptions of development during this period.

**Economic theories and their impact on global trade**

**Theories of growth**

Of considerable importance to understanding both the mechanics and social implications of current trading patterns are the theories and ideas of economists Joseph Schumpeter and Walter Rostow.
Joseph Schumpeter, an economist from Vienna, produced many papers on the 'dynamics' of change in the capitalistic economic system during the early 1900s. Schumpeter's intention "was to survey the existing body of pure economics in order to elicit all starting points that (may) lead to further development" (Das Wesen, cited in Oakley, 1990: 1). He focused on three issues in the economic development process; they were, "First, which agents (entrepreneurs) are to organize the application of the new combinations (inventions); secondly, what resources are to be used by those agents; and thirdly, how do the agents obtain command over required resources?" (Oakley, 1990:142).

Schumpeter focused on those men and women who showed a propensity for 'entrepreneurial profit'. These people he believed were the initiators of development. It was their vision which would lift "resource productivity or product quality above established norms and thereby gain a cost and/or price advantage over existing producers" (ibid:143). Schumpeter, like Rostow, made little attempt to contrast capitalistic opportunities between the two hemispheres. Therefore the assumption prevailed that if developing countries followed the model of development pursued by the North, they too would eventually enjoy a high standard of living.

Walter Rostow's theory of growth, published in the 1950s, had an enormous impact on the way development and modernization were viewed.

Rostow asked several key questions, Under what impulses did traditional, agricultural societies begin the process of modernization? When and how did regular growth come to be a built-in feature of each society? What forces drove the process of sustained growth along and determined its contours? What common social and political features of the growth process may be discerned at each stage? (Rostow, 1962: 2).
Rostow's five stage theory of growth addressed some of these questions. He described the first stage as the 'traditional society'. These societies were identifiable, according to Rostow, due to their inability to surpass a fixed level of production. Given the lack of technological advancement, the bulk of time was spent on agriculture. Land in traditional societies was, therefore, a lifetime social security net, and was passed down through the generations.

The second stage of growth, according to Rostow, was called 'the preconditions for take-off'. Britain was considered a prime example due to natural resources, geographical position, the social and political structure of the society and the vast trading opportunities at hand. Rostow stated that the preconditions for take-off could also be triggered by an external invasion, colonialism being a case in point. Rostow believed that during this period inhabitants of this society integrate the idea that progress will bring about a greater good for all, whether it be education, general welfare or national pride. Political changes are also marked during this time by the development of a centralized bureaucracy. This challenges those intent on maintaining a traditional agricultural structure. A profoundly serious omission in all of Rostow's stages of growth is the impact that continued growth would have on the environment. His theory relies on an ever plentiful supply of natural resources. Rostow placed little or no value on the sustainability of traditional societies.

Rostow's third stage was described as 'the take-off'. This heralded a shift from previous resistance to growth, to an acceptance of the forces of economic advancement. This period was essentially a catalyst of forces coinciding - a glut of capital, a prolific expansion in industry and agriculture through significant technological advancement, and a political commitment by a powerful group, to keep modernization front and centre. The economy in this stage shifts into exploitation of raw resources and a willing labour pool.
'The drive to maturity' is the fourth stage in Rostow's development theory, which makes little distinction between opportunities for developed and developing countries. It also does not take into consideration global trading patterns and the impact of the IMF, World Bank and WTO on developing an export manufacturing market. This stage occurs after an extended period of growth and an integration of modern technology into the entire economy. Thus the society reaches a stage whereby it is able to produce any single item. Rostow believes that it is likely to take about 60 years from the initial signs of take-off to maturity. Another key signal of maturity, according to Rostow, is an economy which is no longer reliant on industries which spurred its initial growth.

The final stage celebrates 'the age of high mass-consumption'. Those living in a society in this stage have transcended their focus on securing basic food stuffs. These people are well integrated into a modern economic structure and are "aware of and anxious to acquire the consumption fruits of a mature economy" (ibid:10). The emergence of a welfare state is a possible development at this stage. Rostow promoted his growth theory for both developed and developing countries. He showed little cognizance of the devastating environmental costs and limited supply of resources on the planet.

Dependency theory

In the late 1960s there was a catalyst for a new theory of development which integrated the voices from the periphery (Third World). It was felt that a truly universal theory of development must reflect the experience of societies from both hemispheres. Development theories, up to the mid 1960s, had been primarily from the perspective of the industrialised North – for example Rostow and Schumpeter.
They both made assumptions that peripheral countries could eventually follow the same growth cycles as those in the core (First world).

In 1968 Theotonio Dos Santos, a Brazilian, and renowned dependency theorist, published an article which criticised the previous established development theories. It also offered an alternative economic perspective, the dependency approach. He used the following as a definition of dependency.

Dependency is a situation in which a certain group of countries have their economies conditioned by the development and expansion of another country's economy. In whatever form, the basic situation of dependency produces a global situation in which the dependent countries are placed in a backward situation and under the exploitation of the dominant countries. Dependency, then, is founded on an international division of labour that permits the industrial development of some countries and limits this same process in others, submitting them to conditions and restraints imposed by the centres of world domination (Novak, 1985; 89).

During the 1970s the dependency school undermined the notion that the North could accurately analyse the problems of the South, or come up with economic prescriptions. Focusing on the the complexity of the relationships between the North (core) and Southern countries (periphery), and taking into consideration the impact of colonialism, a more accurate picture emerged. This new analysis helped explain North/South disparity, and developing countries' dependence.

Andre Gunder Frank, one of the most important dependency theorists, argued that there was no empirical evidence to support Rostow's theories. Frank argued that countries with the least connections to the North would enjoy the healthiest economies. Frank analysed the economies of the West Indies, Brazil, Peru,
Bolivia, and Mexico to show how their economies experienced 'boom and bust' cycles depending on commodity prices and the state of the Northern economies.

Raul Prebisch, an Argentinian economist, was considered a pioneer in devising a peripheral theory of economic development. He attacked the system of international free trade stating; "this theory supported the international division of labour, in which the periphery had specialized in the production of primary products and the centre in the production of industrial goods, as well as the idea that this division of labour would result in the greatest possible advantage to all the parties involved" (Blomstrom, Hettne, 1984: 40).

Prebisch countered the assumption that all would benefit from international free trade. He highlighted the benefits enjoyed by core countries at the expense of the periphery. Firstly he showed that the terms of trade for the peripheral countries continued to worsen. For example profits related to productivity increases were enjoyed only by the industrial countries. Secondly, he believed the centre accrued advantages from the peripheral countries' technical progress, as well as its innovations. Prebisch also pointed out that there was a difference in "income elasticity" (range of price variation) between exported goods manufactured by the centre, and those for export by the periphery. The elasticity was lower for the centre. This was due to the fact that they had more political and economic leverage in the global economy. Prebisch believed that this economic advantage in "income elasticity" would continue to increase the gap between North/South wealth accumulation. These issues remain relevant today.

The World Order theoretical perspective

Johan Galtung has made substantial contributions in the area of international development and cooperation, peace research and eco-development. His work,
unlike Rostow, has focused on both hemispheres. He also paid particular attention to the plight of those countries whose economies are suffering in the 'new economic order'. Galtung, in contrast to Rostow, focuses on "self reliance" as a primary goal, with trade consisting of surplus goods. This was similar to the Keynesian trade model proposed in the mid 1940s.

Johan Galtung describes four types of societies that have been produced by the global economic system - the majority of developing countries he believes fit into the first category. He describes these societies as having a surplus at the bottom which has upward mobility, and a surplus at the top which remains stagnant. Galtung states:

The inequalities in societies become more pronounced every year, and the vested interests of the elites in maintaining the structures that steer the surplus flows towards the elites also crystallize over time. These are clearly exploitative societies, and one of the basic methods is to pay farmers and peasants very badly for their products, at the same time they are made dependent on participation in the monetary economy for some goods needed for production and services needed for reproduction; and at the same time paying workers and people lower down in the service categories minimum salaries. In order to maintain this system a repressive machinery is usually needed to maintain fragmentation of workers away from peasants and away from each other, to prevent consciousness formation and mobilisation of the masses (Galtung, 1978: 28).

Galtung suggests category one countries get out of this repressive cycle by creating an alternative system. The most vulnerable in this alternate system are given land so they can grow food for their own survival. This group can also be self sufficient in clothing and shelter by using local/traditional technologies and local materials. Galtung's emphasis is on self reliance first. Table 2 below explains how
category one countries can modify trade and focus primarily on using local resources for self survival. Galtung believes trade should be secondary, after there has been equitable sharing at the local level. However Galtung warns that the New International Economic Order policies could effect category one countries in five ways at least.

Firstly, if primary resources and cash crops appreciate in price there will be a temptation to sell products, rather than using the land for local production. This shift away from self-reliance will increase the vulnerability of many and lead to starvation. Secondly, Galtung points out, an emphasis on exports will mean that the money generated from the sales will feed into the hands of a few bureaucrats. This will take the money out of public control. Galtung's third point reiterates the second by describing a cycle whereby the elites continue to serve their own ends at the expense of the masses. Fourthly, Galtung points out that the majority of developing countries (category one countries) continue to inject scarce resources into the military and the police, in order to maintain the system. Fifthly, he concludes that if enough developing countries follow this economic cycle it will maintain the status-quo. Galtung reiterates; "the picture so far painted is a pessimistic one because it takes as a point of departure for the analysis some images of the internal realities of most Third World countries, and leads to the conclusion that more resources entering at the top will not change those realities to the better, may even reinforce and develop them further in the wrong direction" (ibid).
### Table 2

<table>
<thead>
<tr>
<th>Sector</th>
<th>Alpha-technologies (modified)</th>
<th>Beta-technologies (modified)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>Reduce trade in food, reduce cash crop practices;</td>
<td>Try to restore the old system that the food is grown within the horizon—local autarchy</td>
</tr>
<tr>
<td></td>
<td>Curtail international agribusiness</td>
<td>Also patterns of local food preservation and storage</td>
</tr>
<tr>
<td>Clothes</td>
<td>Curtail international textile business</td>
<td>Try to restore patterns of local handicraft for better quality and lasting clothes; symbiosis with food production</td>
</tr>
<tr>
<td>Shelter</td>
<td>Curtail international housing business</td>
<td>Try to restore local house building patterns, using local materials</td>
</tr>
<tr>
<td></td>
<td>Make houses and habitats less centre-periphery dominated; transfer more work to homes</td>
<td>Collectivize ground that can be used for housing</td>
</tr>
<tr>
<td>Medical care</td>
<td>Better distribution of centres for negative health care, rural clinics; sanitation standards, control of drugs, control of epidemics</td>
<td>Emphasis on life in the beta-community as positive health care participation, less distinction between healthy and ill</td>
</tr>
<tr>
<td>Schooling</td>
<td>Better distribution of centres for schooling, escuelas rurales, etc.</td>
<td>Emphasis on the beta-community as education, integrating school, work, leisure</td>
</tr>
<tr>
<td>Transportation</td>
<td>Less centralized, two-way patterns between beta-units; collective means of transport, cars for long distance only</td>
<td>Try to restore patterns of walking, talking, the use of bicycles, wall posters; cars banned inside units, cable TV, local papers</td>
</tr>
<tr>
<td></td>
<td>Better distribution of centres for large-scale energy production</td>
<td>Solar/wind/wave/biogas networks</td>
</tr>
<tr>
<td>Energy</td>
<td>Democratized armies, better distribution of commanding positions</td>
<td>Local defence patterns, military (guerrilla groups), non-military (satyagraha)</td>
</tr>
<tr>
<td>Defence</td>
<td>Recycling, cleaning-up technology</td>
<td>Local control and more dependence on smaller economic cycles</td>
</tr>
<tr>
<td>Environment</td>
<td>Social transparency, through citizen participation and reporting</td>
<td>Small-sized units (10^0.5 and 10^{-3.5} for micro- and macro-units respectively), comprehensible to everybody</td>
</tr>
</tbody>
</table>


Dudley Seers, one of three Western economists who criticised the neo-classical theory of trade, wrote a classic essay in 1963 which supported the criticisms of universality made by the 'dependency' and 'world order' schools. Seers asks key questions in assessing a country's development. For example "What has been happening to poverty? What has been happening to unemployment? What has been
happening to inequality? This perspective runs counter to the neo-classical economic view which uses GNP as the major indicator of success in either a developed or developing country. Seers challenges the dominant system:

Suppose that two countries start a decade with the same per capita income and one grows faster than the other over 10 years, but that the increase in income in the former goes entirely to the rich, and that, because growth has been due to entirely capital-intensive techniques, unemployment rates remain unchanged, while in the latter growth has been slower, but has meant lower unemployment and thus benefited the poorest class. Then, although the country with faster growth has, on my criteria developed least - in fact, not developed at all - the other has achieved greater potential for developing later (Seers, Cited in Allen, 1992).

Ecofeminism

Ecofeminism emerged from the contribution of various social movements such as the feminist, peace and ecology movements in the late 1970s and early 1980s. Ynestra King, an organiser of an ecofeminist conference in Amherst in 1980, describes ecofeminism as:

connectedness and wholeness of theory and practice. It asserts the special strength and integrity of every living thing. For us the snail darter is to be considered side by side with a community's need for water, the porpoise side by side with appetite for tuna, and the creatures it may fall on with Skylab. We are a women-identified movement and we believe we have special work to do in these imperilled times. We see the devastation of the earth and her beings by the corporate warriors, and the threat of nuclear annihilation by the military warriors, as feminist concerns. It is the same masculinist mentality which would deny us our right to our own bodies and our
own sexuality, and which depends on multiple systems of dominance and state power to have its way (Mies, Shiva, 1993: 14).

Maria Mies, an ecofeminist and writer from Germany, uses an ecofeminist perspective to offer a unique North/South analysis. She criticises Rostow and subsequent theorists who have promoted the illusion to Southern countries that they can 'catch up' with Northern countries. She states:

This myth is based on an evolutionary, linear understanding of history. In this concept of history the peak of evolution has already been reached by some - men generally, white men in particular, industrial countries, urbanites. The 'others' - women, brown and black people, 'underdeveloped' countries, peasants - will also reach this peak with a little more effort, more education, more 'development'. Technological progress is seen as the driving force of this evolutionary process (ibid).

As ecofeminists point out, this myth of 'affluence for all', or Rostow's final stage of mass consumption, is based on the assumption that the environment, and its resources, have an infinite capacity for regeneration. Conservative estimates, however, point out that if Southern countries in 2050, when the world population is predicted to be about 11 billion, consumed resources at 1970 U.S. levels, oil and other resources would be depleted in 34-74 years (ibid).

But even if the world's resource base was unlimited it can be estimated that it would be around 500 years before the poor countries reached the living standard prevailing in the industrialized North; and then only if these countries abandoned the model of permanent economic growth, which constitutes the core of their economic philosophy. It is impossible for the South to 'catch-up' with this model, not only because of the limits and inequitable consumption of the resource base, but above all, because this growth model is based on a colonial world
order in which the gap between the two poles is increasing, especially as far as economic development is concerned, states Maria Mies (ibid).

In spite of the impossibility of the goal, the seduction of the western consumer lifestyle has secured its grip in many developing countries. According to Mies, Robert Mugabe, president of Zimbabwe, spoke pointedly on this topic in a television discussion between three heads of state when he said: "People in the South wanted as many cars, refrigerators, TV sets, computers, videos and the same standard of living as the people in the North; this was the aim of his politics of development" (Mies, 1993: 62).

A prevailing irony exists in the promotion by Northern countries of the 'catch up development' theory for the South. On the one hand it is promoted wholeheartedly by the power brokers such as the IMF, World Bank and GATT, whilst on the other, Southern efforts are strangled. Structural adjustment programs, intellectual property rights and protectionist trade barriers increase the divisions in wealth and opportunity, and ensure Northern interests dominate.

Due to the economic crisis faced by many countries in the South there has been a significant reduction in spending on health, education and food subsidies. The impact of these cutbacks has been especially debilitating for women. Maternal death rates are:

15 to 50 times greater in the developing world than in most developed countries. Half a million women die each year as a consequence of pregnancy and childbirth. Of these deaths 99% are in developing countries (New Internationalist, 1995: 19).

Given the destruction of the earth's resources, the impoverishment of the South and the signs of social breakdown in the North, ecofeminists propose a model
of a 'subsistence' or 'survival' perspective. This model focuses on 'self sufficiency' and 'self-provisioning'. For example individuals would spend their work time producing for themselves and not an international market. Trade would therefore be limited to those goods considered surplus. This theory runs counter to the belief in growing cash crops for international trade. Decentralized institutions would make decision making more 'bottom up' than 'top down'. "Local and regional resources are used but not exploited; the market plays a subordinate role" (ibid). A number of the ideas put forward by ecofeminists are congruent with the goals of fair trade. Organisations supported under the fair trade umbrella are decentralized and their structures are egalitarian. Fair trade is also concerned with an ecologically sensitive use of resources. For example, if local timber is used, is there a tree planting program that maintains an equilibrium? Fair trade also supports the notion of self sufficiency for local communities and the idea of trading surplus goods.

Although there are many contrasting interpretations of ecofeminism there is some common ground in their beliefs. One of these is the rejection of the assumption that women and nature are inferior. Another belief which appears to have universal acceptance in ecofeminism is the rejection of reason, humanity and culture over nature (Plumwood, 1993: 36). Therefore under this theoretical umbrella a new relationship with nature is formed. Humans no longer seek to dominate nature for profit. Ecofeminism thus challenges the overriding principle which has dominated Northern society since the Renaissance.

**Steady state economics**

Herman Daly, former economist with the World Bank, has along with other authors, written a number of books on economics. For example - *Valuing the Earth, For the Common good* and *Energy, Economics and the Environment*. His
theoretical perspective takes into consideration the finite energy and resource limits of the planet. Daly and John Cobb use the concept of 'natural capital' to argue for a new approach to global trading. They define:

capital as a stock that yields a flow of goods or services and suggest that there are two categories of capital, natural and humanly created. Natural capital produces a flow of natural resources and services without human intervention. According to Daly and Cobb, economists have only paid attention to capital which has been 'humanly created.' Neglecting the category 'natural capital' has produced distortions in our assessment of sustainability and growth (Daly, Cobb, 1989: 72).

Daly and Cobb link the respect given to 'natural capital' to sustainability of the earth's resources. If a community lives off the interest generated by the 'natural capital' they are living a sustainable lifestyle. However if they consume the 'natural capital' without sufficient replenishment, for example, logging at rates that exceed replanting, depleting fish stocks at a rate that is in excess of their reproductive capacity and using farming methods that do not take into consideration the long-term regenerative capacity of the soils, then they are threatening the survival of the eco-system.

Daly and Cobb believe the concept of 'natural capital' is profoundly important when considering the issue of trade and sustainability:

First, while it is possible for non-trading societies to abuse resources and consume natural capital, trade compounds this process. Trade makes it possible for people to exploit a much greater volume of resources than would be the case if they were producing only for themselves. Second, in order to function as capital and generate interest, natural capital cannot be exported. Ecosystems must remain where they are. This is not the case for humanly-made goods used in production such as factories, tools, machines, infrastructure. Third,
order to sustain stocks of 'natural capital', the "interest" (wood, fish, animals, crops, water, electricity) drawn from natural systems must not exceed the capacity of the systems to reproduce. Finally, ecosystems have a limited capacity to assimilate waste. Maintaining healthy ecosystems therefore involves limits to the quantities of materials that may be imported into a region or country (ibid).

This notion of global trading is contradictory to the beliefs that promote the concept of international "free trade". The present trading model allows the market to dictate the need for a particular item, regardless of the long-term environmental implications. A Canadian example of this is the depleted cod stocks on the East coast of Newfoundland. Demand for the fish far outweighed the ability of the fish to reproduce. The growing list of extinct resources and animals is further evidence of a system which has ignored the reality of finite 'natural capital'. The present global trading system also allows companies, namely Northern transnationals, to deplete the 'natural capital' in the South with no obligation to replenish the resources they have exploited. Daly and Cobb state;" there must be limits to trade if the global economy is to be sustainable. Free trade by definition rejects these limits and is, therefore, clearly unsustainable"(ibid).
Rectangle E is the total ecosystem, which contains the total stock (S) of wealth and people as one of its mutually dependent components. The ecosystem imports energy from outer space (sun, A) and exports waste heat to outer space (sink, Z). The stock contains matter in which a considerable amount of available energy is stored (mined coal, oil in tanks, water on high ground, living things, wood products, and the like), as well as matter in which virtually no available energy is stored. Matter and energy in the stock must be separately maintained. The stock is maintained in a steady state when B is equal to D and C is equal to F. In the steady state, throughput equals either input (B plus C) or output (D plus F), since input and output are equal to each other. When input and output are not equal, then the throughput is measured by the smaller of the two.

From the second law of thermodynamics, we know that energy cannot be recycled. Matter may be recycled (R), but only by using more energy (and matter) to do it. In the diagram, energy moves only from left to right, whereas matter moves in both directions.

For a constant S, the lower the rate of throughput the more durable or longer-lived is the total stock. For a given throughput, the lower the rate of recycling (R), the more durable are the individual commodities. The optimum durability of an individual commodity is attained when the marginal production cost of increased durability equals the marginal recycling cost of not having increased durability further. Cost is total ecological cost and is extremely difficult to measure.

Both the size of the stock and the rate of throughput must not be so large relative to the total environment that they obstruct the natural ecological processes that form the biophysical foundations of wealth. Otherwise, the total stock and its associated throughput become a cancer that kills the total organism.

Source: Daly, Herman and K. Townsend. 1993. "Valuing the earth". Cambridge, Massachusetts, MIT Press.
In the early to mid 70s western banks had funds available which they were keen to secure in loans. This was a result of a new international system of floating currency rates. It was brought about by the U.S. uncoupling from the gold standard on August 15th, 1971. Currency for the first time became a tradeable item. Therefore, banks were focused on "strategic buying and selling in order to effect the value of their country's currency" (Tester, 1992: 10). Third World governments borrowed large sums of money at low interest rates in order to facilitate the 'take-off' predicted by Rostow.

By 1981, OECD countries were experiencing a recession and high inflation. By the mid to late 80s, a new era of economic policy was introduced in the U.S. and Britain. This became known as "Reaganomics" (after then United States President Ronald Reagan) or "Thatcherism" (after then British Prime Minister Margaret Thatcher). Their policies included raising interest rates as a way to control inflation. The raised interest rates were designed to encourage people to save their money and purchase less. One result of this was increased unemployment and decreased wages for many people.

