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Starbucks vs. Equal Exchange: Assessing the Human Costs of Economic Globalization

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This paper discusses the impact of economic globalization on human populations and their natural environment. Trends leading to globalization, such as multilateral and bilateral trade agreements which reduce trading barriers between countries, are discussed. According to the economic principle of comparative advantage, all countries which specialize in what they can produce most efficiently should benefit equally from fair trade. Developing countries must increasingly rely on cheap labor and low environmental standards to compete for foreign investment and capital in the global economy. Observers argue that the market is not free enough to correct the long-term damage associated with export policies like this. Poverty, misery and social stratification are increasing in many developing countries as a result. A case study of the coffee industry in Latin America provides evidence of the consequences of globalization policies on the most vulnerable populations. NAFTA and the collapse of the International Coffee Agreement contributed to environmental degradation and loss of livelihoods in Chiapas, Mexico. The result was increased social unrest, which led directly to the Zapatista uprising of 1994. Responses to the impacts of globalization are considered. International regulation of labor and the environment in trade agreements, voluntary codes of conduct for multinational corporations, and the alternative trade movement, in combination, provide the best mechanisims to address the human cost of economic globalization.

Starbucks vs. Equal Exchange

The term "globalization" is used with increasing frequency in late twentieth century political, economic, and social discourse. Institutions such as the World Trade Organization (WTO), the General Agreement on Tariffs and Trade (GATT), and the North American Free Trade Agreement (NAFTA) are part of the international movement towards a global free market. Whether a nation-state and its citizens will benefit from or lose out under the terms of these agreements depends on where that state falls on the international scale of development, and on how those benefits and losses are measured.

Industrialized nations tend to benefit economically from the trade liberalization process that has become the goal of post World War II international trade regimes. Developing countries are often trapped in the proscribed roles of primary commodity producers. If these nations do attempt industrialization in the heavily Western-skewed economic climate, they must increasingly bid their human populations and natural resources into an untenable and unsustainable "race to the bottom" by continually lowering labor and environmental standards to compete for investment by multinational corporations seeking low production costs and limited regulations (Compa 1993).

While the long-term viability of such economies may be seriously undermined, the business and governmental elite in these countries often do benefit, enormously, from such foreign investment partnerships and global free trade agreements. Stanley Korten describes this phenomenon, which he has observed in locations as varied as Pakistan and the Philippines, as that of "growing islands of great wealth in poor countries" (1995:114). As the managers and owners become increasingly privileged, they become isolated from the populations who work in the factories and on the plantations

that are so attractive to foreign investment and contracts. As economic globalization gathers steam, the communitarian interest, which used to bind the rich and poor together in pursuit of their nation's economic growth, is giving way to "a melding of the world's ... elites into a stateless community in the clouds" (Korten 1995:114), while the poor face an increasingly borderless world of sweatshops, environmental and societal exploitation, and despair.

This paper examines the impacts of the current mode of economic globalization on producer populations in the developing world, and evaluates the responses to these impacts currently proposed by economists, governments, multilateral agencies, and grassroots or non-governmental organizations.

An Overview of the Process

In theory, international competition in a global market can be beneficial. According to the economic theory of "comparative advantage", if all nations specialize in what they produce most efficiently, and trade with their export earnings for everything else, all nations should benefit, (Madeley, 1992:3-4; Buchsbaum 1997). However, Madeley goes on to emphasize that comparative advantage works only when "trade is between countries which are roughly equal" (Madeley 1992:6). This is not the case in the current global system, as the structure of international trade still reflects the nineteenth century pattern which was based on the production of manufactured goods in the industrialized countries, while their colonies depended on primary product exports to generate any foreign exchange for imports (Madeley 1992:7).

Although Madeley (1992:11) and Lequesne (1996:25) do not deny the occasional benefit of international trade for all countries involved, both question the applicability of the theory of comparative advantage to a global economic system affected by many factors beyond those envisioned in economic theory. A perfect and equal global market does not exist; subsidies and other domestic trade barriers abound on goods and services in industrialized, as well as developing nations (Madeley 1992:9). But the trade liberalization being sought in the multilateral trade negotiations of the 1990's is derived directly from the unrealistic concept of comparative advantage operating in a perfect market.

For much of the post World War II era, the ability of governments in both developing and industrialized states to adjust market inefficiencies through protection of domestic economies had a compensatory effect on the impact of trade liberalization efforts (Oxfam Web-site). However, trade agreements like NAFTA and the most recent GATT negotiations have dramatically reduced the power of governments to intervene in their own export trade; instead, economic power rests increasingly in the hands of the powerful multinational corporations, who will always choose "to locate production in sites of maximum profitability--that is, where labour is cheapest and ... standards are lowest" (Oxfam Web-site).

