

**FAIR TRADE: LEVELING THE FIELD**

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## Preface and Acknowledgements

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Had you asked me three years ago what fair trade was, I would not have been able to give you an answer. The truth is I had never even heard of fair trade. It wasn't until the beginning of my sophomore year at Georgetown University that I became involved in the fair trade movement and finally began to understand what fair trade was and comprehend its potential to achieve so much good. For this, I would like to thank Georgetown Students for Fair Trade (GSFT). This organization has introduced me to the social justice movement that has meant so much to me both personally and academically. I would particularly like to thank Stephanie Green, Jennifer Bonsall, Whitney McLeod, and Ashwini Jaisingh of GSFT for all of their continuous help in our tireless efforts to make the organization what it is today, and to achieve our goals—especially the service of Fair Trade coffee in the university's cafeteria and the agreement of the Corp to serve only Fair Trade coffee in its shops. You've truly opened my eyes to an entire world of possibilities.

This thesis is the culmination of not only a year-long senior thesis project for the Justice and Peace Studies Program, but also of a personal and academic journey of exploration and learning throughout my participation in the Justice and Peace Studies Program and my Georgetown career. Reaching the end of this journey would never have been possible without the help of two extraordinary individuals. First, I would like to sincerely thank Professor Henry Schwarz, the Director of the Program on Justice and Peace, for his constant support throughout the thesis-writing process, for his never ending patience with a group of seniors slowly succumbing to "senioritis," and for helping this thesis come to fruition. Second, this thesis would never have been completed without the help and guidance of Professor Kathleen Maas Weigert, the Executive Director of the Center for Social Justice. She has always been an ardent supporter of GSFT's endeavors on campus as well as the fair trade movement as a whole, which is a quality I have always admired. However, my admiration for her has increased enormously this year as we worked side by side to set deadlines, work through questions and issues, and make this thesis happen. Her support, advice, and aid throughout this process have been invaluable. Thank you, from the bottom of my heart. It has been more than a pleasure to work with you both on this project.

*"The future belongs to those who believe in the beauty of their dreams."*

—Eleanor Roosevelt

## Introduction

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*“The price of coffee is destroying this community. When the price was better a few years ago, I could afford to send my children to school, and feed them well. Now I can’t afford to buy enough food. How can I send them to school when I cannot even feed them well? The price of coffee is destroying us.”*

–Tatu Museyni, Coffee Farmer, Kilimanjaro Region, Tanzania<sup>1</sup>

*“I don’t know how American farmers can sell corn to this country at such low prices. I have heard that their government gives them money. What I know is that we cannot compete with their prices. Imports are killing our markets and our communities.”*

–Hector Chavez, Smallholder Farmer, Chiapas, Mexico<sup>2</sup>

*“I’d like to tell people in your place that the drink they are enjoying is the cause of all our problems. We grow it with our sweat and sell it for nothing.”*

–Lawrence Seguya, Coffee Farmer, Kampala, Uganda<sup>3</sup>

*“I’m proposing that we help people help themselves. This can be done without legions of people rushing over to these [developing] countries to build houses and schools. This is what people in their own communities can do if we give them the resources to do it.”*

–Jeffrey Sachs<sup>4</sup>

From Kilimanjaro, Tanzania, to Chiapas, Mexico, to Kampala, Uganda, human beings are experiencing the same adverse effects of globalization, and the uneven playing field of the international trade system is hitting poor communities harder than ever before. From the price of coffee hitting rock bottom to heavily subsidized agricultural goods being dumped on vulnerable domestic markets, globalization is affecting many for worse, rather than for better. In this era, the livelihoods of each and every individual, from the richest of the rich to the poorest of the poor are:

inextricably linked—and trade is one of the strongest ties that bind us. Whenever a European or North American buys a cup of tea or coffee, puts on

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<sup>1</sup> Watkins, Kevin. Rigged Rules and Double Standards. Oxfam International, 2002. p. 20.

<sup>2</sup> Watkins, p. 21.

<sup>3</sup> Make Trade Fair: Real Lives. <<http://www.maketradefair.org>> Last Accessed 26 September 2006.

<sup>4</sup> Transcript, Jeffrey Sachs Interview, May 6, 2005, by Onnesha Roychoudhuri, Mother Jones. Online: <[http://www.motherjones.com/news/qa/2005/05/jeffrey\\_sachs.html](http://www.motherjones.com/news/qa/2005/05/jeffrey_sachs.html)> Last Accessed 22 October 2006.

a shirt or a pair of shoes, logs onto a computer, or picks up a mobile phone, he or she is using things produced by people in developing countries (Watkins 21).

International trade is what links us all within this globalized society, and can help make or break the livelihoods of those within it. Unfortunately, the current system of international trade has created numerous inequalities: wealth is unequally distributed, the poor are becoming increasingly dependent on the rich, “rigged”<sup>5</sup> trade rules prevent poverty reduction, and there seems to be little hope for sustainable development. However, this does not have to be the reality we are doomed to face. “As a global community, we sink or swim together. No country, however strong or wealthy, is an island” (Watkins 7). It is up to us to choose whether we sink together or swim together—if we choose to sink together, then we can leave the current unfair trade rules as they are, but if we choose to swim together, then we must change the trade rules to reduce poverty and create a new global system in which social and economic justice can be ensured for all. Fair trade is one mechanism through which this can be achieved.

Globalization has a dual nature and has produced a dichotomous system. On the one end of the spectrum exist extreme wealth and opulence, and on the other exist poverty, deprivation, and oppression. While some have everything, others have nothing. Some individuals, who are fortunate enough to have luxuries that others could only dream of, choose to go through life without thinking of the less fortunate. As the world is becoming increasingly interconnected and political, social, and economic barriers are being torn down due to the effects of increased international trade, communication, and interaction, certain actors in the international system are becoming more isolated—namely women, thus resulting in the feminization of poverty. The

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<sup>5</sup> Throughout this thesis, references will be made to the “rigged” rules of international trade. While the term rigged may appear to be a bit extreme, it is my belief that it is an accurate description of the uneven international trade rules and policies created and advocated by the World Trade Organization (WTO). This is borrowed from the title of a report published by Oxfam, entitled Rigged Rules and Double Standards, written by Kevin Watkins. For a detailed citation, please refer to the list of works cited.

feminization of poverty is the phenomenon where, though globalization and trade have drawn them into formal paid work, women are being systematically denied their fair share of benefits from their labor (Raworth 8). The scope of the feminization of poverty is as widespread and its causes as inextricably linked as globalization itself. Ann Veneman, UNICEF executive director, said: “Women do about 66 per cent of the work in the world. They produce about 50 per cent of the food. Yet they earn 5 per cent of the income and own 1 per cent of the property.”(Transcript of Special Session B 13). Women perform most of the world’s work, yet are not properly remunerated. In order to transform women’s lives, gender relations must be reassessed and fundamentally altered.

Though globalization has had numerous positive effects on the international system as a whole and on many individual states, it has also created a negative impact on many developing countries, which cannot break into the global economy due to biased free trade policies created by the developed world. As a result, developing countries are trapped in a cycle of poverty, and women often feel the effects of this cycle the most. However, if provided opportunities to participate in the global economy through a system based on the principles of fair trade, developing countries may have a chance to pull themselves out of poverty. Women in particular can serve as the most effective agents for poverty reduction through the creation of fair trade women’s cooperatives, creating not only economic growth but women’s empowerment as well. Hillary Rodham Clinton, in the 2006 annual meeting of the Clinton Global Initiative, stated: “When women succeed economically, the benefits do extend, particularly to their children. That is one way to lift the sights and aspirations and realities of countless millions” (Transcript of Special Session B 13). The clearest and most effective path to development, poverty reduction, and women’s empowerment is to help people help themselves. Women can be the most effective

catalyst for the process of development, and the establishment of women's fair trade cooperatives can directly facilitate development. Hand in hand, fair trade and women's empowerment have the potential to make the necessary improvements to transform the current international economic system into a poverty-free global society.

This thesis will address the question of how economic equality, women's empowerment, and ultimately social justice can be achieved in the face of globalization and in a system where women in particular have been subject to poverty and inequality. The first section will address the issue of globalization and development, providing definitions of the terms, and will analyze the positive and negative effects of globalization on both the developing and developed world. The second section will include an overview of fair trade, its definition and principles, and will provide an argument for fair trade as a socially just economic model. The third section will address the role of women in the international economic system, examining the gendered effects of globalization and poverty. This section will also analyze the methods by which women are actively changing their economic and social roles and are taking steps to reduce poverty and empower themselves through labor organizing and the establishment of cooperatives. The last section of this thesis will provide a case study of a successful fair trade cooperative in Ghana, delving into the effects of its success on the fair trade movement. Following this section, the thesis will conclude with a discussion of the potential of fair trade and its relationship to women's empowerment.

## **Globalization and Its Discontents<sup>6</sup>**

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Globalization is not a new phenomenon—developing countries have been integrated into some form of a global economy since the era of colonialism and imperialism, which began more than five hundred years ago. However, the nature of globalization in the twenty-first century is vastly different than that of the colonial era, as advanced technology and increased interconnectedness revolutionizes the political, social, and particularly economic relationships between countries. This revolution in economic relations has resulted in a global system of trade that is inherently biased in favor of those who exploit the disadvantaged for their own financial and economic gains, largely due to the control of the Bretton Woods Institutions—the World Bank, the International Monetary Fund (IMF)—and the World Trade Organization (WTO) by the richest developed countries.

Amplified international trade due to globalization has drastically increased economic growth, but the wealth it has generated is unequally distributed, and the poor—especially impoverished women—are being left on dry docks. “Rising tides are supposed to lift all boats. Over the past two decades, international trade has created a rising tide of wealth, but some boats have risen more rapidly than others, and some are sinking fast” (Watkins 48). Western governments have argued that globalization can be an agent of development by “generating growth and investment in developing countries and integrating their economies into the global market of commodities and services” (McCloskey 3). Indeed, increased international trade as a result of globalization has the potential to facilitate the reduction of poverty as well as for global economic growth, but that potential is being lost. The issue of globalization and international

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<sup>6</sup> The title of this section on globalization is borrowed from two books with identical titles. The citations for these books are as follows: Sassen, Saskia. Globalization and its Discontents. New York: New Press, 1988 and Stiglitz, Joseph E. Globalization and its Discontents. New York: W.W. Norton, 2002.

trade is not that trade is inherently opposed to the needs and interests of the poor but that the rules that govern it are in favor of the rich. Globalization and “rigged” trade rules are exacerbating poverty levels, so that the wealthy are accruing more wealth while the impoverished are facing harsher living conditions than ever before.

### *What is Globalization?*

Globalization is a phenomenon that has concurrently had positive and negative effects on the developing world, which is why it is so highly extolled yet highly vilified at the same time. Numerous economic and political theorists have defined globalization, creating multiple definitions for the term, resulting in the absence of a universal definition. Some define globalization as “a compression of the world by flows of interaction that are broadening as well as deepening around the world. These flows have brought about a greater degree of interdependence and economic homogenization; a more powerful burgeoning global market [and] financial institutions” (Grant and Short 8). Others see globalization as the “intensification of competition and expansion of the operations of multinational firms [which] has sometimes hurt firms in the informal sector and micro-enterprises [and] has put a premium on skills, size and power, and has penalized the skilled, small and weak” (Streeten 83). Still others define globalization differently, calling it “a highly complex phenomenon encompassing the increasingly rapid flows of capital, goods, services, peoples, ideas, values, and images across national boundaries, and the greater integration of the global economy” (Kabeer 173). Joseph Stiglitz defines globalization as “the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and

communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders” (Stiglitz 9). Though multiple definitions exist, all of the definitions have several factors in common: increased interdependence, expansion, and homogenization, occurring on the political, social, and economic levels.

