



GLOBAL TRADE AND DEVELOPMENT

.....

CONNECTING PEOPLE AND PLACES

STUDENT RESOURCE

SECONDARY SCHOOL

OVERVIEW OF TRADE

WHAT IS TRADE?

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With a partner, look around your classroom and make a short list of some of the things/physical items you can see, eg: windows, pencils...



Pick one of the items from your list, and brainstorm some of the component parts/materials that might have been used to make that item.

Almost all of these items will be made from more than one component part. For example, a grey lead pencil will often have a graphite core (usually mixed with a binding agent like clay) inside a wooden casing that's coated in paint (which is made from a mix of different chemicals).

Where did all these parts and materials come from? Where did the finished item come from and how did it end up in your classroom? Unless the people in your school made all the parts and the final item themselves, it would have involved trade. Trade is the act of selling and buying, or exchanging, goods and services.

When a good or service is exchanged for another good or service rather than for money, this type of trade is called **barter**. For example, a mushroom farmer might trade some of their mushrooms for some eggs from another farmer. Bartering usually occurs at the local scale, and is useful when people don't have a lot of money.

Most trade, however, uses money to pay for a good or service. For example, a dentist receives money from his or her patients for the service of checking their teeth. The dentist then uses this money to buy food, clothes, education for his or her children, and so on. The more money a person makes from selling their goods or services, the more they are able to buy for themselves and to support their family.

Trade using money occurs on both the domestic and international scales. In international trade when a good or service is brought into a country from overseas for sale this is called an **import**. When a good or service is sent to another country for sale this is called an **export**.

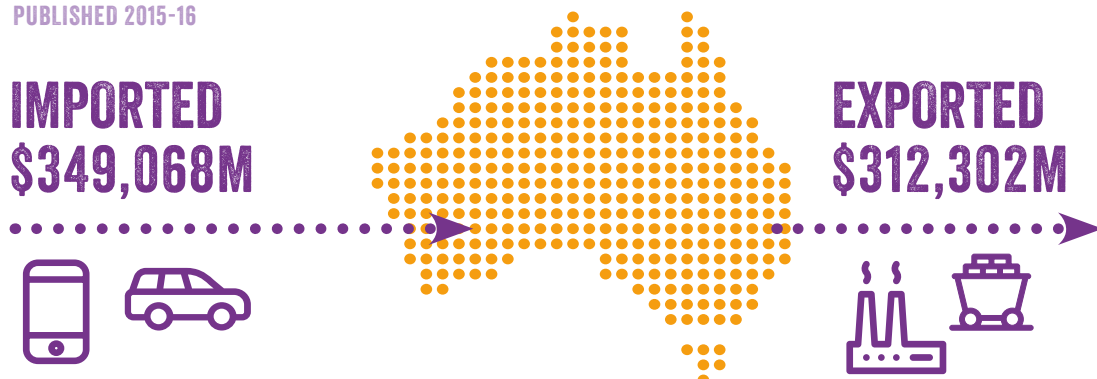
In 2015-16, Australia imported goods and services worth \$349,068 million. The top imports include goods like cars, refined petroleum, communications equipment, computers, and medication. Most of Australia's imports came from China, the United States, Japan, Thailand and Germany.¹

Australia exported \$312,302 million worth of goods and services in 2015-16. The top exports include goods like iron ore, coal, gold, natural gas, and beef. Most of Australia's exports went to China, Japan, the United States, the Republic of Korea, and India.²

Australia is a major trading partner in the Pacific region. For example in 2015 nearly 16 percent of all goods exported from Papua New Guinea went to Australia, and more than a quarter of goods imported into Papua New Guinea came from Australia.³

Globally, in 2015 the total international trade in goods was worth US\$16 trillion, and the trade in services was worth US\$4,754 billion.⁴

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WHO IS INVOLVED IN TRADE?



With so much trade occurring domestically and internationally it can get complicated really quickly. There can be many steps, and many individuals and organisations involved between the component parts of a good being sourced, the good being made and transported, and a person finally buying it for their own use. Some of the roles that might be involved in creating and trading a good include:



The steps between the initial producer(s) and the final consumer is called a **supply chain**.

A very simple supply chain might be, for example, a farmer growing oranges and selling them directly to the public at their farm gate. So the supply chain would look like this:



A more complicated supply chain might be for orange juice, with several farmers growing and selling oranges to a wholesaler who buys and then sells the oranges in bulk to a manufacturer. The manufacturer squeezes the oranges, adds other ingredients, and bottles the juice. It supplies the bottled juice in bulk to a supermarket that sells individual bottles of juice to consumers. That supply chain might look something like this:



Producers / Wholesalers / Manufacturers of other components eg: sugar; plastic bottles; labels

In global trade, the producers and wholesaler could be living in one country, the manufacturing occur in another country, with the final retail and consumption taking place in a third country. People living and working in very different places can become connected to each other through trade, and the supply and demand for goods and services.





1. Below are definitions for each of the roles involved in trade. In the space below, write the definition you think best matches a particular role. For example: “Consumer” best matches the definition “a person or business that buys a good for their own use”. Trade role definitions:

- “a person or business that buys goods in bulk and sells large quantities, often at low prices, to other businesses”
- “a person or business that grows, sources or makes a good for sale”
- “a person or business that sells goods, usually made by other people or businesses, directly to customers”
- “a person or business that makes more complex goods for sale, often requiring the use of machinery and several component parts”

Producer:

Manufacturer:

Wholesaler:

Retailer:

Consumer: A person or business that buys a good for their own use.



2. Use the *Australia’s Trading Partners worksheet* to map the countries that are the origin of most imports into Australia. Compare them with the countries that are the destination for most of Australia’s exports.

CAN TRADE HELP REDUCE GLOBAL POVERTY?



Trade is the basis of our economies, and the potential for trade to contribute to economic growth, create jobs, and support wider national development is seen by many government, multilateral (organisations like the United Nations that have multiple members), and non-government organisations as a way of addressing global poverty. For example:

the Australian Department of Foreign Affairs and Trade (DFAT) argues “no country has achieved high and lasting growth without participating in international trade”.⁵

the World Trade Organization supports trade liberalisation (making international trade easier by reducing and removing barriers to trade) because it believes that international trade “is important for economic development and well-being”.⁶

the United Nations Development Program argues that “globalisation has the potential to advance human development around the world.”⁷


As the former Director of the United Nations’ Millennium Project explains “when countries open up to trade, they generally benefit because they can sell more, then they can buy more”.⁸

It’s hard to know for certain to what extent trade contributes to reducing poverty as there are a lot of different factors involved, including changes in domestic trade, government policies, the work of aid and development organisations together with local communities and so on. However there is evidence that international trade does play a role. Consider the example of the change in India’s exports between 2000 and 2015, and the change in a few development indicators, including the percentage of the population living below the international poverty line.