The Uruguay Round negotiations of the GATT, which ended in 1993, were by far the most comprehensive set of multilateral trading agreements ever concluded (Lawrence 1996:3). Because of the aforementioned historical economic imbalance between developing economies of the global south and the developed nations of the global north, the Uruguay Round of the GATT was dominated by the interests of the industrialized nations (Lawrence, 1996:6). The accords essentially codified the status quo, that is, increased trade liberalization through reduction of trade barriers for all nations in areas of key interest for the north regardless of differing levels of national development (Lequesne 1996:6). The industrialized nations emerged as

beneficiaries from the negotiations, with economic gains estimated at $500 billion per year by 2005 (Lequesne 1996:9).

On the other hand, the developing nations were more hurt than helped by the Uruguay Round agreements in their hopes to enter the global economy on an equal basis with the industrialized north. The negotiations did not substantially cut protective tariffs globally on primary commodities, such as precious or strategic minerals and tropical hardwoods which are major exports for many poor nations (LeQuesne 1996:13). However, the negotiations did lift most import restrictions on agricultural products, making it easier for industrialized nations to inexpensively export their substantial agricultural surplus. At the same time, the 1993 GATT accords required reduced domestic subsidies on agriculture which will only affect the poorer nations (Lequesne 1996:15), since the U.S. and the E.U. were able to opt out of these cuts. The combination of reduced subsidies and increased cheap agricultural exports from the global north has placed smallholder agriculture (which can account for two-thirds of the employment in developing countries) at an impossible disadvantage in the global market (LeQuesne 1996:16).

Such negotiations increase the difficulties developing countries face in international competition. Many governments of the south rely increasingly on investment by multinational companies for economic growth and higher employment. These corporations, almost all based in the north, realized enormous gains in capital mobility and deregulation as a result of the Uruguay Round and the establishment of the World Trade Organization (Lequesne 1996:18). Their interest in the developing world is strongly based on benefits developing countries can offer in exchange for their investment. In many cases, with "hundreds of millions of people desperate for any kind of job the global economy may offer" (Korten 1995:229), the governments of many poor nations are being forced to depend heavily on what has been called their comparative advantage.

> ...the fact of (their) poverty: in particular, cheap labor and a greater tolerance of pollution (Standard Deviation 1994).

According to the aforementioned theory of comparative advantage, nations that specialize in their most efficient resource as an economic strategy should be realizing gains from international trade comparable to other nations which also specialize to maximize their profits. If unregulated labor and pollution havens are the legitimate comparative advantage for developing nations, then those nations relying on this as a national economic strategy should be realizing gains from international trade. However, exploiting resources like cheap labor, an increasingly common strategy in developing countries, seems to have produced the opposite effect. In recent history, GNP per head of people in north and south has gone from "about the same" two hundred years ago to eight times higher per capita in the north by 1990 (Swiss economist Paul Bairoch in Madeley 1992:6).

The available evidence indicates that the benefits from trade liberalization measures like the GATT and NAFTA do not outweigh the costs to the majority of producers. For example, the agricultural reforms associated with NAFTA may be providing less expensive maize to Mexican consumers (Stea, et. al, 1997:224). However, the corresponding subsidy cuts to farmers by the Mexican government as required under NAFTA terms of trade are "leading to predictions that up to 2.4 million peasant producers and their families could be forced off the

land" (LeQuesne 1996:17). The International Cooperative Movement, which has supported worker-run cooperatives as a democratic alternative to top-down industrialization schemes since its inception in 1895, has seen a decrease in

> workers' cooperatives, forced to close because they could not compete with sweatshops and other exploitative forms of production (Capdevila 1997).

In fact, poverty and misery in developing countries following an export-led national economic strategy is increasing, not decreasing as might be expected based on neo-liberal economic prediction (Madeley 1992:12). Overall GNP may show a relative increase, but, as LeQuesne (1996:2) points out, Oxfam's experience of working with poor communities in Chile demonstrates that "when production ... is dominated by large-scale producers and foreign companies, it is they, rather than the rural poor, who will receive the major benefits from trade expansion". Stea et. al. came to similar conclusions about Mexico under NAFTA: in 1994, "the income of [the] two dozen billionaire ... families was more than the combined income of the poorest 25 million of Mexico's people" (1997:219).