At the same time that interest rates were increasing, many of the goods the developing countries produced were dropping in price, as too many countries were competing to sell the same products. These countries entered into a back-breaking cycle of debt, as they were forced to produce even more goods for export in their attempts to service their loans (Free Trade/Fair Trade, 1994: 11).

Unfortunately, in their eagerness to lend money, banks in Northern countries negotiated loans with some governments that did not behave responsibly toward
the people they governed. Sometimes the money was used to develop the military, rather than people and environmental priorities. In *A Fate Worse than Debt*, Susan George argues that pressure on the debtor countries led to destructive environmental practices such as "cutting down the rain forests and excessive cash cropping". In many African countries, for example Tanzania, cotton grown as a cash crop depleted soils and increased desertification. So, despite the fact that many developing countries have borrowed large sums of money, most of the people who have inherited debt have faced the destructive environmental consequences of the debt payment programs (Free Trade/Fair Trade, 1994).

Under SAPS, land itself begins to suffer damage from growing produce that does not suit its soil. Cotton is a good example of a crop that is highly destructive to the soil. Not only does it sap the soil of nutrients, but it requires large doses of pesticides in order to survive (ibid).

Debt in developing countries continued to grow.

The result was that what started as a global sum borrowed by developing countries of $400 billion for purchases of materials, equipment and services had escalated by 1990 up to the then current level of debt of over $1,200 billion. The rise in interest rates between 1976-79 and 1980-82 alone, according to UNCTAD calculations, added $41 billion to the stock of Third World debt (Barratt Brown, 1993: 113).
Table 3

External debt and debt service of all developing countries 1970-93

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DEBT SERVICE (bill. 1992 dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>247</td>
</tr>
<tr>
<td>1971</td>
<td>274</td>
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<tr>
<td>1972</td>
<td>305</td>
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<td>1983</td>
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<tr>
<td>1984</td>
<td>1,169</td>
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<tr>
<td>1985</td>
<td>1,267</td>
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<tr>
<td>1988</td>
<td>1,418</td>
</tr>
<tr>
<td>1989</td>
<td>1,391</td>
</tr>
<tr>
<td>1990</td>
<td>1,621</td>
</tr>
<tr>
<td>1991</td>
<td>1,648</td>
</tr>
<tr>
<td>1992</td>
<td>1,662</td>
</tr>
<tr>
<td>1993 (prel)</td>
<td>1,766</td>
</tr>
</tbody>
</table>


Figure 2

External Debt of Developing Countries

![External Debt of Developing Countries](chart.png)
Figure 3
Third World Debt Service, 1970 - 93

Figure 4
Third World Debt as Share of Gross Domestic Product, 1970 - 93
The debt crisis continues to have a long term impact on the way land is used in developing nations, and trade between the hemispheres. Countries in Central and South America and Africa became desperate under their debt-laden conditions. Under these circumstances some countries accepted economic solutions prescribed by the IMF and World Bank. One of the functions of the IMF is to come up with programs that will ensure that loans made to developing countries get repaid. This consequently avoids a financial stability crisis for western banks. The programs prescribed by the IMF are called structural adjustment programs. Structural adjustment programs continue to have a profound effect on the environment. The following are the basic tenets of any structural adjustment program:

Developing countries must pay off some of their debt by growing 'cash' crops. This means that they must grow crops like cotton or coffee, which are sold to industrialized countries to bring in foreign exchange which is then used to pay the interest on their loans. This means that land that is needed to grow food for local consumption gets used for export crops. This policy alone has led to a dramatic increase of pauperization of the South. Another requirement is that money must be withdrawn from social programs and services and government spending must be reduced. This economizing effort means cutbacks in important areas like health care, education and food subsidies.

Developing countries are advised to devalue their currency to make their exports cheaper. However, the usual effect has been increased inflation and higher prices. Zimbabwe is a prime example. Shortly after the introduction of a structural adjustment program in 1990, inflation rose sharply. In 1990 inflation was 16.1%, it increased to 23.3% the following year and by 1992 it had peaked at 42.1%. This
translated into a 47% inflation for lower-income urban households (International Labour Organisation, Occasional paper 16: 1993).

Countries are expected to adjust their laws to make it easier for foreign companies to set up profitable businesses within their borders. This is done by decreasing taxes and making few demands on foreign investors in regard to working conditions for employees and contributions to government services. It also makes it difficult for a government to set up programs that favour local businesses and investors (Free Trade/Fair Trade, 1995).

When the dust had settled, the short term pain of the SAPs had not eradicated the debt: total Third World debt actually shot up from $751 billion in 1981 to $1,355 billion in 1990. What it had done was to pry open Southern economies to the world market. The formula was deceptively simple: international competition would result in growth that would be good for everyone (Swift, 1994: 6).

Table 4
Growth and regional distribution of developing countries debt

<table>
<thead>
<tr>
<th>Region</th>
<th>1987-88</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>38.5%</td>
<td></td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>23.5%</td>
<td></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>18.8%</td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>7.6%</td>
<td></td>
</tr>
</tbody>
</table>

Regional shares 1987-88

The Mexican debt crisis of 1994 is a good example of the long term impact of structural adjustment policies. A conclusive paragraph in a report entitled *The polarisation of Mexican Society: a grassroots view of World Bank economic adjustment policies*, states; "Mexico is just one of many cases worldwide where adjustment and the free market have not only failed to alleviate poverty - as their proponents insisted they would - but have further polarised the country, economically and politically" (Resurgence. Vol 55: 28).

Statistics show that in Mexico the "richest 20% of the population saw their share of national income rise from 48.4% to 54.2% between 1984 and 1992, while during the same period the poorest 20% saw their share fall from 5% to 4.3%" (ibid). The report explains further that the consequences have been so profound on the rural and urban poor that many have been forced to emigrate to the U.S. in order to survive.

Another example of the impact of adjustment policies in South American countries were food riots, often named 'IMF' riots. In Brazil, supermarkets and warehouses were plundered by those desperate for food in 1983 and 1984. Unemployed people in Chile demonstrated in the streets to protest inadequate food supplies. Peru's United Left Coalition elected a mayor from the city of Lima on his promise of giving one million breakfasts a day to poor children, and his attacks on the present administration's policy of hunger. Other countries, for example the Dominican Republic, Haiti, Bolivia, Tunisia, Morocco and Egypt, all faced similar uprisings from the poor (Warnock, 1987: 1).

Structural adjustment policies have ensured that crops needed by the North are grown as 'cash crops'. They are then integrated into the free market. Contesting the belief that a free market and free trade can end poverty and hunger Susan George explains:
The whole point of an integrated food system is that one produces not for human need but for the market. In the market, whether national or international, if you don't pay, you don't play. Therefore it is not surprising with this economic model household cats in the U.S. have every chance of securing a better diet than West African peasants (George, 1971: 47).

John Warnock, a critic of free market principles, describes in The Politics of Hunger the patterns of trade being established under adjustment programs:

There is a net flow of food and agricultural products from the underdeveloped countries to the industrialised countries. For the most part, the underdeveloped countries are captives of the world market. Many are dependent on selling food and agricultural products to obtain foreign exchange to buy goods they do not produce (Warnock, 1987: 52).

With the economic prescriptions of the IMF, poor people increasingly found themselves landless. Land, which families had worked on for centuries, became vulnerable to seizure by large companies because they had no title to prove they'd worked on the land (Smith, Tomlinson, 1991:40). Without land, hundreds of rural people flocked to the cities desperate to find work in order to survive. Another consequence was the splitting up of families. In their desperate search for work, men often left their wives and children in rural communities, while they took their chances in the urban environment.

SAPS have had a marked impact on women's work in the South. Health service cuts have meant that the sick are cared for by relatives with minimal help from local clinics. Food prices have increased under SAPS and so women spend more time planting, harvesting and preparing food if they have access to any land. In Zimbabwe, for example, enforced government cutbacks in education in the 1990s
has resulted in fewer families being able to afford fees for their children's schooling. This in turn keeps generations mired in the cycle of poverty given that job opportunities are geared more to the educated (International Labour Organisation, Occasional paper 16: 4).

World Bank - its effect on disparity

Another institution founded at the Bretton Woods conference was the Bank for Reconstruction and Development, currently referred to as the World Bank. Policies of the World Bank have also exacerbated the problems in developing countries, and have contributed to pauperization of many. The World Bank is the most influential aid institution. It establishes the pattern for most aid given by industrial countries. When Robert McNamara was president of the World Bank from 1968-1981 he stated:

We are not a social welfare agency committed to making transfer payments to solve the problems of misery and poverty. We are a development bank, using the most sophisticated techniques available to facilitate development, while providing unmatched protection and strength for creditors and shareholders (Hayter, 1985: 77).

Some have blamed the World Bank for being partly responsible for the debt crisis in some developing countries. For example, during the 1970s, the Bank advised Tanzania, Zimbabwe and China that they were "underlent" in spite of the seriousness of their current debt loads (ibid).

Other critics of the World Bank have analysed the links between the Bank's development policies, economic growth, environmental degradation and poverty.
The following four points were made in a paper entitled *The World Bank: Mission uncertain*, published by the Harvard Business School in 1992:

Loans to developing country governments tended to strengthen existing political and economic regimes, enriching the rich with little trickling down to the poor.

Servicing the loans resulted in a net transfer of wealth from the poor world to the rich (See Table 5). The cost of debt service weighed particularly heavily on the poor as their taxes were increased and subsidies for such public services as water and transportation were reduced.

Economic growth policies pursued with World Bank assistance often resulted in long-term environmental degradation, which was particularly harmful to the poor causing disease, famine and premature death of millions.

Poor people concerned overwhelmingly with short-term survival, were often forced into practices that caused long run damage to air, water, soil and forests (Mission Uncertain, 1992: 1).
Table 5
Annual net transfer of resources between the developed and Latin America and the Caribbean 1977-90 (billions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Resource Transfer (Billions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>-8.7</td>
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<tr>
<td>77</td>
<td>-11.1</td>
</tr>
<tr>
<td>79</td>
<td>16</td>
</tr>
<tr>
<td>81</td>
<td>15.4</td>
</tr>
<tr>
<td>83</td>
<td>13.1</td>
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<tr>
<td>83</td>
<td>11.3</td>
</tr>
<tr>
<td>87</td>
<td>-8.7</td>
</tr>
<tr>
<td>80</td>
<td>-16.7</td>
</tr>
<tr>
<td>91</td>
<td>-45</td>
</tr>
</tbody>
</table>

Net capital inflows minus debt service and dividends.


Brazil is a good example of a country which has experienced a great deal of restructuring at the expense of the poor. Over the last 20 years it has been one of the largest recipients of both the World Bank, and other Bank funds. During this period Brazil has borrowed in the order of $100 billion. However this has not trickled down to the poverty stricken who currently make up 40% of the population. The World Bank acknowledges that Brazil's unequal income distribution ranks amongst the highest in the world. Brazil has, during this time, wreaked havoc on the ecology of the Amazon forest (ibid).
Clearly both the IMF and the World Bank have had a dramatic impact on trade and economic development in Southern countries and consequently the poor since the 1970s. In December 1993 the World Bank donated $2 million to a fund which would help the poor set up small businesses. This amount is small given their total lending budget was $25 billion in 1993. The economic model the World Bank is now willing to support is the Grameen Bank model, which was started by Muhammad Yunus to help the poor in Bangladesh. The World Bank acknowledged by this exception in their regular funding that "many of its huge economic reform loans have done little to directly benefit the poorest of the poor" (Vancouver Sun, Dec 1: 1993).

One example of a project funded by the World Bank which had a direct impact on the poor due to their forced relocation, was the Sardar Sarovar dam in India. This dam was included in plans for the Narmada River Basin. Minimal consideration was given regarding the impact of this project on the environment and local inhabitants. However this project gained wide media attention given the level of protest. In their annual report in 1990 the Bank acknowledged; "this combined with a few well publicized cases in which Bank projects actually had negative environmental consequences ... prompted the institution to rethink and adjust its policies toward environmental management" (World Bank annual report, 1990: 11).

Herman Daly, now a critic of the Bank states:

the Bank policies have to be redesigned so as to encourage high growth in the poor world, but growth had to mean development, and development had to be conditioned in two ways. It had to benefit the poor and be environmentally sustainable (Mission Uncertain, 1992: 2).
The World Trading Organisation (WTO)

The third institution set up shortly after the Bretton Woods conference, which would have an enormous impact on the global trading system, was called the General Agreement on Tariffs and Trade (GATT). In 1994, at the end of seven years of negotiation at Marrakesh, the organisation changed the name of its administrative section to the World Trade Organisation (WTO). The General Agreement on Tariffs and Trade was formed initially by 23 member countries in 1947. This has since grown to 117 member states. The initial premise for the formation of GATT was to explore ways to reduce tariff and non-tariff barriers to trade. Member countries agreed that national sovereignty would need to be compromised in order to benefit the regulation of international trade. Since 1986 GATT has widened its agenda to include rules governing trade in services, intellectual property, textiles, agricultural tariffs, trade related environmental measures (TREM)s and 9 other sectors.

Similarly to the IMF and World Bank there is also contrasting opinion on the effects of WTO on trade and the economies of developing countries. Peter Sutherland, director general of WTO, along with delegates from 125 countries, gathered in Marrakesh in April 1994 for the finale of 7 years of negotiations. A journalist reporting on the event asked Mr Sutherland "if it were really true that more competition would benefit everyone". He stated "of course everyone can win" (Chatterjee, New Internationalist, July 1994; 10). This contrasts with an analysis by Peter Madden, from a British Charity called Christian Aid. He states that even World Bank economists have predicted that poor African countries will lose 2.6 billion dollar a year, because of higher prices of imported food (ibid).
According to economists the current completed round of GATT negotiations is estimated to bring an annual gain in world trade of 209 billion. The estimated gains however are markedly different in the two hemispheres. Europe, for example is expected to enjoy an extra 61 billion in trade under the new agreement compared to 36 billion for the U.S, and 27 billion for Japan. These figures are in stark contrast to Southern countries. Latin America's gains are thought to be in the region of 8 billion, India 5 billion and a loss of 3 billion is projected for the entire African continent (Gemini News, Herald Newspaper, 30th December, 1993). See figure 5.

**Figure 5**

**Who gets what in new trading order**

The WTO is in theory an organisation which is founded on all members having equal power. This however does not translate into reality for developing
countries. In an article called "Poor losing great GATT game" published in a Zimbabwean newspaper after the last round, criticism of unequal power was made:

Unlike the World Bank and the International Monetary Fund which are run by the rich countries, the GATT is in theory a democratic institution. All those subscribing to GATT have equal status and decisions are taken by consensus. However, when the developing countries which form the majority within GATT, tried to assert their interests, they were told that the North, with the largest share in global trade, should have the biggest say (Gemini News, Herald Newspaper, 30th December, 1993).

Intellectual property rights - impact and implications

Since 1971, when Ananda Mohan Chakrabarty was granted a U.S patent on a genetically engineered bacteria, there has been a race to grant patents on a great variety of life forms. At present over "190 genetically engineered animals including fish, cows, mice and pigs are standing in line to be patented by a variety of researchers and corporations" (Shiva, 1995: 5). These measures have profound implications for global diversity and for North/South tensions and disparity. Corporations keen to secure a wide market will promote their products as 'high yielding crops' or 'fast growing species' to unsuspecting growers. This has the potential to undermine traditional communities' biodiversity and "hence a weakening of their capacity to conserve biodiversity (ibid).

Other critics of Intellectual property rights believe that the free-trading order will mean a recolonization of the South by the North. Vandana Shiva, an eco-feminist supports this concern:

As in earlier phases of colonization, the South's original inhabitants are to be robbed of their rights as citizens to make way for the stateless
corporations' rights as super-citizens in every state. Trade and plunder merge once again, especially in Trade-Related Intellectual Property Rights. The land, forests, rivers, oceans, having all been colonized, it becomes necessary to find new spaces to colonize because capital accumulation would otherwise stop. The only remaining spaces are those within - within plants, animals and women's bodies (Shiva, 1993: 274).

During the 1980s, countries in the North requested that discussions regarding 'intellectual property' rights be transferred from the UN, where voting is decided by the majority, to the WTO, where Northern minority interests are paramount. Northern transnational companies are using this opportunity to request stricter intellectual property protection for new technologies, and other products made in their laboratories. This protection transnationals believe is essential for their progress and development.

"On the other hand, countries in the South such as India, have adapted their patent laws to promote technology transfer and defend themselves against subjugation" (Shiva, 1993: 275). However in many cases Southern countries have been unsuccessful in defending their rights. The Neem tree in India is a prime example. This tree has abundant uses. It has ingredients which are used in soaps and contraceptives; it is a natural pesticide and its twigs have been used in toothbrushes. In India, in 1968, a request for a patent on the tree was turned down given that its uses are common knowledge. However a U.S. company called W.R. Grace has successfully secured a patent and so under GATT intellectual property rights an Indian company will have to pay a substantial fee in order to contest the decision (Chatterjee, 1994: 10). This is one of many injustices which will be legally protected under the new agreement and which will further increase disparity between the Northern and Southern hemispheres. Vandana Shiva points out
profound long term adverse consequences of allowing patenting in the field of agriculture:

It will encourage monopoly control of plant material by Western transnational corporations.

This in turn will make farmers dependent on corporations for the most critical input in agriculture, that is, seed.

Monopoly control of seed linked with corporate control over agriculture will lead to large-scale disappearance of farmers' varieties, thus threatening biodiversity conservation as well as farmers' survival.

The changed economics resulting from intellectual property rights (IPRs) will lead to the displacement of small farmers who will get into debt and destitution.

Large scale uprooting of agricultural society, without equivalent absorption in new industrial opportunities will lead to social disintegration, an increase in the crime rate and the breakdown of law and order.

Intellectual property protection in the area of agriculture and plant variety will undermine food security since the protected and patented varieties are not linked to food needs but to the processing and marketing requirements of agribusiness.

The undermining of food security will increase food imports and hence the foreign exchange burden, thus inviting more stringent conditionalities from institutions like the IMF and the World Bank.

The erosion of food security will create food dependency, turning food into a weapon in the hands of industrialised countries thus leading to total slavery and recolonisation (Shiva, 1995: 13).
The new WTO agreement has opened the South by forcing further deregulation of markets, removing controls on foreign investment - this includes restrictions on profit repatriation. Hence it is not surprising that critics say the WTO will become a tool of the richer nations and the guardian of transnational interests.

At the World Summit for World Development in March 1995, a report put forward by the Canadian NGO organizing committee recommended that the WTO be radically reformed. These reforms specifically pointed to trade rules incorporating environmental and developmental concerns. An emphasis on poverty eradication and environmental sustainability over free trade was crucial. The group also proposed a need for more accountability with regard to commercial ventures at all levels. This is in direct contrast to the present unbridled power of transnationals worldwide (Canadian NGO organizing, 1995).

**Trade Related Environmental Measures (TREMS) - impact and implications**

TREMs are another contentious issue under the new agreement. These are trade related environmental measures.

TREMs refer to three measures; process production methods (PPMs), eco-dumping and the internalization of costs. The three are related. Where a country is using production methods employing environmentally damaging or inferior technologies, the result may be a cheaply produced product which, it can then be argued, has been 'dumped' on a second country. This country may produce the same good using environmentally responsible technology, resulting in higher production costs. Thus it can be argued that the first country has not 'internalized' the environmental costs of production. In this case, a second country could impose a trade penalty, claiming that eco-dumping was taking place (Tester, 1994: 4).
Similiar to other legislation under the WTO agenda, and given the marked power differential between the North and the South, it is possible that local companies in the South will fall victim to trade related environmental measures. The Malaysian Minister of Trade and Industry, Rafidah Aziz, supports this view and goes further in explaining the disastrous effects of mixing trade with environmental and labour standards. He believes it "would likely create a new arena for trade sanctions against South countries" (ibid). Some critics of the Malaysian government point to the environmental degradation of local logging companies and are sceptical at the sincerity of the arguments used against TREMs.

There has been a great deal of protest by many Third World governments towards Trade Related Environmental Measures:

The opposition of Third World delegates to placing TREMs on the agenda of discussions leading up to the creation of WTO should be understood in terms of power relations and the anti-democratic nature of GATT negotiations. What South countries have experienced in the GATT is the power of North countries to impose their agendas. They rightly fear that TREMs will amount to a regime that discriminates against economic development in the South, thus generating political and social problems for Southern states, while benefiting Northern transnational corporate interests (ibid).

The South pacific is one example of the effects of more prolific international trade. One has been the devastating effect on the environment, namely the destruction of much of the tropical rain forests. Some people who were living sustainable lifestyles have been uprooted due to land takeovers and enviromental degradation. Another example of the negative impact of increased North/South trade is the impact of aquaculture on communities in Asia. For instance some
communities in Southern India have abandoned their homes due to the pollution of water sources.

Vandana Shiva, a physicist and activist, argues against the introduction of social and environmental clauses being a part of free trade treaties and the GATT agenda. Shiva believes social and environmental measures will not constrain growth by transnationals and that conditions for Southern workers in terms of job security, and acceptable working conditions will not change. Shiva states that these clauses:

> clearly do not function as instruments of social and environmental regulation of trade. They merely function as instruments that can be used selectively as trade barriers and as a part of a politics of fragmentation (Shiva, 1995: 5).

One consequence of the debate over environmental and social clauses is an undermining of the cohesion between international workers solidarity. For some it has generated some hope for environmental protection and improved working conditions, others believe the free trade agenda will not be compromised by environmental and social clauses.

Transnationals - their effect on trade and disparity

In contrast to John Maynard Keynes in 1933 who argued against 'capital flight' (companies being able to invest their capital abroad for increased profit), the U.S. through various U.S. Tariff Acts "provided incentives to offshore subcontracting" (Warnock, 1988: 54).

The international comparative advantage of the less developed countries has little to do with ecological conditions or the distribution
of natural resources. It has everything to do with the social structure of production. The advantages to the capitalist, whether local or foreign, are the result of the history of uneven development and social and political control (ibid: 55).