TABLE: COMPARISON OF TRADE AND DEVELOPMENT STATISTICS FOR INDIA IN 2000 AND 2015

Indicator	2000	2015	Difference
Total value of exports (\$US) [~]	\$42,358 million	\$390,745 million	Increased by \$348,387 million
Life expectancy at birth (years) [°]	62.9 years	68.0 years	
Adult literacy rate (% of adults aged 15 and above) [°]	55.7%	62.8%	
Population living below the international poverty line (in 2000 \$1 a day; in 2015 \$1.25 a day) [°]	44.2%	23.6%	

Sources: [~] World Bank WITS Trade Summary for India 2000 and WITS Trade Summary for India 2015; [°] UNDP Human Development Report 2000 and Human Development Report 2015



Developing countries' share of international trade in goods increased from 33% in 2005 to 42% to 2015.⁹ Over this time period extreme global poverty reduced from an estimated 1.4 billion people in 2005 to an estimated 702 million people in 2015.¹⁰ (Note: extreme global poverty was measured in 2005 as the number of people living on less than \$1.25 a day. During 2015 this was changed to the number of people living on \$1.90 a day – this international 'poverty line' was updated by the World Bank to take into consideration inflation and changes in the cost of living around the world.¹²)

SOME ISSUES WITH TRADE AS A METHOD FOR REDUCING POVERTY



At a high level, trade is seen as a method for helping to reduce poverty, however it has been shown that this benefit isn't universal – some countries face barriers to participating in global trade, and within countries some people, usually the poorest and the most discriminated against, face exploitation (being treated unfairly and taken advantage of while others benefit from their hard work).

There are several different issues to do with trade and the ability for certain countries and communities to participate in trade, and therefore trade's ability to help reduce poverty. Some of these issues include:

- ★ **weak infrastructure**, including transportation, communications, and energy supply. Governments of poor countries typically lack the resources to build, maintain and expand infrastructure. Lack of transportation infrastructure, like paved roads, bridges, airports and shipping ports, makes it difficult for producers to get their goods to market to sell and ship products overseas, particularly producers based in rural areas. Lack of communications infrastructure, like phone and internet access, makes it harder for producers to take orders, and find out important information, for example about fair prices for their goods. Inconsistent energy supply can be a problem for manufacturing businesses in particular to be competitive and grow. Overall, lack of infrastructure makes it difficult for producers, particularly based in rural areas, to participate in international trade, and can add to the costs of production and reduce their profits/income.

- ★ **lack of investment/loans**, especially for small to medium sized businesses. For people living on low and very low incomes most money is spent on daily essentials like food. There is very little capacity to be able to save money. Usually when people are able to save money with institutions like banks, the banks are then able to loan that money to other people for a variety of purposes including for setting up or expanding their businesses. In poor communities it can be difficult to get this kind of loan. It is also difficult to get money for investing in their businesses from other sources, like foreign investors who typically focus on larger enterprises. This makes it hard for people living in poverty to start or expand their businesses, and grow their own income or employ more workers.
- ★ focus on **only a few products or services for trade**. It is relatively common for poor countries, in particular the least developed nations and small island states, to have only a few main exports, for example an agricultural or mining product, or a service like tourism. Most of their income from trade comes from a limited number of sources, so if there is any problem they are badly affected by the loss of income. For example, conflict or a large natural disaster might wipe out a crop or discourage tourists from coming to a country for many years. For the people who earn their living from that product or service, they can lose their income and have very few other options for employment.
- ★ **trade protectionism** – government policies that make trade more expensive. It's very common for governments to have policies and measures in place that impact trade. Protectionism seeks to limit international trade, in particular the number and/or type of imports a country receives. Governments may practice protectionism in order to try and support domestic industries or for political reasons. A common method involves adding a type of tax, called a tariff, to imports which makes them more expensive. The UN, for example, has noted that at various points exports from developing countries have had “disproportionately high tariffs and trade barriers”¹³ applied to them. This makes it harder for exports from those countries to be competitive, which can reduce the amount sold and also the amount of profit/income producers receive.
- ★ **workforce challenges**, for example low literacy skills and discrimination. Small-scale producers and workers from poor communities and groups experiencing discrimination, for example women, have sometimes found themselves exploited rather than fully benefiting from global trade. They may not have had the opportunity to go to school, and therefore have low literacy skills. They can be vulnerable to exploitation because they may not know all of their rights under the law, and how to have their rights upheld. Producers and workers from poor communities can also be vulnerable because of their poverty. They may need to take on a job in order to survive, and might be exploited by being paid less than a fair wage for the work they do, or be asked to work in unsafe conditions, because it is difficult for them to refuse. Sometimes international companies take advantage of vulnerable workers in developing countries, because by paying them less and not investing in worker safety, they can increase their profits.

Organisations like the United Nations agencies, the World Trade Organization, and governments have been working with developing countries to address some of the challenges they face taking part in and benefiting from international trade. The Australian Government, through the Department of Foreign Affairs and Trade, provides support (also known as aid or official development assistance) to other countries to help them deal with the causes and consequences of poverty. It does this through initiatives like Aid for Trade :

“Aid for trade is about helping developing countries address their internal constraints to trade such as cumbersome regulations, poor infrastructure and lack of workforce skills. This might include training of customs officials to facilitate trade, investing in ports and storage facilities, connecting farmers to overseas buyers, and helping women entrepreneurs to export.”¹⁴

Aid and development non-government organisations have also been working with communities to address some of the challenges the poorest and most vulnerable people face when it comes to participating in and fully benefiting from trade. Over several decades a growing movement began raising the idea of ethical or fair trade, that the existing trade structures limited opportunities for people living in poverty to benefit from trade and that a different approach was needed.





3. Complete the last column of the table *Comparison of trade and development statistics for India in 2000 and 2015* (on page 5). Identify if the difference between the two dates for each statistic is an increase or decrease, and by how much. Write your answer in the space provided.



4. With a partner or in a small group brainstorm and list some of the possible economic, social, and environmental impacts of international trade, both positive and negative.

	economic impacts	social impacts	environmental impacts
possible <u>positive</u> impacts of international trade			
possible <u>negative</u> impacts of international trade			

WHAT IS ETHICAL TRADE?



In response to concerns about the inequality in the international trading system, and seeing the potential for ethical trade that ensures better prices/wages for producers to help address global poverty, a ‘trade justice’ movement started and has grown over the last few decades. The movement, and the associated principles for ethical trading, became known as **fair trade**. This phrase is also used to refer to goods that have been **ethically produced and traded**.

The broad principles of the fair trade movement are:

1. Creating opportunities for economically disadvantaged producers
2. Accountability and transparency (being open; others can review how business was conducted)
3. Fair trading practices
4. Payment of a fair price
5. Ensuring there’s no child labour (work that is harmful to children and interferes with their ability to go to school¹⁵) or forced labour (being made to work through threats, violence or intimidation¹⁶)
6. Commitment to non-discrimination, gender equality, and freedom of association (ability of workers to form a union and meet to discuss issues about their employment)
7. Ensuring good working conditions
8. Providing capacity building (training; helping people learn different ways of working)
9. Promoting fair trade
10. Respect for the environment

The World Fair Trade Organization describes fair trading practices as including:

participating organisations trade *“with concern for the social, economic and environmental well-being of marginalised small producers”*¹⁷

participating organisations do not profit at the expense of small producers

participants are responsible, professional and meet their commitments in a timely manner

There are many different organisations around the world involved in fair trade. There have also been different certification systems set up – ways of checking to see that organisations are meeting set criteria and products are genuinely fair trade. The Fairtrade organisation is an example of an organisation that promotes fair trade, and has created criteria (called Fairtrade Standards) that can be used to check products are fair trade. Products that meet the Fairtrade organisation's criteria are identified with a special logo (the Fairtrade Mark). Fairtrade sees challenging unfair trading practices as a key part of what they do.

