

- Higher unemployment
- Loss of jobs in state enterprises and the civil service
- Less support for those most in need, such as poor pregnant women, nursing mothers, young children, and elderly people

In short, structural reforms allegedly punish Earth's poorest people for actions they did not commit—waste, corruption, misappropriation, and military buildups.

International organizations respond that the poor suffer more when a country does not undertake reforms. Economic growth is what benefits the poor the most in the long run. Nevertheless, in response to criticisms, the IMF and the World Bank now encourage innovative programs to reduce poverty and corruption and consult more with average citizens. A safety net must be included to ease short-term pain experienced by poor people.

## Fair Trade

Fair trade has been proposed as a variation of the international trade model of development. **Fair trade** means that products are made and traded according to standards that protect workers and small businesses in LDCs. Standards for fair trade are set internationally by Fairtrade Labelling Organisations International (FLO). A nonprofit organization, TransFair USA, certifies the products sold in the United States that are fair trade.

In North America, fair trade products have been primarily craft products such as decorative home accessories, jewelry, textiles, and ceramics. Ten Thousand Villages is the largest fair trade organization in North America, specializing in handicrafts. In Europe, most fair trade sales are in food, including coffee, tea, banana, chocolate, cocoa, juice, sugar, and honey products.

Two sets of standards distinguish fair trade: one set applies to workers on farms and in factories and the other to producers.

### Fair Trade Producer Standards

Fair trade advocates work with small businesses, especially worker-owned and democratically run cooperatives. Small-scale farmers and artisans in LDCs are unable to borrow from banks the money they need to invest in their businesses. By banding together, they can get credit, reduce their raw material costs, and maintain higher and fairer prices for their products. Cooperatives thus benefit the local farmers and artisans who are members, rather than absentee corporate owners interested only in maximizing profits. Because cooperatives are managed democratically, farmers and artisans learn leadership and organizational skills. The people who grew or made the products thereby have a say in how local resources are utilized and sold. Safe and healthy working conditions can be protected.

Consumers pay higher prices for fair trade coffee than for grocery store brands, but prices are comparable to those charged for gourmet brands. However, fair trade coffee producers receive a significantly higher price per pound than traditional coffee producers. North American consumers pay \$4 to \$11 a pound for coffee bought from growers for about 80 cents a pound. Growers who sell to fair trade organizations earn \$1.12 to \$1.26 a pound. Because fair trade organizations bypass exploitative middlemen and work directly with producers, they are able to cut costs and return a greater percentage of the retail price to the producers. In some cases, the quality is higher because fair traders factor in the environmental cost of production. For instance, in the case of coffee, fairly traded coffee is usually organic and shade grown, which results in a higher-quality coffee.

### Fair Trade Worker Standards

Critics of international trade charge that only a tiny percentage of the price a consumer pays for a good reaches the individual in the LDC responsible for making or growing it. A Haitian sewing clothing for the U.S. market, for example, earns less than 1 percent of the retail price, according to the National Labor Committee. In contrast, fair trade returns on average one-third of the price to the producer in the LDC. The rest goes to the wholesaler who imports the item and for the retailer's rent, wages, and other expenses.

Protection of workers' rights is not a high priority in the international trade development approach, according to its critics. With minimal oversight by governments and international lending agencies, workers in LDCs allegedly work long hours in poor conditions for low pay. The workforce may include children or forced labor. Health problems may result from poor sanitation and injuries from inadequate safety precautions. Injured, ill, or laid-off workers are not compensated.

In contrast, fair trade requires employers to pay workers fair wages, permit union organizing, and comply with minimum environmental and safety standards. Under fair trade, workers are paid at least the country's minimum wage. Sixty to seventy percent of the artisans providing fair trade hand-crafted products are women. Often these women are mothers and the sole wage earners in the home. Because the minimum wage is often not enough for basic survival, whenever feasible, workers are paid enough to cover food, shelter, education, health care, and other basic needs. Cooperatives are encouraged to reinvest profits back into the community, such as by providing health clinics, child care, and training.

Paying fair wages does not necessarily mean that products cost the consumer more. Because fair trade organizations bypass exploitative middlemen and work directly with producers, they are able to cut costs and return a greater percentage of the retail price to the producers. The cost remains the same as traditionally traded goods, but the distribution of the cost of the product is different, because the large percentage taken by middlemen is removed from the equation.