Globalization has the potential to create worlds of good, yet for many it has resulted in increased poverty and unemployment. Globalization can be beneficial in several key areas: socially and culturally, the “globalization of ideas about democracy and of civil society have changed the way people think, while global political movements have led to debt relief and [key international agreements, reflecting international cooperation such as] the treaty of land mines” (Stiglitz 248); economically, globalization can help hundreds of millions of people attain higher standards of living through increased trade and employment. Globalization, by increasing the interdependence among the people of the world, has “enhanced the need for global collective action and the importance of global public goods” (Streeten 27) and has intertwined the fates of one individual with another, and has linked the fates of the developing and the developed worlds.

However, the benefits of globalization are not equally distributed among the global community—this results in “increased impoverishment, inequalities, work insecurity, weakening of institutions and social support systems, and erosion of established identities and values” (Streeten 27). Economic instruments of globalization such as trade liberalization and privatization have adverse effects on developing countries, leading to what appears to be an “unmitigated disaster” (Stiglitz 20). Proponents of globalization and trade liberalization argue that the two, hand in hand, will generate “the employment and economic growth needed to reduce poverty, and [reduce] income inequalities between rich and poor countries” (Watkins 23).

These advocates are staunch believers in the benefits of globalization, believing that everyone will benefit in the long run, despite the immediate creation of unfavorable conditions such as a sharp increase in unemployment and poverty. These unfavorable consequences of globalization are chiefly due to a system of “global governance without global government, one in which a few institutions—the World Bank, the IMF, the WTO—and a few players—the finance, commerce, and trade ministries, closely linked to certain financial and commercial interests—dominate the scene” (Stiglitz 21 – 22) but it is also a system in which the poorer countries affected by their decisions are left without a voice, invisible in the international trade negotiations and talks. Globalization is a process of “rapid economic integration which has not been complemented by the development of credible global institutions” (Watkins 44). The increased economic and political interdependence associated with globalization has proceeded at too fast a pace; consequently, institutions such as the World Bank and IMF cannot catch up fast enough, resulting in the failure of these institutions to adequately address the new needs and demands of the developing world.

### *Defining Development*

Development, like globalization, is a complicated term that has been defined in numerous manners by various economic and political scholars, many of whom argue over the best way to measure development and implement development strategies. The classic definition of development is the growth of society in economic terms, measured in gross domestic product (GDP), the volume of total final output of goods and services produced by an economy. The main problem with using this traditional definition is that measuring development in terms of

GDP ignores goods and services that do not reach the formal market, masks economic inequality through assessing GDP in per capita terms, and fails to take into account the overall social welfare of the society. Thus, an alternative and more comprehensive definition of development is necessary. The United Nations Development Programme (UNDP) defines development as a process which creates “an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests” (UNDP Online). Development is about far more than economic growth, which is only a means to achieving the end of enlarging people’s economic, social, cultural, and political choices and freedoms. This definition of development is measured through the Human Development Index (HDI), which replaces measuring development in GDP terms with measuring it through three basic aspects of human development: longevity—measured by life expectancy at birth; knowledge—measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrollment ratio; and a decent standard of living—measured by GDP per capita (UNDP Online). Though this approach still includes GDP per capita as an indicator of development, it also includes other key factors that more accurately determine the social well-being of a population.

Joseph Stiglitz argues along similar lines that development is “not about helping a few people get rich or creating a handful of pointless protected industries that only benefit the country’s elite [but instead] is about transforming societies, improving the lives of the poor, enabling everyone to have a change at success and access to health care and education” (251 – 252). Development is not about creating economic growth measured in terms of GDP or increase in income. It is essentially about increasing the overall wellbeing of individuals and communities through the expansion of economic, social, cultural, and political freedoms.

This multifaceted and multidimensional definition of development has been embodied in recent development endeavors by the international community. The United Nations Millennium Project was recently established to work toward the achievement of eight main development goals—called the Millennium Development Goals—by the year 2015. These eight goals are: (1) to eradicate extreme hunger and poverty; (2) to achieve universal primary education; (3) to promote gender equality and empower women; (4) to reduce child mortality; (5) to improve maternal health; (6) to combat HIV/AIDS, malaria, and other diseases; (7) to ensure environmental sustainability; and (8) to develop a global partnership for development (UN Millennium Project Online). This comprehensive development project acknowledges that development is a multifaceted endeavor that must account for not only economic growth, but also growth in the overall welfare of a country.

Development scholars are deeply divided over how best to achieve development. Numerous theories of development have been proposed throughout history, beginning with the theory of modernization, most prominently advocated by American economist Walt Rostow, which views development as a process of transition from a traditional indigenous society to a modern Western one through industrialization. Other development theories, such as dependency theory and neo-liberal (neo-classical)<sup>7</sup> economic theory, emerged as critiques of the development theory of modernization. Dependency theory criticizes modernization theory for its imposition of a Western model for the world, while neo-liberal economic theory criticizes modernization theory for implementing development through a strong state and advocates development through a process of trade liberalization.

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<sup>7</sup> The terms neo-classical and neo-liberal are often used interchangeably when referring to this economic theory; the term neo-liberal is most commonly used in the United States, while neo-classical is often used in Europe to refer to the same economic theory.

The neo-liberal approach to development is widely accepted within the international community and among the IMF, World Bank, and WTO as the optimal path to development, advocating a market-based incentive system free from government control, thus preventing the state from distorting the economy by interfering with the private sector or imposing trade barriers such as tariffs or import quotas. However, this approach is not working for the countries whose citizens are living on less than \$1 a day. This approach only reinforces the uneven playing field on which the international trade system operates. In order to truly achieve development, the developed world must reform the international institutions that govern international trade and globalization—the IMF, World Bank, and WTO. “Developing countries must take charge of their own futures. But we in the West cannot escape our responsibilities” (Stiglitz 252), namely the responsibility to provide the developing world with a level playing field, governed by equitable trade rules. Development can only occur once these “rigged rules and double standards” have been abolished, and the voice of the developing world is included in the international trade negotiations that govern their fate.

### *Globalization and International Trade: Winners and Losers*

Ours is a world of extremes. “The poorest 40 percent of the world population—the 2.5 billion people who live on less than \$2 a day—account for five percent of global income, while the richest 10 percent account for 54 percent” (Kattan 8). A viable solution to this disparity between the poor and the rich among the world’s population is an overarching reform of the international trade system, and the rules that govern it. International trade is one of the most powerful motors driving globalization; trade patterns have changed, leading to a sustained

increase in the share of developing countries in world manufacturing exports—and some countries are closing the technology gap; however, structural inequalities persist and in some cases are widening (UNDP Online). By addressing these structural inequalities, it is possible to not only guarantee sustainable development for those who need it most, but to bridge the wealth gap as well.

Trade can be one of the most effectual engines of economic growth—trade is “an economic instrument, like many others, that must be managed if a country is to achieve economic growth” (O’Hearn 111). However, free trade has been mismanaged by the institutions that implement it; consequently, producers in poor countries remain cut off from international markets because they cannot compete with heavily subsidized goods produced in the developed world or because they lack the basic infrastructure and know-how needed to participate in the global economy (Kattan 8). Opening up rich countries’ markets to poor nations could help lift millions of people out of poverty. But market access is not enough. More must be done to support countries in developing their trade capacity; measures must be taken to remove barriers to trade and artificially produced market prices due to subsidies. The international trade rules that allow this biased access to markets to persist must be reformed in order to properly develop the trade capacity of the countries barely surviving in the global economy.

### *Overview of the International Trade System*

International trade rules matter—they are essential for establishing a world economy where all have the opportunity to benefit. “They can create an enabling environment for poverty reduction, or a disabling one” (Watkins 207). It is critical that the institutions creating these rules

understand the importance of prioritizing development and poverty reduction. These institutions—the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank—are responsible for facilitating policies that are good for the poor and for developing countries.

Although the WTO is the primary actor in creating and regulating international trade rules, both the IMF and the World Bank play critical roles in the process of development. These two institutions have “been the vanguard of globalization for almost 60 years, primarily through the disbursement of conditional loans to developing countries” (McCloskey 4). The IMF was established in 1944 to ensure the international financial stability necessary to enhance global trade, and was originally designed to provide countries with short-term loans (Somers 144). Its stated purposes are to “promote international monetary cooperation and to facilitate the expansion and balanced growth of international trade, high levels of employment and real income through short term loan programs, with a primary goal of achieving development” (IMF Online). The World Bank was established as a “complementary organization to the IMF with the aim of providing long-term funding for development projects” (Somers 145). It provides financial and technical assistance to developing countries through “low-interest loans, interest-free credit and grants to developing countries to fund projects for health, education, and infrastructure” (The World Bank Online), which it carries out through its two lending arms, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Yet “beneath the façade of this laudable rhetoric . . . the IMF and World Bank have orchestrated economic indebtedness throughout the Third World” (McCloskey 4) by facilitating irresponsible borrowing by developing countries in the 1970s, leading directly to the debt crisis of the 1980s.

The mechanism through which the IMF and World Bank initially aimed to achieve their stated purposes and goals was, in the 1980s and 1990s, through structural adjustment programs (SAPs), which provided monetary assistance to lesser developed countries (LDCs) only after they have met certain conditions, designed to stabilize and adjust the economy. SAPs intended to “make countries economically viable” (Somers 145), allowing them to repay their debts by reducing inflation and cutting balance-of-payments deficit to stabilize the economy, and restructuring to reduce the role of the state to adjust the state economy. A typical SAP required the government of an LDC to implement free trade by removing price controls, restraining wages, cutting public expenditure, privatizing state enterprises, eliminating barriers to trade, promoting exports, and encouraging foreign investment (Somers 145 – 146). Though well-intentioned, purporting to provide LDCs with a comprehensive program covering social and financial policies, corporate laws, and governance, the impact of SAPs was not a positive one—implementation of SAPs often meant “across-the-board privatization of publicly owned industries, slashing of government budgets leading to cutbacks in spending on health care and education, focusing resources on growing export crops rather than supporting family farms and growing food for local communities, and deeper inequality and environmental destruction” (Global Exchange Online). “In short, SAPs represented a neo-liberal reform program designed to dictate economic policy to Third World governments” (McCloskey 4).

Due to the criticism that SAPs received, the World Bank and IMF phased them out in favor of a new program implemented in 1999, requiring developing countries requesting assistance to submit Poverty Reduction Strategy Papers (PRSPs) in order to become eligible for debt relief under the new Heavily-Indebted Poor Countries (HIPC) initiative. The stated aim of this new approach is to place poverty reduction at the center of adjustment and to link debt

reduction to the eradication of poverty (Somers 148 – 149). Five core principles underlie the PRSP approach—poverty reduction strategies should be:

Country-driven, promoting national ownership of strategies through broad-based participation of civil society; result-oriented and focused on outcomes that will benefit the poor; comprehensive in recognizing the multidimensional nature of poverty; partnership-oriented, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and based on a long-term perspective for poverty reduction (IMF Online).