It is these poor who struggle to survive through non-market based economies, such as the noncash, informal trading systems found in much of Africa, or the community-based land tenure in Mexico known as *ejidos* (Stea, et. al 1997:225). Their livelihoods are increasingly neglected by government elites, both because of the limits on government assistance imposed by global free trade agreements (LeQuesne 1996:26) and because of attempts to increase economic growth by quick-fix" export-industrialization schemes (Madeley 1992:11). It is these poor who bear the consequences, while the resulting "urbanization and impoverishment of rural economies" leaves them with "narrow economic options" (Weissman 1997) and pushes them off their land into industry or tenant farming at impossibly low wages (Madeley 1992:11).

A degraded labor force and a degraded environment usually exist together, as two parts of a whole set of conditions surrounding the expansion of increasingly deregulated trade.

> Oxfam's experience is that livelihoods--indeed, survival--for the world's poorest people depend fundamentally on the wealth of the natural environment (LeQuesne 1996: 24-25).

Liberalized trade expansion efforts under NAFTA and the WTO accords, often through the agency of multinational corporations, are increasingly free to seek the lowest production costs, pushing environmental standards down and exacerbating the poverty of people who depend on this environment (LeQuesne 1996:24-25).

The abysmal working conditions and rampant pollution associated with the *maquiladora* factories on the border of Mexico and the U.S., which have sprung up overnight by the hundreds since the NAFTA accords, are one example of the nexus between environmental and human costs in the new globalized economy (Korten 1995:129-130). The increase in child labor as a way of cutting costs in production around the world is another (Zielinski 1995). The conditions under which children work are fraught with environmental health hazards. A recent International Labor Organization report indicates, that sixty percent of the two hundred fifty million children working in developing countries are exposed to chemical and biological hazards, which have long-term consequences not only on their individual health, but also upon the health and productivity of the

community of which they are part (Child Labor 1996:19).

Coffee, one of the most important exports produced by the developing world, clearly illustrates the connection between environmental and human costs. The impact of globalization on this commodity and its producers not only tells the story of environmental degradation, labor exploitation, and the increasing role of multinationals, but also shows us the dramatic social impacts of unregulated trade expansion. The impact of economic globalization on the coffee industry contributed to a revolution.

The Human Cost of Coffee

In tropical regions of the developing world as varied as El Salvador, Tanzania and Indonesia, coffee is the second most important legal export (after oil) for generating foreign exchange (Equal Exchange web-site). It is, for United States consumers, the most important legal import from Latin America (Greenberg 1994). Farmers have traditionally grown coffee for export to supplement their otherwise subsistence-level income; historically, it is "a relatively democratic crop" (Greenberg 1994). More technologically advanced inputs, governmental incentives and subsidies for export farming have encouraged a steady increase in the supply of coffee produced over the past twenty years (Madeley 1992:38). However, as is true with many primary commodities, the economic growth of the past twenty years in the importing, industrialized countries has not meant an increase in the demand for coffee (Madeley 1992:9).

During this time of economic growth, the world price of coffee was loosely managed by the International Coffee Agreement (ICA). When the ICA collapsed permanently in 1989, there was a "free-for-all on world markets, with producing countries freely exporting stocks that had been built up" (Madeley 1992:37). The world price of coffee slumped to their lowest level in seventeen years (Madeley 1992:38), leaving smallholder farmers around the world unable to cover the costs of production (Madeley 1992:20). Some governments cut the prices paid to growers, others attempted to subsidize their farmers through the crisis. Farmers who could switched to a more profitable crop (Madeley 1992:38), which in some cases meant a switch from the legal export crop of coffee to the illegal export crop of coca (used to manufacture cocaine) (FairTrade Foundation web-site).

The international coffee trade is heavily 'vertically integrated'. The few companies that dominate the trade control most aspects of production and distribution. Eight multinational enterprises account for between fifty-five and sixty percent of world coffee sales (Madeley 1992:95), with a correspondingly large impact on the foreign exchange acquisition of the countries from which they purchase. In northern Latin America, including Mexico, the Caribbean, and Central America, coffee "is the leading source of foreign exchange ... it is hard to overestimate the importance of [its] production and exportation" (Greenberg 1996). Governments in these countries emphasize coffee production for export regardless of whether the prices received by growers are adequate to support their families; such policies often disenfranchise small farmers in favor of big private concerns (Madeley 1992:22). Politics can exacerbate such conditions for small coffee farmers. In Nicaragua, during the 1979 socialist revolution, coffee farmers were given land at the expense of former plantation owners. In 1990, with the return of a market economy based government, their land was re-privatized and sold off at exorbitant prices (FairTrade Foundation website).