“Fairtrade is about doing trade differently. It empowers farmers and workers to take control of their lives, businesses and communities through trade. Fairtrade also enables businesses – and through them, consumers – to understand the whole supply chain because it is tracked from producer to buyer.”¹⁸

Read more about the Fairtrade organisation in the case study *The story of Fairtrade*.

- 1 DFAT, *Australia's trade in goods and services 2015-16*, available at: <http://dfat.gov.au/about-us/publications/tradeinvestment/australias-trade-in-goods-and-services/Pages/australias-trade-in-goods-and-services-2015-16.aspx> [accessed March 2017]
- 2 Ibid
- 3 DFAT, *Country Fact Sheet: Papua New Guinea*, available at: <http://dfat.gov.au/trade/resources/Documents/png.pdf> [accessed April 2017]
- 4 WTO, *World Trade Statistical Review 2016*, p18
- 5 DFAT, *Overview of Australia's aid for trade*, available at: <http://dfat.gov.au/aid/topics/development-issues/aid-for-trade/pages/aid-for-trade.aspx> [accessed May 2017]
- 6 WTO, *Understanding the WTO: Who we are*, available at: https://www.wto.org/english/thewto_e/whatis_e/who_we_are_e.htm [accessed May 2017]
- 7 UNDP, *Trade, intellectual property and migration*, available at: http://www.undp.org/content/undp/en/home/ourwork/povertyreduction/focus_areas/focus_trade_and_investment.html [accessed May 2017]
- 8 UN, “*Trade and the MDGs: How Trade Can Help Developing Countries Eradicate Poverty*”, UN Chronicle, Vol. XLV No. 1 March 2008, available at: <https://unchronicle.un.org/article/trade-and-mdgs-how-trade-can-help-developing-countries-eradicate-poverty> [accessed May 2017]
- 9 WTO, *World Trade Statistical Review 2016*, p.12, available at: https://www.wto.org/english/res_e/statistics_e/wts2016_ewts2016_e.pdf [accessed May 2017]
- 10 UN, *Rethinking Poverty: Report on the World Social Situation 2010*, p.14, available at: <http://www.un.org/esasocdev/rwss/docs/2010/fullreport.pdf> [accessed May 2017]
- 11 World Bank Group, 2016. *Global Monitoring Report 2015/16: Development Goals in an Era of Demographic Change*. Washington, D.C.: World Bank, available at: <http://pubdocs.worldbank.org/en/503001444058224597/Global-Monitoring-Report-2015.pdf> [accessed May 2017]
- 12 World Bank, *FAQs: Global Poverty Line Update*, available at: <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq> [accessed May 2017]
- 13 UN, “*Trade and the MDGs: How Trade Can Help Developing Countries Eradicate Poverty*”, UN Chronicle, Vol. XLV No. 1 March 2008, available at: <https://unchronicle.un.org/article/trade-and-mdgs-how-trade-can-help-developing-countries-eradicate-poverty> [accessed May 2017]
- 14 DFAT, *Overview of Australia's aid for trade*, available at: <http://dfat.gov.au/aid/topics/development-issues/aid-for-trade/Pages/aid-for-trade.aspx> [accessed May 2017]
- 15 ILO, *What is child labour*, available at: <http://ilo.org/ipecc/facts/lang--en/index.htm> [accessed June 2017]
- 16 ILO, *The meanings of Forced Labour*, available at: http://www.ilo.org/global/topics/forced-labour/news/WCMS_237569/lang--en/index.htm [accessed June 2017]
- 17 WFTO, *10 Principles of Fair Trade*, available at: <http://www.wfto.com/fair-trade/10-principles-fair-trade> [accessed May 2017]
- 18 Fairtrade UK, *Fairtrade and Sustainability*, available at: <http://www.fairtrade.org.uk/en/what-is-fairtrade/fairtrade-and-sustainability> [accessed May 2017]



5. In your own words, define the word 'fair' – how would you explain what 'fair' means to another person?



6. Each of the icons below represents one of the 10 principles of the fair trade movement. Put the number of the fair trade principle you think best matches each icon in the spaces below.





3





7





8











7. Watch the film clip "*What is Fairtrade?*" (available for viewing at <http://bit.ly/whatisFairtrade> and on the resource page for download) which helps explain the Fairtrade Minimum Price and Fairtrade Premium, that are part of the trading system used by the Fairtrade organisation. Answer the following questions:

a) What is the Fairtrade Minimum Price?

b) What is the Fairtrade Premium?

c) Give three examples of different types of Fairtrade products mentioned in the film clip:

- _____
- _____
- _____

d) The film clip mentions some of the things that can influence a consumer's decision when choosing a product. What makes a consumer pick, for example, chocolate block A instead of chocolate block B? With a partner brainstorm and write down as many different things you can think of that might influence a consumer's decision about which version of a product to buy.

e) With your partner, brainstorm and write down why you think consumers might choose to buy ethically produced and traded goods, like those identified with the Fairtrade Mark? What motivates them?

CASE STUDY:

THE STORY OF FAIRTRADE

In the 1980s, staff from a Dutch non-government organisation (NGO) called Solidaridad were working with a poor farming community in Mexico. They were helping the community to improve their water supply. During conversations with the farmers, one man shared his opinion that if they had received a fair price for the coffee beans they produced, then he and the other farmers would have had enough money to be able to pay for the water supply improvements themselves.

WHAT AFFECTS THE PRICE FARMERS CAN RECEIVE FOR THEIR CROPS?

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Agricultural products, like coffee and tea, are called **commodities**. The prices farmers receive for commodities can change quickly and by a lot. These **price fluctuations** can make it difficult for farmers to know how much money they will earn from their crop when it is finally ready to sell. This also makes it hard for them to plan for the future.

Typically, when something is easy to buy and there is a lot of it available, the price tends to go down. When a commodity is rare or supply is low, and demand is high, then commodity prices can go up. Take a more extreme example of this: back in 2006, Cyclone Larry hit Far North Queensland and destroyed most of Australia's supply of bananas. This was devastating for the farmers who lost their crops, and so their income. It often takes more than a year for farming production to return to normal after a natural disaster. During that time, the supply of bananas in Australia was very low, and so the price quickly increased – up to a reported \$3 a banana!¹ When the farming community recovered, and mass production of Australian bananas began again, supply greatly increased and the price for bananas dropped.