Transnationals have contributed substantially to trade benefits flowing from the Southern to the Northern hemishphere. The UN defines transnationals or multinationals as associations which possess and control means of production or services outside the country in which they were established. Transnational corporations are giant companies which have their base of ownership in Northern countries. They control about 70% of world trade and 80% of land that is used for export crops. There are approximately 35,000 transnational corporations in the world. The top five transnationals account for 35% to 70% of total sales in consumer goods, automobiles, planes, aerospace and electronic components. They are General Motors, Royal Dutch Shell, IBM, General Electric and Philip Morris (New Internationalist, Vol 246: 18). Transnational companies have moved all around the world in their pursuit of profit.
Table 6
World exports 1950-93

<table>
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<tr>
<th>YEAR</th>
<th>EXPORTS (bill. 1990 dollars)</th>
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<td>1993 [prel]</td>
<td>3,785</td>
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Source: Worldwatch calculations based on IMF data and deflators.
Transnationals take a number of key factors into consideration when deciding their location. Labour is one aspect. For instance they might consider the skill level of the workforce, the labour conditions and union regulations. Countries with few enforced labour standards can be attractive locations for these companies. Transnationals may also avoid countries with harsh environmental standards.
Other aspects to consider are easy access to markets, government taxes and transportation and availability of the required raw resources.

The ideal location for transnationals are free trade zones. These are geographical areas which are free of many of the rules and restrictions of any given country. In Mexico these areas are called maquiladora zones. In spite of enjoying services like water and sewage systems, paved roads and energy supplies, companies in these areas pay little or no taxes. Given their freedom, it is little wonder that those working for transnationals often endure harsh working conditions. According to New Internationalist author Beatriz Johnston Hernandez, an example of an abusive working environment is Tijuana, a Mexican border town. In this area there are 700 companies which employ over 350,000 workers. There are no formal housing facilities and so 500,000 people eke out their lives in cardboard shacks. Due to the excess of untreated sewage and environmental toxins the workers and their families suffer from dysentery, hepatitis and cholera. In some areas babies suffer from anencephaly which scientists have connected to a mother's exposure to xylene and toluene (Hernandez, 1993: 11).

Transnationals contribute to ecological poverty in the region by water and air pollution in the Maquiladoras. Toxic waste is often spewed into rivers without any treatment in spite of the rivers being the only water source for locals. Jeff Land of the El Paso-based Border Ecology Program states; "the Mexicans want investment at all costs and that means very dirty growth - lots of companies are escaping stricter regulations in the United States by slipping across the border" (ibid).

Air pollution in the maquiladora's has been largely caused by copper smelters. This has led directly to an increase in respiratory illnesses in the area. With bans restricting any union organising some workers are destined to work, and live in areas which may eventually kill them given the rate of pollution (ibid). Many
transnationals have shown little concern for the long term health effects on the environment and people living in free trade zones.

One solution to the abuses of multinationals in developing countries is to include international labour standards in trade agreements. With minimum working conditions stipulated, transnationals would be thwarted from shopping for the most exploitative work environments. Another proposal put forward to the World Summit for Social Development, in March 1995, would be to include health and safety requirements in standards for manufactured traded goods. This could also extend to collective bargaining and other aspects of the working environment.

However, to date, conditions in the Maquiladoras are replicated in many developing countries. The author of The Empire and the new Barbarians - North - South Wall states:

For the first time the myth of development has been burst apart revealing a long hidden reality. The North and the South are developing in diametrically opposite directions....These differences make it possible to draw the ideological line which separates the North from the new barbarians......Today's walls between North and South mark the beginning of a new type of apartheid. The idea of the walls more or less explicitly contains the intent of delineating, and then protecting the North. But this will occur by means of abandoning the South ..... This abandonment is already evident today in many regions (Herald Newspaper, 27th February, 1994).

Ruffin goes on to say, "The concept of global apartheid in the field of technology and development relegates Third World countries to the state of increasingly impoverished regions characterised by fragmentation, political instability, economic decline, and crushing and endless poverty" (ibid).
Currency trading - its effect on disparity

Change in the flow of capital has had an equally dramatic effect on global trade. The money market's volatility flies in the face of the stability predicted at the Bretton Woods conference in 1944.

Today global financial flows dwarf world trade in traditional job-creating commerce and industry (like producing cars and soap) by about twenty to one. The amount of money that moves through computers and along undersea cable wire or is beamed off satellites on a single weekday is more than three times what Japan earns through trade in a whole year (Eiley, 1994: 19).

Capital flows have not only radically altered the speed and amount of trading, they have also had a profound effect on the political autonomy of sovereign countries. France and Jamaica are examples of the power of financial markets to pressure governments to alter a perceived socialist agenda. Shortly after being elected in the early 1980s, the French President Francois Mitterand capitulated on most of his promised economic reforms, because of the collapsing French Franc. The Franc had felt the pressure of unpopular political sentiments. Some people have so much money that they can manipulate, through strategic buying and selling, a country's currency. A similiar fate dogged Micheal Manley, Prime minister of Jamaica in the early 1970s. He had to eventually acquiesce to an IMF economic prescription for Jamaica in spite of being a political advocate for the poor and disadvantaged (ibid). Therefore politicians who are democratically elected are often helpless pawns in the face of the ruling power of capital. The losers inevitably become those citizens who have been displaced and are dependent on government programs for food and housing.
Trade and the stability of a country's currency are closely connected. If a nation's currency is overpriced in the international market, there will be a tendency for a country to import more and export less. This will naturally have an impact on those industries focusing on selling goods on the international market. An undervalued currency will also have a deleterious effect on a country's economy. In this situation foreign money will flood the market and cause inflation (Heilbroner, 1987).

Today the large pension funds and banks, but also clusters of small investors or even the central banks of smaller countries, can make millions in a day just by predicting if a currency is going to go up or down. Such profits are impossible in regular commerce. The main victims are global economic stability and the development policies of Third World governments, particularly those that prioritize the needs of the poor (Eiley, 1994: 20).

In concluding this chapter, it is important to note, that current global economic trends are not only having a devastating impact on people in developing countries. Increasingly, workers in the North are having to face unemployment, reduced social programs and deteriorating working conditions. Present figures indicate 1 out of every 10 persons in the 24 major industrialised countries is unemployed (Resurgence: December 1994:25).

The United States is a good example of the impact of global economic changes. For instance "the number of poor people below the poverty line increased from 7.7 million in 1975 to 15 million in 1992" (Herman, Z magazine: January 1995: 45). This figure contrasts with the wealthy in the U.S. - "the top fifth of households getting 48% of total income, the bottom fifth just 3.6%"(ibid). In industrialised countries overall, approximately 100 million people live below the poverty line.
Social breakdown in industrialised countries has markedly increased given the trends of globalisation. The U.S. leads the world in violence. It has the "highest incidence of murders (over 12 per 100,000), reported rapes (150,000 in 1993) and child death by gunshot wounds (7,000 in 1992); another estimated 3 million American children are chronic victims of abuse and neglect" (ibid).
CHAPTER 3
FAIR TRADE / ALTERNATIVE TRADE

The idea of setting up alternative or fair trade networks was born from the realization that the existing global economic trading system offered few benefits for most people in developing countries. The concept of fair trade was designed to provide opportunities for both buyers and sellers of a product to get a fair deal.

The first alternative trading organisation was called 'Oxfam Trading'. During the 1960s a number of aid workers visiting developing countries, during times of disaster, became aware of the poor economic circumstances of many people. Some of the indigenous groups in Africa approached the aid workers with art and craft work to sell. It was a way of regaining strength and self respect; "Oxfam saw that by providing a fair market for Third World products, paying prices judged to be fair in the local economy, and buying through organizations which ensured that the bulk of the price reached the actual producers, it could begin to attack one root cause of poverty: the dependence of small-scale producers on local traders who pay them low prices" says Belinda Coote of Oxfam (Madely, 1992:151).

To date, the alternative trading movement has grown substantially. There are several hundred organisations committed to fair trade - one hundred and thirty in the U.S. alone. A North American ATO has estimated that about 10 million people are committed to fair trading on that continent alone. In Britain, figures show that every major town in Britain has at least one supplier of products from the alternative trade system, and the big cities have several. A large number of European ATOs' receive government funding and so are often larger and more well established than their counterparts in the U.S. In 1992 the combined annual turnover for all ATOs' was approximately U.S. $500 million. Although this is a microcosm of developing
country exports presently worth $738 billion - it is managing to have an impact on thousands of economically marginalised people.

**International Federation of Alternative Trade (IFAT)**

In order to maintain ethical standards and to coordinate information for organisations interested in fair trading, an international body was established. The organisation was originally based in the Netherlands and is called the International Federation for Alternative Trading (IFAT). It was formed in May, 1989. IFAT was established by Alternative trading organisations in Europe, North America, Australasia and Japan. Their common objective is to establish fair and equitable trade between the Third World and the more industrialized nations. IFAT members understand alternative trade to be:

- Working together with the poor and oppressed in the Third World on the basis of justice and solidarity, aiming at the improvement of living conditions in their countries, mainly by means of (promoting) trade in products from those countries.

- Providing more information when selling products in order to make people aware of unfair international trade structures.

- Campaigning for more just trading conditions.

- Reflecting in their own structures a commitment to justice, fair employment, public accountability and progressive working practices (IFAT, 1994).

In August 1993 IFAT moved to Pennsylvania, United States. There was agreement among members that the IFAT office should rotate every 2 years.
However IFAT will remain in Pennsylvania until August 1997. IFAT members consist of alternative trading organisations (ATOs') and producer groups. The current membership consists of 90 trading organisations in 44 countries. Membership fees are .15% of annual sales, the range is $250 - $1000 per year.

IFAT is governed by a committee of 5 representatives. The representatives are elected by the members. At present the chair is held by a U.S. representative with a vice-chair from India. The Secretary-Treasury is currently held by a U.K. representative whilst the two remaining seats are represented by people from Chile and Cameroon. A bi-annual conference is organised by IFAT in which most members attend. An AGM is held on the alternate year, members vote on issues by mail.

**Fair Trade Federation (FTF)**

In 1992, work towards forming another umbrella body based in the U.S. was started. The organisation formally began 2 years later after the 1994 NAATO (North American Alternative Trading Organisation) conference. It was named the Fair Trade Federation.

Its goal is - "To promote ethical trade practices based on principles of social and economic justice" (FTF pamphlet). The Fair Trade Federation pursues its goals through a variety of strategies. One goal is met by facilitating contact between member organisations through conferences and information exchange. This improves cooperation and communication and assists the FTF in accumulating knowledge in market research and product development.

The FTF acts as an advocate for the rights of producers and will often lobby on their behalf. It also remains committed to keeping current an international trade standard that distinguishes fair trade from mainstream trading. The FTF also works
at maintaining contact with international trade institutions as a way of educating them of the abuses of the dominant trading system.

The FTF strives to give producers from developing countries contacts with Northern organisations who are willing to trade on fair terms. The FTF has devised a screening tool in order to distinguish those organisations who fail to meet minimal ethical guidelines for fair trade. The Federation remains concerned about environmental issues and seeks to support production of resources that remain sustainable.

The FTF is sensitive to issues of discrimination and exploitation and therefore favours linking those groups who suffer the most marginalisation. Northern ATO's are also encouraged to stick with producer groups through political turbulence even if it escalates into war. A member's oath to the Fair Trade Federation includes the following commitment:

Support FTF mission

Ensure producers receive fair market value for their products.

Maintain fair market value throughout the distribution process.

Promote groups who practice active democratic decision making in the workplace and in community development (ie; housing, health, education, and appropriate technology).

Practice environmentally sound production methods and safe working conditions.

Educate consumers about the producer's culture as well as their social and economic conditions.
Although there are a wide variety of ATO's, there tends to be a division into two main groups. One type of ATO will market whatever the producer group sells regardless of its' marketability. The obvious problem with this approach being that the ATO may not sell most of the product. The second category of ATO is vigilant in tracking consumer trends in industrialised countries. This research is shared with the ATO prior to the production of any merchandise. The producer group can then make decisions about how to adapt its product to the current trends. However, it is essential that the ATO respect the cultural and artistic integrity of the producer group.

**Bridgehead**

One example of a Northern ATO is Bridgehead, the largest ATO in Canada. Bridgehead was a founding member of the original umbrella organisation, IFAT. It was established in 1981 through the work of four individuals who were concerned with the prices farmers were receiving for coffee, and the unequal sharing of profits. Since 1985 Bridgehead has been owned by Oxfam-Canada. It has producer partners in over 24 countries, for example Kenya, Thailand, Pakistan, Bolivia and Guatemala to name a few. Although under Canadian law Bridgehead cannot call themselves a not-for-profit organisation, their modus operandi is non profit. Profits that are made are shared amongst the producer groups either in the form of 'producer dividends' or through interest free loans. The annual gross sales of Bridgehead in 1992/93 was $3.47 million. This figure is small compared to European ATOs'. For instance Oxfam Trading, the largest ATO in Britain, had retail sales of approximately $32 million in 1991.
Selection criteria

When representatives from Bridgehead meet a new producer group they take the following selection criteria into consideration, although there is some variation given the cultural context. Firstly, they look at the goals and objectives of the producer group and ascertain who the members are. The question is asked whether this group is economically marginalised in some way. Further investigation would also focus on whether the producer group strives for political change in order to bring about a more egalitarian trading system. The second main area of focus for Bridgehead is the organisational structure of the group. For example can all members have input into the organisation, is it built along cooperative lines. How are management recruited - for instance were they existing members or outsiders. Another angle is whether education in administration of the organisation is available to the workers. Is the producer group linked with any other group and is the government involved in any way.

Another important selection criteria which Bridgehead considers before trading with a producer group is how much the workers are paid. A comparison is made between the producer group and the wages of agricultural and factory workers in that country. Is the pay relatively equal amongst members and do they enjoy other benefits like health insurance and day care. Are working conditions as safe as possible. Other key aspects of a producer group that are scrutinised by Bridgehead employees are the social programs offered to the members. For example literacy and health care training are important tools of empowerment. Bridgehead also critically reviews the role of women in the organisation in relationship to gender equity.
In April 1993 Bridgehead traded with 85 producer groups. The membership varied from 8 members in one group to 6,500 members in the largest group. Products were sold through the catalogue and the two Bridgehead stores in Ottawa and Toronto. The goods sold include clothing, jewellery, fashion accessories and some household items. Some food is sold, primarily coffee, tea, wild rice, chocolate and spices (see attached catalogue).

Products sold by Bridgehead need to meet a certain standard. For example is the item consistently well made. Other considerations are whether the product is likely to sell, and whether the price will guarantee a fair return to the producer organisation. Products also have to meet Canadian safety standards and labelling requirements. Other ethical considerations include the environmental impact of producing a certain product. For example, if the item is made of wood, is there an attempt to renew depleted resources. Other ethical reviews focus on the economic impact of the producer groups activity. For instance, does this activity prevent urban migration by augmenting local community initiatives. Is the production of this item likely to facilitate long term employment.

Commercial considerations for Bridgehead include a sense of whether the organisation has the infrastructure to meet its commitment in orders. Are the services of an alternative trading organisation needed in this situation. Is Bridgehead already involved in this geographical area. Although the selection process is complex, the following Bridgehead principles guide their decision:

We pay fair prices for our products.

We deal primarily with producers who are too small and inexperienced to export on their own.

We seek out producers who have social as well as economic objectives.
We honour our orders even if our partners have difficulty meeting our schedule.

We pay up to 50% of our order in advance.

We share half our profits with our producer-partners.

We consider the environment when making decisions.

We seek products that reflect the cultures of our partners.

We recognize that there is poverty and inequality in our own backyard.

We strive to ensure that our customers receive high-quality products and service (Fact sheet on alternative trade).

Producer groups - some examples

The following are some examples of producer groups which have met the selection criteria of Bridgehead, and have enjoyed the benefits of trading with an alternative trading organisation.

Aj Quen

Aj Quen, which means 'weaving together', is one producer group which Bridgehead has established formal trading links. They are located in Chimaltenango, Guatemala. The group employs artisans with a variety of skills, namely weavers, carpenters, tailors and basketmakers. All of these artisans were struggling to make a living on their own.
After joining AJ Quen the artisans form into groups of about eight people. An agreement is drawn up within the small groups. Members make a commitment not to exploit or undermine each other when selling their goods. This is the organisation's way of ensuring equal access to profits. The producer group looks after its members by providing the following:

Training and technical support for their work.

Helping the members to explore new ways of living together in order to improve their lives.

Continuing to explore national and international markets that will value their work, and pay fair prices (Free Trade/Fair Trade, 1995: 35).

Plan Piloto

Another example of a producer group that has been strengthened by its link with Bridgehead is Plan Piloto. It is a producer group formed in 1974 in El Salvador under difficult external conditions. The area not only suffered the consequences of the country's civil war, but was also damaged by a hurricane.

Plan Piloto is a producer group of women. Most of the women worked in a factory prior to forming an organisation. Conditions in the factory were abusive. The women were paid one cent per pair of cotton gloves they produced. The challenge for them was to find other work which would use their skills, and ensure a better standard of living. They agreed to produce tablecloths and dolls as a beginning. One of the major challenges was finding a viable working location. In the beginning they had to transport their sewing machines each day to the work location. Eventually they were offered an empty house as a place where they could work and store their equipment.
Another difficulty the Plan Piloto group endured was making sure the women and their families had enough to eat. They agreed to share food with those who were less fortunate until they had generated enough business to ensure self sufficiency. Other factors which contributed to their survival were:

The groups members were carefully selected for their coperative spirit and their willingness to work hard and treat others with respect.

Members receive social security and can apply to the group for personal loans.

Profits are shared by the workers at the end of the year.

A council, which is open to all members, makes sure that the workers fulfill their contract commitments and that their educational needs are met.

A committee provides the women with education on issues like ethics, personal relations and psychological health (ibid).

**Village Weavers**

A third example of an organisation that has benefited enormously from direct trading links with an ATO, namely Bridgehead, is the Village Weavers based in Thailand. The producer group was originally formed in 1982 by the Good Sheperd Sisters. One goal was to prevent young women leaving their village homes and going to Bangkok in order to make a living, oftentimes as prostitutes. Another goal was to revive traditional skills, namely weaving, and to find secure markets for their products. To date, Village Weavers has provided employment for fifty people, and is able to give contract work to 328 other families. The following benefits have been enjoyed by the members of Village Weavers:
Each of the 328 families makes an extra $20 a day from the weaving.

Some villagers now have electricity and larger huts.

Health conditions have improved.

Young women stay in the villages - previously most children over 10 years old had left.

Loans are available to the workers if there is an emergency.

Money is available to build small projects like wells and toilets, which helps improve the overall standard of living (ibid).

Jute Works

A final example of a producer group linked with Bridgehead, a Northern based ATO committed to reducing the gap in wealth between the North and the South, is Jute Works. This producer group was born from the need to find work for women who had lost the principal wage earner in the family. The loss was primarily the result of the war of liberation in Bangladesh in 1971. The main goal of Jute Works was to find a market for goods women were producing in their local villages. Since 1973, with the help of international agencies, Jute Works has been able to organize 7,000 rural women into small cooperative producer groups. The women make goods primarily from jute, but also use clay, cotton, bamboo, other reeds and local grasses. The products they produce range from hanging baskets, clay bowls, figurines, jute mats, brooms, bags, cards and embroidery.

Women belonging to Jute Works enjoy many benefits. The following are some examples:
An educational unit provides skills and management training.

Funds are available for small groups who want to get involved in other business ventures (for example pig rearing or pineapple cultivation).

Health care is provided.

Financial management and literacy classes are available.

Sanitation needs are addressed.

Money is available for personal emergencies (ibid).

The motto of Jute Works is "A purchase made is a job provided: third world trade promotes justice and universal brother and sisterhood". The motto captures the need and importance of trade for the future health of developing countries. Luis Fernando Jaramillo, the former Colombian foreign minister and past chair of the "Group of 77" (a consortium of the poorest countries in the world) stated in his departure speech; "Neither official development assistance, nor technical assistance, nor credit resource flows, nor any other aspect of international cooperation match the paramount importance and determinant nature that trade has for the developing world" (Naato report, 1994: 3).

The challenge, according to Daniel Salcedo founder of an ATO, is harnessing international trade for the good of the majority of people, especially the poor in the South. He believes that ATOs' can lead because they have the weight of justice and the momentum of history on their side (ibid).
Other types of Alternative Trading Organisations

A strength of the alternative trade movement is the variety of ways in which organisations have approached the problem of inequitable global trade. Some, like Bridgehead and Traidcraft in Britain, have focused on purchasing products from producer groups in the South and selling them through shops, mail order catalogues and churches. Others have taken a different tack. Stitching Ideele, based in Holland, differs from organisations like Bridgehead and Traidcraft in that they do not link up with producers, they have chosen to work directly with governments. The director Carl Grasveld explains:

We work with some of the poorest countries in the world ... they are poor for many reasons, but one is that trade has tended to work against them. For many, trying to make gains from trade is like trying to walk up a 'down' escalator. There is, however, usually no alternative to trade - apart from permanent dependence on loans and aid, and thus permanent vulnerability. Therefore a number of countries are trying to put their commercial relations on a new footing by seeking new partners and a better deal (Benjamin, Freedman, 1989; 120).

For Stitching Ideele the decision of whether to work with a particular country is based on whether there are policies and programs in place which help reduce inequality. These could include health care, good education and government assistance for those unable to find work. So far the Holland based ATO has worked with governments in Zimbabwe, Mozambique, Angola, Cuba, Nicaragua and Vietnam.
Another type of ATO is called Twin Trading. It differs from other ATO's in that its primary goal is "networking between First and Third Worlds" (Madely, 1992; 152). One of the ways that the networking occurs is through a quarterly newsletter called 'The Network'. The newsletters goal is "for the equal exchange of information on trade and technology" (ibid). Another way Twin Trading helps those in developing countries is to offer a consultancy service. The advice ranges from technical support, overcoming obstacles that hinder trading on the global market, and advice on how to introduce social and economic development programs from any extra cash.

One of the future challenges for TWIN, according to its director Micheal Barratt Brown, is to "move alternative products away from limited markets, such as wholefood shops, and into more mainstream markets" (ibid). One of the ways that the alternative trading movement has attempted to meet this challenge head on is through cooperative efforts. One example of this cooperation was the Cafedirect campaign in Britain, a collaborative effort between four ATO's. Oxfam Trading, Traidcraft, Equal Exchange and Twin Trading saw a unique opportunity to secure a niche in the fair trade market for coffee. They linked up with approximately 4,000 coffee growers who worked in cooperatives, and who had all been effected by the collapse in the international coffee agreement in 1989. They established fair trade conditions with these growers, and marketed the coffee under a fair trade label in supermarket chains in Britain. Cafedirect pays $1.20 per one pound weight in contrast to other buyers who generally pay 60c. Instead of the usual 8 tiers of middlemen who take a slice of the coffee profits, Cafedirect has cut it down to one or two at the most. Cafedirect is now the leading fair trade product in the U.K. They hope to capitalise on their present success by moving into the instant coffee market which is presently worth 510 million pounds in the U.K.
Another coffee success story is the Max Havelaar campaign in Holland. It was named after the hero of a novel who led an attack against colonial exploitation by the Dutch. It was launched in 1988 and has enjoyed a turnover of about 20 million pounds, and a 5% share of the coffee market. To date, it has been able to guarantee a fair price to 300,000 small coffee growers, and by March 1994 it had generated about 5 million pounds in extra payments to small coffee farmers (Green Magazine, December 1993). The Max Havelaar success has spread across Europe. Coffee merchants are able to use the logo if they purchase goods from producers which have been approved by the foundation. Coffee has become the launching pad, other food products such as nuts, honey, rice and tropical fruit are being investigated as well as clothing. At present a similar campaign is being investigated in Canada. It is called Fair Trademark, Canada.