In 1992, the Salinas administration passed legislation to privatize and sell off the *ejidos* in the southern Mexican state of Chiapas (Stea et. al. 1997:225). These communally-owned farms, which were initiated as part of the 1917 Mexican Constitution (Stea, et. al. 1997:225), traditionally produce almost half of the coffee grown in Mexico (Greenberg 1994). The 1990's land "reform" measures were directly related to the enactment of NAFTA, which stipulated that farm subsidies be reduced and domestic industry be freed from protective barriers (Stea et. al. 1997:229; Gossen 1998). These policies followed the already devastating blow suffered by 64,000 Chiapans, who grew coffee as a cash crop when the International Coffee Agreement collapsed, and crushed hopes that coffee production would recover as prices slowly rose when the coffee glut subsided on the world market (Stea et. al. 1997:229). Potential substitute crops such as maize were now vastly out-competed by the high-input imports from the United States flooding the market as NAFTA lifted agricultural trade policies which had protected Mexican farmers (Stea et. al. 1997:229).

Coffee in Chiapas and other parts of Latin America has traditionally been grown on small shade plantations, using many pre-Columbian era techniques (Greenberg 1994). These plantations are diverse mini-ecosystems, providing "niches for many tropical organisms" among them are neotropical migratory songbirds, which overwinter in Mexico before heading north to breed and nest in the U.S. and Canada in the summer (Greenberg 1994). The recent free market reforms and deregulation, combined with the shift to fewer, larger farms as a result of multinationals' pressures for lower production costs, have resulted in a "technification" of coffee farming, most noticeably into sun, and not shade, plantations (Greenberg 1994). Agribusiness has taken over and encouraged the adoption of higher yielding coffee plants that, along with massively higher inputs, must be grown in full sun. By 1990, "nearly half of northern Latin America's 2.7 million hectares of coffee [had] been converted from shade to sun" (Tangley 1996). The yields are higher, although profits may not be, since the traditional method of production is much less labor-intensive, with lower labor costs (Greenberg 1996).

However, recent research by the Smithsonian Migratory Bird Center in Chiapas and further north in Mexico indicates that the ecological costs may be high as well; the switch in coffee production methods has been implicated in the long-running concern about the gradual disappearance of neotropical migratory bird species (Tangley 1996; Greenberg 1996).

These forest-dwelling birds, dependent on the high quality diverse ecosystems of the traditional shade plantations for, overwintering, may be suffering significantly from the loss of this specialized habitat, which exacerbates the impact of significant habitat degradation in their U.S. summer homes as well (Tangley 1996). As Greenberg (1994) points out, this is more than just the loss of pretty birds; neotropicals perform "unstudied and unappreciated ecological services, such as control of forest insect populations and the dispersal of the seeds of shrubs and trees". Their continued disappearance will have an increasingly noticeable impact on the environment on both the U.S. and the Mexican side of the border (Greenberg 1994). The decreasing diversity of bird species is accompanied by other losses in biodiversity due to coffee "modernization" techniques in Latin America. Greenberg (1996) warns that "unless steps are taken, many of these coffee zones ... are likely to suffer

environmental degradation in the coming years."

The ecological threats associated with the loss of traditional methods of coffee production have been accompanied by rising social unrest in rural northern Latin America (Gossen 1998; Stea et. al. 1997:224-226). Formerly independent Mexican coffee growers, who were paid a standardized price set by the regulated commodities market, lost all domestic protections with the enactment of NAFTA (Gossen 1998). Those small-scale farmers that survived the collapse of the ICA must now sell their product to multinational coffee companies, often through middlemen known as "coyotes" at very low prices (Equal Exchange web-site). If they are not fortunate enough to own land, peasant farmers often hire out to large private plantations for very low wages. In Guatemala, for instance, "virtual slave conditions prevail on the majority ... of coffee plantations "According to the U.S./Guatemala Labor Education Project, workers earn two cents a pound for picking berries (Zielinski 1995).

Production outside this exploitative framework has been attempted by some of the *ejidos* in Chiapas, Mexico, which formed a union dedicated to "sustainable, organic agricultural production of such cash crops for Mexican and foreign markets as apples, beans, coffee, corn, honey, and mushrooms" (Stea et. al. 1997:230). These efforts have been met with hostility and sabotage from the national government (Stea et. al. 1997:230) and "paramilitary, pro-government" groups, such as those responsible for the Christmas week massacre in late 1997 (Gossen 1998).