This new approach is intended to allow developing countries to voice their concerns and individual needs in the development process through nationally developed strategies, rather than strategies designed by the World Bank or IMF. However, since “PRSPs must be submitted to the IMF and the World Bank for their endorsement” (Somers 149), countries must abide by the regulations and conditions of these two institutions in order to receive assistance.<sup>8</sup> In this respect, the new poverty reduction strategies offer LDCs few new freedoms, as the World Bank and IMF continue to maintain their control over development programs.

The World Trade Organization (WTO), established as a result of the Uruguay Round of trade talks in 1995, has been responsible for making and enforcing rules on global trade with the aim of “liberalizing trade and reducing state protectionism of domestic markets” (McCloskey 5). Its predecessor, the General Agreement on Tariffs and Trade (GATT), mainly dealt with cross-border transactions involving goods (Malhotra 53). The WTO aims to help international trade flow smoothly by “administering trade agreements, acting as a forum for trade negotiations, settling trade disputes, reviewing national trade policies, assisting developing countries in trade policy issues, through technical assistance and training programs, and cooperating with other international organizations” (WTO Online). The WTO claims that its policies and practices are

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<sup>8</sup> It appears that, despite the introduction of PSRPs, the World Bank and IMF nevertheless continue to emphasize free trade policies over other strategies that may be more beneficial for a particular country. Thus, developing countries are still pressured into adopting free trade economic policies, often resulting in the removal of key protection mechanisms that may be crucial to the survival of a fledgling economy.

beneficial to the trading system. Advocates of the WTO claim that the world is better off with its established trading system than without—they outline ten basic reasons why the WTO is ultimately advantageous: the system helps to promote peace; trade disputes are handled constructively; trade rules make life easier for all; freer trade cuts the cost of living; it provides more choice of products and qualities; increased trade raises incomes; increased trade stimulates economic growth; the principles increase efficiency; governments are shielded from corporate lobbying; and good governance is encouraged by the system (WTO Online).

However, the WTO has been highly criticized for its shortcomings and failures. Development NGOs consider the WTO an “undemocratic institution designed to propagate a profit-driven model of development that mostly benefits developed countries and private companies” (McCloskey 5). The WTO takes a one-size-fits-all approach—one that invariably reflects the needs and demands of powerful industrial countries since “developing countries are woefully under-represented and, thereby, sidelined in negotiations that regularly result in outcomes that benefit the developed world” (McCloskey 6). As a result, many developing countries are dissatisfied with the current international trade system because the promised gains from trade have not materialized, thereby impeding the development process. There are three sources of divergence between what is needed most for development and what the WTO actually does:

First, even if free trade were optimal for development in a broad sense, the WTO does not pursue free trade. Second, even if it did, there is no guarantee that free trade is the best trade policy for countries at low levels of development. Third, compliance with WTO rules, even when they are not harmful in themselves, crowds out a more complete development agenda—at both the national and international levels. (Malhotra 63).

Fundamentally, the WTO is a direct hindrance to the advancement of the developing world through channels of trade since it pursues free trade policies even if they are not the most optimal

policy for a particular country. “The problem is that many WTO agreements, and the manner of their implementation, reflect the negotiating strength of Northern governments, and the influence of powerful transnational companies” (Watkins 207). Thus, the WTO facilitates trade in the interest of wealthy Northern governments at the expense of poorer Southern countries. Trade should be seen as a means to development rather than an end, but the Northern governments that dominate WTO trade talks do not view it as such. It is imperative that trade be used as a tool to reduce poverty, instead of being used as a tool to serve the interests of the developed world. This requires a fundamental change in the institutions, rules, and policies that marginalize the poor and exacerbate poverty. It requires a rearrangement of who are the winners and losers in the global economy.

#### *Who are the Winners?*

With unfair trade rules and mismanaged development programs, who are the real winners in the global economy? The World Trade Organization claims that the international trade rules it establishes will benefit all, and allow developing countries to make significant strides in the global financial system. However, WTO rules have imposed a system of free trade by opening up developing economies to foreign investment, making it easier for production to go where the labor is cheapest and most easily exploited and environmental costs are low. These effects have aggravated the already existing inequalities in the international distribution of wealth. The combined effects of all forms of trade barriers, including tariffs, non-tariff barriers, anti-dumping measures, and product standards, amount to over \$100 billion, or more than double the total sum of development assistance (Watkins 96). Trade barriers and unfair trade rules are inflicting real

and detrimental costs on the world's poorest and most vulnerable communities. There are six primary aspects of the WTO's rules for the international trading system that benefit the already wealthy countries at the cost of the marginalization of the poor in the developing world: dumping, market access, forced liberalization, labor rights, patents, intellectual property rights and regional trade agreements (Make Trade Fair Online).

Dumping is defined as the "sale abroad of goods priced below the prices of comparable goods sold in the country of origin" (Finn 248), most often made possible through subsidies. The danger with dumping is that a large multinational firm with a strong hold on its domestic market could use large profits at home to subsidize predatory pricing abroad in order to drive competitors from that foreign market. For example, if a developed country and developing country produce the same good and the government of the developed country decides to provide subsidies for that good, it can be sold at a significantly lower price on the world market. The producers in the developing country cannot compete with the artificially cheap prices of the imports, and thus the producers in the developed country "dump" their goods onto foreign domestic markets. The WTO has failed to adequately address this situation, and by permitting LDCs to be deprived of "foreign-exchange earnings and market share, and undermining local production, rural livelihoods, and food security" (Watkins 114).

Rich countries have prevented poorer ones from accessing the international markets through the implementation of barriers to trade, mainly in the form of tariffs. Tariffs are taxes on the imports of products into a country, and increase the price of imported goods on the domestic market. As a result, domestic producers of the same goods are protected from foreign competition since the same good can be sold cheaper domestically than the foreign import (Watkins 102). This prevents developing countries from accessing markets which are essential

for economic growth and export-led development, since their products cannot compete with goods produced domestically in the developed world. The already wealthy developed countries profit from the imposed tariffs at the expense of the developing world's producers, forcing them to focus on low-value goods such as raw materials and agricultural goods, while the developed countries can produce higher-value manufactured goods.

Trade liberalization—the removal of government interference in financial markets, capital markets, and of barriers to trade—has many dimensions. Trade liberalization entails not only the lowering of barriers to trade, but also compliance with WTO requirements on subsidies, intellectual property, customs procedures, and policies vis-à-vis foreign investors (Rodrik 25). Moreover, these legal requirements have to be complemented with additional reforms to ensure favorable economic outcomes: “tax reform to make up for lost tariff revenues; social safety nets to compensate displaced workers; credibility enhancing institutional innovations; labor-market reform; technological assistance to upgrade firms adversely affected by import competition; and so on” (Rodrik 26). Liberalization is used by the World Bank and IMF as a “standard for measuring the commitment of developing country governments to economic reform and poverty reduction” and essentially, as a gauge of whether a country is deserving of economic assistance (Watkins 122). Developing countries are encouraged by these institutions to liberalize trade in order to become eligible for debt relief and financial assistance they desperately need. But this does not necessarily guarantee development, and expanding trade does not always have a positive effect on human development: “Trade expansion neither guarantees immediate economic growth nor longer-run economic or human development. Internal and external institutional and social pre-conditions largely determine whether and to what extent a country or population group benefits from trade” (Malhotra 21). Forcing open the door of poor countries’

markets to a flood of cheap products will not guarantee growth; rather, it will inhibit the economic prosperity of LDCs. Furthermore, rich countries now plan to “use the binding rules of the WTO to kick that door down altogether” (Make Trade Fair Online). By forcing open the markets of poor countries through the removal of protectionism and barriers to trade, rich countries stand to profit from export dumping and forcing infant industries to shut down.

Lastly, regional trade agreements implemented through the WTO trade talks put strong economies in a bilateral or multilateral trade agreement with weaker ones, resulting in the stronger economy benefiting while the weaker one suffers. A regional free trade agreement (RTA) is “a system of preferences in which members share with each other advantages that they withhold from others, except on a negotiated basis” (Watkins 106). It removes all barriers to trade, meaning that poor economies are not allowed to use import tariffs to protect their growing industries or their farmers from floods of cheap imports. The United States and the European Union in particular, are pressing ahead with this piecemeal approach to trade, and without the advantage of “strength in numbers” that poor countries had in the recent rounds of WTO trade talks they are much more likely to be pressed into accepting unreasonable demands of rich countries (Make Trade Fair Online). RTAs can serve as vehicles for biased trade rules and protectionism, and “as the weakest partners in the world trading system, it is developing countries that are most at risk from protectionist practices” (Watkins 107). The rich countries that dominate the WTO, such as the EU member states and the US, can use their power to negotiate preferential access to markets of developing countries, but developing countries cannot access the markets of the EU or US.

In each of these policies, from export dumping to SAPs to RTAs, the problem is not with the policies themselves, but how they have been managed and implemented. Part of the problem

lies with the international economic institutions, with the IMF, World Bank, and WTO, which help set the rules of the system. “They have done so in ways that, all too often, have served the interests of the more advanced industrialized countries—and particular interests within those countries—rather than those of the developing world” (Stiglitz 216). The industrialized world is winning, while developing world is losing out.

### *Who are the Losers?*

Instead of utilizing and harnessing the potential of globalization and trade to reduce poverty, the global trading system is dominated by rich countries causing gaps in wealth to widen and impede progress towards poverty reduction (Watkins 64). The developing world is losing as the developed world is winning, reaping the benefits of increased technology, heavily subsidized agricultural exports, barriers to trade such as tariffs and import quotas, and the rigged rules of the international trade system. Deep trade liberalization cannot be relied on to “deliver high rates of economic growth and therefore does not deserve the high priority it typically receives in the development strategies pushed by leading multilateral organizations” (Rodrik 24). Free and liberalized trade is presumed to “increase global demand for exports that embody inputs of unskilled labor, thus driving up employment, increasing incomes, and reducing poverty in the process” (Watkins 80), but in reality not all portions of society benefit from the increase in employment and income. Those hardest hit by the inequality in access to economic and employment opportunities are the rural poor and women.

Globalization has drawn millions of women into paid employment across the developing world, primarily in the manufacturing export sector. “Women are producing the goods that are

fuelling export growth—yet they are systematically denied a fair share of the benefits brought by globalization” (Raworth 9). Women are often sequestered in the lowest paying occupations of the manufacturing sector, and though their employment allows overall household incomes to be raised, these meager gains are pitted against forces that significantly affect the quality of life for women workers, including excessive work hours, weak protection in the work place from sexual harassment and arbitrary dismissal, weak trade union rights, and unequal intra-household distribution (Watkins 84). The mixed effects of globalization and increased employment on women will be explored in more detail in the next section on women’s role in the global economy.

The rural poor are another group that fails to receive the promised benefits from globalization and increased free trade. Trade theory suggests that “the rural poor will win from trade, since this is supposed to be an area of natural comparative advantage” (Watkins 86). However, the rural poor are being left behind due to structural factors that prevent them from taking advantage of the opportunities to benefit from agricultural export production. Factors such as lack of adequate access to land—the fact that smallholders cannot acquire land since it is disproportionately owned by large-scale farms; poor access to markets and weak infrastructure resulting in higher transport costs; and weak employment rights and social benefits contribute to the unequal distribution of wealth to the rural poor (Watkins 88). Due to these structural factors, the rural poor cannot compete with the influx of heavily subsidized agricultural imports from rich countries and are put at a comparative disadvantage.