It is useful to note the contrast between the mainstream trading system and the fair trade alternative in respect to the financial return for coffee growers. The illustrations below describe the differences in the two systems.

Figure 8
Mainstream trade

WHERE DOES THE MONEY GO?
Other brand shelf price £1.30 (8oz pack)
Alternative trading therefore differs from the dominant free trading system in that the growers receive a fair reward for their labour, instead of middlemen taking a significant cut. This not only improves the standard of living for the grower in the developing world, it also has a marked impact on the environment. In desperation to feed their families some growers practice farming methods which in the short term produce abundant quantities of a crop, but have a negative impact on the environment long term. Use of chemical fertilizers is one example. Environmental destruction can be more pronounced when independent growers work for transnational companies.

Fair trade criteria

Fair trade mark labels are now used on products in ten industrialised countries. As the momentum has built, so the need to establish criteria has increased. Fair trade criteria can be categorised into six main areas according to Barrett Brown, director of Twin Trading. The following is a template of the criteria established to date:

1 - What kind of products are suited to fair trading

a) a product that is traditionally grown in the Third World and of major importance as a source of foreign earnings: e.g. bananas, cocoa, coconuts, coffee, cotton, palm oil, rubber, tea, timber, but not: petroleum, gas, metals and minerals, because the supply chain is not direct to the final consumer, but the product is consumed only after complex processing.

b) a product that enters the mainstream market as a product itself, like tea or coffee, and not as a small component of something else; but cocoa would be acceptable as it forms 60 per cent of chocolate.

2 - What requirements in product processing

a) local value added: as much as possible should be added in the country of origin: e.g. cotton garments preferred to cotton.

b) labour intensiveness: a product that by its nature involves much labour in production and little capital e.g. craft products, nuts, tea, coffee, cocoa.
c) healthy: not a product that is potentially injurious to the health of consumers like tobacco or cocoa, or to the health of the producers, e.g. through use of sprays.

d) human rights: not a product of slave or prison labour, or produced in conditions of gross exploitation.

3 - What relation to other crops and the environment

a) not displacing crops on land needed for food consumption.

b) preferably intercropped with other crops to avoid mono-culture.

c) no use of banned pesticides or herbicides, no excessive use of chemical fertiliser, no damage to the environment leading to topsoil losses, deforestation, fresh water scarcity or pollution.

4 - What local producers to favour

a) organised small producer associations.

b) producer cooperatives.

c) state or private plantations where ILO conventions or recommendations on labour standards for rural workers are properly adhered to.

5 - Who is favoured

a) special favour to organisations discriminated against by oppressive governments.

b) special favour to countries - seeking to diversify their products; - damaged by First World trade embargoes and protectionist measures.
c) special favour to areas where large scale migration or natural disasters have created severe problems.

6 - Other criteria for the fair trade mark

These all concern the exchange mechanisms which purchasers and suppliers would have to follow in making contracts:

a) Price - mutually agreed with producers for each harvest cycle and not following the ups and downs of commodity exchanges.

b) Commitment to order a certain guaranteed amount from one source, preferably over a number of years.

c) Guaranteed advance of payment agreed before purchases are made.

d) Information freely available on technical and marketing, in order to improve quality and delivery and range of markets.

e) Quality commitment on the quantities agreed and adherence to delivery times specified (Barratt Brown, 1993: 181).

With the weight of social justice on their side, the Fair trade mark successes are influencing large retail companies. Some are considering carrying products given the increasing popularity of the movement.

Below is an example of a fair trademark label from Fair Trademark, Canada.
Alternative ways of establishing fairer trade

It is because of the failure of the system developed at Bretton Woods that a new international economic order needs to be established. The IMF, World Bank and GATT have failed in their attempts to deal with the problems of poorer countries. To date, according to the latest United Nations figures, "more than one billion people - one out of every five people in the world - live in total deprivation, and an estimated 13 to 18 million people die annually from poverty related causes" (Journal G 77, 1994: 7). Mass migration to the Northern hemisphere is one consequence of an unequal international trading arrangement. Two major factors in the present system contribute substantially to the gross inequalities between the North and the South. One is the low prices paid for primary products from the South, the other is the "barriers to entry of many agricultural products and most manufactured products"(Barratt Brown, 1993:145).
A number of alternatives have been proposed by the fair trading system. The following are some examples. Besides relying on the various types of ATOs' there are other ways for developing countries to improve their conditions of trade. One strategy is to strengthen their bargaining power in trade exchanges. An age old means of doing this has been through trade union organising. Clearly oppressive political climates have often thwarted attempts of union organising, however, to date, several examples attest to the determination of some of these counter movements. For example workers have united on sugar estates in the Philippines and Caribbean Islands, on tea plantations in India and Sri Lanka and on rubber plantations in Brazil (ibid; 135). In each area workers have demanded reasonable working conditions, and through cohesive strategising have secured fairer packages.

Another way of ameliorating the trade imbalance between the two hemispheres is 'countertrade or bartering'. It is a trading arrangement that is based on exchanging goods primarily, with little or no monetary exchange. Countertrade arrangements first began after the Second World War. Deals were made between governments with planned economies in Eastern Europe, the USSR and the multinational companies in the North. Countertrade has now been adopted by governments or parastatals (an organisation sponsored by the state) in the South, who have formed direct trading links with large companies in the North. They then use this relationship to negotiate trade exchanges that involve trading goods. This has proved beneficial for Southern producers as often it is the only way surpluses can be disposed of profitably. It also means those in the South are able to secure Northern products without using their meagre foreign exchange budget. As Barratt Brown states:

There is a further reason for Third World interest in countertrade. The structure of prices between industrial and agricultural products is often quite different in developing and developed countries. The
developing countries have relatively low agricultural prices and high prices for industrial goods. By adjusting prices in settlements through countertrade, Third World governments can, in effect, subsidise their farmers and protect their infant industries by what amounts to a tax on imports of manufactured goods (ibid:136).

Transnational companies find countertrade profitable because it secures long term access to primary products, necessary for some of their manufacturing. In times of recession, developing countries can use the economic climate and competition amongst the transnationals to their advantage, by persuading them to accept commodities and not cash for First World exports.

Some of the blocks against countertrade include a clash with GATT rules and regulations. One of the major assumptions underlying GATT is that a free market is one in which countries or producers of products sell their goods on an open competitive market, accepting the market's latest price evaluation of that product. Countertrade has found a way of getting around fixed prices for products by bypassing the international market. By doing so developing countries are securing some Northern goods at a reduced price because they did not have to use their limited foreign exchange allowance. Other difficulties with countertrade include the administration of the countertrade deals. For example some goods do not arrive on the agreed time schedule and others are affected by changing prices. However, in spite of the complexities, countertrade offers a real alternative to some developing countries.

Another kind of agreement is called an international trade certificate (ITC) which is used in striking deals with the U.S. The certificate allows the developing country trader access to imported U.S. goods, up to a certain value, as long as the certificate has been approved by a central bank or a valid institution. The Bank of
Boston and the General Foods Trading Co of the U.S. are examples of organisations that issue ITC's.

An idea proposed by Barratt Brown, director of Twin Trading, is to establish an alternative trade clearing union. He envisions that this would be managed by a clearing house with a large centralized computer and a small staff. Both products and bids for products would come through this system as well as offers and orders for tools. All requests would include:

- specifications of designs, standards, prices, quantities, availabilities, deadlines for delivery, ports of loading etc. These offers and bids could be processed by the computer for consideration by the parties communicating and they could appear on electronic bulletin boards for the notice of those interested (ibid).

Barratt Brown anticipates that the networkers would pick out comparable deals and arrange the transactions by means of credit notes. Credit notes would use international currency values in their conversions and could be accumulated as a currency reserve to be used in future purchases. The final aspect of an alternative trade clearing union would be the need for countries to make available a line of credit which would cover the amount of trade they intended to carry out. In order to level the playing field, in the Barratt Brown model, he suggests First World countries would need to offer more credit, and Third World countries could access the system with no financial backing.

Creating a counter to the imbalances of the present trading system is an enormous challenge. It is vital to secure as much consumer support for fairly traded products and to develop systems that are sensitive to developing countries needs. Education about the impact of the present global system is necessary to inspire people to support alternatives - the message also needs to be broadened in order to
address imbalances in Northern countries. Besides consumer support for a more equitable trading relationship between the two hemispheres, it is also important to support small local businesses, instead of large companies in the North. If profits were redistributed by ethical consumer choices large companies would not have as much power to dictate poor working conditions. Fair trade, therefore, promotes a sharing of wealth globally and locally as a way of improving living conditions for all. It also promotes structural changes that will assist those most marginalised. As Muhammad Yunus, founder of the Grameen Bank in Bangladesh, states in regard to the present injustices to the poor:

We don't remove barriers. We simply say, let them stay on the other side of the barrier, but feed them a little. What I'm saying, they don't need your throw away money, they don't need hand-outs. They need an opportunity, a fair deal. They don't have a fair deal right now (CBC interview: 1993).
CHAPTER 4
ZIMBABWE - A CASE STUDY

Figure 11
Map of Zimbabwe

When assessing the impact of global economic structures it is vital to explore the impact from the perspective of those in developing countries. As dependency theorists showed, the contrast in analysis from those that experience the deteriorating conditions in the South, compared to those in the North, is vast. One example of this is the frequent use of GNP as an indicator of improved circumstances by Northern Organisations like the IMF, in spite of massive increases in poverty. It seems apparent that those in the North have gained economically at the expense of those in the South, given the growing inequality in income distribution between the two hemispheres. Zimbabwe, like many African countries, has lived through colonialism and has also experienced great hardship as a consequence of making itself more attractive for the global market.

This chapter will explore the impact of historical events and global economic structures on the Zimbabwean economy and the impact on the Zimbabwean population. It will show, by case example, the need for developing countries to have an alternate trading structure which would reduce North/South inequalities.

**Historical events in Rhodesia**

Colonialism left a legacy of disparity in the country which would be later named Zimbabwe. It secured white privilege shortly after the invasion by whites from Britain in 1890. To date, the problem of unequal ownership of land remains. Trading up until 1979 focused on wealth acquisition for the white minority, at the expense of the majority indigenous population.

The first European invasion of Rhodesia occurred in 1569. The Portuguese came in search of trade and gold. However by 1693 they had left completely due to the threat of malaria. At the time the country was inhabited by people who were primarily of Bantu ancestry. In 1837 the geographical area that would later be called
Matabeleland, in Southern Rhodesia, was invaded by a Zulu tribe. They were called the Ndebele and they were fleeing a ruthless leader called Shaka in Northern Natal.

Cecil Rhodes, who held a vision of a British corridor right through the centre of Africa, was determined that the British gain a stronghold in Rhodesia. To this end, he sent 180 pioneers from South Africa across the Limpopo river to lay claim to the country, and its mineral wealth (Meredith, 1979:19). They raised the Union Jack near a hill called Harare on the 13th September, 1890, declaring the country to be British territory. By 1900 approximately 16 million acres of land was handed to white farmers, even if Africans were occupying the land. The Land Apportionment Act consolidated the land grab by legislating racial division in land ownership.

This Act remained the centrepiece of the government's segregation policies for the next forty-six years. It stipulated that no African was entitled to hold or occupy land in white areas; in African areas, the Whites were similarly excluded...The British government made no move to prevent the passage of the legislation. Nor did it question the reallocation of land which gave Rhodesia's 50,000 whites some 49 million acres of land and one million Africans 29 million acres (18 million acres were left unassigned). Within a few years, agricultural officials pointed out that the reserves were overcrowded and could not support a further increase in population. Land deterioration thus became a permanent feature of life in the reserves (ibid: 21).

Taxes were then used to force Africans into wage labour for the farms and the mines. The Industrial Conciliation Act of 1934 made it difficult for Africans to secure apprenticeships, skilled work or join trade unions.

Although resistance to white domination was widespread, and had achieved international recognition, it was only in 1980, after a bloody civil war with the loss of 20,000 lives, that the White colonial regime, represented by Ian Smith as Prime Minister, finally stepped aside. A black government was sworn in to rule the
country on June 1st, 1979. International support for the struggle of the indigenous population had been given through the imposition of economic sanctions. These were first put in place after the Rhodesian government declared a Unilateral Declaration of Independence in 1965, after refusing to negotiate a restructuring of power. Sanctions forced Rhodesia to become self sufficient in food and manufactured goods. Policies which were introduced after sanctions had a surprisingly positive impact on the economy. They helped in the diversification of the economy, as well as deepening the industrial base, and improving the level of skills. One of the most important policies introduced at this time was:

a comprehensive foreign exchange allocation mechanism. This was used to ensure that the country did not run into balance-of-payments problems (the scope for international borrowing being extremely limited), while at the same time allowing the manufacturing sector to develop under comprehensive protection. The forced re-investment of profits by multi-nationals aided the rapid growth that took place up to 1974. Thereafter, the combination of the effects of the oil shock and intensification of the liberation struggle, particularly with a new front being opened after the Frelimo government came to power in Mozambique, led to stagnation and decline, forcing the regime to negotiate the Lancaster House settlement (government paper, 1993:1).

A new era - Zimbabwe

In 1980 the black government of Zimbabwe inherited a mixed economic climate. On the one hand the economy was both diversified and strong. Zimbabwe, unlike other African countries, boasted self-sufficiency in food and a robust export market of several crops. Mining was a lucrative foreign currency earner, and manufacturing contributed to over 25% of the gross domestic product (GDP). This figure is considered an indicator of an industrialized economy.
On the other hand the new government took over a divisive economic climate. The system had economically rewarded a minority group of 250,000 whites at the expense of the majority black population. This had been achieved by denying political and educational rights to the indigenous population, as well as using discriminatory legislation to ban access to professional and technical employment. Blacks were allowed few opportunities for entrepreneurship, for example they could run long distance buses and operate rural trading stores. Both have limited financial opportunity and contributed less than 1% to the GDP. The rest of the productive forces of the economy were owned by the state about 16%, the mainly white population (some Asian citizens were successful in the economic sphere) 28%, with the rest being foreign owned 56%, mainly by South Africa and the UK. Black labour mainly in areas of subsistence agriculture and wage labour accounted for 5% of the GDP.

Global events would have a direct impact on Zimbabwe's economic situation. In the late 1970s when interest rates were low and Northern banks were awash with money to lend, Zimbabwe was advised by the World Bank that they were underlent. It was assumed by most developing countries that the assured route for increased industrialization would be substantial capital injections, which would eventually lead to Rostow's third stage, namely 'take-off'. Zimbabwe, like other developing countries, borrowed money at a time when commodity prices were high, and interest rates were low. Unfortunately Zimbabwe's independence coincided with a global economic slump. Interest rates soared, and prices for commodities dropped substantially:

After 1982 the flow of funds out of the Third world averaged about $35 billion a year, amounting to nearly 10% of the value of the Third Worlds total exports. For some of the Third world countries the flow of
debt payments took as much as 50% of their earnings from their annual exports (Barratt Brown, 1993; 43).

During the 1980s, Zimbabwe's GNP per capita decreased slightly. The major reasons were firstly, the changes in the terms of their world trade, and secondly, Zimbabwe suffered the worst drought of the century.

Two contrasting perspectives on the Zimbabwean economy in the 1980s have been offered. One perspective states that compared to the significant set back all African countries experienced in the world economic slump, Zimbabwe fared reasonably well. It managed to protect most of its investment in human capital, and maintained social spending, despite its economic downturn. People centred investment was especially evident in respect to health and education. Primary education became universal with at least 50% of Zimbabwean youth attending secondary school. Life expectancy increased markedly by 10 years in the 1980s, to a new figure of 64 years of age.

A second interpretation focuses mainly on employment. It criticizes the government for not increasing employment or incomes, which contributed to stagnation. It was believed the reason for stagnant wages was specifically related to the governments post independence wage policy. For the first ten years of independence both minimum and maximum wage levels were set for both the public and private sector. The central aim was to lessen the wage differentials given the dominance of the white sector in the high paying jobs due to colonisation:

A significant reduction of wage differentials was achieved in the public sector, especially in the civil service, where the ratio of highest to lowest wages was reduced from 25:1 to 14:1 between 1981 and 1988. Looking at inter-industry differentials and taking the agricultural minimum wage as a reference point, as it is in fact the lowest
minimum wage, a reduction in inter-industry minimum wage
differentials did take place during the 1980's (ILO, 1993: 1).

Unfortunately, for many Zimbabwean workers, the adherence to wage
policies and the poor growth led to a drop in real wages. Ready access to foreign
exchange is a key ingredient for the growth of the Zimbabwean economy. Therefore
changes in prices of commodities can have a marked negative impact. Between 1980
and 1984 prices for beef, sugar, metals and other agricultural goods fell significantly.
The overall commodity price index during this time fell by 17.8% along with a 2%
drop in exports. Further analysis records that:

The terms of trade steadily declined and exports in Zimbabwean dollar
terms increased by 6.5% between 1980 and 1982, and by 18.8% between
1982 and 1983. This increase in exports in Zimbabwean dollar terms in
the face of falling world prices and volume of exports reflects the
gradual depreciation of the Zimbabwean dollar against the world's
major currencies and the eventual devaluation of the Zimbabwean
dollar in 1982 (ZIDS 14, 1992: 3).

By 1988 the Zimbabwean economy had stabilized and, in comparison to other
African countries, it was in a reasonable economic position. Inflation was rising, but
not substantially. The overall GDP growth was moderate and interest rates were
manageable. Therefore prior to a structural adjustment program prescribed by the
IMF, the Zimbabwean economy was in a relatively stable condition.

ESAP - Economic Structural Adjustment Program - its effect on disparity

The International Monetary Fund has given economic advice and devised
structural adjustment programs for many African countries. With some African
countries, they have responded to a crisis situation. For example the countries are thought to be mismanaging their economies according to IMF economists. These international experts believe that the countries are not producing sufficient goods, or are unable to meet their international debt obligations. Nigeria and Kenya are two examples. Zimbabwe's situation was different. Although Zimbabwe had up to 1982 borrowed money in order to finance its vision for the country, (see Table 7) it had a year later changed course, and made a concerted effort to decrease the debt service/exports ratio. This goal was achieved by the end of the 1980s with a significant decline in debt.

Table 7
A profile of foreign resource flows and debt in Zimbabwe, 1980-1991
(US $ millions)

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<tr>
<td>Total debt</td>
<td>786</td>
<td>2,190</td>
<td>2,173</td>
<td>2,403</td>
<td>2,610</td>
<td>2,834</td>
<td>2,647</td>
<td>2,776</td>
<td>3,990</td>
<td>3,429</td>
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<tr>
<td>% Private creditors</td>
<td>85</td>
<td>67</td>
<td>64</td>
<td>58</td>
<td>53</td>
<td>46</td>
<td>41</td>
<td>40</td>
<td>36</td>
<td>34</td>
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<tr>
<td>% Bilateral</td>
<td>14</td>
<td>18</td>
<td>20</td>
<td>23</td>
<td>26</td>
<td>26</td>
<td>32</td>
<td>29</td>
<td>33</td>
<td>32</td>
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<tr>
<td>% World Bank</td>
<td>-</td>
<td>7</td>
<td>10</td>
<td>13</td>
<td>16</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>17</td>
<td>17</td>
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<tr>
<td>% Others</td>
<td>1</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>10</td>
<td>9</td>
<td>13</td>
<td>14</td>
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<tbody>
<tr>
<td>Disbursement</td>
<td>132</td>
<td>720</td>
<td>246</td>
<td>241</td>
<td>218</td>
<td>285</td>
<td>272</td>
<td>359</td>
<td>391</td>
<td>491</td>
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<tr>
<td>Repayment</td>
<td>40</td>
<td>343</td>
<td>174</td>
<td>247</td>
<td>303</td>
<td>360</td>
<td>354</td>
<td>262</td>
<td>268</td>
<td>267</td>
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<td></td>
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<tr>
<td>Net flow debt</td>
<td>93</td>
<td>377</td>
<td>72</td>
<td>-42</td>
<td>-103</td>
<td>-106</td>
<td>-41</td>
<td>206</td>
<td>304</td>
<td>194</td>
<td></td>
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<tr>
<td>Interest payment</td>
<td>26</td>
<td>162</td>
<td>183</td>
<td>174</td>
<td>171</td>
<td>169</td>
<td>176</td>
<td>173</td>
<td>199</td>
<td>300</td>
<td></td>
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<tr>
<td>Direct foreign investment</td>
<td>2</td>
<td>-2</td>
<td>-3</td>
<td>3</td>
<td>8</td>
<td>-31</td>
<td>-18</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Grants</td>
<td>127</td>
<td>103</td>
<td>171</td>
<td>114</td>
<td>96</td>
<td>124</td>
<td>133</td>
<td>129</td>
<td>210</td>
<td>231</td>
<td></td>
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<tr>
<td>Technical assistance</td>
<td>70</td>
<td>51</td>
<td>47</td>
<td>54</td>
<td>64</td>
<td>88</td>
<td>93</td>
<td>97</td>
<td>84</td>
<td>80</td>
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<tbody>
<tr>
<td>Debt/GDP</td>
<td>14.9</td>
<td>31.6</td>
<td>44.0</td>
<td>57.6</td>
<td>55.0</td>
<td>54.9</td>
<td>46.2</td>
<td>48.4</td>
<td>54.8</td>
<td>62.8</td>
<td></td>
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<tr>
<td>Debt service/exports</td>
<td>3.8</td>
<td>36.9</td>
<td>26.0</td>
<td>29.0</td>
<td>31.0</td>
<td>32.1</td>
<td>28.3</td>
<td>23.9</td>
<td>24.4</td>
<td>27.6</td>
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The question arises what was the motivation for introducing a structural adjustment program. According to the International Labour Office (ILO) Geneva, which has carried out research into the impact of Saps in Zimbabwe, it centred on primarily the need to kickstart the economy, and the desperate need for foreign exchange. The structural adjustment program advised that these goals would be achieved by; "removing controls on the product market, capital markets, the labour market and the foreign trade sector, and to attract foreign loans and capital in order to finance renewal and expansion of the capital stock" (ibid). Other reasons indicated by research from ILO suggest; "The principal aim of the adjustment measures introduced in Zimbabwe was thus to put the economy on a higher growth path, to increase access to foreign exchange by removing controls on the product market, capital markets, the labour market and the foreign trade sector, and to attract foreign loans and capital in order to finance renewal and expansion of the capital stock" (ibid).