The indigenous, largely agrarian Mayan population in Chiapas, recognized that their suffering and impoverishment was directly correlated to massive exploitation of their traditional lands and changes in land tenure, including the consolidation and privatization of coffee farms, and took matters into their own hands. On the day NAFTA went into effect, anticipating further exploitation and loss as U.S. industry received carte blanche to move into Mexico, the Zapatista uprising began (Stea et.al. 1997:217, 226-229). As Russell Greenberg (1994), who had been doing songbird research for several years in Chiapas prior to the uprising noted,

> The coffee crisis did not cause the uprising in Chiapas, but it has certainly contributed by increasing the misery of small land-owners.

Although there was some hope that peace talks would include social and environmental provisions (Greenberg 1994), the negotiations in Chiapas broke down in September of 1996, and the region remains heavily militarized with significant social unrest and increasing impoverishment (Stea et. al. 1997:232-234). Meanwhile, coffee production continues to be increasingly mechanized on large sun plantations throughout Latin America, and worker conditions are only beginning to be addressed (Greenberg 1996; FairTrade Foundation Web-site; Zielinski 1995).

Correcting the Costs?

Various responses to the environmental and humanitarian costs associated with coffee and other rapidly globalizing industries have been proposed; some have actually been enacted. Because many suggest some "regulation" of the global market, they are controversial. A combination of some of the following solutions could provide what economic globalization has promised all along, improved and sustainable livelihoods for populations around the globe.

The "Do-Nothing Strategy"

Free market economists, when confronted with the charge that globalization is producing unacceptable environmental and social costs in the developing world, commonly respond that market forces will eventually compensate for short-run costs incurred now (see Passell 1997; Henderson 1996). Their position is that "open trade is the key to rapid income growth in developing areas, and high income leads to adoption of tough social and environmental rules" (Passell 1997). An adaptation of this argument is even used to defend the use of child and other forms of labor abhorrent to industrialized nations. Economists such as David Henderson, in his essay in a recent issue of *Fortune*, suggest that children and exploited laborers in the developing countries choose "a particular job because [they] prefer it to [their] next-best alternative", that to regulate against the use of child labor leaves the children ultimately worse off (Henderson 1996). According to free market principles, employers who offer unsatisfactory working conditions will be unable to retain a skilled and stable work-force; in order to recoup costs, they will have to improve working conditions (de Wet 1995).

However, it is difficult to apply these economic principles to the modern global economy, where multinational trade agreements legislate increasingly permeable borders for both capital and labor markets, where impoverished countries are willing to "make use of unacceptable labor practices in order to lower the price of production" to attract or keep large companies (de Wet 1995). In the "consumer's world" that international trade agreements have created, investors are free to move if regulation seems too strict; another country will provide the lower standards required to keep production costs down. The jobs provided in such export-oriented economies tend to employ only cheap, unskilled labor, and suppress any efforts by the workers to improve conditions or provide opportunities for education or training. As LeQuesne (1996:11) points out in her discussion of women in export industries in developing countries: "as long as [they] have only their ... labor to offer, their working conditions will deteriorate ... and their standard of living will remain low". In a correlated commentary, a recent study by the U.S. Labor Department shows that it is not, in fact, economically beneficial for countries to build export industry based on exploitative labor practices, such as the employment of children, because such policies leave adult labor under or unemployed, while undermining the labor potential for the future by exploiting and damaging children before they are grown (Miller 1996).

In short, "letting the market correct the costs" is proving less than applicable in the modern global economy. The nations bearing these costs are, in many cases, not realizing the benefits promised by free market economists. Unregulated international trade, resulting in exploitation and degradation, has trapped the developing nations in a cycle of poverty.

Voluntary Codes of Conduct

The favorable terms of the recent GATT accords for multinational enterprises and the increasing mobility of investment capital around the globe directly implicate the giant transnational corporations in much of the labor and environmental abuses in the developing countries today. For example, in 1995, Starbucks Coffee was accused of paying its coffee bean pickers in Guatemala less than the country's legal daily minimum wage of U.S. $2.50. Levi-Strauss contractors in Saipan were implicated in "virtually enslaving imported Chinese women" (Rothstein 1996). Child labor produced the Kathie Lee Gifford clothing line for Wal-mart

(Miller 1996). Furthermore, the maquiladoras on the Mexico/U.S. border, more than half of which produce hazardous waste, are subsidiaries of U.S. companies like GTE., G.M., and Dupont (LeQuesne 1996:67).