These marginalized groups, women and the rural poor, are completely voiceless in the WTO trade talks that govern their fate. It is therefore the moral responsibility and in the collective interest of rich countries to reduce poverty through the mechanism of fair trade. The

developed world is morally obligated to reduce poverty, since “poverty, and the enormous waste of human potential that it causes, should not be tolerated in the midst of plenty” (Watkins 27). Rich countries have the power to change the current global situation and reduce the vast wealth gap that exists between the developed and developing worlds. The World Bank has acknowledged and recognized that “enhancing market potential through transnational competition results in economic divergence and increases the poverty gap between the global rich and poor” (McCann 235). However, they continue to operate under their neo-liberal trade agenda, perpetuating the systematic exclusion of the world’s poor from the process of development.

The developed world must have a collective interest in reducing poverty and wealth inequality. All countries can and will benefit from the prosperity that fair trade can create. “If whole swathes of the developing world are denied an opportunity to escape poverty, they will not remain as self-contained ghettos of misery. The conflict, the refugees, and the health problems that poverty creates will be exported to other countries” (Watkins 28). The developed world can no longer ignore the developing world. It must use trade as a means for achieving poverty reduction and development. Using trade as a tool to reduce poverty is not only about increasing economic benefits and increasing exports. It is ultimately about increasing the livelihood of millions worldwide, creating a better life for them, and creating a better, more peaceful world.

## Fair Trade for All<sup>9</sup>

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### *Defining Fair Trade*

Fair trade is a trading partnership based on “dialogue, transparency, and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers—especially in the South” (Fairtrade Labelling Organizations International Online). This definition of fair trade has been agreed upon by an informal network of the four main global fair trade organizations, known as FINE: Fairtrade Labelling Organizations International (FLO), International Fair Trade Association (IFAT), Network of European World Shops (NEWS), and European Fair Trade Association (EFTA). Fair trade<sup>10</sup> differs from conventional trade in that it stresses the importance of providing social safety nets for the producers involved in the global trading system through the development of equal and fair trading relationships. Through fairer prices and wages, producers and workers are able to sustain their own livelihoods instead of declining into poverty. Furthermore, through the direct access to global markets that fair trade provides, producers are able to empower themselves as they begin to manage their own business and financial affairs, instead of being pawns of a middleman or broker.

Thus, fair trade shifts the emphasis in the trade process away from profit maximization at the expense of marginalized producers to the promotion of sustainable development, which

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<sup>9</sup> The title of this section on fair trade is taken from a recent book written by Joseph E. Stiglitz and Andrew Charlton. *Citation: Stiglitz, Joseph E. and Andrew Charlton. Fair Trade for All: How Trade Can Promote Development. Oxford: Oxford University Press, 2005.*

<sup>10</sup> While FINE has provided a singular definition of fair trade, the term manifests itself in several forms: Fair Trade, fair trade, Fairtrade, and so on. Do all of these forms refer to the same term? “Many companies lay claim to a small “f”; a capital “F” precisely describes trade as carried out by fair trade organizations” (Stuckelberger 125). When capitalized, Fair Trade or Fairtrade (depending on the country—the United States employs the former, the United Kingdom the latter) refers to trade brokered through fair trade organizations and is used to identify certified products. The term “fair trade” refers to the economic concept and social justice movement, and will be employed.

empowers producers and ensures economic stability. Paul Rice, the President and CEO of Transfair USA, the only third-party certifier of fair trade products in the United States, reiterates this difference from conventional trade:

It is a market-based, entrepreneurial response to business as usual: it helps third-world farmers develop direct market access as well as the organizational and management capacity to add value to their products and take them directly to the global market. Direct trade, a fair price, access to capital and local capacity-building, which are the core strategies of this model, have been successfully building farmers' incomes and self-reliance for more than 50 years (Rice 1).

Fair trade is a departure from “business as usual,” since it works on providing marginalized producers direct access to global markets, rather than forcing them to work through the conventional system of middlemen, brokers and multinational corporations (MNCs). Since fair trade is a partnership between the buyer and supplier, it differs from initiatives that are “dependent on the power exercised by the supermarkets/Western buyers to bring about change in their supply chains” (Manokha 230). Instead of relying on the system and waiting for it to make changes for the benefit of the producers, fair trade allows producers to use the system to achieve prosperity. This is done through a form of direct trade, which “allows participating producers to sell their commodities not through the world market but directly to the distributors” (Manokha 219). As a result, prices paid for goods are higher and do not depend on the current world prices. Furthermore, often included in this higher commodity price is a social premium, which can be used for social investment in producer communities and is crucial in funding development projects, even if only on a community level.

Fair trade is more than a trading partnership or process—it is a global movement aiming to prove that trade justice can indeed be achieved, and that poverty can be reduced by utilizing existing trade mechanisms. It is a growing, international movement which ensures that producers

in poor countries get a fair deal: a fair price for their goods, long-term contracts which provide real security, and support to gain the knowledge and skills that they need to develop their businesses and increase sales (Make Trade Fair Online). It provides hope for producers in the developing world and the promise of a sustainable livelihood.

### *A History of the Fair Trade Movement*

The fair trade movement has been one of the most powerful responses to the problems facing producers. “It has given consumers an opportunity to use their purchasing power to tilt the balance, however slightly, in favor of the poor” (Watkins 165). Today, there are over 3000 grassroots organizations and their umbrella structures that organize over a million small-scale producers and farmers in over 50 countries in the global South (IFAT Online). In the past decade, the fair trade movement has grown at a rapid pace, as consumer awareness of the treatment of producers in poor countries has increased. As a result of increased consumer demand, “more retailers are stocking fair trade goods, the number of products on offer continues to grow as demand increases, and more poor communities are feeling the benefits” (Make Trade Fair Online). The movement is making significant strides in increasing the awareness of and practice of fair trade worldwide, but what are the origins of the movement and where did it all begin?

The fair trade movement has its origins in Europe, where in 1959 Catholic youth founded a development charity in the Netherlands. The goal of this charity and similar ones established shortly after, called Alternative Trade Organizations (ATOs) was to provide relief to refugees and other poverty stricken communities by selling their handicrafts to Northern markets (Transfair USA Online). These ATOs started as a partnership between these charity and non-

profit importers and retailers in the developed world and small-scale producers in the developing world, and encompassed not only fair trade producers but Certified Organic (CO) producers as well (Rice 47). Many of these producers were struggling at the time against low global market prices and high dependence on intermediaries, saw these alternative trade routes as an opportunity to protect their livelihoods through bypassing the middlemen and directly accessing markets in the developed world. Compared to conventional trading structures, ATOs offered higher returns to producers in the developing world through direct trade and fair prices. The development of ATOs laid the foundation for the modern fair trade movement's expansion and successes. Conferences held by the United Nations Conference on Trade and Development (UNCTAD) during the 1960s developed the concept of "trade not aid" on the part of developing countries, leading to the creation of "World Shops" in 1969, beginning once again in the Netherlands (Rice 47). These "World Shops" were often linked to ATOs, who supplied the shops with goods directly from producers, at prices higher than the market. This approach to development emphasized the importance in building strong trade relations, and more importantly, fair trade relations, in order to achieve the ends of development.

In 1988, in an effort to expand the distribution of Fair Trade certified products to mainstream retailers, a Dutch ATO created a label, called Max Havelaar, which guaranteed that the goods met certain labor and environmental standards (Fairtrade Labelling Organizations International Online). The concept caught on, and within years, similar labeling initiatives and organizations, such as the Fairtrade Foundation in the United Kingdom and TransFair in the United States, emerged in an effort to follow Max Havelaar's footsteps and boost fair trade sales but it was not a unified effort. The organizations launched their own campaigns and certification marks and originally operated independently (Fairtrade Labelling Organizations International

Online). However in 1997, these organizations created Fairtrade Labelling Organizations International (FLO), an umbrella organization whose primary purpose and mission is to set universal fair trade standards, support, inspect, certify disadvantaged producers and harmonize the fair trade message across the movement. FLO International now serves as the primary fair trade organization, coordinating the movement and its efforts across the globe.

*Fair Trade Certification: Processes and Standards, Principles and Criteria*

Fair Trade-certified products range in variety, but are generally primary agricultural goods, such as bananas, cocoa, coconuts, coffee, cotton, palm oil, rice, and tea, but not: petroleum, metals and minerals, because the supply chain of these goods is not direct to the final consumer and the product is consumed only after complex processing. Due to the increased demand for Fair Trade-certified products, the list of certified goods in the United States includes coffee, tea, chocolate, bananas, rice, mangoes, pineapples and grapes. The number of Fair Trade-certified goods available in Europe is higher and includes a wider variety of goods, such as wine and orange juice. Despite this disparity, the processes and standards for certification, as well as the main principles and criteria for labeling a product Fair Trade remain the same worldwide, due to the uniform guidelines set by FLO International.

Fair trade maintains seven concrete principles and aims in a trading partnership: (1) a fair price for producers, (2) democratic organization of producers, (3) decent labor conditions, (4) opportunities for producers, (5) environmental sustainability, (6) long-term trading relationships, and (7) capacity building of producer organizations (Fair Trade Federation 4). These principles and aims are intended to work toward the empowerment of the producer, guaranteeing them a

sustainable livelihood and a living wage through fair trade relationships, and define the trade relationship between a producer and an importer or retailer. “All human interaction requires rules of some sort—whether explicitly agreed upon or simply internalized unconsciously,” and the fair trade standards established by the FLO provide rules that are equitable, as opposed to the self-serving rules established by the WTO (Finn 229). These standards target the exploitative aspects of the commodity trade chain, particularly middlemen and multinational corporations, and remove them from the equation so producers and workers can be protected.

The importance of Fair Trade certification is that it ensures consumers that a good is produced ethically and that the producer received a fair price for it. While a producer may meet the fair trade standards established by the FLO, they must meet additional, more specific certification criteria in order to receive the Fair Trade certification mark. Criteria for the mark include price, commitment, advance payment, transparency, and quality (Brown 181). There must be a mutually agreed price with producers that is not based on the market price of the good, but instead includes a social premium allowing for the sustainable livelihood of the producer. There must be a commitment by the Fair Trade importing organization to order a certain guaranteed amount from one source, thereby guaranteeing a permanent market to which the producer has direct access. There must be advance payment, often called pre-financing, before the goods are shipped, which is essential for producers who rely on agricultural goods that are harvested only once or twice a year. There must be transparency, so that information freely available on technique and marketing can be passed on to the producer, “in order to improve quality and delivery and range of markets” (Brown 181). Finally, there must be a quality commitment on the part of the producer, who pledges to abstain from the use of pesticides and other environmentally harmful practices such as “slash and burn” farming. No matter what

country a producer may be in, he or she must meet these universal criteria in order to be eligible for Fair Trade certification and to have his or her products bear the Fair Trade label, which in turn proves to consumers that they are indeed purchasing a product that meets the necessary standards and thus guarantees a better livelihood for the producer.

*“From Crop to Cup”: The Fair Trade Route vs. the Conventional Trade Route<sup>11</sup>*

There is a much more significant difference between a Fair Trade product and a conventionally traded product than a mere label. In conventional or free trade, protectionism and barriers to trade are removed. As a result, large producers and transnational corporations have a monopoly on the access to markets, capital and technology, while plantation workers and small farmers are isolated from the market and unable to gain the full benefits of free trade (Oxfam America 8). Coffee provides a prime example of the major difference between fair trade and conventional free trade routes, and how fair trade actually makes trade “fair.” The fair trade route removes the most exploitative agents in the commodity chain of supply. By removing the local middleman, exporters, and brokers, all of whom take their share of the profit before passing it on to the producer, the Fair Trade certification process guarantees that the producer will see more profit per pound of coffee that he or she sells on the market.