There are several challenges that can limit the amount of income a commodities farmer can make. Some of the challenges faced by farmers in poor communities include:

- ★ **oversupply.** One of the challenges of being a farmer of a commodity like coffee is that there can be a lot of suppliers – not just in their local area, but all around the world. If they are in competition with each other, it can force the price down.
- ★ **small farm size.** In developing countries, many poor farmers only have small plots of land. They are only able to grow a small crop, in comparison to the crop size of larger farms. A larger, commercial farm can afford to lower the price they sell their crops for, because they can still make a profit. In order to compete, a smallholder farmer might also have to lower their prices, which can mean they only earn a minimal profit or even have to sell for a loss (they are not earning enough to cover all the costs of farming, let alone make a profit).
- ★ **environmental conditions.** In addition to natural disasters, environmental conditions can also limit the amount of crops grown and available for a farmer to sell, for example: if the soil is over-farmed and lacks nutrients; if there isn't enough water; if the ground is very rocky or there are steep slopes; or if there are animals that eat the crops, or plant diseases that damage the crops before they can be sold.
- ★ **access to markets.** If the farm is remote, and transport difficult, this can make it harder for farmers to sell their crops. It can reduce the number of buyers a farmer can reach, and so they may have to settle for whatever they are offered for their crops, rather than being able to find another buyer. It also increases the costs of farming, because transportation is more expensive, and so reduces the amount of profit a farmer can earn.
- ★ **access to information.** Farmers in poor communities can also lack information about the value of their commodity internationally, due to reasons like low literacy, and lack of communications technology. This unfortunately means sometimes they can be persuaded to sell their produce for less than it is really worth.

ACTIVITY



1. On a separate piece of paper create a mind-map showing the challenges faced by commodities farmers that can limit their income. For example:





THE CREATION OF FAIRTRADE



The staff from the Dutch NGO Solidaridad thought about what the coffee farmers in Mexico had told them about not being able to lift themselves out of poverty, because of the low price they received for their coffee crops. Solidaridad began a campaign in the Netherlands around the idea of economically sustainable coffee. In 1988, they launched the first Fairtrade label, Max Havelaar, which sold specially labelled coffee from Mexico in Dutch supermarkets, and gave farmers a higher price in return for their crops. ‘Max Havelaar’ is a fictional Dutch character who opposed the exploitation of coffee pickers in Dutch colonies.

Over the 1990s, the Max Havelaar initiative was picked up and copied across Europe and North America. Then in 1997 the NGO Fairtrade International was established to bring these groups together. Fairtrade International is a non-profit organisation made up of member organisations and producer networks from around the world, including Fairtrade Australia New Zealand. It also includes an independent certification organisation that audits producers, traders and companies to check they are meeting the internationally-agreed Fairtrade Standards.

Fairtrade’s vision is “a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future”. They work toward this by:

promoting fairer trading conditions, better prices, and decent working conditions

connecting disadvantaged producers with businesses and consumers

helping to empower producers so they can combat poverty and take more control over their own lives

HOW DOES FAIRTRADE WORK?

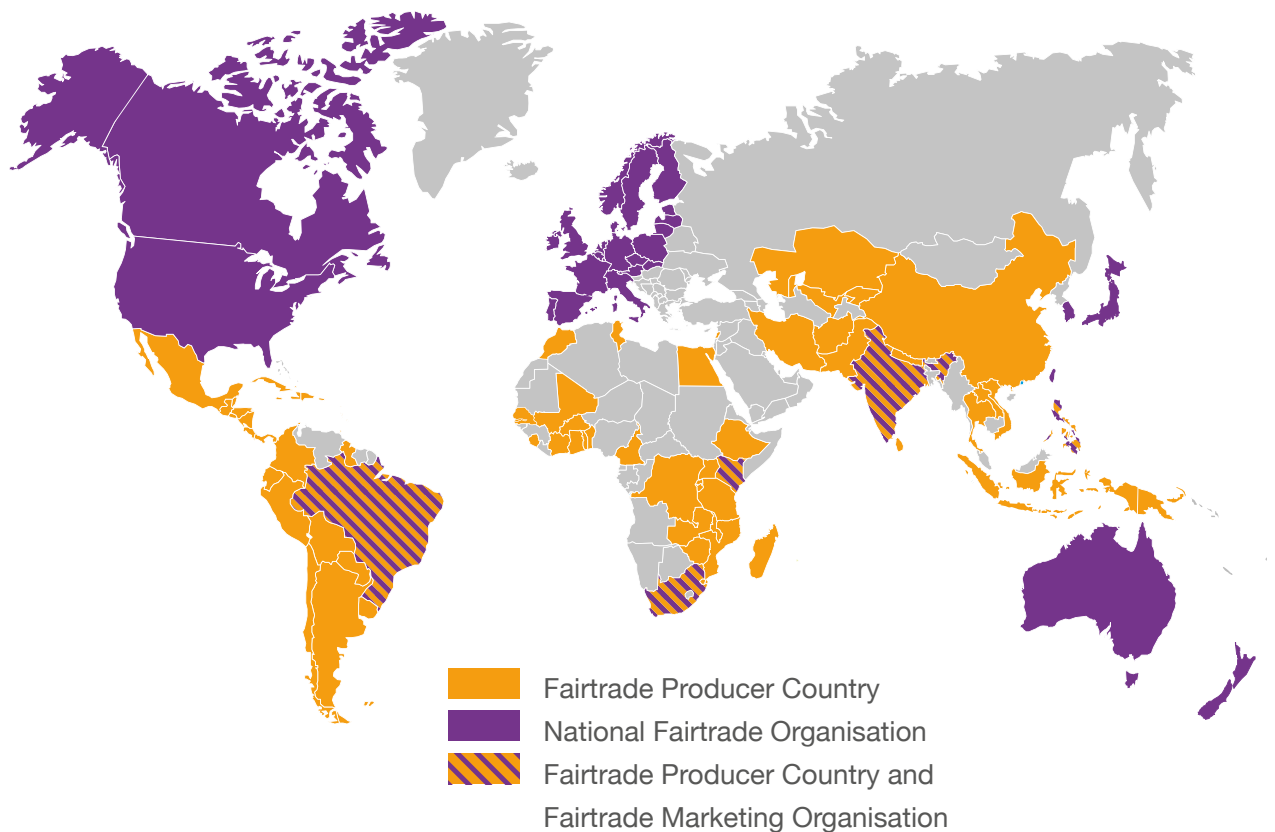


Fairtrade works to support famers and workers from poor communities. The process used can sound complicated, but it is based on four key elements that are unique to Fairtrade:

- the Fairtrade Standards
- the Fairtrade Mark
- the Fairtrade Minimum Price
- the Fairtrade Premium

As a first step, individual producers from poor communities agree to join together as a new group, or change an existing business, and become a Fairtrade **producer organisation**. For example, a group of cotton farmers or a small business that makes sports balls. The producer organisation commits to working together and running their business according to the Fairtrade Standards.

In 2016, there were 1,240 Fairtrade certified producer organisations, representing more than 1.65 million workers, in 74 countries around the world. The largest producer organisation had over 80,000 members, and the smallest had just three.



The Fairtrade Standards are the requirements that producers, and the businesses who buy their goods, have to follow if they want their products to be labelled as Fairtrade. There are different Standards for different types of products – cocoa used to make chocolate, for example, must come only from smallholder farms who have joined together to form a producer organisation. Tea, on the other hand, can be certified if it comes from a large plantation as long as basic workers' rights are met. The Standards are intended to ensure participating in trade is fair for producers, and that production and trade contribute to improving the ongoing sustainability of the community not just environmentally, but also economically and socially.