These particular companies' production procedures are well-known because they were exposed by labor and environmental watch-dog groups in the industrialized countries. There is no reason to suspect they are unique in their exploitative practices. Multinationals are "powerful, secretive and unaccountable ... their size often dwarfs the countries where they operate" (Madeley 1992:102). Unless pressure is brought to bear by consumers, they will take advantage of the cheapest labor and the lowest regulatory standards, keeping their costs as low as possible. These costs, however, are strictly related to cost per unit of production, and do not include long-term losses for the host countries. The environmental degradation incurred in production or extraction and the costs of a debilitated work-force are rarely considered.

When exposed, however, some corporations have shown willingness to develop voluntary codes of conduct for their overseas partners. Levi-Strauss is credited with closing 35 of its 700 worldwide contractors because they failed to meet new standards established after the working conditions of overseas laborers were revealed (Rothstein 1996). Starbucks announced "a framework for a code of conduct to encourage good labor and environmental practices by its producers in developing countries after the consumer protests in 1995" (Food-Labor 1995).

Although they are developed with good intentions, such voluntary codes are problematic. As Rothstein (1996) points out, "these promises have no external monitor, let alone enforcement", and in the case of Starbucks Coffee, many feel that the protections for workers do not go far enough. "They've limited their dialogue partners [in Guatemala] to the [large-scale growers] that are least likely to effect the kind of change they say they want," according to a representative of the International Labor Rights Education and Research Fund (Food-Labor 1995). In some cases, enacting higher standards has left corporations vulnerable to more intensive public scrutiny, which can deter future "responsible" corporate policy-making (Compa and Darricarrere 1996:193).

While voluntary codes by corporations are a step in the right direction, a more comprehensive and global standard needs to be developed. Neutral codes, external monitoring, and a framework designed to enforce these codes is optimal. According to many observers, international trade agreements provide the best forum for a comprehensive set of international standards for labor and the environment.

International Standards

Universal minimum standards for labor and environmental protections *within* international trade agreement provisions are the most frequently advocated mechanism through which the most unacceptable inequities of economic globalization could be regulated. The United States and France stalled the conclusion of the Uruguay Round of the GATT in an attempt to put a "social clause" "formally on the agenda" for the WTO (Standard Deviation 1994). The NAFTA accords included a side agreement on labor rights. However, it is weak and unlikely to change exploitative conditions in any of the countries who signed it (LeQuesne 1996:59). The Generalized Systems of Preferences, which regulates some north/south trade by Europe and the U.S., has some labor

rights conditionality included, although it is not well enforced (LeQuesne 1996:60-64).

Such provisions in trade agreements often use the standards in already -existing international treaties that deal with labor rights and environmental protections. Several of these treaties have been negotiated by the seventy-eight-year-old International Labor Organization (ILO). There are conventions on workers' rights to organize, on prohibition of forced labor and discrimination in employment, and on limiting child labor. These conventions are ratified by many countries, indicating a certain degree of universal agreement on their content. Compa points out that

> outside this human rights core, more than 160 other conventions and as many recommendations seek to regulate working hours, basic benefits, health and safety protection and other conditions of employment" (1993).

Several United Nations human rights instruments, including the Covenant on Economic, Social and Cultural Rights, are also part of the existing international standards for business practice (de Wet 1995). This Covenant has been ratified by 135 states (not including the U.S.) as of 1996 (Weiss et. al. 1997:140).

Enforcement of both the ILO conventions and the U.N. Human Rights instruments is limited to "moral pressure" on offending countries by international reviewing committees (de Wet 1995 and Compa 1993). Linking these accords with international trade agreements would provide a much more effective enforcement mechanism of economic sanctions. Developing countries strongly resist such changes. They fear international labor and environmental regulations would be used to justify policies protecting domestic industry in industrialized countries from less expensive, more competitive products from the developing countries (Standard Deviation 1994). Every observer advocating international regulation conceded the developing countries' reluctance to permit restrictions based on fears of protectionism as a legitimate concern (de Wet 1995, Compa 1993, and Lawrence et. al. 1996).

However, as de Wet (1995) points out, "protectionism would be counter-productive, because it is a costly process that saves very few jobs" in the industrialized countries, while having a very deleterious effect on the international economy (see, for instance, the Smoot-Hawley tariff legislation of 1930, often credited with contributing to world economic conditions that led to World War II). Social and environmental clauses in international trade agreements, negotiated multilaterally with less-developed nations' input, would, in fact, be in the best interests of developing countries. As Lawrence, et. al. (1996:6) points out, "the absence of clear international rules could well provide opportunities for protectionists to influence their domestic policies".