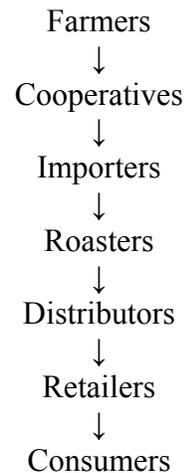
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<sup>11</sup> The flow chart presenting the Fair Trade commodity chain versus the conventional commodity chain was originally presented by Oxfam America in its report “Just Add Justice: Bringing Fair Trade to Your Community” as well as in the 2002 Report on Fair Trade Trends in the U.S. and Canada by the Fair Trade Federation.

### The Conventional Trade Route



### The Fair Trade Route



In addition to removing exploitative agents from the commodity chain, Fair Trade certified goods such as coffee are guaranteed a minimum price,<sup>12</sup> which includes a social premium to foster sustainable livelihoods and community development. In the conventional trade route, this is not the case:

The coffee farmer receives 14 US cents per kilo for his green beans, assuming he does no processing. These beans pass through various traders before arriving at the roaster factory at a price of \$1.64 per kilo. If these beans were to end up in a soluble coffee sold on supermarket shelves in the UK, an average price per kilo would be \$26.40. Adjusting for the loss of weight along the way, between farm gate and shopper's trolley the price would have inflated by more than 7000 per cent. An equivalent journey into a pack of roast and ground coffee sold in the US would involve a price rise of nearly 4000 per cent (Gresser and Tickell 22).

This astronomical markup in the conventional trade route explains why the coffee industry appears to be so lucrative, yet so many small farmers are struggling on a daily basis to survive.

<sup>12</sup> Fair trade farmers receive a minimum of \$1.26 per pound for their coffee, or \$0.05 above the market price if it exceeds that floor. (Source: "Voting With Your Trolley")

They only see a small fraction of the profits generated from the sales of their product. The fair trade route however, prevents this gross markup from occurring, and ensures producers a larger share of the profit, and increased profits can lead to a better livelihood.

### *Fair Trade as a Means for Development?*

Producers in developing countries often rely on primary commodities to sustain their livelihoods. However, in the global system of trade, the costs of commodity dependence run high, especially in recent years. In the 1990s, world trade in primary commodities was growing at less than one-third of the rate for trade in manufactured goods, and the gap is widening, leaving the developing world to “trade into decline” (Watkins 150). Countries depending on primary commodities are suffering, while those producing manufactured goods are experiencing economic growth. Added to the problem of slow growth in the primary commodity industry are two interlocking problems: structural over-supply and the fact that producers capture only a small share of the final value of their production. Structural over-supply occurs when producers of primary commodities over-produce in an effort to counteract the effects of crashing world prices—“producers export more, which pushes down prices, and then seek to increase exports again, which produces a similar outcome” (Watkins 159). The second problem primary commodity producers face is the conventional trade route itself, in which they see little of the profit.

However, producers need not be the losers in the system of trade—fair trade can prevent financial losses and the subsequent increase in poverty. It can “fuel poverty alleviation and the empowerment of producers through the provision of preferential prices, more stable markets, and

information and other non-market exchanges” (Raynolds 23). Fair trade offers a possible solution for the problems faced by primary commodity producers. Instead of trading into decline, they can utilize fair trade as a tool with which they can trade into development. In the current economic climate, “Fair Trade has become a lifeline for many producers. Fair Trade has given rise to many commercial businesses which operate at a profit but which retain the explicit development objective of improving the lives of the farmers from whom they buy” (Gresser and Tickell 40). The Fair Trade-certified label—and the system of fair trade itself—guarantees: a fair price, quality products, care for the environment, and a positive community impact (Transfair USA Online). Fair trade guarantees farmers and workers a fair price for their labor and products, so that they can feed their families and ensure that their children can go to school instead of working in the fields or factories. Through a fair price, producers can avoid potentially harmful cost-cutting agricultural practices and thus ensure a quality product for the consumer. This also has positive implications for the environment, since the use of pesticides is prohibited in the production of Fair Trade-certified agricultural goods. Finally, fair trade has an overall positive impact in producer communities, by providing them with the means—via the social premium included in the fair trade price—to achieve a sustainable livelihood and empowerment.

### *Critiques of Fair Trade*

Fair trade is designed to contribute to development and poverty reduction by enabling producers to earn more money to sustain their businesses and by investing in communal development. However, critics of fair trade argue that it is more detrimental than beneficial. Critics have made four basic arguments: the fair trade minimum price acts as a subsidy, which

then forces down world market prices even further; certification forces producers to organize labor in a particular manner; fair trade misleads consumers; and it does not address the underlying causes of poverty and underdevelopment.

The first critique is that fair trade does not “adequately deal with the fact that the economies of numerous developing states depend virtually exclusively on exports of agricultural and primary products. . . . Such commodities are exported by many countries and as a result their abundant supply drives world prices down” (Manokha 220). Critics argue that fair trade works within the current international system instead of seeking overarching reform, and that the fair trade minimum price acts as a subsidy, which then forces down world market prices even further:

The standard economic argument against Fairtrade goes like this: the low price of commodities such as coffee is due to overproduction, and ought to be a signal to producers to switch to growing other crops. Paying a guaranteed Fairtrade premium—in effect, a subsidy—both prevents this signal from getting through and, by raising the average price paid for coffee, encourages more producers to enter the market. This then drives down the price of non-Fairtrade coffee even further, making non-Fairtrade farmers poorer (“Voting with Your Trolley” 74).

While it is true that structural over-supply drives world market prices down, the fair trade system does not encourage overproduction; it simply guarantees a minimum price for the amounts already produced. Additionally, farmers in developing countries cannot afford to diversify out of primary products such as coffee when the price falls. Therefore fair trade acts as a safety net, allowing producers to use the social premiums they receive to make the necessary investments to diversify into other crops.

Another objection to fair trade is that certification is predicated on political assumptions about the best way to organize labor. In particular, for some commodities, including coffee, certification is available “only to cooperatives of small producers, who are deemed to be most likely to give workers a fair deal when deciding how to spend the Fairtrade premium” (“Voting

with Your Trolley” 74). While a major principle of fair trade is democratic organization, where producers must be able to exercise control by owning the land on which they work and by being organized into cooperative or democratic associations, certification is not available to cooperatives of small producers alone. While fair trade producers are most commonly arranged into cooperatives, lacking this particular structure does not impair the ability to receive Fair Trade certification. The certification process simply requires the producers to be organized in a democratic arrangement so that profits earned can be divided equally, ensuring a sustainable livelihood for all the producers involved.

Perhaps the most cogent objection to fair trade is that “it is an inefficient way to get money to poor producers. Retailers add their own enormous mark-ups to fair trade products and mislead consumers into thinking that [the entire] premium they are paying is passed on” (“Voting with Your Trolley” 74). This critique attacks the roots of the fair trade movement, arguing that consumers are deceived into paying higher prices, believing that their additional dollars are improving the lives of fair trade producers around the world. However, consumers—regardless of whether or not they are misled in paying a higher price—have more power than they may realize when it comes to affecting the decisions made by the conventional system, argues Chris Wille of the Rainforest Alliance, a conservation group: “They are at one end of the supply chain, farmers are at the other, and consumers really do have the power to send a message back all the way through that complicated supply chain. If the message is frequent, loud and consistent enough, then they can actually change practices” (“Voting with Your Trolley” 73). Even if the entire premium consumers pay is not passed on to producers, by consciously purchasing a Fair Trade certified product, a consumer is taking action and making a statement against the conventional trade system. Consumers are taking part in the fair trade movement,

showing “what is possible and [making] an informed statement about the mainstream. They defy the imperative to buy cheap and ignore the consequences. They offer a trace of respect to just a few of the many millions of producers whom foul trade routinely humiliates” (Ransom 128). Purchasing Fair Trade certified products allows consumers to make a change—no matter how small—in an otherwise seemingly unchangeable global system.

Lastly, critics believe that fair trade “does not deal with the underlying causes of poverty and underdevelopment perpetuated by the structure of world production and distribution” (Manokha 220). Critics argue that fair trade does not question the arrangement of the current international economic system and its historical roots or the existence of global capitalism, of production for the market, of wage labor or of private property and accumulation of capital for its own sake. “It presupposes these capitalist institutions, takes them for granted and contributes to their reproduction” (Manokha 220). It is true that all fair trade essentially does is to ensure that certain farmers receive a better price for their produce. It is also true that fair trade presupposes capitalist institutions. Nevertheless, it does provide producers who have been systematically marginalized with an economic and social safety net within the system itself. Fair trade does not claim to solve the root causes of poverty, but until these root causes are fully addressed by the international community, fair trade provides those suffering from poverty with a way to survive a little longer. What then, is fair in trade? “Ask two simple questions: who benefits—and who is accountable? In the case of orthodox ‘free’ trade, the answer to the first question is straightforward: the already rich and powerful. It is, in other words, patently unfair. The answer to the second question is, if anything, even simpler: no one” (Ransom 8). In its essence, fair trade is not a label or a brand with passive consumers but a movement with active supporters, and a relationship of trust and solidarity between people in the global economy.

## “Womonomics”: Gender and International Trade

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*“When I had to go to work, I used to worry about my child. I would take him with me to the tobacco field. But my employer objected. Then I would leave him at home, but I still worried about him. But what could I do? I had to earn, and I had no option.”*

-- Agricultural laborer, India<sup>13</sup>

*“As a casual worker, I do not get a bonus, or paid holiday or severance pay. I am looking for a place to stay so that I can collect all my children to stay with me. To be a mother with my chickens under my wings.”*

-- Ragel, picking fruit in South Africa for export to UK supermarkets<sup>14</sup>

*“As women and as workers, we have to fight for our rights and against violence both in the fields and in our homes.”*

-- Julia Gabriel of the Coalition of Immokalee Workers<sup>15</sup>

Women work. Women of all ages and marital statuses, in nearly all circumstances of class or status work, and have always worked (Nisonoff 177). Nevertheless, much of the work women have done historically and continue to do today is invisible since it occurs primarily within the household. Despite its invisible nature, it is an undeniable fact that the informal work women perform is crucial to the maintenance and functioning of any society. Women perform the majority of the world’s work—formal and informal—yet they are grossly under compensated for their efforts. Not only are women unfairly remunerated for their work, they are often the subject of discrimination and exploitation in the formal employment sector and violence or even sometimes slavery in the informal sector. Despite this seemingly bleak situation, the standard of living of any society, and certainly the global society as a whole, can be significantly improved

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<sup>13</sup> Chen, Martha. *Progress of the World’s Women 2005: Women, Work and Poverty*. New York: United Nations Development Fund for Women, 2005. p. 23

<sup>14</sup> Raworth, Kate. *Trading Away Our Rights: Women Working in Global Supply Chains*. Oxford, UK: Oxfam International, 2004. p. 4

<sup>15</sup> Raworth, p. 79

when women are guaranteed the political, economic, and social rights they are entitled to as human beings.