All of the Fairtrade Standards are based on some common principles:

Social development – for example, the producer organisation needs to have democratic decision-making processes, and it can't discriminate against any individual or social group.



©Kuldeep Singh Chauhan. Producers gather in Fiji to share information and learn from each other.

Economic development – the Standard sets out the Fairtrade Minimum Price and Fairtrade Premium to be paid to producers. One of the goals of the Standards is to promote entrepreneurship and assist in the economic development of the whole community.



©Malini Kochupillai. A farmer using equipment that helps the businesses of members of his producer organisation in India

Environmental development – for example, crops must be grown using environmentally sound agricultural practices. This includes actions like maintaining soil fertility and water resources, minimising and safely using any chemicals, proper and safe waste management, and so on.



The Fairtrade Standards also prohibit the use of forced labour, and the use of child labour.

The **Fairtrade Mark** is the globally recognised symbol of Fairtrade. It is a sign to consumers that the products bearing this Mark have been checked, and meet the social, environmental and economic standards. In 2017, more than 3,000 Fairtrade certified products were sold in Australia and New Zealand.



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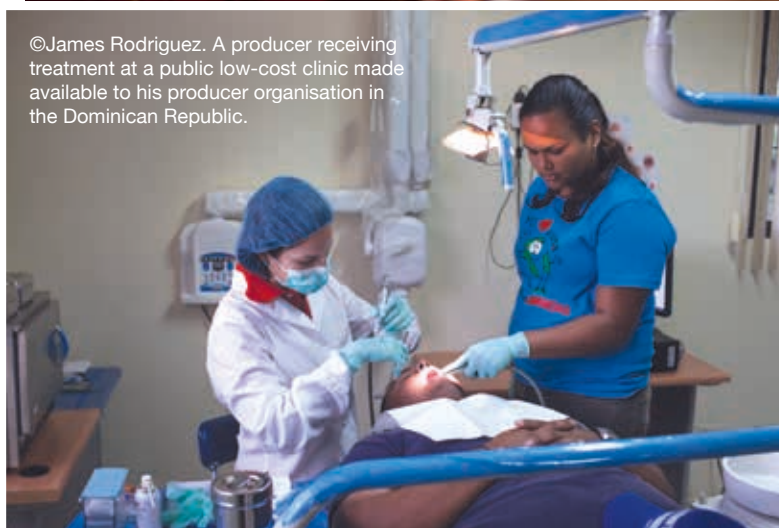


The Fairtrade organisation, and producers and consumers of Fairtrade products, are concerned about addressing poverty. As discussed before, some of the problems farmers face include fluctuations in price, and low prices for their crops, which can mean they don't earn enough to cover the costs of farming and make a profit. The **Fairtrade Minimum Price** was created to address this. It is the minimum that must be paid to the producer for that product. It is set at a level that would cover the cost of sustainable production for that product in that region, and is regularly checked. It protects farmers and workers from fluctuating prices, and gives them a stable income. When the market price for that product is higher than the Minimum Price, producers can always negotiate for more. In 2014, Fairtrade producers in the Pacific region earned \$21 million in revenue from the sale of their goods.

The **Fairtrade Premium** is an additional amount of money paid by the companies that buy from the Fairtrade producer organisations. The money goes into a communal fund for workers and farmers to invest in the projects of their choice. They decide together how this will most benefit their community – it might be an education or healthcare project, something that helps improve their business and increase future profits, or an investment in infrastructure like roads or communication. In 2014-15, the Fairtrade Premium earned by producers in the Asia-Pacific region to use towards development projects totalled \$16.6 million.



LEFT: ©Sean Hawkey. Girls studying at their School in India, which was supported by Fairtrade Premium funding.



©James Rodriguez. A producer receiving treatment at a public low-cost clinic made available to his producer organisation in the Dominican Republic.



©Nathalie Bertrams. School children in Kenya drink clean water from a water pump built using Fairtrade Premium funds



2. Watch the film clip “*Fairtrade in the field: Producer Support in the Pacific*” which can be found which can be found at: <http://bit.ly/FairtradeinthePacific> and on the resource page for download. Fairtrade Australia and New Zealand helps Fairtrade producer organisations in the Pacific learn about and apply the Fairtrade Standards. Answer the following questions:

a) List two of the four things according to the film clip that Fairtrade means:

•

•

b) Arvin Singh, Executive Manager of the Lautoka Cane Producers Association in Fiji, mentions several of the community development projects the Association has funded with their Fairtrade Premium. List two of these projects:

•

•

c) Fairtrade Producer Associations are trained in good governance methods. Complete the following sentence, spoken by Arvin Singh in the film clip, about how Fairtrade Producer Associations are governed:

“Each member has _____ in decision making.”



d) Farmers are shown in the film clip learning about the Fairtrade Standards using pictures and games. Complete the following questions with a partner:

- i. The images below are from Fairtrade's producer training materials. What is the story of each image – what do you think is happening in the image? Which common principle of the Fairtrade Standards do you think each image relates to?





d) Farmers are shown in the film clip learning about the Fairtrade Standards using pictures and games. Complete the following questions with a partner:

- i. The images below are from Fairtrade's producer training materials. What is the story of each image – what do you think is happening in the image? Which common principle of the Fairtrade Standards do you think each image relates to?



- ii. In the film clip Parbindra Singh, Chairperson of the Lautoka Cane Producers Association in Fiji, says that using images to explain the Fairtrade process is more helpful when training local farmers than written materials. Why might this be the case? Why would images rather than writing be useful for Fairtrade's training materials in the Pacific?

WHY DO PEOPLE AND ORGANISATIONS CHOOSE FAIRTRADE?



In the Asia-Pacific region there are four main groups involved with Fairtrade – the producers; companies that license the use of the Fairtrade Mark for specific products and make these Fairtrade goods available for sale to consumers; consumers who choose to buy Fairtrade goods rather than the non-Fairtrade alternative products; and the Fairtrade organisation itself. Why do these groups make the choice to be Fairtrade? What influences their decision? What do they see as some of the benefits of Fairtrade?

FAIRTRADE AUSTRALIA NEW ZEALAND



Fairtrade Australia New Zealand (Fairtrade ANZ) is a not-for-profit company, and an active member of the global Fairtrade system, which:

- works with both producer organisations, and companies that would like to sell Fairtrade products to consumers, to help them prepare to meet the Fairtrade Standards.
- raises awareness of the need for Fairtrade, and works on growing the demand for Fairtrade products.
- licenses the use of the Fairtrade Mark, and organises independent certification of the supply chain for Fairtrade products.

WHAT THEY SAY:

"Fairtrade is about creating a real, positive difference in people's lives, from the farmers and workers growing crops and producing raw materials, right through the supply chain to the place where you buy the end product."

"Because it guarantees a Minimum Price for what they farm, Fairtrade is helping growers of cocoa, coffee, tea and other crops, to have more financial security – making them less vulnerable to poverty."

FAIRTRADE PRODUCERS

At the start of 2015, 16% of all Fairtrade farmers and workers lived in the Asia-Pacific region. There were 187 Fairtrade certified producer organisations from 18 countries.