De Wet (1995) outlines an effective regime for providing and enforcing minimum standards in association with the WTO regime. This would incorporate the already existing complaint investigation and moral persuasion mechanism of the ILO in addressing violations of international standards into Article 23 of the GATT/WTO Contracting Parties. The ILO procedure would be the first step, while economic sanctions, as the second stage of addressing ongoing violations, would be mobilized through dispute resolution procedures already included in Article 23. This coordination between the ILO and the WTO is recommended in most proposals regarding international standards and enforcement (see also Ehrenberg 1996, Compa 1993). In fact, Oxfam,

understanding the reluctance of developing countries to work within the WTO "would support the inclusion of a social clause only if the ILO is given the lead role in monitoring compliance and judging infringements" (LeQuesne 1996:65).

While challenges remain in determining which labor rights should be considered basic and unassailable human rights, and on how to incorporate environmental protection without allowing the developed world to discriminate freely against developing countries, "multilateral consensus ... is preferable to unilateral action" (Compa 1993). By incorporating universally accepted rights (as defined in widely ratified ILO and U.N. conventions) into international trade agreements, and by clarifying the relationship between trade accords and environmental treaties, conflict can be minimized (Lawrence et. al 1996:94-97). These are important steps that governments can take in reducing the impacts of globalization on human populations and their environment.

Outside the Paradigm:
"Alternative Trade"

While enacting international standards through trade and environmental/human rights linkages is an important aspect of addressing the consequences of globalization, such measures function within the current conceptualization of global capitalism, where profit and loss are the driving force behind investment and development, production and consumption. Economic sanctions, as envisioned in such linkages, would be "punishments" which might change trading practices within an offending country over time, but will most assuredly have the heaviest impact on the poor, who are already the victims of exploitation in the name of globalization.

A growing grassroots movement, throughout the industrialized and developing worlds, seeks to address the impacts of globalization outside this framework of world trade. It is called "alternative trade" or "fair trade". The movement has "sought to help small producer groups and farmers in the developing world to fight exploitation and trade on more advantageous terms" (Senter 1998). As the International Federation for Alternative Trade, a consortium of 100 organizations from 40 industrialized and developing countries, says, the objectives of alternative trade are two-fold, "to improve the working conditions of the poor and oppressed in developing countries; and to change unfair structures of international trade" (IFAT Web-site).

Benjamin and Freedman describe three major distinctions between "alternative" and "commercial" import strategies in their work on practical solutions for closing the north-south gap. First, "unlike other businesses, their goal is to benefit the poor, not to maximize profits" (Benjamin and Freedman 1989:122). Alternative trade organizations (ATOs) keep overhead as low as possible, and cut out the intermediaries like buyers, who are often in the employ of multinational corporations and instructed to buy at extremely low prices to keep profit margins high. For example, the "coyotes", who serve as middlemen in the international coffee trade in Latin America, often take a large cut of the price paid for coffee by the multinationals, leaving "very little of the money for the people who spend their lives growing and harvesting the beans" (Equal Exchange Web-site). ATOs, like the U.S. based Equal Exchange and the British Cafedirect, for whom trading directly with farmers is a founding tenet of their organizational principles, are able to return a high percentage of profits, often more than forty percent, to the producers; commercial ventures through buyers return less than ten percent (Equal Exchange Web-site;

Hamid 1996; Benjamin and Freedman 1989:122).

Secondly, Benjamin and Freedman emphasize that "...ATOs see the education of consumers as an essential part of their work" (1989:123). This education can take the form of trademarks and labels which describe the conditions under which the product was produced, and often contrast this to the conditions under which a similar product, commercially marketed, might be produced. The European Fair Trade Association has initiated the TransFair label in Europe as a standardized label for "products imported from developing countries which meet certain social and ecological standards" (de Bruin 1992). The German "Rugmark" label certifies that rugs imported from south Asia are not made with child labor (Rothstein 1996). Such labels encourage consumers to make educated choices about the interconnectedness of their purchases to populations and environments around the world. Prices for sustainably produced goods may be slightly higher, although this is not always the case. However, as Irani Sen, a consultant to handicraft cooperatives in Southern Asia, insists, "instead of asking consumers to pay more, they should be asked why they pay so little" for imports with low prices that reflect the unfair and unsustainable practices under which they were produced (de Bruin 1992).

