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Free Trade, Fair Trade, and South–South Trade

CHAPTER SUMMARY

International trade poses major challenges for development practitioners and academics. This chapter introduced the reader to the perspectives of free trade and fair trade: *free trade* is premised on the notion that the removal of barriers to trade and the limitation of state intervention in the market will provide the greatest developmental gains for all; *fair trade* is premised on the belief that the poorest developing countries cannot attain substantial benefits from global trade unless the terms of North–South trade are readjusted and market interventionist mechanisms are employed to support development efforts. The influence on development of these perspectives was assessed through a general history of international trade since 1945. The second half of the chapter discussed the limits of a trade perspective. Many international “trade agreements” have a much broader political and developmental agenda than just trade—in fact, trade liberalization is often, at best, of secondary importance to the goal of protecting the property rights of transnational corporations and limiting the rights of states to intervene in their operations for the sake of social, environmental, or developmental concerns. The final section considered the future of international trade and examined various alternatives to the dominant trade regime, including food sovereignty movements, fair trade certification, and the Bolivarian Alternative for the Americas (ALBA).

VIDEO RESOURCES

NAFTA and US Farm Subsidies Devastates Mexican Agriculture

http://therealnews.com/t2/index.php?option=com_content&task=view&id=31&Itemid=74&jumival=5864

Time 8:23

Mexican has been devastated by cheap agro imports from the US under the terms of the North American Free Trade Agreement.

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Noam Chomsky on free trade

<http://www.c-spanvideo.org/program/52930-1>

Time 2:00:00

Professor Chomsky gave the keynote address at the fifteenth anniversary of the publication, *Covert Action Quarterly*. In his speech, he was critical of US foreign policy and the language of defense and diplomatic affairs. His remarks were preceded by a musical presentation.

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Small Mexico Farmers Struggle Post-NAFTA

https://www.youtube.com/watch?v=iz_XHabnqQ0

Time 4:31

John Holman reports from Mexico City where the impact NAFTA has had on agriculture has been wide-ranging and not always positive.

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CBC Documentary, *Big Sugar*

Part I: <http://video.google.com/videoplay?docid=8046348031279865399#>

Part II:

<http://video.google.com/videoplay?docid=8046348031279865399#docid=8139449806431868725>

Time 44:29

Big Sugar explores the dark history and modern power of the world's reigning sugar cartels. Using dramatic reenactments, it reveals how sugar was at the heart of slavery in the West Indies in the eighteenth century, while showing how present-day consumers are slaves to a sugar-based diet. Going undercover, Big Sugar witnesses the appalling working conditions on plantations in the Dominican Republic, where Haitian cane cutters live like slaves. Workers who live on Central Romano, a Fanjul-owned plantation, go hungry while working 12-hour days to earn \$2 (US).

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Fair Trade: A Just World Starts with You, Benjamin Conard

<https://www.youtube.com/watch?v=xT6TQsxlDOY>

Time 9:12

Two billion people in the world live on less than \$2 a day. But how can we fight global poverty? Through fair trade! Benjamin Conard is a junior Business Administration major and German minor at SUNY Geneseo. He is the founder and president of the Fair Trade Club on campus, the Student Chair on the National Steering Committee for Fair Trade Colleges and Universities, and a Communications Intern for the World Fair Trade Organization.

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Be The Best You, Tim Cork

<https://www.youtube.com/watch?v=SWpx1lkmgMo>

Time 13:05

This is a short film about Nicaragua that brings the day-to-day challenges of the thin months to life in the voices of coffee farmers themselves, and shares the successes of creative projects that have been established to eliminate this annual period of food insecurity.

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From the slave trade to fair trade; being inspired by the past, Bruce Crowther

<https://www.youtube.com/watch?v=-JmtnhQaSCs>

Time 10:01

Bruce Crowther talks about how he inspired by looking at the past to the slave trade as he works to promote the fair trade.