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WHAT THEY SAY:

Dao Tich thi Tuyen, coffee farmer and member of the Hop Tac co-op in Vietnam – “I used to be a poor farmer from the North, but I came here, worked hard and had a better life. My life is much better since my cooperative joined Fairtrade. I earn a stable income and I share my wealth with the community using our Premium.”

Rajaratnam Gnanasekeran, Manager of one of the Stassen Bio Estates, a Fairtrade certified tea plantation in Sri Lanka – “It is at the Fairtrade Premium Committee where males and females, perhaps for the first time, all sit together at one table. Everyone voices their ideas, and they are all considered equal.”

FAIRTRADE LICENSEES AND TRADERS

There are 192 Australian businesses that have been approved (licensed) to put the Fairtrade Mark on specific products that meet the Fairtrade Standards. These include large companies like Coles and Woolworths, through to smaller businesses like Montville Coffee, and RREPP clothing and sports balls.



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WHAT THEY SAY:

Karen Barnett, Director, Montville Coffee – “Our consumers really care that we use Fairtrade products. I love what being part of the Fairtrade Organic community brings to our business. Together we are solving complex challenges and putting in place new structures that are more just and more fair than has ever before been possible for communities to achieve.”

Scott Goddard, Founding Director, RREPP – “I was driven to the Fairtrade certification for a number of key reasons. Firstly there were both social and environmental criteria attached to the certification. There was a third party auditing mechanism which I really liked, so it wasn't just me stating we were adhering to ethical standards. And accountability to the full supply chain, not just part of it. This was very important to us as a business as it adds integrity, honesty and accountability to our values and business practices.”

FAIRTRADE CONSUMERS

Most Fairtrade products sold to consumers in Australia are either chocolate, coffee or tea. While we don't know exactly how many individual consumers there are, 50% of Australians recognise the Fairtrade Mark. In 2004, sales of Fairtrade certified products in Australia were \$1.3 million. By 2014, this had grown to \$223 million.



© Bec Churchward

WHAT THEY SAY:

Fadi – “We live in a world where there are a lot of issues and a lot of problems. Unfortunately, for many, the response to the overwhelming myriad of issues is ‘what can I do?’. For many of these issues it does seem difficult to find a way to help. By purchasing products with the Fairtrade certification you are making a positive difference to those who are working so hard to make their lives better, how could you not get behind it?”

John – “I wonder what lies behind the bright boxes and packets of products on the supermarket shelves. How were the workers treated? Did they get a fair wage for their work? Did they work in healthy conditions in an environmentally sustainable way? In other words: how will my action, in making what to me is a simple purchase of chocolate etc, affect the people who produced these things?”

Read more about Fairtrade producers and how they are addressing economic, social and environmental issues in the case studies from Papua New Guinea, Indonesia, and India – ***“Fairtrade Producer Case Studies”***.



3. The aim of the Fairtrade approach to trade is to help reduce global poverty. Use the ***Sustainable Development Goals worksheet*** to examine how the Fairtrade approach contributes towards achieving the global Sustainable Development Goals (also known as the SDGs).



4. A part of Fairtrade Australia New Zealand's work is advocacy:

- promoting fairer trading systems that support the poor
- encouraging Australian consumers to feel connected with producers overseas and choose Fairtrade branded products when shopping
- raising awareness about how the Fairtrade Minimum Price and Premium helps support sustainable community development and wellbeing

Imagine you are an advocacy officer working for Fairtrade. Create either a poster, presentation or a short blog post (your teacher will tell you which) that promotes Fairtrade to Australian consumers. You may want to include information about:

- how Fairtrade contributes to community development and wellbeing (for example the Fairtrade Standards and Fairtrade Premium)
- how Australians are connected to people and places in the Asia-Pacific region through trade
- the impact that consumer and business decision-making can have on other people and places

Note: if you are writing a blog post, you can check out examples on Fairtrade Australia New Zealand's website to see how they do it. Available at: fairtrade.com.au/News/Blog

1 Packham B., 'Australian banana price crisis looms again as Cyclone Yasi wipe out crop', The Australian, 03 February 2011, available at: <http://www.theaustralian.com.au/archive/in-depth/australian-banana-price-crisis-looms-again-as-cyclone-yasi-wipes-out-crop/news-storya34ad5ddd5ca496837e0220bf017343> [accessed April 2017]

CASE STUDY 1:

FAIRTRADE PRODUCER

PAPUA NEW GUINEA AND ECONOMIC DEVELOPMENT

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Papua New Guinea has a mountainous, forest covered landscape on the mainland, and hundreds of small and medium size islands. As a result most communities are very isolated from each other, and together with over 800 known languages,¹ communication in Papua New Guinea is difficult. There are significant issues with infrastructure like roads, communication, water and energy supply. As a developing country, and with a challenging physical environment, it is difficult for the government to pay for providing basic infrastructure to all of its citizens, in particular those living in rural areas.

The Australian Department of Foreign Affairs and Trade (DFAT) sees the lack of infrastructure as a major challenge to Papua New Guinea's future economic development and prosperity.² In 2016-17, 18% of DFAT's estimated \$558.3 million of official development assistance to Papua New Guinea was scheduled to be spent on infrastructure and trade improvement related projects.³

"Over 40 per cent of the population remain poor and face hardship, and 80 to 85 per cent of Papua New Guineans reside in traditional rural communities".⁴ People in these communities usually have subsistence gardens (growing food for their own use, not for trade), and earn their income from small scale agriculture.⁵ For example, the average farm size of members in the Fairtrade Highland Organic Agriculture Cooperative (HOAC) is 0.7 hectares, which is roughly the size of an international soccer pitch.

Fairtrade producer organisations in Papua New Guinea typically produce either coffee or cocoa, and are made up of members from several villages, spread over large distances. The lack of infrastructure in Papua New Guinea makes it difficult for the members of producer organisations to communicate with each other, and impacts their ability to quickly transport their crop to market. Producer organisations have been using their Fairtrade Premium to fund provision of infrastructure services, like clean water and roads, to their member communities. As one member noted “our cooperative can give us things that the government cannot do.”

INFRASTRUCTURE – ROADS



Many roads in Papua New Guinea are not paved, and can become bogged and deeply rutted. In many places there are no roads at all. For producers in the Fairtrade HOAC organisation the lack and poor quality of roads is a problem that limits their ability to sell their coffee. Farmers have to deal with a rugged mountain terrain, and a trip to the nearest market town, Goroka, often takes five to ten hours. Farmers would often sell their crop to village traders rather than make the difficult trip to Goroka themselves.

As Moake Andrusaropo, a local farmer said, “the services never reached us ... our main cry is that our road systems are poor”. He believes the poor roads affect farmers by resulting in a low price for their crops, which reduces the income farmers can earn.

HOAC is using its Fairtrade Premium for a range of infrastructure, health and education projects. Infrastructure, including building and improving roads, helps the economic development of member communities by making it easier to transport crops from farms to the villages, and then on to the market for export.

As one member said about the project: “we want as much as possible for the roads to be fixed. This is a major project ... that most people like. The quality and quantity of production that will come itself, but the thing that we need most ... is the road first.”



INFRASTRUCTURE – INFORMATION COMMUNICATION TECHNOLOGY



Fairtrade producer organisations in Papua New Guinea are challenged by isolation, poor telecommunication infrastructure, and lack of access to power for charging phones and computers. Because members of producer organisations are often spread over large distances, typically including several different villages, the producer organisations generally don't have enough mobile phones or computers to communicate easily with all members.