Benjamin and Freedman (1989:124) also consider the populations that alternative trade targets. "ATOs often work with producers shunned by commercial distributors". These producers are often the poorest of the poor, in countries shaken by social or political upheaval, where large commercial ventures would never invest, because of potential losses incurred in changing circumstances (Benjamin and Freedman 1989:124; also Oxfam Fair Trade Programme, Oxfam Web-site). Because, as Oxfam points out, "there is a close correlation between poverty and distance from markets", most ATOs implement fair trade programs reaching out to rural communities, helping them access "by stages ... local, national and export markets" (Oxfam Website). Producer groups are empowered to build their own sustainable futures based on fair trade principles. Paul Leatherman of SelfHelp Crafts, now called Ten Thousand Villages, the largest North American ATO, indicates: "we encourage and help [producers] find other marketing outlets, other non-profits or even commercial outlets" (Benjamin and Freedman 1989:124).

Social justice is accompanied by an emphasis on environmental sustainability in alternative trade operations. Oxfam Trading, "the first and ...largest alternative trading organization in Britain" (Madeley 1992:150), initiates trading ventures with people in the developing world on the premise that

> the future of the world's most vulnerable habitats depends on their having a greater value to society in a living state than they do when destroyed" (Oxfam Web-site).

Equal Exchange, an ATO dedicated to improving conditions of coffee growers around the world by supporting grower cooperatives and marketing their coffee in the industrialized nations, emphasizes organic production, as well as the grassroots nature of sustainable change. "Small-scale farmers depend on healthy soil for their livelihood. When given access to resources and education, they are the people best able to protect the earth" (Equal Exchange Web-site).

Critics of the alternative trade movement suggest that it will never move beyond a specialized, tiny portion of international trade. However, ATOs have existed since the sixties (Madeley 1992:148), and account for about four

hundred million dollars of total world trade (Zimite 1996). ATOs in Europe are lobbying the European Parliament to recognize alternative trade as the model for European import standards. Such market shares may be tiny, and such reforms may be in the far-distant future, but the movement has had an impact on the global structure of trade. Recent public opinion polls indicate that consumers will pay a higher price for goods they know are sustainably produced (Zimite 1996). This consumer support for alternative trade options is unsettling the giant multinational corporations. In 1996, several corporations attempted to manipulate their control of international trade rules in the WTO to implement a ban on labeling that indicate the conditions under which the product was made (Zimite 1996). Some ATOs, like the British Ethical Trading Initiative, have pressed their moral (and consumer supported) advantage to initiate dialogues on sustainability reforms in production with corporations that supply major retailers in the UK (Senter 1998).

Meanwhile, even the small number of producers aided by alternative trade praise the positive impact such trade has on their quality of life. Coffee farmers, who supply Equal Exchange for example, describe very different working conditions than those under which coffee is commercially produced. A spokesman for the Tanzanian coffee cooperative in partnership with Equal Exchange says that "a better income from coffee will mean better schools, dispensaries and roads" (Tobias Ndakidemi, Equal Exchange Web-site). The coffee cooperatives that work with Equal Exchange in Guatemala are able to "promote sustainable rural development projects" (Equal Exchange Web-site). Equal Exchange also trades with a coffee cooperative in Chiapas, Mexico. It was started in 1983 by indigenous farmers to "build integrated solutions to historic, rural development problems." The international partnership with Equal Exchange, begun in 1996, has helped these producers withstand the rural distress reverberating through southern Mexico (Equal Exchange web-site).

By addressing the long-term sustainability of production, by educating consumers about their purchasing power to change, and by challenging the multinational corporate assumption that profits can only be derived when the lowest possible production costs are exploited, the alternative trade movement is a bid to "reconcile profit with conscience and ethics" (Hamid 1996). Fair trade is a fundamental challenge to unregulated free market capitalism because it insists on factoring the human and environmental costs of production into the profit margin. Furthermore, it entrusts those decisions directly to producer populations, and not to unpredictable voluntary corporate codes or top-down international regulations, that may make producer groups even more vulnerable. In market surveys there is support for goods "...[which] are not produced under sweatshop conditions [and which] are environmentally sound" (Zimite 1996). Producers see alternative trade as "a life line and the one thing that helps farmers see a way out of their present problems" (a Nicaraguan producer quoted in the FairTrade Foundation web-site). As Paul Freundlich, a U.S. fair trade activist, says, "if enough of us support these alternative structures, who knows? Maybe one day we won't have to call ourselves 'alternative' anymore" (Benjamin and Freedman 1989:139).

Conclusion

Economic globalization is increasing daily as domestic trade barriers are reduced through international trade regimes such as NAFTA and the WTO. Capital freed from investment restrictions, seeks the

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