REVIEW QUESTIONS

1. Define and discuss the concept of “comparative advantage.”
2. Discuss the emergence and influence of “fair trade networks.”
3. Explain the argument for “trade not aid.”
4. David McNally has argued that free trade institutions are “not about free trade.” Explain this argument.
5. Discuss possibilities that have been suggested for the future of international trade.
6. Explain briefly, but comparatively the two conceptions of free trade and the fair trade.
7. What are the southern giants, and how did these giants affect the traditional patten of international trade?

ANSWER KEY: REVIEW QUESTIONS

1. This is a major concept supporting the idea of free trade. The concept of comparative advantage was espoused in the nineteenth century by David Ricardo and is based on the idea that every country has an economic advantage in the production of one or more goods relative to other countries. The best course of action is for a country to specialize in producing the good(s) that it can produce most efficiently compared to other countries (even if it lacks an absolute advantage, the focus is on choosing the good(s) it is *most* efficient in producing). If all countries followed this logic, Ricardo argued, all would benefit. Thus, the logic of comparative advantage lies at the root of liberal free trade theory, which calls for the removal of all obstacles to the flow of goods across borders. (p. 284)
2. The fair trade network is forum uniting groups across the world and which aims to integrate poor workers and farmers into global markets under better conditions. It connects small farmers, workers, and craftspeople in the South with organizations and consumers in the North through a system of fair trade rules and principles. These include democratic organization (co-operatives, unions), no exploitation of child labour, environmental sustainability, a minimum guaranteed price, and social premiums paid to producer communities in order to build infrastructure. (p. 290)
3. In response to the general failure of commodity control schemes to achieve their goals of increasing export earnings to the South, at the first UNCTAD conference in 1964 calls were made to increase the transfer of wealth from North to South via aid and “fairer trade.” The pursuit of fairer trade focused on the replacement of financial aid provisions with stronger efforts to ensure fairer prices for commodities from the South via a system of direct subsidies for poor producers. In other words, the emphasis was on capacity development and livelihood support rather than cash aid. (p. 288)
4. McNally points out that while globalization is usually considered synonymous with free trade, as a percentage of GDP most exports are not greater today than they were 100 years ago. While trade has increased, it has done so mostly within the North, while trade in the South has declined as a share of world trade. Tariffs have decreased, but quotas and non-tariff barriers have increased. Institutions that are ostensibly about Fair Trade are not about Fair Trade at all. For example, the WTO has not tackled the agricultural trade barriers imposed by the Northern countries to the detriment of those in the South. Rather than being concerned with Free Trade, these organizations are instead concerned with protecting property rights of TNCs and limiting states’ rights to intervene in the economy for social, environmental, and development reasons. (p. 293)
5. Although free trade continues to be the dominant discourse on international trade in official circles, a number of alternative voices continue to press for “a different world.” Resistance to free trade’s hegemony has come from a coalition of developing countries at the WTO, including Brazil, China, India, and South Africa, which have demanded an end to Northern agricultural subsidization. At a local level, food sovereignty movements aim to halt the progression of global market integration and focus instead on production for local and national markets. Other efforts are being made to integrate producers into global markets on better terms (the fair trade network, for instance). A state-level alternative exists in the form of the ALBA (Bolivarian Alternative for the Americas), based around the notion of a socially-oriented regional trading bloc. (pp. 296–297)
6. Free trade, premised on the notion that the removal of barriers to trade and the limitation of state intervention in the market will provide the greatest developmental gains for all; and fair trade, premised on the belief that the poorest developing countries cannot attain substantial

benefits from global trade unless the terms of North–South trade are readjusted and market interventionist mechanisms are employed to support development efforts. These two perspectives, in manifold ways, have dominated post-war policy discourse and debate on trade and development globally, and are of key importance to understanding the dominant development theories and practices. (p. 298)

7. Southern giants have emerged as lead players in both importing and exporting goods. China, for example, is the world’s second largest economy and second largest exporter, as well as the number-one purchaser of major goods, from cars and pork to timber, gold, and crude oil. Even with products that are relatively “small” in the Chinese market, China is set to become a world leader. Coffee, for example, remains less popular than tea in China, but the country still is predicted to be among the world’s top coffee importers by 2020 because of its huge population. The same is true about other economic giants such as Brazil and India.