A project aimed at improving access to information communication technology (ICT) was recently trialled in Papua New Guinea, involving Fairtrade Australia New Zealand, local Fairtrade producer organisations, and funding from the International Fund for Agricultural Development, a specialised agency of the United Nations.

The project addressed some of the common communication challenges in Papua New Guinea through activities like providing office equipment and smartphones, the distribution of solar chargers for mobile phones and computers, access to a closed user group network, and training on basic computer literacy. Without the project these services would have taken much longer to reach these producer communities.



Barnabas Dick, Manager of the Keto Tapasi Progress Association, said of the project “for our organisation, the closed user group became a primary tool. Before, we needed to walk many hours to deliver a single message. Coordinating meetings or transport and purchase of coffee took a long time. With the closed user group we can communicate instantly.”

By improving access to ICT devices, services and training, Fairtrade Australia & New Zealand hopes to support the development of regional supply chains based on fair terms of trade. Through the use of technology, small scale producers can develop fast and efficient logistics, have access to market information, and remain competitive.



1. Compare the development statistics for Australia and Papua New Guinea on the **Case Study Country Comparison worksheet**.



2. Watch the first 3:30 minutes of the film clip **“Fairtrade Papua New Guinea ICT Project”** which can be found at: <http://bit.ly/ictprojectpng>.

On a separate sheet of paper answer the following:

- What problems were caused by the lack of access to ICT?
- What benefits resulted from the project introducing ICT to producer communities?



3. Write a paragraph explaining why lack of infrastructure affects economic development and prosperity in Papua New Guinea.

1 DFAT, *Papua New Guinea country brief*, available at: <http://dfat.gov.au/geo/papua-new-guinea/Pages/papua-new-guinea-country-brief.aspx> [accessed February 2017]
 2 DFAT, *Overview of Australia's aid program to Papua New Guinea*, available at: <http://dfat.gov.au/geo/papua-new-guinea/development-assistance/Pages/papua-new-guinea.aspx> [accessed February 2017]
 3 DFAT, *Papua New Guinea aid fact sheet*, available at: <http://dfat.gov.au/about-us/publications/Documents/aid-fact-sheet-papua-new-guinea.pdf> [accessed February 2017]
 4 DFAT, *Overview of Australia's aid program to Papua New Guinea*, available at: <http://dfat.gov.au/geo/papua-new-guinea/development-assistance/Pages/papua-new-guinea.aspx> [accessed February 2017]
 5 DFAT, *Papua New Guinea country brief*, available at: <http://dfat.gov.au/geo/papua-new-guinea/Pages/papua-new-guinea-country-brief.aspx> [accessed February 2017]

CASE STUDY 2:

FAIRTRADE PRODUCER

INDONESIA AND SOCIAL DEVELOPMENT



All countries face challenges in overcoming discrimination towards different groups of people in the community. In Indonesia work is happening to address discrimination against women and promote gender equality. According to UN Women “in Indonesia, the challenges to gender equality remain discriminatory attitudes, which prevent women from exercising their economic rights, property ownership and land inheritance, access to credit, wages and workplace benefits, and livelihood opportunities”.⁶

The Indonesian government, together with community groups, non-government organisations, and aid and development organisations are working to improve gender equality for women in Indonesia. For example, the Australian government through the Department of Foreign Affairs and Trade contributes by funding “programs for women’s economic and political empowerment, which help women gain jobs and other sources of financial security”.⁷

⁶ UN Women, *Asia and the Pacific: Indonesia*, available at: <http://asiapacific.unwomen.org/en/countries/indonesia> [accessed May 2017]

⁷ DFAT, *Overview of Australia's aid program to Indonesia*, available at: <http://dfat.gov.au/geo/indonesia/development-assistance/Pages/development-assistance-in-indonesia.aspx> [accessed February 2017]

FAIRTRADE PRODUCER ASSOCIATIONS FOCUSING ON GENDER EQUALITY



Social development, including addressing gender equality, is part of Fairtrade's approach to production, trade and community development. It can be difficult to create change when it comes to gender equality, as opinions and systems that create the inequality have often been in place for a long time.



Fairtrade employee, Wardah Hasyim, works with more than 28 cooperatives in Indonesia, helping to support their work and ensuring Fairtrade's practices are in place. Wardah is interested in social justice and promoting gender equality. As she notes "the membership of the cooperative is based on the ownership of the land. In a community like ours, your piece of land will naturally be under your husband's name". Women can own land but usually it is because they have inherited it from either their father or their husband.

It is common for women to lack access to essential training that could help them work and manage their finances. Wardah works with the boards of the Fairtrade cooperatives to recognise that "even though the man is a registered member ... it's a matter of the whole household and they can't just give training to men".

Some Fairtrade producer organisations in Indonesia have established programs to focus specifically on women. For example:

Megah Berseri – The cooperative has 1,327 members, including a women's group with 122 members. The women's group is made up of women who have taken over ownership of the land after their husbands died. Through the Fairtrade Premium the women's group have access to an education fund, and received manual pulping machines to improve their product so they can sell it at a better price.

KSU Permata Gayo – The cooperative has 3,089 members, and is based in northern Sumatra. Approximately 70% of household income now comes from the coffee harvest. The cooperative has used its Fairtrade Premium to fund women's empowerment programs. Women receive training and are supported to become qualified in financial management and running a micro-credit scheme. The small loans from this scheme can be used to help start businesses in order to supplement the income from coffee farming.

The cooperative has also used its Premium to support women's health during pregnancy. The funds help equip medical centres with instruments and supplies for mothers and babies.

Koperasi Kopi Wanita Gayo (Gayo Women Coffee Cooperative) – The cooperative has 496 members, all women. The Gayo Women Coffee Cooperative started in 2014, and is the first women's coffee cooperative in Sumatra. The cooperative supports women to improve their skills as coffee farmers and traders.



The chairperson, Annie, inherited her 1 hectare of farmland from her father. Because of the cooperative, Annie has received training in new farming methods and financial management skills. She hopes her daughters will choose to take over the farm, and “to learn from the other women to create a system that can help them back”.