Zimbabwe's other major concern was to expand the manufacturing sector in order to absorb more secondary school leavers. This group was frustrated at their lack of work opportunities, despite their education. Approximately 300,000 people per annum are added to the labour force per year. Mercy Zinyama, an economist in Harare, says this figure includes school leavers and those who are retrenched. She states that the current job creating capacity of the economy in the 1990s is only 10,000 jobs per annum (Sunday Mail Newspaper: 16th January, 1994). Therefore unemployment in the country remains high.

In 1990 the IMF reform package was introduced. By the end of 1990 there was a noticeable deterioration in the Zimbabwean economy. Inflation increased substantially, along with the deficit and interest rates. This was felt to be a direct result of devaluation of the currency, reduced price control and the liberalization of imports. Unfortunately another factor that coincided with the destabilisation of the
economy was a severe drought - the worst in a century. This led to a catastrophic decline in maize production, Zimbabwe's staple crop. To compound the situation the IMF had advised Zimbabwe to sell a great deal of its stored food reserves, in order to make favourable economic adjustments. Zimbabwe then found itself in the dire situation of having to import food from South Africa.

The total government expenditure incurred as a result of the drought was Z$ 88 million from January 1992 to March 1993, with the greatest monthly expenditure being in November Z$ 43.5 million. The drought directly contributed 2.3% of GDP to the government deficit; indirectly its contribution was greater because of the loss of tax revenue. The foreign exchange cost of importing maize amounted to Z$ 2.4 billion in 1992 and the current account deficit rose from 4% of GDP in 1990 to 20% in 1992 (ibid).

Given the introduction of the IMF reform package, and taking the effects of the drought into consideration, it is important to note the impact on the Zimbabwean population. The ESAP (Economic structural adjustment program) affected health, education, employment possibilities and training, it also had a direct impact on the availability of other social services. This radical shift in the economy also had a great deal of social repercussions, particularly on already vulnerable groups, for example women. It is worthwhile here to note the contrast in the mainstream and alternative trading systems when focusing on economically marginalised groups. One of the strengths of the fair trading system is the opportunity for the most vulnerable to be empowered. This is evident not only in the healthy working environments, but also the opportunity for increased empowerment through organisational training and loan schemes. Examples of this alternative model were described in chapter three. The following information will focus on those most affected by the ESAP program and trace both the economic and
the social ramifications of the mainstream trading system on the indigenous population of Zimbabwe.

Human welfare in the early 1990s

Although no recent household budget surveys or labour force surveys have been carried out, there are a number of indications that human welfare has declined considerably since the introduction of ESAP:

- A household survey of a low-income urban settlement (Kambuzuma) in 1991 and 1992 showed a decline in income from both regular and irregular sources (irregular income could be money sent from relatives). The survey showed an average decline of one-third in real household income, and a rise in the proportion of households falling below the poverty line from 23 per cent to 43 per cent. The decline in income was greatest for the bottom quarter (a decline in income of 55 per cent) and least for the top quarter (a decline of 23 per cent). Real expenditure per household rose for the top quarter and fell by 18 per cent for the bottom quarter. There was a decline in the number of households eating three meals a day, from 71 per cent to 63 per cent for the sample as a whole. Food expenditure absorbed a rising proportion of the total, while health and education expenditure fell in proportion to the aggregate fall in expenditure.

- Among clothing and textile workers surveyed, 40% said that the increased costs of education had led them to cut their children's schooling, including taking children out of school, or not letting them carry on to the next level of education; one-fifth had stopped medical treatment because of drug costs.

- The Ministry of Labour has recorded an increase in numbers qualifying for public assistance from a norm of around 25,000 to 35,000 in February 1993.
- Large increases in the number of births before admission (BBAs) were recorded at Harare Central Hospital and a 22 per cent increase in the proportion of BBA's who subsequently died, both linked to the enforcement of charges.

- There was a fall in the use of health care facilities: 21 primary health care units showed a drop of a quarter in their caseloads, with a similar decline in both out-patient and in-patient loads in 36 clinics and hospitals, between 1991 and 1992.

- UNICEF reports reduced rates of immunization and reduced efforts devoted to malaria control - both related to resource scarcity in preventative health.

- The cost of treatment was the reason given for home treatment in 30 per cent of cases of diarrhoea treated at home.

- A sharp drop (14 per cent) in the number of O-level candidates (Grade 12 equivalency) occurred in 1992, despite the rising numbers of the cohort at school.

- Drop-out rates rose and absenteeism from school increased in 1992 compared with 1991, with falling school attendance in the second term of 1992 compared with 1991; the fall was especially sharp in the low-density rural area (ibid).

Economic experts from the IMF and World Bank might respond to the above information by stating that Zimbabwe, like other developing countries, needs to endure short term pain for the long term gain of the country as a whole. However, according to some critics, the pain does not appear to be time limited. In Nigeria, the effects of the structural adjustment program nearly a decade later, show an increase of 10% of infants with low birthweights and an increase of 14% of malnourished children under 5 (Inman, 1994: 12). Similar trends appear to be evident in Latin
American countries. Mark Fried, a New Internationalist writer, states "the more the economy grew the poorer most people became" (Fried, 1994:18). In Zimbabwe to date there appears to be little relief in sight for the unemployed.

The effect of ESAP on health in Zimbabwe

The severe cuts in spending in health and education occurred between the years 1991 and 1992. This was a direct reversal in policy due to the ESAP. Up until 1991 both of these areas had enjoyed increasing yearly budgets since independence in 1980. Between 1991 and 1992 health costs were reduced by 11.8% compared with the previous years. These cuts were expected to fall a further 14.5% by the following year. The cuts were especially harsh on the most vulnerable in Zimbabwe because preventative health care was cut drastically. There was also a significant decrease in the public funding of drugs. With the introduction of the ESAP the government shifted from taking a lax position in the collection of charges for health care, to a determined decision to finance 5% of health expenses through fees. Therefore those without formal employment were now required to make some contribution. Exemption certificates had to be sought in order to receive free service, and a ceiling of Z$400 was legislated per household.

The effect of ESAP on education

Educational expenditure followed a similar trend after commitment to an IMF economic program. In 1991/92 educational spending fell by 8%, with a further 11% cut envisaged in the following year. Primary and secondary funding was cut more than funds on higher education. This led to an increased pupil-teacher ratio in primary schools in 1991. School fees were introduced under ESAP in primary
schools in urban areas, and for all secondary schools in the country. Devaluation of the Zimbabwean currency under ESAP also meant a substantial increase in examination fees.

Impact on women

Changes in the cost of health care and education, as well as a significant drop in wages, has put women under a great deal more stress. It is women in Zimbabwean society who take responsibility for feeding, educating and taking care of the family. Although men contribute to the family income they have earned a reputation for squandering the household allowance. Reports state; "casual evidence shows that the burden of coping with the consequences of ESAP rests mainly on women, who often still have more limited access to family income than men" (ibid). Statistics show that the lower income urban households have felt the impact the most:

Between 1991 and 1992 food prices for lower-income urban households rose by 53.4% as against 47% for their total spending. As more than half of urban lower-income households' budget is spent on food - as against 20% for higher-income wage earners - it is clear that in urban areas lower-income households have suffered much more from inflation than those with higher incomes (ibid).

Another indicator of the increasing financial burden on women since the introduction of the IMF program is the rising incidence of prostitution in the cities. In some cases city hotels have organised brothel services in order to increase their revenue. Prostitution has also become increasingly popular amongst school leaving teenagers, who are struggling to secure permanent employment. Other ways of
combatting the effects of the economic crisis have been running shebeens (illegal drinking houses), poaching, drug trafficking, fraud and petty crime.

The effect of ESAP on employment

Employment is another area that has been effected by the ESAP. The labour force in Zimbabwe is 4.2 million - 28% of this group are employed on a regular basis. The remaining 62% are either unemployed, surviving on irregular informal sector activities, or engaged in communal farming. In 1994 the current job-creating capacity of the economy is about 10,000 per annum. Each year approximately 300,000 enter the labour market, they are mainly school leavers and individuals who have been retrenched. Zimbabwe's current unemployment figure is quoted as 30%, however:

If employment is defined as one's engagement in activities which yield a certain minimum regular money income, and thus abling the individuals to effect demand regularly on goods and services rather than transitory demand, then unemployment in Zimbabwe becomes 72% instead of the regularly quoted figure of 30%, states Mercy Zinyama an economist in Harare (Sunday Mail Newspaper: 16th January 1994).

Mercy Zinyama emphasizes the need for government to promote and assist small and medium-scale business. This is one way to assist those who have been most effected by Saps. Another way is for local producer groups to link up with Northern ATOs' or for parastatals to develop alternative trading links. The cost of creating one job in the small business sector is approximately Z$3000 according to the Indigenous Business Development Centre. This contrasts to the figure of Z$85 000
for one job in a large company, as noted by the Confederation of Zimbabwe Industries (ibid).

Due to the devaluation of the Zimbabwe dollar under the IMF program interest rates increased markedly. This had a negative effect on employment creation in both the small scale and informal sector. Black businessmen who had little historical access to credit were keen to borrow money for new employment ventures. High interest rates and the economic recession forced many out of business. The overall decline in formal sector non-agricultural employment declined from 939,800 to 844,200 between 1991 and 1992 the years of the introduction of the ESAP package. For an overview of Zimbabwe's future external financing requirements see Table 8.

Table 8
An overview of Zimbabwe's future external financing requirements (US $ millions)

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account balance</td>
<td>714</td>
<td>370</td>
<td>201</td>
</tr>
<tr>
<td>Amortization</td>
<td>354</td>
<td>389</td>
<td>430</td>
</tr>
<tr>
<td>Change in gross reserves</td>
<td>104</td>
<td>146</td>
<td>105</td>
</tr>
<tr>
<td>Foreign investments</td>
<td>-28</td>
<td>-38</td>
<td>-44</td>
</tr>
<tr>
<td>Net other liabilities and</td>
<td>144</td>
<td>182</td>
<td>88</td>
</tr>
<tr>
<td>short-term capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL FINANCE REQUIRED</td>
<td>1,288</td>
<td>1,049</td>
<td>780</td>
</tr>
<tr>
<td>ANTICIPATED DISBURSEMENTS</td>
<td>1,288</td>
<td>960</td>
<td>637</td>
</tr>
<tr>
<td>Grants</td>
<td>277</td>
<td>245</td>
<td>190</td>
</tr>
<tr>
<td>Long-term lending</td>
<td>867</td>
<td>587</td>
<td>394</td>
</tr>
<tr>
<td>Use of IMF</td>
<td>144</td>
<td>128</td>
<td>53</td>
</tr>
<tr>
<td>FINANCING GAP</td>
<td>0</td>
<td>89</td>
<td>143</td>
</tr>
</tbody>
</table>

Another significant trend in employment after the introduction of the structural adjustment program in 1990, was the increased casualization of the labour force. The most marked change effected women working full time. Between March 31st and June 30th 1992 about 30,000 women dropped out of full-time employment, while part-time employment increased by 8,000. The areas effected the most were manufacturing, financial services, commerce, hotels and restaurants (ibid).

Co-operatives are another area of employment that have felt the impact of ESAP. Cooperatives provided opportunity for the most vulnerable groups in Zimbabwe. Since independence in 1980 cooperatives received a great deal of support from both the government and non governmental organisations (NGO'S). With the introduction of the ESAP program and its emphasis on the free market, and the forces of supply and demand, co-operatives suffered. After 1990 they were put in a position whereby they had to compete with large manufacturing companies, especially in agricultural production. The following points describe the impact of the structural adjustment program on co-operatives:

Effects on per capita income; the unemployment problem has drastically reduced the spending rate of individuals (the community).

Farming: the agricultural marketing and supply co-operatives were heavily affected on the farming input sector. The members are farmers who with reduced income cannot afford to buy the necessary farming inputs, e.g. fertilizers and seed.

They are equipped with little inputs and limited implements, nothing is left for the poor peasant farmers to have improved productivity.

The continuous devaluation of the Zimbabwe currency has very adverse effect as far as the buying power is concerned. The poor buying power means the erosion of fixing standards of people in general. (ILO, Coopnet workshop, 1994: 68).
It is important to contrast the impact that the alternative or fair trading system has had on cooperatives. With the sharing of annual profit and the payment of liveable wages, many cooperatives have been able to sustain themselves. Bridgehead, like other ATO's, often provide interest free advances in order for the producer groups to afford the raw materials. All of these benefits have contributed to the long term survival of many cooperative organisations in developing countries.

**World Bank perspective on Zimbabwean economy**

In February 1994 a workshop on "Co-operative development and Structural Adjustment in Zimbabwe" was held in Harare, the capital city. One of the presenters at the workshop was Kapil Kapoor, a representative of the World Bank mission in Zimbabwe. He presented the World Bank's perspective on ESAP in Zimbabwe. In defence of the critics that state that structural adjustment programs increase poverty and result in a decrease of social services he said:

The central objective of adjustment programs is to put in place policies which will help to reduce poverty by accelerating economic growth and creating employment opportunities. There is a solid body of evidence, based on diverse international experience, which suggests that countries which are serious about reducing poverty should adopt a two-pronged strategy for the war on poverty. The first element of the strategy should be to implement policies which facilitate broadly-based economic growth which will generate income-earning opportunities for the poor, and make use of their abundant asset - which is their labour. Countries that have historically experienced rapid economic growth, such as Indonesia, Malaysia and Brazil, have also witnessed large declines in poverty (ibid: 57).
As previously stated in the text, in contradiction to Kapoor, the World Bank has agreed publicly that economic growth policies have often increased the vulnerability of the poor (World Bank, Mission Uncertain; 1992). Environmental degradation in Southern countries, including Indonesia, Malaysia and Brazil, has directly led to disease, famine and premature death. Brazil is a relevant example of increased pauperization in spite of increased GDP. For a period of 20 years Brazil's increases in GNP rose on average 8%. It received over $100 billion in World Bank and other bank funds. In spite of this, in 1991, those living in poverty amount to 40% of the population. Globally given the current economic climate approximately one third of the total population remain in absolute poverty (UNDP, 1993).

Table 9

Estimates of poverty in the developing world 1985 - 2000

<table>
<thead>
<tr>
<th>Region</th>
<th>Incidence of poverty (percent of population)</th>
<th>Number of poor (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Note: The incidence of poverty is the share of the population below the poverty line, which is set at $370 annual income. The poverty line of $370 per capita annual income is based on estimates of poverty lines from a number of countries with low average incomes. Incomes are based on purchasing power parity at 1985 prices. The poverty estimates for 1985 have been updated since the 1992 World Bank report to incorporate the availability of new data and to ensure comparability across years.
Table 10
Direction of Trade, 1980 - 1990

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1985</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>14.2</td>
<td>15.0</td>
<td>21.13</td>
</tr>
<tr>
<td>European Community</td>
<td>27.4</td>
<td>40.9</td>
<td>39.9</td>
</tr>
<tr>
<td>North America</td>
<td>7.9</td>
<td>8.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>50.0</td>
<td>35.6</td>
<td>29.0</td>
</tr>
<tr>
<td>of which: South Africa*</td>
<td>21.6</td>
<td>10.8</td>
<td>29</td>
</tr>
</tbody>
</table>

*The figures on South Africa show some inconsistencies since no exports were reported for 1990.


Impact of WTO measures on Zimbabwean economy

Zimbabwe, like other developing countries, also felt the effects of the WTO’s policies. The primary purpose of the WTO is to promote and regulate international trade to the benefit of all member states. New agreements in place by 1994 would have a direct impact on the Zimbabwean economy. For example a new agreement on farm trade would translate into improved export opportunities for Zimbabwean sugar, beef, citrus, and maize according to ILO research. Textiles and clothing could also enjoy more favourable conditions.

On the negative side, the agreement on intellectual property rights, is likely to increase the cost to Zimbabwe of state-of-the-art technologies. Zimbabwe like other developing countries will be obliged to create a more favourable climate for foreign investors by eliminating constraints and pre-conditions on investment. Zimbabwe, along with other developing countries, criticised the WTO for paying insufficient attention to the needs of the South whilst focusing on improving conditions for the industrialised North.
The poor in Zimbabwe, and in other developing countries, will remain vulnerable given the present global economic climate. Aid from the North is becoming increasingly scarce, and is less likely to reach the most needy. According to the World Bank, in 1988 only 2% of all aid to low-income countries was directed to primary health care and 1% on population programs. In 1994 the World Bank acknowledged that their programs had been unsuccessful in helping the poor and therefore donated $2 million to the Grameen Bank in Bangladesh (Vancouver Sun: December 1st 1993).

Since the slave trade and the accumulation of capital there has been an increasing polarisation of wealth between the Northern and Southern hemispheres. In the last decade the gap has widened dangerously:

Productive capacity has leapt ahead of purchasing power. A great ball and chain of debt holds down more than one-half of the world's people, while the rich employ their wealth in idle luxury, useless speculation and the purchase of each other's assets...We shall only create a new economic order by beginning to build new structures in response to the crisis we all face. The threat of disaster to the very ecosystem of the planet and the deteriorating situation of millions of the poorest people on earth sets a challenge which the human race has somehow to meet (Barratt Brown, 1993; 191).

The case for fairer trade remains urgent.
CHAPTER 5
A CASE STUDY OF FAIR TRADE IN ZIMBABWE

As stated in the previous chapter only about a third of the Zimbabwean population is employed on a permanent full time basis. This has led to a dire need for alternative employment. Since the introduction of ESAP the need for growth in the cooperative sector and small scale enterprise has been evident. The Zimbabwean government recognised that cooperative and small scale employment could fill some of the gaps in the reduced job market and provide a natural safety net, given the reduction in government social security expenditures since ESAP. Therefore they passed government legislation to support both the micro and small scale enterprise (MSE) and cooperative sector. A country wide study of micro enterprise revealed that there were 867,000 enterprises in Zimbabwe which employed 1.3 million people (Daniels, 1994; 1). This is considered large compared to neighbouring countries.

The Zimbabwean government has also encouraged socially responsible business. Dezign Inc is a good example of the latter. It is also a model of an alternative trading arrangement between the North and Southern hemisphere. It shows by example the profound impact that a fair trading arrangement can have on over 100 employee's lives.

Dezign Inc is a private company that is committed to globally conscious work practices and a more equitable system of trade. The company first started in 1987, the brainchild of Solly and Linda Levy, who began by printing 100 T-shirts. By 1988 Dezign Inc was linked to Traidcraft, an alternative trading organisation in Britain. With the help of Traidcraft and other alternative trading organisations Dezign Inc was able to double production and turnover each year, as well as increasing staffing levels to 100 employees in 1994. Since Traidcraft and other ATO's traded with
Dezign Inc's turnover has increased from Z$500,000 in 1990, to Z$5.6 million in 1994. Linking with ATO's also gave the company the opportunity to extend its product line and buy new machinery.

Table 11
Increase in turnover in sales with Dezign Inc

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>200</td>
</tr>
<tr>
<td>1992</td>
<td>250</td>
</tr>
<tr>
<td>1993</td>
<td>300</td>
</tr>
</tbody>
</table>


"Our overall objective is through constant motivation and trial and error, to establish a viable alternative to the inequitable commercial mainstream" Solly Levy, Director of Dezign Inc.

The overall aims and objectives of Dezign Inc include the following:

- to promote African artists, culture and design;
- to establish fair labour practices;
- to produce environment-friendly products;
- to partake in fair trade practices;
to attain excellence in print reproduction;

to nurture harmonious work relationships;

In the following paragraphs I will expand on each one of these objectives.

Indigenous artists, culture and design

Dezign Inc works currently works with over 30 Southern African artists. The artists are paid royalties of 5% of the wholesale price of all products with their artwork. "It is very exciting to walk down the street and see somebody wearing my art ... Dezign Inc has given us artists an opportunity that never existed in Zimbabwe before", says John Malagala one of the local artists. The artists retain the right to retract their work any time they choose. Using the artwork on T-shirts has also provided a medium for promoting political messages. The most recent campaign is promoting Aids awareness.

We strive, through our efforts in promoting African culture, to be on the cutting edge of innovative traditional and contemporary design. For too long African culture has been denigrated and we would like to play a role in addressing these imbalances says Solly Levy, Director.
Figure 12
Design John Malagala

"It is very exciting to walk down the street and see somebody wearing my art...Dezign Inc has given us artists an opportunity that never existed in Zimbabwe before."

John Malagala, Artist

Source: ibid

Fair labour practices

Dezign Inc from the outset made a conscious effort to strive for fair labour practices. One of the first issues they countered was gender imbalance. Light industry in Zimbabwe employs mainly men - Dezign Inc employs up to 45% women. The benefits for the workers in this company are generous given the
economic climate in the country. Wages are set about 50% above the minimum wage standard of the printing and packaging industry. Surveys are carried out by the company every 3 months in order to ensure the wages secure a reasonable standard of living. Those employees who have worked for over a year in the company and have not been absent for more than 21 days are eligible to share, along with others, 10% of the annual after-tax profit.

Figure 13
Women’s rights logo

Source:ibid

Another aspect of Dezign Inc fair labour practices is the power sharing structure of the company. Monthly meetings are held between management and the workers to discuss problems and concerns - equal numbers of management and workers are in attendance. Workers have full control in setting standards of work,
hours of work and breaks. Workers are also given the responsibility of analysing the production capacity of their section and brainstorming any problems.

Other benefits for the workers of Dezign Inc include a subsidized medical aid and pension scheme, and an above average leave allowance. Maternity benefits are also generous for the country, workers receive 75% of their weekly earnings for 90 days. Free lunch and tea is provided daily in the staff canteen. Another benefit is access to a loan fund which has low interest rates. Munyaradzi Takeaendesa sums up his experience:

It is a good place to work because working conditions are fair. The wages are better than in other companies in Zimbabwe. We have profit sharing at the end of the financial year, we get free meals, we have good working hours and we have freedom of opinion - we can go to the directors and say what we think to them or we can go to the workers' committee.