### *The Gendered Effects of Globalization*

The effects of globalization have exacerbated an already complex relationship between gender inequalities and international trade patterns. Gender relations influence the distribution of output, work, income, wealth and power on the societal, state and international levels, resulting in a nearly universal prejudice against women economically, politically and socially.

Simultaneously, globalization has drawn millions of women into paid employment across the developing world, primarily in the export manufacturing sector. Women are producing the goods that are fuelling export-led growth—“yet they are systematically denied a fair share of the benefits brought about by globalization due to inequalities in gender relations” (Raworth 9).

Additionally, in agricultural production women face gender biases since they are expected to produce food for the household as opposed to produce food to sell on the commercial market. As a result, women everywhere “typically suffer systemic disadvantages in a number of dimensions which affect the terms of their engagement in economic activity” (Joekes 3). In all areas—whether in formal or informal employment sectors or in manufacturing or agricultural production women face gender inequalities inherent in the global economic system that hinder their ability to become effective social and economic agents.

### *Women and Industry*

Globalization has amplified international trade to unprecedented levels, which has considerably increased economic growth. However, as noted in the earlier sections on globalization and the international trade system, wealth generated by increased world trade is unequally distributed, and the poor—poor women in particular—are being left on dry docks. This is due in part to the fact that markets are not gender neutral in the way they operate. As globalization has removed barriers to trade, developing countries struggle to keep afloat in the international trading system. They attempt to do so via two principal policies, import-substitution and export-led industrialization: import-substitution involves the local production of formerly imported goods, while export-led industrialization involves employing local low-wage workers to produce inexpensive export items such as clothing (Nisonoff 177). Of these two methods of development, the majority of countries in the developing world have relied on export-led growth to buoy themselves as globalization creates rising tides that lift up everyone else in the international economy. This is because export-led growth is “often a much less costly process to initiate, requiring fewer expensive materials, less manufacturing equipment, and lower-waged workers” (Nisonoff 178). Consequently, developing countries compete with one another to attract direct foreign investment by offering multinational corporations incentives such as “favorable tax laws, free trade zones, and a cheap—and often exploitable—work force” (Leonard 84).

Export-led development and global MNC competition have resulted in employers’ preference for women workers in labor-intensive, yet often low-paid, sectors of manufacturing where they provide a cheap and flexible work force. This preference for women workers is called the feminization of the labor force. As economies in the developing world industrialize and vie to attract MNC investment, thousands of jobs are created for women since they are seen as cheap

and expendable labor. “Women are often considered by MNCs as a nimble and docile workforce, particularly suited to monotonous unskilled work” (Leonard 84). They are often already suited for manufacturing jobs in sectors such as the profitable garment export industry, as they carry over their traditional tasks from the private household into the public sphere of production. However, in addition to being “suited to monotonous unskilled work,” women are also viewed as “nimble and docile,” which puts them at higher risk of being discriminated against in terms of wages and being exploited. Since women are regarded as a labor force that will work for lower wages than men, they face high levels of job insecurity and discrimination, which reflect the inherent gender biases in the international economic system.

At the end of supply chains across the globe “the majority of workers—picking and packing fruit, sewing garments, cutting flowers—are women” (Raworth 4). The work women perform is fuelling valuable export growth, which ought to be providing the income, security, and support needed to lift them and their families out of poverty. And indeed, for many women, jobs in export manufacturing have brought economic independence, greater equality in the household and personal empowerment. However, for most women in the developing world, instead of reaping the benefits of globalization they are systematically being denied their fair share:

Fewer than half of the women employed in Bangladesh’s textile and garment export sector have a contract, and the majority of these women receive no maternity or health coverage—but 80 per cent fear dismissal if they complain. In China’s Guangdong province, one of the world’s fastest growing industrial areas, young women face 150 hours of overtime each month in the garment factories—but 60 per cent have no written contract and 90 per cent have no access to social insurance (Raworth 5).

Across the developing world, women cannot become economic agents in their own right due to obstacles in the industrial sector ranging from wages below subsistence levels, employment

insecurity, and poor social benefits. Until these labor practices are reformed, women will continue to be denied their fair share.

### *Women and Agriculture*

The subordinate status of women in the manufacturing and formal labor sectors is no different in the agricultural sector. In most of the developing world, women are mainly responsible for subsistence agriculture since they are the primary caregivers for the household; they grow, harvest, and prepare nearly all the food that is consumed by their families. In regions where women are able to perform agricultural work outside the home to generate independent income, they are consistently shortchanged. For example, in Chile “75 per cent of women in the agricultural sector are hired on temporary contracts picking fruit, and put in more than 60 hours a week during the season, but one in three still earns below the minimum wage” (Raworth 5). “In Africa, women perform between 60 and 80 percent of all agricultural work” and food production is in fact the major enterprise of almost all rural African women (Leonard 83). This agricultural work and food production includes both subsistence farming in addition to any commercial endeavors individual women may pursue. “Most women farmers produce food both to [provide for] their families and to earn a personal income from food sales” (Koopman 132). However, few women are able to earn an independent income from agricultural production due to the significant social and household constraints they face, which is particularly true in Africa. Women’s incomes, when they are actually able to produce a food surplus, are lower than men’s since they are required to spend most of their time on subsistence food production and domestic labor before they can venture into income earning enterprises.

In the production and processing of food crops in African farming systems, women's responsibilities and labor inputs normally exceed men's, since they are primarily responsible for the production of all or most staple foods and for all other food crops (Koopman 134). However, even though women are responsible for subsistence agricultural production, men have the ultimate control over land and other productive resources, which significantly limits the independence of women within the household and places them in a subordinate position to men. This has important implications for the overall well-being of women and the family unit: "male control of land increases significantly the uncertainty and risk in women's food-production activities" (Koopman 135). Not only does male control place women in a subordinate position, but the household risks losing income as well as food security when men control production resources. Thus, inbuilt gender-biases in the African agricultural system reduce not merely women's agency but women's overall chances of survival. However, women may be able to increase their food output and sales through organizing and developing cooperatives, which may increase their access to resources, capital, and credit. The role of cooperatives in improving women's livelihoods, particularly in rural agricultural settings, will be explored in a later section.

### *"Double Duty"*

Women in all societies are "disproportionately responsible for domestic work and childcare, which is an absolutely vital role in ensuring the reproduction of future generations and for the general well-being and economic development of any country" (Leonard 83). However, despite the fundamental importance of the informal and domestic work performed by women, it is undervalued and often invisible. Women have the obligation and duty to manage household

resources so as to feed, clothe, house, and educate the rest of the household, but they are not compensated or recognized for this crucial role. Not only are women not compensated for their domestic labor, they are often exploited by their husbands who control most or all of the household's income and resources. "This responsibility for making ends meet without control over resources is a source of constant problems and anxiety for poor women. It is they who have to devise household survival strategies, but it is their husbands who control access to major resources" (Elson 35). Since they typically do not have control over income or resources, women are left in a weaker negotiating position within the household.

This weaker negotiating position leaves them with "the primary responsibility for caring work in the home—raising children, tending to the sick and elderly—and it makes them more dependent on whatever paid work they can get," often forcing them into low-paid positions either in the informal sector or in export manufacturing (Raworth 18). Many women choose to seek employment in the informal sector since it allows them to use their traditional domestic skills—as house cleaners, laundry women, and other jobs not formally regulated by governments—to contribute to their independent income. However, while some forms of informal work may have benefits for women by increasing their income, there are some negative side effects. "These [jobs in the informal sector] often reflect gender ascribed roles and responsibilities that are, in turn, used to justify gender segmentation: notably, the need to balance paid work and unpaid care work" (Chen 73). In addition to reinforcing gender-ascribed roles, informal labor is characterized by low job security, low wages, and no social benefits, and is thus typically more harmful than helpful in advancing the economic position of women. An additional negative side effect of seeking informal or unregulated employment outside the home is the burden of "double duty."

“Double duty” is the concurrent responsibility to be the primary caretaker of the household and an independent economic agent—women must simultaneously feed and care for their families while seeking employment outside the home to contribute to the betterment of their financial status. Women are often forced to carry this double burden without any economic or social assistance from either their husbands or the government. “Double duty” weakens women’s negotiating position not only within the household, but within the economy as well: “So long as women carry the double burden of unpaid work in the reproduction and maintenance of human resources as well as paid work producing goods and services, then women are unable to compete with men in the market on equal terms” (Elson 37). Earning an independent income ought to be beneficial for women in the developing world, but since they must maintain the household whenever they are not working outside, women are left with little time for participating in workers’ organizations and social support groups, which can be a key factor in empowering women across the developing world, and a key to a better livelihood.

### *Empowering Women: Possibilities for a Positive Future*

It is not just the case that women need development, but that development needs women. The socioeconomic status of women has a vital impact on the well-being of families at the household level, communities at the state level, and countries at the international level. Accordingly, women are seen progressively more as active agents of social and economic change, argues Amartya Sen: “No longer the passive recipients of welfare-enhancing help, women are increasingly seen, by men as well as women, as active agents of change: the dynamic promoters of social transformations that can alter the lives of *both* women and men” (189). Instead of

asking for help, women are helping themselves; instead of asking for change, they are initiating it. Women, both individually and collectively, are becoming “social actors who often actively aim to surmount the disadvantages that they face within their household, community and wider society” (Leonard 86).

Independent income is one of the most effective ways women can empower themselves and begin to change the structure of their societies. Women with a demonstrated income-earning capability improve their individual status and authority within the household, and this rebounds positively on the treatment of girls and women generally; in education, and in the poorest societies, food availability and nutrition (Joekes 58). Working outside the home and earning an independent income enhances the social standing of a woman in the household and society. “Her contribution to the prosperity of the family is then more visible, and she also has more voice, because of being less dependent than others” (Sen 191). When a woman earns an independent income that she has complete control over, she is less dependent on her husband, and she also increases her bargaining power within the home. However, it is crucial that the independent income women earn is a result of fair and just employment, instead of insecure and exploitative employment in the informal sector lest they run the risk of experiencing the negative effects discussed earlier.

A woman can ensure that she is employed fairly by employing herself through small-scale entrepreneurship or cooperatives. “Women can seize business and economic initiative with much success” (Sen 201). Micro-credit loans have enhanced women’s ability to create micro-enterprises and business cooperatives by providing them with loans when they were previously unable to receive credit, whether due to poverty or gender biases. The success of the Grameen Bank in Bangladesh is an extraordinary example of this. The Grameen Bank has

“consistently aimed at removing the disadvantage from which women suffer, because of discriminatory treatment in the rural credit market, by making a special effort to provide credit to women borrowers” (Sen 201). In addition to being—arguably—the most deserving recipients, women are the most appropriate recipients of the loans granted by Grameen, since women are reputed to be more reliable than men when it comes to repayments: “The remarkable record of that bank in having a very high rate of repayment (reported to be close to 98 percent) is not unrelated to the way women have responded to the opportunities offered to them and to the prospects of ensuring the continuation of such arrangements” (Sen 201). Women reliably repay the loans since they are eager to receive additional loans to foster their economic endeavors. When given the opportunity and resources to become active economic agents, women do not hesitate in advancing their positions; they are ready and willing to “seize business and economic initiative.” Micro-credit loans are only one manner in which women can collectivize, increase their access to economic resources and increase their ability to compete in the market. In addition to this approach, women can improve their assets by joining cooperatives and collaborating with one another to pool their economic resources.