The decisions about how to use the cooperative's Premium funds come from the women within the community. Projects include:

- women's reproductive health
- training for women in the cooperative, and from the wider community, on accounting and managing household finances
- \$10,000 to fund kindergartens in two villages



1. Compare the development statistics for Australia and Indonesia on the **Case Study Country Comparison worksheet**.



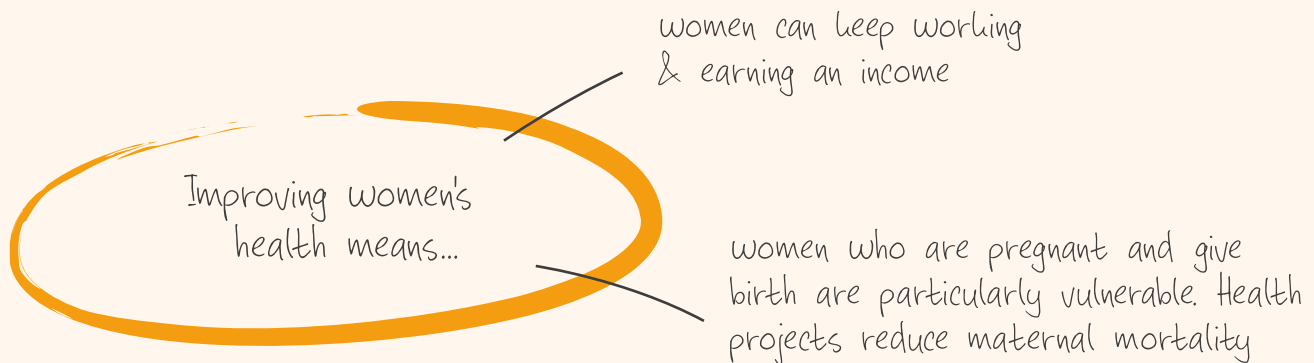
2. On a separate piece of paper create a mind-map that identifies:

- Projects funded by Fairtrade producer organisations in Indonesia that support women.

For example: women's health projects

- Your thoughts about how that project helps women. What is the impact/consequence/ outcome of the project?

For example: improving women's health means women can keep working and earning an income; women are particularly vulnerable during pregnancy and child-birth, health projects can help reduce maternal mortality and save women's lives



CASE STUDY 3:

FAIRTRADE PRODUCER

INDIA AND ENVIRONMENTAL SUSTAINABILITY



Cotton is the most important crop in the world textile industry. While cotton production provides an income to many farmers (ninety percent of the world's cotton farmers live in developing countries), it has also been linked to several environmental issues.

A report by the Food and Agriculture Organisation of the United Nations and the International Cotton Advisory Committee on the sustainability of cotton farming identified several common environmental issues associated with cotton production:⁸

- **pest and pesticide management:** environmental contamination by pesticides; pest management and crop production; human exposure to pesticides
- **water management:** water depletion; crop water management; soil salinization; water quality
- **soil management:** soil fertility; soil erosion
- **biodiversity and land use:** land conservation; land productivity
- **climate change:** greenhouse gas emissions; decomposition and mineralisation; energy use

India is the second largest cotton producing country after China. India's Joint Secretary of the Ministry of Textiles in 2006, Sudripta Roy, noted that given the size of India's cotton production "the environmental and social impact of cotton production and utilization would be more spectacular in India than in any other country".⁹

Indian cotton farmers, who have been working to address the environmental sustainability of cotton production by changing their farming methods, remember some of the environmental and health problems caused by using chemicals in the farming process:

- **Devrajbhai** – “For years I was putting chemicals into the soil but the yield was getting poorer and poorer.”¹⁰
- **Kanji** – His “family have become healthier through chemicals now not leaching into drinking water, on skin, inhaled, or being absorbed by livestock and land.”¹¹
- **Jatendrabhai** – “I spent a lot of money on chemical fertilizers which also made my land more and more infertile.”¹²

In addition to being environmentally damaging, many agricultural chemicals are expensive. Poor farmers faced financial hardship, and sometimes even had to take out loans, in order to afford chemical fertilizers and pesticides.¹³

ORGANIC AND FAIRTRADE



Several Indian cotton farming communities have changed their farming practices in order to address environmental sustainability issues. Agrocel, a local organisation that supports poor rural farming communities and helps them transition to organic and Fairtrade farming and certification, has noticed the rise in organic cotton farming. In 2003-04 they worked with 125 organic cotton farmers harvesting cotton from 850 acres of land. By 2009-10 this had increased to 7,946 farmers harvesting 80,724.3 acres.¹⁴ More recently, Agrocel worked with more than 20,000 farmers across India growing organic, Fairtrade cotton. India now produces the largest quantity of Fairtrade certified cotton globally.

Devrajbhai changed his farming methods to achieve both organic and Fairtrade certification. “After getting into organic practices I realised that using chemicals was such a waste of time and resources. Thanks to the ... training program, I have adopted many new and useful techniques that have reduced inputs. And with organic practices, I and my family will enjoy better health. My income has improved 150%. I have bought three more acres of land and am also able to send my children to school.”¹⁵

8 FAO and ICAC, *Measuring Sustainability in Cotton Farming Systems: Towards a Guidance Framework*, p.13, available at: <https://www.icac.org/getattachment/Home-International-Cotton-Advisory-Committee-ICAC/measuring-sustainability-cotton-farming-full-english.pdf> [accessed May 2017]
9 Roy S., *Environmental and Social Impact of Cotton Cultivation and Use with Special Reference to India*, available at: https://www.icac.org/meetings-plenary/65_goiania_documents/english/os2/os2_roy [accessed May 2017]
10 Agrocel, *Success Stories*, http://www.agrocel.co.in/new/agri_success_stories.html [accessed May 2017]
11 RREPP, *Who we support – sports balls / street gear*, available at: <https://www.rrepp.com.au/60/who-we-support/view/7/sports-balls-street-gear> [accessed May 2017]
12 Agrocel, *Success Stories*, http://www.agrocel.co.in/new/agri_success_stories.html [accessed May 2017]
13 RREPP, *Who we support – sports balls / street gear*, available at: <https://www.rrepp.com.au/60/who-we-support/view/7/sports-balls-street-gear> [accessed May 2017]
14 Agrocel, *Highlights: Initiatives in Fairtrade cotton*, available at: http://www.agrocel.co.in/new/agri_initiative_cotton.html [accessed May 2017]
15 Agrocel, *Success Stories*, http://www.agrocel.co.in/new/agri_success_stories.html [accessed May 2017]

Fairtrade Standards require farmers to use methods that protect their health and safety, promote efficient water usage, and ban dangerous chemicals and genetically modified cotton seeds. Producer organisations like the Vasudha Cooperative have training centres that demonstrate organic farming practices to farmers, and create organic farming inputs that farmers who don't make their own can buy at cost. Rakesh from the Vasudha Cooperative said that the farmers had found the soil health on their farms was improving, and the cost of the inputs needed for farming had reduced. In the short-term farmers found the land wasn't producing as much cotton as previously, however this improved after a few years when the soil recovered.

Fairtrade organic cotton farming producers in India have also been investing their Fairtrade Premium in projects that help improve environmental sustainability. For example: solar lights in the villages; drip irrigation to minimise water used and conserve rainwater; short-term loans to farmers to improve their farms; a project to help farmers create their own organic fertilizer; and funding for additional farmer training.

ACTIVITY



1. Compare the development statistics for Australia and India on the *Case Study Country Comparison worksheet*.



2. RREPP is an Australian business that sells 100 percent Fairtrade organic clothing (including school uniform polo shirts) from India. They believe in ethical production and consumption – the organisation's tag is "cos the planet's watching". What do you think? Farming communities in countries like India face environmental impacts from their cotton production. With a partner, discuss the following question:

Do Australian clothing and textile businesses who use cotton from these communities have a responsibility for these impacts, and helping to address them? Why/why not?



3. Create a poster showing how Fairtrade organic cotton farmers are trying to address some of the environmental issues caused by cotton farming and improve environmental sustainability.

GLOBAL TRADE AND DEVELOPMENT

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CONNECTING PEOPLE AND PLACES

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