A final benefit provided by Dezign Inc for its employees is education and training. Training courses cover a wide range of topics. For example they include secretarial and computing skills, as well as increasing environmental awareness. Aids awareness programs are also available, as well as subsidized condoms. A nutritional program teaches workers about the impact of their food and diet. Social issues such as child care, sexism and health hazards are discussed on an ongoing basis by a mixed gender committee. Dezign Inc at times sends out some of their work to other progressive organisations. An example of this is the task of fraying floor mats. This work is sent to Mashambanazou, an Aids support project in Harare.
Mashambanzou, which means the dawn of a new life in Shona, one of Zimbabwe's indigenous languages, is the name of an AIDS support project. AIDS in Zimbabwe is a crisis of horrifying proportions. By the turn of the century, almost one in five Zimbabweans will have the virus.

Mashambanzou is a three-tiered project:

Terminal-care unit
Situated at St Anne's Hospital in Harare, this unit provides holistic care and spiritual encouragement for AIDS patients.

Drop-in crisis centre
The centre is on an eight-acre plot in Harare. It offers a friendly and constructive environment where people can gain support and share experiences. Pre-test and post-test counselling and HIV testing are offered.

The centre has established sewing and knitting co-operatives for HIV-positive women to encourage self-help, generate income and offer companionship. A vegetable garden provides healthy activity and fresh food for people who live at the centre and those who come on a daily basis.

The centre is constructing a multi-purpose building to accommodate the self-help projects and medical staff, and plans to establish a day-care centre and feeding scheme.

Community-based home care programme
The aims of this programme are to:
- teach relatives how to care for AIDS-affected family members
- provide spiritual and material support for families affected by the disease
- ease the pressure on the overburdened clinics and hospitals by caring for people at home
- educate about AIDS and HIV.

Figure 14

Mashambanzou and other projects supported by Dezin Inc.

Earth We donate 1% of the wholesale price of every product in this range to environmental projects, including projects that raise eco-awareness in Zimbabwe.

4th World Proceeds from the sale of the products in this range will be donated to projects that promote social education and awareness.

Sharp! Sharp! We donate 5% of the wholesale price of every product in this range to Mashambanzou.
Environmentally friendly products

At present about 60% of cotton in Zimbabwe is ploughed by ox-drawn implements. This helps reduce fossil fuel pollution. About 50% of Zimbabwean cotton is grown organically. Dezign Inc is concerned about the effects of their products on the environment and therefore makes a commitment in the following areas:

They buy unbleached cotton products.

They do not use formaldehyde in their stencil making materials.

We have replaced solvent-based emulsion or printing paste with an aqueous emulsion that uses water, not solvent, for cleaning. We select other chemicals, such as decoating powder and screen degreaser, according to their biodegradability, although these chemicals are more expensive than the locally available alternatives (Levy, 1994).
Dezign Inc uses recycled products and they make a concerted effort to keep down energy consumption.

Commitment to fair trade

"We believe that it is important that our products are marketed through alternative or like-minded organizations, so that all our efforts at producing globally conscious products are not wasted at the point of sale" says Solly Levy, Director (ibid). The alternative trading practices of Dezign Inc include a number of specific commitments. Firstly, they use local raw materials in 95% of their product line. Secondly, they have ensured the organisation pays fair wages to the employees by ongoing research into liveable wages. Gender equity issues are taken seriously and the use of eco-friendly production techniques adds to the ongoing commitment to fair trading principles. By trading directly with fair trading organisations Dezign Inc is not sharing profits with middlemen.

Print excellence

"We all insist on 100% quality, that is why our work is in demand by overseas customers" says Joseph Mupfuriwa, 1991/2 Workers Committee Chairperson. Dezign Inc is committed to using only the highest quality materials and production methods so that standards of excellence are maintained.

Harmonious work relationships

Work relationships have been fostered by maintaining an egalitarian power structure and a caring atmosphere. In 5 years Dezign Inc has replaced less than 10 people out of a staff of 125. "Not only have they introduced profit sharing, but the
directors always help with our personal problems" explains Cowen Holita 1993/4 Workers Committee Chairperson.

Dezign Inc is an example of a company in Zimbabwe which has incorporated fair trading principles in both its daily work practice, as well as with its international trading partners. It runs counter to the mainstream trading structures and provides a role model of an alternative system. To date, there are over 130 ATO's in North America alone that are linked with producer groups like Dezign Inc. Alternative trading organisations worldwide are having a profound impact on thousands of peoples lives in developing countries. A liveable income for one family member ensures food on the table for many. It means survival. "The challenge of the 1990s is to apply the alternative model more widely, and to promote fairer trade as a part of mainstream commercial activity" (ATO Conference report, 1992).
CHAPTER 6
CONCLUSION

Since the growth and development of mercantilism in the mid 1700s, there have been many changes in capitalist economies: colonialism, the slave trade, peasant enclosures, industrialization and the formation of global economic institutions. All of these have had a marked impact on the distribution of resources and, subsequently wealth. To date, it appears each successive change has led to increased wealth for many living in the developed world, at the expense of the majority residing in developing countries. While many in the North concern themselves with the acquisition of luxury items, multitudes in the South worry where their next meal will come from.

This inequitable distribution of wealth has also had a marked effect on the balance of power. It is becoming increasingly evident that Southern governments have limited power to assist their people if they continue to take part in the present global trading arrangement. The 'Group of 77' has explored the notion of increasing trade between developing countries and only trading surplus goods to the developed world. However, this idea is in its infancy and, to date, there has been no formal disengagement from current trading patterns.

A paradigm shift is now urgent not only to decrease the disparity between the hemispheres, but also to ensure the survival of the planet. Fair trade is one strand of a new tapestry that will encourage local self reliance, a commitment to social justice and a renewed sensitivity to the sustainable use of the planet's resources. Ecofeminism and steady state economics are two theories which are congruent with the principles of fair trading. Both these theories take into

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consideration the inequities produced by the current trading system and the health and preservation of the earth.

Fair trade, however, will remain marginalised unless there is a rejection of the present ideology which embraces economic growth as a primary indicator of progress. Continuous economic growth, in the long term, is an illusion given the earth's finite resources. This idea ensures future generations of humans, plant, and animal life, a limited life span, if not extinction. In the early 1900s, Frank Knight, a renowned economist, remarked; "Living intelligently includes more than the intelligent use of means in realizing ends; it is fully as important to select the ends intelligently, for intelligent action directed toward wrong ends only makes evil greater and more certain" (Daly and Townsend, 1993: 183).

Fair trade faces numerous challenges if it wishes to present a viable and long term alternative to the current trading system. Fair trade can no longer rely on alternative trading organisations (ATOs) as a mainstay of their system. Non governmental organisations are struggling to stay afloat in the economic climate of the mid 1990's, as they are receiving less government support. Therefore, it is imperative that fair trading move into mainstream commercial outlets. It is important to attract business owners who wish to commit to ethical principles in their pursuits.

IFAT has established criteria which would help guide new business owners. This group could then take on the role of current ATOs. Instead of relying on numerous middle players, business owners could make long term arrangements with Southern producers directly, offering them a fair return on their products so that workers in the South can maintain a reasonable standard of living. Those products which adhere to the ethical guidelines of trading fairly could distinguish themselves by displaying a fair trading label on their product. These goods could then be sold in mainstream supermarkets following the present trend with coffee
and tea. Consumers are then in a position to make choices about which system they would like to support.

Education, however, is an essential part of orchestrating alternative trading arrangements. Many consumers in the North are ignorant of the impact of their mass consumption lifestyles on Southern populations and resources. This information dissemination is an integral part of bringing about a paradigm shift in global trading. Consumers will have to learn about the necessary lifestyle changes they will need to make in order to bring about a more ecologically sensitive trading system, which distributes wealth more equitably.

Social work is one of many professions that could work at reducing the negative impact of the present system of trade. There are a number of key roles which social workers could play. An important one is education. Through ongoing structural analysis, social workers could keep current regarding the impact of the present trading arrangement on marginalised groups. Social workers could then facilitate workshops and speak at conferences in order to educate the public about global economic issues. A social work perspective should include an assessment of health and nutritional needs in a country, education and training, social protection and shelter needed to improve the human condition. Social workers could also assist in writing school curriculums which address the social consequences of the current and alternative economic systems.

A second role for the profession of social work is that of negotiation. Social workers in the international development field, who have secured contracts through organisations like CIDA (Canadian International Development Agency), would be in a good position to make contact with producer groups who have been unable to secure overseas contracts for their products. With links to northern NGO's and socially responsible business, social workers could facilitate North/South linkages and thereby secure work for the economically marginalised in the South.
Conferences held annually by fair trading organisations would be an ideal venue for social workers, and others, to make the appropriate linkages for Southern producer groups to Northern fair trading businesses. The role of the negotiator could also be used to help the unemployed or underemployed in the North. For example, socially responsible businesses might agree to buy products from those on welfare if the orders could be ensured. Social workers could access community groups and find out if there was interest in making products which would adhere to fair trading principles.

A third role for social workers committed to fair trading is research. At present, there are a number of key research topics. In Canada, to date, fairly traded products are not available in mainstream supermarkets. Research could explore the willingness of consumers to purchase, and pay extra, for alternatively traded products. In Britain, a positive response of 5% to a survey which ascertained consumer willingness to purchase alternatively traded products, was enough to encourage retail stores to stock fairly traded products, and support the need for a fair trade label (Fair Trade pamphlet). Therefore, this consumer research has the potential to open up the global market place to those committed to fair trading.

Ongoing research on the social and environmental effects of globalisation, transnationals and the current trading system is key to bringing about policy change on a global level. Another research topic could focus on the effectiveness of alternative trading models, and document their limitations as a way of improving and expanding a fair trading system. Further to this, a wide number of cooperative organisational structures have been utilized by producer groups in the South. Some are a lot more effective than others. Research could help producer groups introduce structures that are effective and help create a more functional working environment. Finally, there is a need for research on socially responsible businesses. For example,
what has worked in this sector, what are some of the difficulties and how could these be overcome?

There are three international bodies which are committed to social work maintaining a global perspective. The IFSW (International Federation of Social Work) is the smallest of these. It is an offshoot of the International Permanent Secretariat of Social Workers, which was originally formed in Paris in 1928. The name was changed to IFSW in 1950. In 1995 the IFSW had 55 associations and organisations listed as members. One of these is the Canadian Association of Social Workers (CASW). The CASW plays a strong role in IFSW's committees and biennial symposia. It also publishes a professional journal called The Social Worker. The IFSW, through programs and activities, continues to promote social work as an international profession. Members are bound by a common Code of Ethics and a Declaration of Ethical Principles. Since 1988, 13 policy papers have been published by the IFSW. Some have concerned themselves with global societal problems, while others have focused on increasing the solidarity among international social workers. Social workers who are not linked with member organizations may link up with IFSW through their 'Friends of the IFSW' program. This program helps individual social workers keep current with trends of the profession on a global level.

The second of the three international social welfare organizations is concerned with the education and training of social workers. It is called the IASSW (International Association of Schools of Social Work). Membership for the IASSW includes 400 schools of social work. These are linked regionally, sub-regionally and nationally in 24 associations of schools located in 70 countries.

The IASSW has provided a number of key services. Firstly, it has encouraged the development of social work training in both hemispheres. It acts as a consultative body to schools of social work as well as providing direct services. For example it "organizes workshops, seminars and conferences, advises governmental
and non-governmental bodies on questions of social work personnel and training and publishes books, documents, and teaching material relating to social work education" (Turner, Turner, 1995: 588). In 1995, the IASSW organized projects with a social development focus in Asia, Africa, Latin America and the Caribbean. The Canadian member of the IASSW is called the CASSW (Canadian Association of Schools of Social Work). This body has helped social workers find opportunities for social work education and training in developing countries, for example through CIDA funding. It has also collaborated on research projects to further the commitment of IASSW.

The third agency which is committed to international social work is ICSW. Membership for the ICSW (International Council on Social Welfare) includes national committees in 76 countries and over 20 international organizations. The objectives of this organisation are varied. For instance, it is committed to providing a forum for the dissemination and exchange of information among social workers and their agencies. It aims to encourage linkages between international organisations that are concerned with social welfare, and are pro-active in educating United Nations staff about current social work analysis. To date, the ICSW has solidified its consultative role with the Economic and Social Council, the United Nations International Children's Emergency Fund (UNICEF), the Food and Agricultural Organisation (FAO), the International Labour Organisation (ILO), the World Health Organisation (WHO), the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the Organisation of African Unity (OAU). The Canadian link to the ICSW is called ICSW Canada. Historically it has been a loosely structured organisation which has consisted mainly of volunteers. By the mid 1970s ICSW Canada decided to merge with the Canadian Council on Social Development. However, by 1979, ICSW Canada found this merger conflicted with its' international agenda and, therefore, re-established itself as an independent body.
Given the international focus of IFSW, IASSW and ICSW and their commitment to keeping current on the social consequences of global trends, it is important that social workers interested in fairer trading maintain links with these organisations. With their firmly established North/South links, and educational focus, a pre-existing network could be utilized to educate about alternative economic structures. By commitment to an alternative economic model, social work practice could facilitate closer linkages between organisations interested in creating an economic system which values the disadvantaged in both hemispheres, is committed to the sustainability of the earth's resources and which restores nature to its original status, prior to the introduction of the economic 'growth' model.

Since 1775 the notion that a "freely competitive market" would bring about the greatest good has met only limited challenge. With the growing awareness, by global citizens, of the environmental cost of sustaining the 'growth' economy, a tide swell of opposition is growing. Voices from Southern countries are growing louder as they face increasing numbers of their populations mired in poverty. Northern citizens are also more aware that globalization, and the current trading structure, is benefiting a minority at the expense of job security and healthy living conditions for the majority. Fair trade is one of many new initiatives which is aimed at reducing global inequality, promoting a self sustaining lifestyle for all and preserving the earth for all its inhabitants. The challenge for citizens in both hemispheres is enormous. The cost of the status quo will likely provide the necessary impetus.
BIBLIOGRAPHY


Free Trade/Fair Trade: a workbook on global trade

THE B.C. NGO WORKING GROUP ON FAIR TRADE
with the support of

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Special Thanks to:
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Shary Bartlett, USC (BC Office)

Thanks to the Ecumenical Coalition for Economic Justice for their permission to use their materials including the plays reprinted on pages 23-27.

Illustrator
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Design & Production
Community Text Tools
A service of SPARC of BC

Financial Support
BC Teachers Federation,
Global Education Project
OXFAM-Canada

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We welcome reproduction of this material with acknowledgement.

This book is an initiative of the BC NGO Working Group on Fair Trade whose members are:
BC Teachers Federation
CUSO
International Council on Social Welfare
OXFAM-Canada
Pacific Earth Education Society (PEES)
Social Planning and Research Council of BC (SPARC)

The BC NGO Working Group on Fair Trade is a coalition of international development and domestic agencies which educates the public on issues of fair trade. It is committed to supporting and developing alternative trade networks and organizations.

About OXFAM-Canada
OXFAM-Canada is an international development agency for people who believe in working for positive change around the world. With the generous support of thousands of Canadians, OXFAM has been working with groups seeking self-sufficiency and democratic rights since 1963. OXFAM operates in partnership with community organizations in Central America, the Andean region of South America, the Caribbean, the Horn of Africa, Southern Africa and Canada. The OXFAM Vancouver office participates in educational and social action projects with a number of local and national coalitions and groups. OXFAM-Canada also operates Bridgehead, an alternative trading organization.
Introduction:
Trade: It's Nothing New

All known societies, ancient and modern, have practised some form of trade exchange. It seems unlikely that there has ever been a people that managed to produce or find everything it needed for its health and well-being. Generally, some sort of exchange with other peoples or communities has been needed in order to meet basic needs or to enrich a society's physical, economic or cultural life.

We have records of many ancient societies that had well-developed trading networks. Here in Canada, conversations with First Nations people who are knowledgeable about their heritage reveal that different groups of people, sometimes living a good distance apart, have historically traded among themselves, supplying each other with goods that were not locally available.

Today, world trade plays an increasingly important role in international affairs. We can see this reflected in the media, as trade talks and trade disputes are far more frequently reported than in the past. In the last few years, some governments have sought to benefit from and dominate international trade by forming trading blocs, which are characterized by special agreements between countries. Two of these "free trade agreements" are the European Union (EU — formerly EEC), and the North American Free Trade Agreement (NAFTA).

From time to time, countries have disagreed about trading matters. Sometimes these disputes have even resulted in wars. With advances in communications systems, countries have increasingly sought means of negotiating their trade activities with each other. They have even come up with sets of rules for dealing with trade between nations.

The present set of rules for international trade came about as a result of an international meeting that was held in 1944, just as World War II was ending in Europe. At that time, the countries found it was necessary to try to put a peace-time economy in place for the world. They wished to take measures to prevent another international economic depression like the one that lasted throughout the 1930s. They also wanted to increase world trade. One of the ways they sought to do this was by making it difficult for countries to be protectionist about their international trading policies. They wanted to make sure that countries with a lot of products to sell would be able to export them to as many countries as possible.

At this meeting, which took place at Bretton Woods, New Hampshire, in the northeastern part of the United States, several new institutions which were supposed to support and encourage world trade, were established. One was the Bank of Reconstruction and Development, which has since become the World Bank. Another was the International Monetary Fund or IMF.
The World Bank was set up for the purpose of making loans to countries for projects designed to increase economic growth. These projects include the construction and improvement of things like highways, railroads and ports. These major infrastructure projects were supposed to boost a country's productivity, and ultimately, its exports.

Originally, the International Monetary Fund, or IMF, as it is often called, was designed to make sure that countries did not get into economic problems and could continue to pay their bills and loans. As originally designed, it would have been able to shift funds around to countries that needed them for short-term cash flow problems. Today, the IMF plays a very strong role in advising governments what measures they must take if they want to continue to be eligible for loans. At times, these take the form of very stringent programs.

The government representatives at the Bretton Woods meeting also established some ground rules for increasing trade opportunities for the countries with highest level of exports. This set of rules, which is still in effect today, was called the General Agreement on Tariffs and Trade (GATT). It is now called the World Trade Organization.

GATT was created specifically to reduce barriers to trade. One of its functions is to discourage countries from discriminating against each other's exported goods by limiting the amount that countries can charge in fees, or tariffs, for allowing goods exported from another country to cross their borders.

While eliminating tariffs is favourable to countries that want to export a lot of goods, it can make it difficult for countries to set their own limits about how much, and which goods, they wish to import. In this sense, GATT has the effect of limiting national sovereignty by not permitting governments to make rules that might favour their own national production plans.

It is important to remember that developing nations had very little influence at the Bretton Woods meeting. The United States, together with the European industrialized countries, shaped the institutions that continue to control world trade and economic flows to date.

Over the last fifty years, there have been many theories about how to distribute the world's wealth and how to help developing nations increase their prosperity. Some of these theories are based on the "trickle down" concept. This theory supposes that if more money reaches the wealthier sectors of a society, the rest of the people will benefit as the effect of increased spending by the rich will "trickle down" to the poorer sectors. In actual fact, there are many reasons why this is rarely the case.
Some version of this “trickle down” theory seems to be operating in most of the world trade strategies in effect today. Meanwhile, the need to become competitive in the world market has had devastating effects on many developing countries. Often these countries have found themselves blocked in their attempts to assist the most needy members of their populations, or to decide for themselves how best to use their agricultural lands.

The years since Bretton Woods have seen an increased gap between the wealth of the developed and developing countries, and between the rich and the poor within the same national boundaries. We have seen a worldwide increase in migration, as people leave the countryside to seek work in the cities or leave their homes to seek work in other lands. We have also witnessed the phenomenon of starvation in some countries, while other nations have vast warehouses of stored food.

In the pages that follow, we will describe some of the conditions that exist under the present international trading structure. We will be using cotton production as an example, to show how agriculture, land use and labour conditions are all affected by the existing world trade framework:

- In Section 1, we take a look at where seeds come from and how basic units of plant life are being altered to increase profit.
- In Section 2, we look at land distribution and use and the long-term affects of debt on developing countries.
- In Section 3, we address the processing of cotton into usable products, and we take a look at the effects of global pressures on labour conditions.
- Section 4 deals with the role of transnational corporations.
- And finally, in Section 5, we describe what an alternative trading network could look like.

Steps are already being taken to set up such networks, and it is now possible to purchase goods that are being produced and traded in a way that brings greater benefit to the people that produce them, without exploiting workers and without harming the environment.

International trade is a complex topic and we cannot possibly cover it all in these few pages. We will, however, take a look at some of the most important elements, with the hope that some readers will wish to deepen their knowledge and understanding through further research.

International trade represents a major aspect of the world we have inherited. It is well worth understanding, if we are to begin to explore alternative trading arrangements that may lead the way to a fairer trading system for all the world’s peoples.
Section 1: Seeds and Trade

Throughout this text, we will be referring to the illustration in the centre of this workbook (pages 20 and 21). Please turn to it now to trace the beginning of our journey. We are beginning at the section on the map called Mainstream Trade. We will start with seeds.

**objective**

Explore how cotton and other seeds have been affected by world trade and consequently how countries are pressured to over-produce certain goods for the world market.
A parable...

Once upon a time a man named Aidan, who lived in Ireland, decided to explore South America. Aidan was a farmer, and true to his occupation, he was keen to experiment with different varieties of seeds and plants so his family and friends could improve their diet.

Aidan loved the South American potato, which he had never seen before, and so when he finally returned home, he decided to bring some potatoes back to plant in Ireland. Not thinking clearly at the time, Aidan and his fellow explorers decided to bring back only one variety of potato. The potato soon became very popular in Ireland, and in a short time, farmers and peasants all around the country were growing potatoes.

One day, when Aidan and his wife and children went to dig some potatoes for dinner, they noticed a disease, or blight, on one of the potatoes. The blight spread quickly to all of their potatoes, killing them off in the process. Before long, the family found itself without food because the other crops they grew were all for export to England, and the money they brought in was needed to pay the rent on the land they used for farming. Ireland was Britain’s first colony and, like the residents of other colonized countries, local people lost the right to hold property. Aidan and his neighbours were all starving and some people even died of hunger.

One night, Aidan went into the woods to consult with the leprechauns, the ancient wise beings greatly respected by the Irish people. “Aidan,” one of them said, “the world is unpredicatable and so it is wise not to put all of your eggs in one basket”. At first, Aidan didn’t understand what the leprechaun meant, but soon he realized the mistake he had made. “Seeds are the source of life,” he said to himself, “and a wise farmer will always sow different varieties of plants for protection against Mother Nature’s whimsical spirit. That way, if a disease strikes one type of food crop, there will still be others that will survive.”