### *Women and Fair Trade: The Essential Role of Cooperatives*

Cooperatives provide women in the developing world with a mechanism for empowerment and financial betterment, since it offers women a key tool—organized labor. Organizing is a crucial factor in the informal sector of the economy in particular, since it acts as a safeguard against exploitation in otherwise unregulated employment. “One of the most important ways for workers in the informal economy to counter the forces that contribute to their

impoverishment is through organizing” (Chen 75). Organizing is a critical element in the economic, social and personal empowerment of women. Through organizing, whether into a collective or a labor union, women are able to take action to “advance and defend their interests, formulate policies that will benefit them and hold policy makers accountable over the long term” (Chen 75). Thus, organizing is both an end in itself—as women achieve a sense of empowerment and are able to support each other—and a means of leveraging wider impact on a global scale. Women can thus become active members of their communities, and equal partners in their homes.

Cooperatives are just one of many types of organized labor, but they are often the most effective. “Cooperatives provide a structure through which workers pool financial resources, equipment, skills and experience (to minimize transaction costs), enabling them to increase their earning power and/or to obtain goods and services by sharing the gains from these combined resources” (Chen 79). Cooperatives also provide women with a social structure where they can pursue both economic and social objectives, which contribute to empowerment. From a gender and poverty perspective, workers’ ability to collectively organize is critical. Part of the reason for the perpetuation of poverty has to do with women’s lower wages compared to men, with particularly adverse affects on poor women-headed households (Catagay 29). Through cooperatives, women are able to increase their bargaining power by demanding labor rights and better wages and by creating economic and social structures to support and empower themselves.

However, there are multiple ways to structure a cooperative, which raises the question of whether certain structures are more effective and beneficial than others. There are several different types of cooperative structures, including consumer cooperatives, producer cooperatives, business-owned cooperatives, and worker cooperatives:

A consumer cooperative is a purchasing organization formed with the idea that production and distribution should be controlled by the consumer. A producer cooperative is an organization owned and operated by producers formed to offer its members better marketing and production capacity. A business-owned cooperative is an organization owned by a group of businesses, forming a block to purchase goods and services collectively at cheaper rates. A worker-owned cooperative is an organization owned and operated by the workers of the business. Ownership of the business is in the hands of the employees, decisions are made by all members who have an equal say. In this way, the business is run by those most interested in and affected by the business (GEO Online).

Of these several types of cooperative, worker cooperatives are generally the easiest to set up and often the most beneficial. Members of such a cooperative can instantly increase the amount of land and credit at their disposal, which is crucial for women in the developing world, who generally have limited control over financial resources. Additionally, women are provided with a structure through which women can develop bargaining skills via active participation in an economic endeavor, as well as a social network for them to interact and build meaningful relationships. “When women actively participate in an organization, or take on leadership roles, their self-confidence, knowledge and understanding of the world generally increases and they gain new skills” (Chen 76). Thus, women are given the opportunity to pursue their economic and social goals, leading to increased economic security, self-confidence, and overall empowerment.

The structure of a fair trade cooperative differs little from that of a non-fair trade cooperative; however, the promise of a minimum price for their goods and a social premium set fair trade cooperatives apart from their non-fair trade counterparts. Fair trade cooperatives are democratically organized, worker-run cooperatives that offer equal employment opportunities for men and women, facilitate access to buyers, provide credit, and offer training and technical assistance to members. The structure of fair trade cooperatives allows all of the members to participate democratically in business decisions, which is extremely important for women involved in fair trade production. Furthermore, the democratic structure of fair trade cooperatives

permits previously disenfranchised actors to actively participate in the global economy, promising increased control over business decisions and ultimately, increased income by cutting out the middleman and implementing fair and equal wages. “Fair Trade cooperatives offer unique benefits to communities—among them, the fact that women, who are often marginalized in the global economic system, are full participants in Fair Trade cooperatives” (LWR Online). In addition, the revenue generated by fair trade cooperatives as well as the social premium included in the fair trade price is often invested in social programs for women, such as leadership training and women’s health initiatives.

Women are able to capture fair trade’s economic and social benefits in the same way as men since they are full economic and social agents within a fair trade cooperative. Unlike most jobs that women might hold in manufacturing or agriculture where they are forced to travel great distances and work long hours in dangerous conditions, “a woman’s participation in a fair trade cooperative is about more than just her production capacity. Fair trade tenets place value in what employed women can do to strengthen their communities” (LWR Online). As mothers, wives, and economic actors, fair trade cooperatives give women new opportunities to prosper since they are not seen merely as beneficiaries of profits generated by the fair trade minimum price or social benefits due to the social premiums, but as active agents who can empower themselves and strengthen their communities. Essentially, this is the difference between a conventional cooperative and a fair trade cooperative—women are viewed as independent and active social and economic agents in the democratically structured fair trade cooperative, whereas in a conventional free trade cooperative women may still be subject to gender inequalities and biases.

## Ghana and Fair Trade: A Case Study

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*“A bite of Fair Trade chocolate means a lot to peasant farmers in the south. It opens the doors to development and gives children access to healthcare, education, and a decent standard of living.”*

-- Ohemeng-Tinyase, Managing Director of Kuapa Kokoo cocoa cooperative<sup>16</sup>

*“We rely on the money we get from cocoa for everything: for food, clothes, medicines, and school fees. Getting payment for our cocoa beans used to be very hit and miss. When we didn't get paid, we went without. Kuapa Kokoo pays all its farmers a fair price for their crop, in cash, and on time. I am very happy: since I joined Fair Trade I can afford to send my children to school.”*

--Lucy Mansa, Ghanian cocoa farmer<sup>17</sup>

At first glance, Ghana appears to be a typical African developing country—the country emerged from colonial rule; it experienced economic restructuring under the IMF and World Bank; its economy relies on two or three primary agricultural commodities; and it suffers acutely from poverty-related problems. Many of the economic problems Ghana faces are due to the heavy reliance on the export of cocoa. According to the International Cocoa Organization, in 2005 Ghana was the second largest producer of cocoa in the world, producing 741,000 tons of cocoa, about 20 per cent of overall world production (ICCO Annual Report 13). If cocoa producers cannot receive a fair price on the world market, countless small farmers who rely on cocoa to support themselves—particularly the women who perform the majority of agricultural work—cannot pull themselves out of poverty. Despite this bleak picture, there is a phenomenon taking place in Ghana—one of the most successful fair trade cooperatives, Kuapa Kokoo, is transforming the lives of individuals, whose livelihoods depend on the export of cocoa, offering them hope for a sustainable future. The case of Ghana provides an example of the promise of fair

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<sup>16</sup> Lutheran World Relief Online.

<sup>17</sup> Make Trade Fair Online.

trade, illustrating how it is fundamentally changing the lives of those involved, and how cocoa producers are turning a bitter situation into one of sweet success.

### *Ghana's Economic History in Brief*

Ghana is a poor country of 239,460 square kilometers and a population of 22,409,572. Formed from the merger of the British colony of the Gold Coast and the Togoland trust territory, Ghana in 1957 became the first sub-Saharan country in colonial Africa to gain its independence (CIA World Factbook Online). Ghana has a primarily agricultural economy with 37.3 percent of its GDP coming from that sector, only 25.3 percent from industry and 37.5 percent from the service sector, with the average annual per capital income (GDP per capita) currently at \$2,600 (CIA World Factbook Online). The domestic economy continues to revolve around subsistence agriculture, which employs 60 percent of the work force, mainly small landholders (CIA World Factbook Online).

Ghana's economy went through turbulent times following its independence. From 1960 to 1964, the country experienced relatively high growth, spurred on by rapid industrialization linked to import-substitution policies. However, this gave way to macroeconomic instability, and uneven and volatile growth from 1965 to 1983—a period characterized by price and exchange controls, a weak administrative system, political instability and inconsistent policy implementation (World Bank Online). This shaky economic foundation in the years following independence, rocked by economic shocks, brought the economy close to collapse in the early 1980s. As a result, in 1983, Ghana became one of the many African countries which approached the World Bank and the IMF to negotiate a structural adjustment program (SAP) in order to

reschedule its debts and obtain additional financial assistance. The program included six principal elements, including: devaluation of the currency, reduction in tariffs, decreasing government spending, and privatization (Creevey 151). Ghana's SAP lessened state control over the economy and reestablished macroeconomic stability through trade liberalization, but at great social costs, since the state was forced to cut back on government programs such as education, social welfare, and health. This macroeconomic stability, however, was short-lived.

Despite an overall growth in GDP of 4.5 percent from 1983 to 2001, in January 2001, the newly elected government inherited a rapidly deteriorating financial situation—inflation was surging, and the accumulation of government and public enterprise debt diverted resources from public services and productive investment. The new government attempted to restore macroeconomic stability by raising petroleum prices and electricity and water tariffs to stem losses for the state-owned companies. Additionally, the government raised taxes, curbed spending, and sold state-owned assets. Despite these measures, Ghana's economy remained unstable. A turning point came in 2003, when Ghana finalized its first Poverty Reduction Strategy, a domestically-created poverty reduction strategy required by the World Bank in order to be eligible for annual programmatic structural adjustment loans, which focused on high growth to generate jobs and cut poverty (World Bank Online). As a result, Ghana is one of the best-performing economies in Africa, and has reduced poverty nearly by half in the last decade. However, this strong economic performance is largely due to the reliance on the revenue generated by lucrative exports such as cocoa.

Women play a unique role in Ghana's economy compared to other countries in the developing world; they have a significant and socially accepted role in local trading, and are also involved in informal food production and processing activities. Although some government

programs have focused on women's economic activities, they have reached relatively few women and women are virtually excluded from mainstream banking and credit systems (Carr 11). While women may be excluded from banking and credit systems, they can nevertheless participate actively in the informal sector of the economy and in subsistence agricultural production. Many women own small farms and work them in their own right, which they often receive as inheritance gifts from their husband's or father's extended family lands to ensure that they have an income and are protected from destitution, especially in old age (Carr 12). This involvement in the informal sector and in agriculture is facilitated by the opportunities offered by fair trade cooperatives, which will be explored in a later section.

### *Bittersweet: Cocoa and Ghana*

A common feature of many developing countries is that they depend heavily on a single export crop, and Ghana is no exception—as noted above, their agricultural and economic success depends on the export of cocoa. Ghana's cocoa industry is regulated by the Cocobod, the national cocoa board. The Cocobod has its roots in the colonial buying monopoly set up by the British just after the Second World War in 1947 in response to “African complaints that they were getting ripped off by the expatriate firms whose agents monopolized the purchase of the cocoa crop” (Ransom 58). The early history of cocoa production in Ghana was marked by a series of struggles in which farmers got together to hold back the sale of their crops and force up the price in order to ensure increased revenue. Today, the Cocobod provides Ghanaian cocoa farmers with a mechanism to regulate the prices of the cocoa they produce, the amount they

export, and the structure of the cocoa market domestically in order to facilitate increased production and revenues.

The emergence of a mono-crop culture based on cocoa threatens the overall economic stability of Ghana, since its success or failure depends upon the price received for cocoa as the primary export crop on global markets. For example, in 1972 Ghana produced nearly a third of the world's cocoa. A decade later this had fallen to just 12 per cent. With Ghana, like most of sub-Saharan Africa, staggering under a huge debt burden, the collapse of cocoa left the country teetering on the edge of bankruptcy (Ransom 59). In order to salvage Ghana's economy following this price collapse, a structural adjustment program (SAP)—discussed in detail above—was implemented by the IMF and World Bank that focused on the liberalization of the cocoa industry. As a result, the Cocobod was forced to downsize, and for cocoa farmers this meant significantly—albeit artificially inflated—higher prices. Today the price farmers receive has risen to 50 percent of the international price, with the Board committed to go even higher, to 65 or 70 percent. But structural adjustment is “turning out to be a blunt instrument, cutting away many of the beneficial services to farmers the Cocobod did perform. . . . Not only are inputs more expensive, but the cost of living for ordinary Ghanians has skyrocketed” (Ransom 62). The free market—the system strongly advocated by the World Bank and IMF—can lead to negative changes in cocoa farmers' lives: “first, they normally face fluctuating market prices more directly and second they may suffer greater exploitation at the hands of private traders instead of the state with little or no recourse to protection” (Carr 13). Thus, cocoa farmers are still subject to fluctuations in the international cocoa price despite the upswing in prices following the implementation of a SAP in Ghana.

The majority of cocoa production in Ghana is performed on farms typically less than three hectares, while in the remainder of West Africa plantation and large-scale production of cocoa is widespread (Carr 12). These small-scale cocoa farms are worked on by the whole family, extended family and occasionally tenant or hired assistance under traditional land tenure systems. It is not uncommon for these small farms to merge into cooperative systems. From the early colonial days, Africans were permitted to act as middlemen cocoa traders and consequently the cooperative movement had its beginnings there. “Just as African entrepreneurs responded to the opportunities in cocoa marketing by starting small marketing firms, so too cocoa farmers responded by starting cocoa marketing cooperatives” (Young, et al. 176). Cooperatives assert potential for helping small farmers overcome economic weaknesses—the cooperative buys and sells in larger quantities, centralizing the dealings of farmers in the hands of those with greater commercial skills than most farmers themselves (Young, et al. 19). They claim to equalize to some degree the farmers’ economic power and bargaining skills in relation to suppliers of goods and services and the buyers of farm produce. But despite the additional security provided by the cooperative farming system, prices are still subject to the fluctuations in the international market. However, cocoa farmers in Ghana can ensure sustainable prices and a living wage for themselves by turning to fair trade methods to further enhance the benefits of cooperative farming.

#### *Kuapa Kokoo: Fair Trade Success in Ghana*

Structural adjustment programs (SAPs) in Ghana increased the vulnerability of small-scale farm holders by undermining the relative stability of the state market, in which the Cocobod regulated and marketed cocoa. If farmers were to benefit from liberalization it could

have been through a trickle-down effect from new private companies entering the market. However, small-scale farmers were abandoned for a remarkably crude ideology of free markets and were left prey to exploitative merchants and agents. This instability threatened product quality, farmers' earnings and confidence, and thus the sustainability of rural livelihoods and cocoa production (Tiffen Online). In response to the liberalization of the cocoa industry, and in order to combat the threat of the farmers losing out, in 1993 a group of cocoa farmers including a farmer representative on the Cocobod, Nana Frimpong Abrebrese, came together to form a cooperative that would collect and sell its own cocoa for the member farmers' own benefit (Divine Chocolate Online). Abrebrese saw that "the partial privatization of internal purchase might leave cocoa farmers at the mercy of unscrupulous private companies. . . . The best way to avoid this, he surmised, was for the farmers to organize themselves to collect, sell and profit from their own cocoa" (Ransom 64). By organizing themselves, the farmers can empower themselves by having a voice in dealings with corporate and government cocoa buyers.

When it started, Kuapa Kokoo had 22 local societies—the number mushroomed to 160 in 1998. Today, Kuapa is operational in 26 areas, with around 1,200 village societies and 45,000 farmer members (Ransom 64). Of the 1,200 village societies, 546 of them are women's societies or cooperatives, established with the aid of the Kuapa Gender program, which started in 1998 (Kuapa Kokoo Online). It is comprised of four main organizations: (1) the Kuapa Kokoo Farmers Union, which is made up of village societies that elect society committees and representatives at the regional level, who in turn elect representatives to the National Kuapa Kokoo Farmers Union; (2) Kuapa Kokoo Limited, the trading arm of the cooperative; (3) the Kuapa Kokoo Farmers Trust, which is responsible for distributing money for community projects generated from the fair trade premium between the farmers; and (4) the Kuapa Kokoo

Credit Union, which provides credit and banking services for the farmers (Divine Chocolate Online). It is not hard to figure out the attraction of Kuapa for Ghana's cocoa farmers. "Not only do they run their own show, but it's a much better deal. For the last three years in a row [2003 to 2006], with other new companies barely trading, Kuapa paid a bonus to every farmer averaging 500 *cedis* per bag over and above the Cocobod price" (Ransom 67). The bonus, or social premium, is what makes a fair trade cooperative not only distinct from a non-fair trade cooperative, but it is also what makes the difference between a sustainable living wage and poverty. Empowered to implement community projects, Kuapa Kokoo uses this premium to build wells, fund schools, and provide mobile medical clinics that benefit not only the farming families, but the entire community (Kuapa Kokoo Online). This, ultimately, is the true reward of participating in a fair trade cooperative—it allows communities to develop and establish a promising future for themselves, ensuring political, social, and economic empowerment.

The Kuapa Kokoo cooperative also has significant implications for gender relations. Gender awareness in the cooperative aims to enhance the active and effective participation of women in decision making throughout the organization, and has manifested itself in measures that have been introduced to ensure that a minimum number of members of the various committees are women. In 1998, the Kuapa Gender program was established with the objectives to sensitize women to take responsibility, stimulate economic activities to increase women's income, generate additional employment, and encourage savings via the creation of women-only societies and cooperatives. Kuapa has also supported income generating activities to supplement their incomes and to make them less dependent on their men as well as provide money for the family during the off season. This specific attention to women's needs has paid off—not only has Kuapa Kokoo used its fair trade premiums to purchase machines that reduce time-consuming and

labor-intensive work, but it also provides unique opportunities for women to embark on independent entrepreneurships (LWR Online). By providing a significant social and economic role for women at all levels of the cooperative, the number of women farmers has grown from 13 percent to nearly 30 percent (Ransom 64).

Kuapa Kokoo has allowed small-holders to seize the economic opportunities which arose following the reduced role of the Ghana Cocoa Board (Cocobod) and were thus able to take control of their own livelihoods. Since it is a fair trade cooperative, farmers are protected from price fluctuations in the market, guaranteeing them a sustainable livelihood. Furthermore, Kuapa Kokoo's emphasis on gender equality has provided women with a unique opportunity to become involved in the cocoa industry and a chance to earn an independent income, leading directly to their empowerment. Whereas the focus in a non-fair trade cooperative is on maximizing profits, the emphasis in a fair trade cooperative like Kuapa Kokoo is on community development, gender empowerment, and sustainable livelihoods. The case of Kuapa Kokoo has offered women in Africa with a model for self-empowerment and community development, which can secure themselves and their families a better and sustainable future. Women are thus the catalyst for the process of development and the establishment of women's fair trade cooperatives achieves this directly. This model is the key to overall poverty reduction not only in Ghana, but on the international level as well. Hand in hand, fair trade and women's empowerment can make the necessary improvements to transform the current global system into a poverty-free one.

## Summary and Conclusion

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Women's empowerment, economic equality, and ultimately social justice can indeed be achieved in the face of globalization and in a global system where women in particular have been subject to poverty and inequality via fair trade, as argued and illustrated in this thesis. The first section addressed the complex issues of globalization and development, examining how globalization and the international trade system have created winners and losers. The second section provided a description and analysis fair trade and highlighted the principles and standards embodied by the fair trade movement. The argument that fair trade is a socially just economic model with the potential to empower women and lift the developing world out of poverty was also presented. The third section examined the role of women in the international economic system, particularly the gendered effects of globalization and poverty. It also provided an overview of the economic role of women, from manufacturing to agriculture, and from the formal to the informal sectors of the economy. Additionally, this section analyzed the methods by which women are actively changing their economic and social roles and are taking steps to reduce poverty and empower themselves through labor organizing and the establishment of cooperatives. The last section was a case study of Kuapa Kokoo, a prospering fair trade cocoa cooperative in Ghana. The inclusion of this case study intended to provide a concrete example of how fair trade provides the developing world with an alternative path to economic security and provides women with a means of empowerment. Ultimately, this thesis has hoped to demonstrate how together, fair trade and women's empowerment have the potential to make the "rigged rules" of the international trade system work for the world's poor.

In today's world, trade is badly managed, both at the global level and, in many countries, at the national level. "Continuing on the current path is not an option, but a retreat into isolationism would deprive the poor of the opportunities offered by trade. It would counteract a powerful force for poverty reduction. That is why we need a new world trade order, grounded in new approaches to rights and responsibilities, and in a commitment to make globalization work for the poor" (Make Trade Fair Online). Fair trade provides both producers and consumers with the tools necessary to help bring about a new world trade order. Hence fair trade is not simply a brand with passive consumers but a growing social justice movement with active supporters—a relationship of trust and solidarity between people (Ransom 128). The people involved in the fair trade movement assess the world's current situation, show what is possible, and make an informed statement about the mainstream consumer culture. They defy the imperative to buy cheap and ignore the consequences in an effort to create an ounce of change. They offer a trace of respect to just a few of the many millions of producers whom "foul trade" routinely humiliates (Ransom 128).

Ultimately, fair trade is primarily about reasserting human control over an economic mechanism—the current international trade system—that claims to be in the best interests of everyone but no institutions even bother to prove it any longer. It is a promising mechanism that can help achieve not only poverty reduction, but gender equality and women's empowerment. But fair trade alone cannot address the current crisis faced by the millions of small-scale farmers and producers whose livelihoods are threatened by low commodity prices, unfair competition from rich countries, and the "rigged rules" created by the institutions that govern the global economy. This can only be achieved by changing the rules of international trade so that they work for the poor as well as the rich. This requires action at the national level, new forms of

international cooperation, and a new structure of global governance at the World Trade Organization as well as an overhaul of the current policies of the World Bank and International Monetary Fund. However, in the meantime until overarching reform can be achieved, fair trade can mean the difference between a hand-to-mouth existence, and being able to plan for the future.

Consider this:<sup>18</sup> someone, somewhere in the developed world buys a fair trade product. Because it is fair trade, more of the purchase price reaches the family who produced it than if it were a non-fair trade product. The extra income helps that family buy chickens it could never afford before. The family sells some eggs for income and raises some of the chicks to sell, generating additional income. The family uses part of the income to pay school fees that they were too poor to pay for before. Because she returns to school instead of leaving the family to look for work in the city, the eldest daughter isn't lured into exploitation, poverty, or worse, slavery. The math and literacy skills she gains in school come in handy when she starts her own small handcrafts business, generating further income and employing other family members. Because this family is part of a fair trade cooperative, success stories like this are repeated dozens of times within this small community. Using profits reinvested into it by the cooperative, the community makes quality of life improvements such as digging wells, upgrading sanitation systems and building schools and churches. Gradually, the economic, educational and healthcare systems of several communities improve, which begin to be felt at regional and even national levels (LWR Online). The next time you go grocery shopping in a supermarket and stand in the coffee aisle—or even chocolate, tea, or banana aisle—take a moment to dwell on the fact that the handful of change extra you are paying for a Fair Trade certified product can literally make a world of difference in someone else's life.

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<sup>18</sup> This is a fictional narrative, but is based on factual personal histories and case studies. It was originally produced by Lutheran World Relief, but is summarized here.

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