Alas, Aidan’s realization came too late. About two million people died of starvation in the potato famine of 1849 — a quarter of Ireland’s population.

It seems that in the 1990s, many people have forgotten this important fact. At present, 95% of our food is obtained from only 30 species of plants, and the fibres from which our clothing is made is dependent on a limited variety of seeds. Cotton, a material we all use for clothing, is mostly grown from one seed variety called “Upland” or “Alcala”. In fact, the Upland variety accounts for 90% of current world cotton production.
Heritage and hybrid seeds

When we think about our dependency on seeds, it is important to make a distinction between two different types of seeds — heritage and hybrid seeds. At present there are 39 varieties of heritage cotton seeds in the world and some of them produce cotton in shades of brown, green or other colours. Yarn made from this naturally coloured cotton need not go through the dyeing process, and the colour of the woven fabric becomes brighter each time it is washed. It is more ecologically responsible, since eliminating the dyeing step means that no waste is produced and less energy is consumed during the production process.

These coloured cotton seeds are one of the many varieties of natural or heritage seeds.

Most of the white variety of cotton we are more familiar with is actually a hybrid seed. Hybrid seeds are the product of genetic engineering. This means that different species of the same plant are crossed in an effort to get varieties that meet a specific need, such as high production for export.

This sounds like a good thing, but it has its dangers.

Original heritage varieties, that have survived for thousands of years, were resistant to many pests. While hybrid seeds produce a high yield, they are weaker than heritage seeds, and require extensive pesticide use.

Another characteristic of hybrid seeds is that they do not reproduce themselves. Instead of being able to plant the seeds taken from one year’s harvest the following year, users of hybrid seeds must purchase new seed every year.

The same companies that breed and sell hybrid seeds also sell chemical fertilizers and pesticides. These companies have been able to develop seeds that will not prosper unless they have been treated with these products. Increasingly, this type of “package farming” is being promoted in developing countries around the world. It places farmers who cannot afford to buy the whole “package” at a great disadvantage.
In recent years, some big seed companies have actually taken out patents on heritage varieties of seeds. This means that they become owners of the seeds and people must pay to be able to use them, even if they have been growing food from the same seeds for thousands of years.

research questions

Find out how many fruit and vegetables you eat are grown from hybrid seeds:

What chemicals are used on the seeds and plants to fight disease and pests?

What organizations in your region have this type of information?

some places to look

Agriculture Canada publications
Society for Promoting Environmental Conservation (SPEC)
Farm Folk, City Folk*
City Farmer*
*offices in Vancouver

question for reflection

If you were a farmer, which type of seeds would you prefer to use?

Why?
We began our story with a discussion about seeds because the economies of most developing countries are based on agriculture. This means that when we try to understand how world trade works, it is also important to think about land, who owns it, how it is used, and who decides how it will be used.

In order to further our understanding about the link between international trade and land distribution, it is important to ask the following questions:

1. Who owns most of the productive agricultural land in a given country or region?
2. How is the land used and what are the environmental consequences of this use?
3. How does the way land is distributed and used affect people?
4. How are poor people affected? Rich people?

Land distribution is at the root of many conflicts that take place in developing countries. European countries that set up colonial governments in Africa and Latin America often gave large tracts of land to their own military or government people in return for loyal service. This land was, quite simply, stolen from the local inhabitants.

In more recent times, large land owners have found ways to push smaller farmers off their land. The landless people are then forced to become low-waged labourers on the big farms. The current increase in the export agribusiness means an even greater concentration of land in fewer hands. In some cases, support systems set up by governments to help smaller farmers with credit and agricultural advice are now being phased out. The result is that even more people are abandoning the countryside to seek a living in the cities.

It is important to understand that the land distribution problems mentioned above are not only taking place in developing countries. The family farm, once a key element in the Canadian economy, is increasingly under threat, as people who work land that has been in their families for generations can no longer afford to do so. The lands they are forced to sell often end up in the hands of large companies that produce grain and other crops for the world market.
Lending practices
Imagine you are a small manufacturer. You approach a local bank to borrow some money to expand your operation. You feel you have little choice because larger companies are able to undercut your prices. It seems like a good time to borrow money because interest rates are low. However, the bank tells you the interest rates may rise depending on inflation.

Inflation has gone up a little lately but banks have kept their interest rates low so you are prepared to take the risk. Over the next ten years, inflation soars and banks deal with this by increasing their interest rates substantially. You find yourself in a situation where you can no longer afford to make payments on your loan. Is there anything you would suggest to this manufacturer?

The example described above is very similar to the experience of many developing countries. The mountainous debt load these countries face has also affected global trading dramatically.

In the drawing below, the people carrying bundles represent developing countries (most of which are in the Southern Hemisphere).

But the tragedy was not just the increase in interest rates. The flood of loans coincided with a drop in the prices of our products...

We'll pay them by exporting cotton.

Now many countries are producing cotton to pay back their loans, so if you don't like 14 a bale, we'll get it from someone else!

The same ones who raised the interest on the debt also lowered the prices of our products on the international market, to the point where they are selling for the same prices as 50 years ago.
Debt, land & development
One of the biggest problems developing countries face is the fact that they are in debt. We sometimes see graphs illustrating just how much money each developing country owes, and the amounts are staggering. Yet this situation was not always the case. The debt load many countries carry is the direct result of policies and actions taken by the world’s richest countries. The results continue to affect the way land is used and income is distributed in the countries to the South. So how did this debt come about?

Three events that changed the world’s economy
In the early 1970s, three major events occurred that seriously affected the world’s economy. They were all related to each other, and they have all had a lasting effect on the world market. They are:

1. The economic cost to the United States of the Vietnam War

2. The U.S. decision to no longer back up its dollar with gold meant that money became a commodity that could be traded on world markets

3. A dramatic increase in the price of oil

So how did all these things work together to cause the current world debt crisis?

The Vietnam War cost the United States a great deal of money. In order to improve its economic situation, the U.S. decided that its dollar would no longer reflect a value in gold. Once this happened, money became a commodity that could be bought and sold on the world market.

While these things were taking place, a series of actions taken by the oil-producing countries resulted in much higher oil prices. These countries suddenly became much richer than they had been before and began to have more influence on world events.

Once the U.S. dollar was no longer attached to a gold value, the developed countries found that they had extra money they wanted to lend for profit. They began to approach developing countries with offers of low-interest loans.

Developing countries were especially hard-hit by the increase in oil prices. Like all other countries, they needed oil to run their tractors and factories, but unlike the more developed countries, they lacked reserves of money to buy it at the increased prices. As a way out of their economic difficulties, many countries were encouraged to borrow money, so international loans were arranged.
Developing countries found themselves in a similar position to the small manufacturer we described earlier. In the early to mid-1970s, there was a lot of money available for loans. Inflation was rising slowly at that time, but interest rates were kept relatively low. The conditions for borrowing were very attractive. By the late 1980s, a new era of economic policy was introduced in the United States and England. This became known as "Reagonomics" (after then United States President Ronald Reagan) or "Thatcherism" (after Margaret Thatcher who was then Britain's Prime Minister). These policies included raising interest rates in an attempt to control inflation. The higher interest rates were meant to encourage people to save their money and purchase less, but the result was increased unemployment and decreased wages for many people.

Many countries found it very hard to pay this high interest rate on their loans, and some were unable to pay at all.

At the same time that interest rates were increasing, many of the goods the developing countries produced were dropping in price, as too many countries were competing to sell the same products. These countries entered into a back-breaking cycle of debt, as they were forced to produce even more goods for export in their attempts to service their loans.

**Exercise: Debt Map**

Together with your friends, try to find out how much money some of these countries owe by investigating in the library.
Unfortunately, in their eagerness to lend money, the developed countries negotiated loans with some governments that did not behave responsibly toward the people they governed. Sometimes the loans were even used to develop military, rather than people's priorities. So, despite the fact that many developing countries have borrowed large sums of money, most of the people who have inherited their government's debt load have not seen noticeable improvements in their lives and communities. Nevertheless, they are responsible for paying back the loans their governments have taken out in their names.

Enter the debt doctor

The debt crisis has had a long-term impact on the way land is used in developing nations. Countries in Central and South America and Africa became so desperate under their debt-laden conditions that they felt obliged to accept economic prescriptions dictated to them by the International Monetary Fund (IMF) and the World Bank.

The IMF and the World Bank, along with the World Trade Organization (formerly the General Agreement on Trade and Tariffs or GATT) are international institutions established at the end of World War II for the purpose of solving global economic problems.

One of the functions of the IMF is to come up with programs that will ensure that loans made to developing countries get repaid, so as to avoid a crisis for banks in the lender countries. We could look at the IMF as a sort of "debt doctor" who writes a prescription for economic recovery. Recovery, however, really means that a country will generate enough dollars to be able to service its loans. This type of recovery has little to do with the real health and well-being of a country's residents or its domestic economy. In fact, the result is often just the opposite.

When Doctor IMF writes a prescription, it is called a Structural Adjustment Program or SAP. It goes something like this:

Developing countries must pay off some of their debt by growing "cash" crops. This means they must grow crops like cotton or coffee, which are sold to industrialized, developed countries to bring in foreign exchange (dollars) which are then used to pay the interest on their loans. Unfortunately, land that is needed to grow food for local consumption gets used for export crops and a country's ability to produce its own food becomes ever more limited.

Money must be withdrawn from social programs and services and government spending must be reduced. This economizing effort means cutbacks in important areas like health care and education.
Developing countries are forced to devalue their currency to make their export goods cheaper. The usual effect, however, is increased inflation and higher prices.

Countries are expected to adjust their laws to make it easier for foreign companies to set up profitable businesses within their borders, by decreasing taxes and making few demands on foreign investors. This makes it difficult to insist that foreign investors make some kind of contribution to the host country. It also makes it difficult for a government to set up programs that favour local businesses and investors.

The cartoon shown here, which was drawn in Costa Rica (a country that has experienced several SAPs), shows what a soup made from a SAP recipe would taste like.

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**ADJUSTMENT SOUP**

**NEOLIBERAL STYLE**

**INGREDIENTS:**
- 200 cups Constant devaluations of local money
- 24 tablespoons Elimination of price controls
- 47 cans of Wage freezes
- 100 packets of Indirect and direct privatization
- 80 tablespoons of Reduction in public spending
- Season with An increase in exports
- Garnish with A lot of foreign investment

**Preparation:** Put all the ingredients in a big pot, along with the broth (the people's sweat). Let it boil for years. Make sure the people taste it. If it's not quite right, get some more broth out of the people. Serve boiling hot, in collective bowls, to female and male workers. Try to keep them from figuring out what's going on.

**NOTE:** The combination of ingredients varies from country to country. It all depends on the taste of the governments and the banking institutions. Structural adjustment programs are in place today in all of the Central American countries.
Structural Adjustment Programs, which are sometimes referred to as “austerity programs,” and they can result in real suffering for a country’s population.

One major problem is that developing countries need to generate enough money from their exports to pay their debts and develop their economies. This is made more difficult when developing countries have to compete with each other because they are exporting the same commodities. For example, when countries try to sell the same goods to the same potential buyers, prices on the world market will tend to fall, making it still harder for developing countries to acquire money to pay back their loans. A vicious cycle of poverty and debt is created.

The people who suffer the most under SAPs are poor people who depend on agriculture to support themselves. Under these programs, large landowners begin to devote their land to cash crops for export because that is where profits are to be made. In some countries, poorer people who could not prove that they owned the land they had lived on for centuries suddenly found themselves homeless as their lands were taken over by large companies.

Countries that were formerly self-sufficient in food now found themselves in the dependent position of having to import food for local consumption. You may have seen examples on television of adults and children dying of starvation. In the past, these people may have worked their own farms and been able to produce enough food for themselves.

SAPs are particularly hard on women, since the traditional agriculture and cottage industries practised by many women in developing countries are forced to take a back seat to export agriculture and imported consumer goods. Furthermore, the production activities of most of the world’s women are not taken into account as part of a country’s Gross National Product. In other words, their contribution simply does not count in terms of their country’s economic production or resources.

Under SAPs, the land itself begins to suffer damage from growing produce that does not suit its soil. (Cotton is a good example of a crop that is highly destructive to the soil. Not only does it sap the soil of nutrients, but it requires large doses of pesticides in order to survive.)
While all these changes are taking place in a society, cutbacks to existing social services under SAPs can make poor people who increasingly suffer from hunger more vulnerable to health problems, with little access to affordable health care.

SAPs also hurt the local manufacturing sector. IMF policies reduce the availability of credit to suppliers for the domestic market, so there is less investment. The removal of barriers to imports means that local producers are forced to compete with imported goods, while at the same time local industries become increasingly dependent on costly imported parts and machinery for making their products. Finally, the IMF's emphasis on privatization and government spending cuts makes it difficult for a government to support local manufacturers through public investment or through programs designed to develop and improve local industry.

**questions for reflection**

List four things that a SAP tells countries to do.

Why do you think developing countries feel obligated to follow SAPs?

Do you think a SAP could be imposed on Canada?

We often hear that Canada has a deficit problem. What is our government doing to reduce it? How is this similar or different to what is happening in developing countries?

What problems do you think would be caused by the government trying to solve the deficit by cutting back social services?

**exercise**

Draw a "web" of what happens when health services are cut? Education services?
Section 3
Trade and Labour Conditions: The Other Side of the Coin

(Before beginning this part of the journey, return to the centre illustration and locate where we are.)

When we examine the characteristics of world trade, working conditions and wages must be taken into consideration. If fair trade were a priority, countries would ask the following questions of a potential trading partner:

1. How much do workers earn in this country or region?
2. What are their working conditions? Do they have to work long hours in an unhealthy environment?
3. Do children regularly work alongside their parents, rather than go to school?
4. Do workers have the right to organize themselves into unions to protect and improve their rights and wages?

A few pages back, we discussed cotton in its seed and crop forms. Now let's take a look at cotton manufacturing and the people who work in this industry.

**Objective**

By using cotton as our example, we can learn about the impact that global trade has had on working conditions in both developed and developing countries.

**The garment industry**

It is worthwhile studying the changes taking place in the Canadian garment industry, since the situation reflects what is happening to the industry in other parts of the world.

In the following pages, we will take a look at the lives of some of the people who work sewing the clothes that we wear.

For example, if you buy a garment from the Hudson Bay Company, it might have been made by a woman named Yen. Here is her story:
Garment workers in Canada: Homework on the rise

"Yen lives in Toronto. She sews in her home. Yen is paid $3.00 to $3.25 for sewing a skirt. It takes at least 40 minutes to complete the garment. Often her contractor delivers work to her home on Friday and Yen is expected to complete the skirts by Monday morning. She works at least 10 hours a day, all weekend long. Yen has no child care and must take care of her children while working. The skirt she makes sells for $150 to $200 at the Hudson Bay Company." (Source: Coalition for Fair Wages and Working Conditions for Homeworkers)

Homeworkers like Yen must use their own sewing machines and draw on electricity from their own homes to power them. As a rule they do not have access to Workers' Compensation, should they be injured while doing their job. They must learn to sew the patterns they are given on their own time, without receiving any payment for training. Since each worker is isolated in her home, it is difficult to organize a union to support these women's rights.

Many homeworkers are immigrant women who may be unaware of their rights in Canada. They may not have access to other work because they do
not speak English or because they have no one to care for their small children during work hours. Although workers in standard garment factories have not always worked under the best of conditions, they have a long history of organizing together to fight for their rights. The system Yen works under is designed to keep her isolated so that she can be more easily exploited in an effort to increase profits for those higher up on the production pyramid than herself.

Even though Yen’s situation is not good, some homeworkers in Toronto are joining the Coalition for Fair Wages and Working Conditions for Homeworkers, in an effort to better understand and improve their condition. Perhaps Yen may choose this option.

Global workers: The other side of the coin

If we look carefully at the labels of clothing we buy in a big department store, we might see a label that tells us the clothing was imported from a developing country. Someone like Saleha may have sewn it.

“Saleha ia a 12 year old girl living in Dhaka, Bangladesh. Along with other girls her age, she used to work in a factory that made garments for export. Saleha and her young co-workers would put waist bands into trousers and skirts, and measure and count them up for final checking. Their wage was $1 a day.” (Source: The Toronto Star, January 9, 1994.)

In 1993, Saleha was one of 70,000 youngsters working in the Bangladesh garment industry who were suddenly thrown out of their jobs, after their families had come to rely on their income. (Source: Economic Justice Report, 1994. Ecumenical Coalition for Economic Justice.)

When we buy garments made by Yen or Saleha, or someone else in their situation, we are supporting a garment industry that is structured like a pyramid, with a few companies at the top making large profits, while many workers at the base earn very low wages.
The garment industry in Canada

The garment industry in Canada works pretty much the same way as the international garment industry.

If we take a look at the way clothes are sold in the big department stores, we will see that a small number of companies control the industry. What they decide can affect the working conditions of many people.

In Canada, the Hudson Bay Company, Eaton and Dylex control over 40% of the market. The Hudson Bay Company owns 92 Bay stores and 290 Zellers stores.

The pyramid structure works like this:

Retailers like the Bay, Eaton and Dylex tell the garment manufacturer
a) when they want to have a garment ready; and
b) the price they are willing to pay for it

In most cases, this work is contracted to "jobbers" or contractors who design the garment and buy the fabrics needed to make it. These contractors:

a) decide how much to pay for the garment so that they can make a profit
b) tell the sub-contractors (the next level down) when to have the garment ready for the store

These sub-contractors hire the individual homeworkers who do the actual sewing in their homes. The subcontractors:

a) decide how much they will pay each garment worker in order to ensure a profit for themselves
b) see to it that the time schedule they have committed themselves to is met

In 1994, the International Ladies Garment Workers Union stated in a report from Toronto: "The main clothing manufacturing giants found in Canadian retail outlets are producing garments made by women, paid for the most part below the minimum wage."
free trade/fair trade:
a workbook on global trade
On an international level, the situation is very similar. The major retailers are large companies with their base of operations in Europe, Canada or the United States. They generally subcontract their work to contractors in developing countries, where, like Saleha, workers may earn only about $1 a day.

**clean clothes test**

This test was put together by the Coalition for Fair Wages and Working Conditions for Home Workers

The next time you buy clothes, ask the retailer these questions:

- Does the retailer or any of her/his suppliers use the homeworking system?
- Are homeworkers paid at least minimum wage?
- Are they paid on time?
- Are they paid for all the hours they work?
- Are homeworkers given a reasonable amount of time to complete each job?
- Has the original supplier registered for a Homeworkers Permit, as required under the Employment Standards Act?
- Does the original supplier/employer make contributions to Unemployment Insurance and Canada Pension Plan?
- Were the homeworkers intimidated from joining the Homeworkers' Association?

**research question**

Pick one company you buy clothes from and see if it a representative can give you any answers to the "clean clothes" questions. Compare answers with your friends.

**question for reflection**

Imagine you are Saleha. Write a paragraph describing a day in her life.

How does this compare with a day in your life? Discuss with a friend.
Shopping choices

All of us buy new things from time to time, and when we do, the money we spend goes into the bank accounts of the companies we buy from. Some of this money goes to a company's operation and production costs — the money spent on the purchase of materials, wages to workers, marketing and maintenance costs. The money left over from these transactions becomes a company's profits.

All companies want to make a profit. But some company's seek this profit by cutting corners in other important areas. They try to make more money for themselves by paying extremely low wages to the people that work for them, by using shoddy or unsafe materials or by using technologies that damage the environment.

When we buy the product a company sells, we send a message of support to that company. All companies want a lot of people to purchase their products, because this increases their profit margin.

Companies know that people want products that look good, work well, and are strong and reasonably long-lasting. But there are also other elements that go into the making of a product.

If we are interested in becoming responsible consumers, there are a number of questions we need to ask. We do have the power, if we are willing to seek the right information, to choose articles made by companies that are committed to fair wages and working conditions for their employees.

Here are some of the questions we may want to ask:

1. What kind of living conditions can a worker for this company afford? For example, can they afford the cost of a decent house or apartment? Are they living in an area that is heavily polluted? Can they afford medical coverage for themselves and their family?

2. What effect is this industry having on the environment?

3. Who profits most from this industry?

Where a company is located can tell us a considerable amount about how it is making its profits. For example, some companies have factories in free trade zones in different parts of the world.

During the mid-1960s, free trade zones were set up in a number of countries, in order to attract international investment. Companies operating in these free trade zones do not have to pay duty or import fees on the materials they bring into the host country in order
to assemble their product, nor do they have to pay any fees for exporting the finished product back to the United States or Canada. They are also not troubled by environmental regulations. Part of the attraction of a free trade zone is that such regulations are either nonexistent or are very rarely enforced. And finally, the companies working in these zones often pay little or no tax to the country or municipality in which they are located.

In Mexico, these free trade zones are called "maquiladora zones". The corporations in these zones pay little or no taxes to support services they receive, like water and sewage systems, energy and paved roads. The areas where the factories are located have all of these things, and are well-kept and attractive. Meanwhile, the workers who live a short distance away may have no paved streets, proper sewage systems, running water, electricity or telephone lines. (Source: "Integration of the Americas" Ecumenical Coalition for Economic Justice, 1994).

Maquiladora workers are also forbidden to organize themselves to demand better rights and working conditions. In cases where they have done so, it is not uncommon for a company to simply close up shop and move to another country or region, leaving the workers jobless. In other cases, workers who attempt to organize have been fired, harassed or even killed.
The following play illustrates some of the conditions workers in the free trade zones are facing.

In order to read the play, five students will be needed to take the following parts:
- Narrator
- Two Mexican garment workers:
  - Luisa
  - Berta
- Two Canadian garment workers:
  - Maria
  - Lee

**MARIA:**
I worry about Lee. She seems to work endless days taking care of kids, cleaning house, and doing paid sewing. Nobody seems to be worrying about her health, or her rights.

**NARRATOR:**
Maria and Lee sometimes wonder about the workers in Mexico. They have been told that the Mexican workers are a threat to their jobs because they will work for less money.

**MARIA:**
Whether we are working in the factories or at home, the employers use the threat of moving South as a bargaining chip. I wonder what the workers in Mexico are being paid? Do they have unions? Who looks after their rights?

**NARRATOR:**
Luisa and Bertha are Mexican garment workers. They work at the Dresswear factory which set up shop in the maquiladora factories in the free trade zone along the border between Mexico and United States. They are paid 60 cents an hour for their labour, and are often required to work overtime for no extra pay. While some might say they are lucky to have a job, they face working conditions that few would envy.
LUISA:
At the factory there are lots of problems. There’s no ventilation or exhaust outlet, even though there’s a lot of dust coming from the fabric we are sewing. At the end of the day you walk out of there covered with dust all over your body. It causes a lot of illness. Headaches, sore throats, eye infections — all caused by dust.

NARRATOR:
Corporations that move into the maquiladora zones pay no taxes to support the towns and villages that spring up around the work. From Matamoros in the east to Tijuana in the west, these are cities with little urban infrastructure. In the neighbourhoods where the workers live there are no paved streets, proper sewage systems or running water.

BERTHA:
As workers, we live in conditions that have no dignity. The houses are made out of adobe, scraps of wood or even cardboard. We have to pay a lot just for water. We do not have electricity or lighting or other necessities. Without proper drainage, conditions are very unsanitary. You cannot drink the water; it is full of germs. The children get sick from it. It’s quite a contradiction. These companies arrive and say to the workers, “Come and grow with us”. But you can be ten years working in the maquiladoras and you’ll still be living in these same conditions.

LUISA:
When the workers tried to organize around the conditions in our town and in the factory, the company threatened to fire everyone. To them we are disposable. The companies can always find people willing to work. Or they can take the jobs to Honduras or Guatemala where wages are even lower. They hold this fact over our heads.

NARRATOR:
The new globalism symbolized by international trade agreements means that transnational companies are free to follow the lure of cheaper and cheaper labour. Do these low wage costs translate into lower costs for the consumer?

The last time Maria was in a department store, she checked on the price of the garment she used to make. The Mexican model sold for $19.50 and was made of inferior material. The Canadian model retailed for $20.50. So even thought was cheaper to make the Mexican model, the price was not noticeably lower.

MARIA:
I get so angry. Canadian workers are not benefitting, Mexican workers are not benefitting, and consumers are not seeing the savings. Profits for corporations grow larger and larger. Where’s the justice?

LEE:
Whenever I meet together with other women, it is always the same. Things are going from bad to worse. It seems like women are bearing the brunt of all these economic changes. When will it end?
BERTHA: I feel like we have to stick together - as workers and as women. Whether in Mexico or Guatemala or even in the North, we have to try to turn the tide. I think working together is our only hope.

NARRATOR: Since the signing of the Canada/Mexico/U.S. free trade deal, Canadian garment production is shifting out of unionized shops into the hands of homeworkers. Jobs in labour-intensive manufacturing sectors are being moved to the southern United States and to Mexico where they are being filled by women working in exploitative conditions for low wages. The move of Dresswear to Mexico is indicative of what the future holds under a continental Free Trade Agreement like the NAFTA (North American Free Trade Agreement).

The buzzword for this 90s strategy is “competitiveness”. Corporations justify their exploitative actions by claiming they are necessary to stay “competitive” in a global market place. The result is a “competitive poverty”, where nations line up in a race to lower environmental and labour standards in order to attract investment.

One of the strategies of transnational corporations is that of creating competition for jobs between workers of different countries. Our alternative to this model must be based on solidarity--across sectors, and across borders. We must work together to find combined strategies that meet the basic needs of all peoples.

MARIA: I hope that sharing my story will help other people to understand what is happening.

questions for reflection

Can you think of a list of rules that corporations should be forced to stick to that would help Luisa, Bertha, Lee and Maria?

What do you think Luisa and Bertha, Lee and Maria could do to try and improve their situation?

[Example: Some Mexican maquila workers have started a campaign to help protect themselves from the toxic substances they are required to work with. They are doing this with the help of Canadian trade unionists.]

What advantages are there for women who work in the maquiladoras? What disadvantages do they face?

Why would the women be hesitant to complain about their working conditions?

exercise

Design a poster warning people about working in the maquiladoras.
This next short play has parts for three people:

- Narrator

Two company managers:
- John Smith
- Jane Doe

NARRATOR:
I would like to introduce John Smith and Jane Doe to you. They are managers of a medium-sized clothing company. Their companies are called “Cottonbreeze” and “Clothes for Less”, both of which are located in Ontario. These two companies have been in business for at least 10 years. Now a new “giant” company called Transglobal has just moved into their business area. Giant companies are called multinationals or transnationals.

JANE:
Hello, Mr. Smith. I hope you don’t mind me calling. I wondered whether you would be interested in talking about some ways to cope with the impact of Transglobal.

JOHN:
I’m pleased that you called. The last couple of months have been difficult due to Transglobal moving into this area. Perhaps the smaller companies can work out a plan to cope with these giants. How about meeting next Tuesday at 10:00 at Benjamin’s Coffee Bar.

NARRATOR:
It is 10 o’clock on Tuesday morning. John Smith and Jane Doe have just introduced themselves.

JOHN:
What I’m finding difficult, Jane, is that they are selling clothing at way below the market price. I’ve heard none of their workers have benefits or paid vacation time.

Even though their workers receive only minimum wage, I find it hard to understand how they can make a profit selling the clothes at such low prices.

JANE:
I believe most of the garments are made in a large factory in an Asian country where the workers receive $2 a day. It’s no wonder they are able to undercut us. We’ve always prided ourselves at Cottonbreeze on giving our employees a living wage and job stability. However, our sales have gone down drastically since Transglobal arrived. I don’t know how much longer we can hold on at the present staffing ratio.

JOHN:
Well, you must have seen in the local paper that we have had to lay off fifteen fulltime workers. We might have to look at further cuts if we’re going to survive.
JANE:
Maybe what we can do is to try and get some news coverage of the difference between our working conditions and Transglobal's and also about Transglobal's environmental record.

I heard that an environmental organisation is investigating their record, as they have businesses all over the world. Two of their clothing operations are being challenged because the water they are using for dyeing the clothes is not being treated. Apparently there have been a number of cases of leukemia linked with this dye getting into water sources. Hopefully, consumers will be prepared to pay a little more for our clothes if they become aware of these issues.

JOHN:
That's a great idea, Jane. The public could be made aware in our advertising that by buying our clothing they are supporting the environment and good working conditions for Canadians.

questions for reflection

Do you think it is likely that factory owners would have this type of conversation?

Why do you think some companies pay good wages to their workers?
Section 4
Transnational Companies

Some characteristics of transnational companies

- Transnational corporations are giant companies that have their base of ownership in industrialized countries.
- There are about 35,000 transnational corporations in the world.
- Transnationals own and control businesses in many countries around the world.
- Transnationals control 70% of world trade.
- They control 80% of all land farmed for export crops.

To increase our understanding of transnational companies and the effect they have on workers and the environment

- The top five transnationals account for 35% to 70% of total sales in consumer goods, automobiles, airlines, aerospace and electronic components.
- The main motivation of these giant companies is profit.
What transnational companies want

• Free trade and freedom from trade barriers
• Cheap labour
• Cheap raw materials
• Low taxes
• Weak trade unions, or none at all, so that labour's demands are few
• Low environmental standards with little need to spend money cleaning up pollution
• Legislation that allows them to move production sites and money easily from country to country
• Legislation that places few demands on foreign investors

All of the above help to increase profits for transnational companies.

research question

Are there any Canadian transnational corporations? Name some.
Section 5
Alternative Trade

Please look at the centre illustration once more. We are now on the “Alternative Trading” path. Note the differences in land use and distribution, labour practices and the market.

What is alternative trade?

The idea of setting up alternative trade networks was born from the realization that the existing world trade structure offered few benefits for most people in developing countries.

Alternative trade differs markedly from mainstream trade in that alternative trade is based on the concept of fair trade. In terms of alternative trade, fair trade means that both the buyer and the seller of an item get a fair deal.

There are some examples of alternative trade models operating right here in British Columbia. One such initiative is a store called “Global Village”, which is located in Nanaimo and Victoria. This store buys crafts from co-ops set up by refugees in Africa, Nepal, India, the Philippines, Central and South America, Indonesia and others. Global Village has built up a long-term relationship with the people who work in these co-operatives. The store buys clothing for resale at prices that translate into a reasonable living wage for the workers.

objective

To explore alternatives to the "mainstream" trading system and the difference these alternatives can make to people's health and well-being

A bit of history

When we talk about “alternative trade” we are actually talking about trading in a way that is far more in keeping with the type of trading people practiced for many thousands of years.

You may have heard the word “barter” before. Barter refers to a situation in which people exchange goods or services without using money. Before the invention of money, all trade was based on this type of exchange. In rural areas of Canada and the U.S., barter was a common practice even up to the 1950s.

You have probably practiced barter yourself. For instance, any time you exchange something with a friend, when you trade a t-shirt for some jeans, for example, a form of barter is taking place.

In many cultures trade has served as a way of strengthening human relationships. Have you ever traded some of your time for a reward promised by a friend? Or helped
someone out knowing that they would eventually return the favour when you needed it? If everyone involved in the transaction was treated fairly, these types of activities would be a form of alternative trade.

In the industrialised countries, interest in alternative trade began in the mid 1960s. The first alternative trading organisation (ATO), was called "Oxfam Trading." It was started in Britain after some of the agency’s workers visited developing countries that were experiencing famine or other crises. "Oxfam Trading" was designed to serve as an outlet for goods produced by craftspeople living in the regions where OXFAM was active. Money gained from the sale of these items went to help people rebuild their communities. OXFAM Trading found a market for the goods and paid the people who produced them a fair price.

There are now several hundred ATOs in industrialised countries. There are 130 in North America. Europe has many more ATOs because some receive government funding.

**IFAT: An international alternative trading organization**

The International Federation for Alternative Trade (IFAT) helps ATOs to coordinate their activities. IFAT, which is based in the United States, says that ATOs differ from the more mainstream commercial trade channels in a number of ways:

- They give priority to small producers that would find it difficult to undertake export trade without a sympathetic marketing partner.
- They are especially interested in the organizational structure of producer groups. They prefer groups in which members have a say in the way the organization is run and which provide other benefits to the workers, such as education or health plans.
- They pay fair prices which allow the producer a reasonable return, and will often give advance payments on orders.
- They build their stock around products made by the 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 information on overseas marketing requirements and are willing to assist the producer in the areas of design, technology, packaging, labelling and sales promotion.
question for reflection

Can you and a friend think of any other ways to help people in developing countries market their products?

So far we have described the history of ATOs and how they differ from mainstream trading organisations like the chain stores you find in a mall. Now let’s now look at how some ATOs are different from others.

There are many kinds of ATOs. There are ATOs that will market whatever the group they buy from sells. The problem with this approach is that the ATO can end up with goods that people are not interested in buying.

Another type of ATO keeps track of consumer trends in industrialised countries like Canada. They discuss these trends with producer groups so that decisions can be made about which products to promote or how to adapt existing products to the available markets. Whenever this type of dialogue takes place, it is essential that the ATO respect the cultural and artistic integrity of the producer group.

Putting a face on alternative trading: some stories

You might be wondering about the people that produce the goods that the ATOs sell. Who are they? Where do they live? Do their lives really differ from those of Luisa, Bertha, Lee and Maria, and in what way?

Let’s take a look at some of the producer groups to which Bridgehead, an ATO based in Canada, is linked. Bridgehead is connected to Oxfam-Canada, a non-governmental organization that does both development and relief work in a number of countries in Africa, the Caribbean and Latin America.

The members of the “Aj Quen” group live in Chimaltenango, Guatemala. (“Aj Quen” means weaving together in one of the Mayan languages spoken in the region.) Aj Quen, which came together in 1989, is made up of weavers, basketmakers, tailors and carpenters, none of whom were able to earn very much money working alone.

The members of Aj Quen form small working groups of about eight people each. The group members make an agreement among themselves that there will be no exploitation or competition among them in producing or selling their goods. This ensures that the profits will be divided equally among the members.
In the last few years, Aj Quen has grown considerably. By sharing the profits equally, its members have been able to improve their standard of living. Aj Quen supports its members by:

• offering training and technical support for their work

• helping them explore new ways of living together in order to improve their lives

• continuing to explore national and international markets that will value their work, and pay fair prices

Another producer group that is linked to Bridgehead is "Plan Piloto", which is based in El Salvador. This group was formed in 1974 by women from a poor neighbourhood that was badly damaged in a hurricane.

Prior to setting up "Plan Piloto", the women of this neighbourhood had worked in a factory where they made cotton gloves and were paid only one cent per pair. The women endured the low pay and abusive working condition because they believed they had no other choice. Eventually they realized that there was a market for the tablecloths and dolls they knew how to make, and that they could earn more money by producing and selling these items. Rather than work individually, the women decided to form a group to explore this option.

In the beginning there were a lot of difficulties to overcome. Since they wanted to work together, the women hauled their sewing machines over to a central location each day and then took them home at night to keep them safe. This problem was solved when a woman loaned them an empty house to use as a workshop.

During this transitional period, the women helped each other in various ways. For instance, the women who had food shared it with those who didn't. After a while, stores began to hear about their products and orders started coming in.
Given the difficult conditions in El Salvador, which included a lengthy civil war and a faltering economy with high unemployment, “Plan Piloto” has met with surprising success.

Here are some of the factors that have contributed to the success of “Plan Piloto”:

• The group's members were carefully selected for their cooperative spirit and their willingness to work hard and treat others with respect.

• Members receive social security and can apply to the group for personal loans.

• Profits are shared by the workers at the end of the year.

• A council, which is open to all members, makes sure that the workers fulfill their contract commitments and that their educational needs are met.

• A committee provides the women with education on issues like ethics, personal relations and psychological health.

Plan Piloto's relationship with Bridgehead has been rewarding in a number of ways. Bridgehead is willing to pay up to 50% of the price of the goods it orders in advance so that the group can buy the raw materials it needs. Like other ATOs, Bridgehead continues to work with groups like “Plan Piloto” even when they are going through difficult times. The group is secure in the knowledge that it will be able to sell its product even if weather conditions, war or government changes mean temporary setbacks in production or their ability to ship orders.

Bridgehead travels to different parts of the world looking for groups that meet the fair trading criteria. In Thailand Bridgehead is working with a group called the “Village Weavers”. This group employs about fifty people at its workshop in Nong Khai, and works on a contract basis with another 328 families.

Village Weavers was originally formed in 1982 by a religious order called the Good Shepherd Sisters. The co-op was set up to improve the economic situation of a village in a very poor part of the country.

For years, the young women of the the village had been going to the capital, Bangkok, in order to earn money for their families. Often the only work they could find there was prostitution. The idea behind the co-op was to revive the region’s traditional weaving practices and to seek markets for the goods being produced so that the young people in the community would no longer have to leave their families to seek work elsewhere.

To date, the benefits have been enormous.

• Each of the 328 families makes an extra $20 a day from the weaving.
• Some villagers now have electricity and larger huts.
• Health conditions have improved.
• Loans are available to the workers if there is an emergency.
• Money is available to build small projects like wells and toilets, which helps improve the overall standard of living.
• Best of all, young women can now remain in the village. Previously, most children over the age of ten left for the city.

Yet another example of a producer group that is linked with an ATO is "Jute Works." This group, which is based in Bangladesh, also works with Bridgehead.

The 1971 war of liberation that brought about the birth of Bangladesh also brought poverty to many young girls and women who had lost the family wage earner. In an effort to make women employable, centres were set up for women to explore different work opportunities and to receive training.

With the help of international agencies, "Jute Works" was set up for the purpose of finding buyers on the world market for the women's products. "Jute Works" has been able to organize 7,000 rural women into small cooperative producer groups. These groups produce items made from jute — a vegetable fibre that is strong and durable and lasts four times longer than cotton. They also produce items made of clay, cotton, bamboo, reeds and local grasses.

By working in groups, the women have increased their productivity, their earnings and their savings.

Belonging to Jute Works gives the women many advantages. For example:
• An educational unit provides skills and management training.
• Funds are available for small groups who want to get involved in other business ventures such as pig rearing or pineapple cultivation.
• Health care is provided.
• Financial management and literacy classes are available.
• Sanitation needs are addressed.
• Money is available for personal emergencies.

**questions for reflection**

**What do the four producer groups have in common?**

**Describe a day in the life of one of the workers in a producer group: How does their day differ from yours?**

**research question**

Phone an ATO and ask them to send you information on two producer groups they work with. Do they meet the criteria for fair trading described earlier?
So far we have learnt about four producer groups which give us some idea of the variety of organizations connected with ATOs. There are hundreds of producer groups that fit the fair trading criteria. If you are interested in supporting fair trade, the following organizations are linked with producer groups that ensure that the workers involved enjoy a reasonable standard of living and quality of life:

- **Bridgehead**
  - OXFAM-Canada
  - Ottawa & Toronto, Ontario
  - Vancouver, British Columbia

- **Global Village**
  - Nanaimo & Victoria, British Columbia

- **Mennonite Self-Help Crafts**
  - Mission-Abbotsford, British Columbia

- **CRS Workers Cooperative/Horizon Distributors**
  - Burnaby, British Columbia

Alternative trade is not limited to supporting ATOs. By finding out about the available options, we can choose to support alternatives to the mainstream system. These alternatives include efforts to improve working conditions, the way we treat the environment and the type of pressure we exert on companies that have a bad record in these areas.

Another alternative is to support our local economy by buying from a local grocer or farmer's market rather than a supermarket chain. This way, profits are more likely to be spent in our own communities where other businesses will also benefit.

If more people were willing to become responsible shoppers, large companies that pay low wages or harm the environment might be forced to re-think the way they do business. The following are some examples of how you can use your consumer choices to make a difference. See if you and your friends can come up with others.

- Buy clothes and shoes from stores that pass some of the "Clean Clothes Test" and that are owned locally by people in the small business sector.

- Buy food grown in B.C. or Canada using little or no pesticides.

- Support independent restaurants over large chains.

- Support your local cooperatives and credit unions.
Resources

Books/Articles/Kits

Facts on NAFTA
BC NGO Working Group on Fair Trade.
Available through:
OXFAM-Canada
2524 Cypress Street
Vancouver, BC
V6J 3N2
(604) 736-7678

Social Planning and Research Council of BC
106-2182 West 12th Avenue
Vancouver, BC
V6K 2N4
(604) 736-8118

Latin America's Eternal Debt
Catep. La Paz, Bolivia: 1989. English edition:
Vancouver Island Outreach Office of OXFAM-Canada.
Available through:
OXFAM-Canada
205-620 View Street
Victoria, BC
V8W 1J6

Frank Tester.
Available through:
Dr. Frank Tester
School of Social Work
University of British Columbia
Vancouver, BC

“New Globalism” (August 1993)
“Squeezing the South” (July 1994)
in New Internationalist
Available from
New Internationalist Publications
35 Riviera Drive
Unit 17
Markham, Ontario
(416) 946-0406

Structural Adjustment Kit
Available through:
OXFAM-Canada
2524 Cypress Street
Vancouver, BC
V6J 3N2
(604) 736-7678

Trade and the Poor

Bridgehead
Various articles describing producer groups and the organization, 20 James Street, Ottawa, Ontario K2P 0T6. (613) 567-1455.

Bridging the Global Gap

From Double Day to the Endless Day

free trade/fair trade: a workbook on global trade
Games/Videos/Audio

The Supermarket Tour/Supermarket Show
Ontario Public Interest Research Group.
Toronto: 1990.
Available through:
Social Planning and Research Council of BC
106-2182 West 12th Avenue
Vancouver, BC
V6K 2N4
(604) 736-8118
OPIRG
201-455 Spadina Avenue
Toronto, Ontario
M5S 2G8
(416) 598-1576

Go Bananas
OXFAM-UKI.
Available through:
OXFAM-UKI
274 Banbury Road
Oxford, England
OXZ 7D7

Politics of Food
Canadian Broadcasting Corporation. 4 videotapes.
Available through:
Vancouver Public Library

Journey of the Blouse
IDERA. Vancouver.
Available through:
IDERA
200-2678 West Broadway
Vancouver, BC
(604) 732-1496
Glossary

Balance of Payments
A country is said to have a balance of payment deficit when its income is less than its payments.

Duty
A duty is a fee charged by a country on imported products usually to protect domestic industries.

FTA
This refers to the free trade agreement between the United States and Canada, officially known as the Canada-United States Free Trade Agreement. It has been approved by the Canadian Parliament.

Free Trade Zone
This is an industrial area in a country where a company can operate with rules and restrictions that are not as rigid as those found in the rest of the country. For example, they might not have to pay taxes.

GATT
The General Agreement on Tariff and Trade is an international agreement to which most trading nations of the world adhere. It sets out the rules and regulations by which trade is undertaken. It is now called the World Trade Organization.

Gross National Product (GNP)
The sum total of the value of all goods and services produced in a country in a year. Commonly used as an indicator of a country's economic well-being.

Harmonization
When two or more trading partners develop trade agreements, there is a tendency, either by intent (e.g., industrial standards) or through pressure of the dominant partner (e.g., services) to bring practices and procedures in a given field together. This is often called harmonization.

IMF
The International Monetary Fund, created in 1947, aims to minimize imbalances in the foreign trade of member nations without harming international trade. Countries which are members have a vote proportional to their financial contribution to the Fund which effectively gives industrialized nations a veto.

Inflation
Inflation is the rate at which the costs of goods and services increases from year to year. There are many theories about what causes inflation. In general, inflation occurs when there is a lot of money chasing few goods/services which tends to push prices up. For example, when the supply of housing is scarce and the demand for housing is high, property prices rise.

Interest Rates
Interest rates are the price paid to borrow money. In Canada, the bank rate is controlled by government policy and implemented through a central bank, the Bank of Canada. Other banks and financial institutions determine their interest rates based on the Bank of Canada bank rate.

NAFTA
The North America Free Trade Agreement refers to a proposed agreement for Canada, Mexico, and the United States. It still has to be approved by the Canadian Parliament.

Structural Adjustment Programs
This is the name given to all the conditions that the IMF and the World Bank attach to loans to debtor countries. The conditions can include the devaluation of currency, the raising of interest rates, the reduction of public expenditures, the selling off of public companies, and the promotion of private foreign investment. Many of the debtor countries are among the poorest in the world.

Tariff
Federal tax on imports or exports, usually to raise money or to protect domestic firms from import competition. A tariff may also be designed to correct an imbalance of payments. The money collected under tariffs is called duty or customs duty.

Transnational Corporations
These are companies (mainly American, European, or Japanese) which operate across national boundaries.

World Bank
Created in 1946, its role is to finance international development so as to ensure markets for the products of industrialized countries and to ensure the stability of developing countries through economic growth and international trade.