

The Ethics of Alternative Commerce: Fair Trade & Microfinance

Handout A1-1

Fair Trade vs. Free Trade Webquest

Visit the websites indicated below and find answers to the questions asked.

WEBSITE A: World Fair Trade Organization – WFTO (www.wfto.com)

Using the About WFTO, About Fair Trade, and other menu items at the left of the screen, find the following information:



1. How many organizations belong to the WFTO?
2. In how many countries does the WFTO operate?
3. List and give a short description of the 10 principles (or standards) of fair trade.
4. When and where did the fair trade movement start? Who started it?
5. When is World Fair Trade Day this year? What is the theme?

WEBSITE B: Fairtrade Canada (fairtrade.ca/)

Using the “About Fair Trade” menu tab at the top of the screen, find the following information and answer the following questions.

1. Under the “What is Fair Trade” area, how many people in the world survive on less than \$2 per day?
Q: Search the web for a world population counter. Using the world population, what fraction of the world’s population survive on \$2 per day?
2. Under the “Fair Trade Certification” area, approximately when did fair trade certification labels start to appear in Canada?
Q: Look at the standard black and white fair trade symbol of a person holding two baskets (see above); what do think the design is meant to display?
3. Under the “Fairtrade Canada” area, what are the responsibilities of Fairtrade Canada and how is the organization funded?
Q: Given that Fairtrade Canada is the sole FLO member in Canada, could abuse of their responsibilities ever occur? What might such abuse look like?
4. Under the “Facts & Figures” area, analyze and report on the following trends.
 - Calculate the increase in fair trade labelled coffee in Canada between 2007 & 2008.
 - What percent increase is this?
 - Analyze the trend since 1998; what comments can you make about sales of fair trade coffee in Canada?**Q:** In the Fair Trade vs. Free Trade handout that accompanies this handout¹, critics of fair trade often say that fair trade is “too small scale for impact”. How might you answer these critics based on your analysis of coffee sales?

¹ Source: FairTrade Resource Network (www.fairtraderesource.org) ; used with permission
Go to the LEARN UP tab at this website for various books and videos (some available online)

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WEBSITE C: Researching Free Trade

Find a website describing Free Trade and make notes about the basic principles of Free Trade. If you have difficulty, you could start by searching for references to the “North American Free Trade Agreement” (NAFTA). In addition to the Fair Trade vs. Free Trade handout, the chart¹ below also provides some preliminary information.

Dimension	Conventional Trade	Fair Trade
Strategy	Profit is the overriding concern.	Balances concerns for people, the planet and profit.
Financing	Payment is received at time of shipment; credit is sometimes extended by informal lenders at exorbitant rates.	Advance credit allows for income during lean seasons between harvest/production cycles.
Investment	Corporate investment in a community can be limited to people and activities that build skills for use in related commercial enterprises and/or generate good publicity.	Technical assistance and training build broader skill sets, and social premiums foster investment in social projects that benefit all residents of low-income communities.
Supply Chain	Supply chain seeks out lowest-cost labor and raw materials, often through exploitative middlemen or contractual arrangements that reflect little concern for producers and their families.	Disadvantaged groups are made partners in the Fair Trade supply chain.
Marketing	Marketing is directed at increasing profitability.	Marketing is driven by consumer education and advocacy that leads to socially responsible business innovations.

Summary Exercise:

View a YouTube video by searching “Fair Trade – The Movie” (8min 40sec)

direction link: <http://www.youtube.com/watch?v=NZpUwCfINh8&feature=related>

Drawing on all the things you’ve learned in this webquest, write a one page paper detailing what you understand about Fair Trade and what makes it distinct from Free Trade.

Handout: A1-2

How Does Fair Trade Differ from Free Trade?

	Free Trade	Fair Trade
Main Goal	To increase nations' economic growth	To empower marginalized people and improve the quality of their lives
Focuses on	Trade policies between countries	Commerce among individuals and businesses
Primarily benefits	Multinational corporations, powerful business interests	Vulnerable farmers, artisans and workers in less industrialized countries
Critics say	Punishing to marginalized people & the environment, sacrifices long-term	Interferes with free market, inefficient, too small scale for impact
Major actions	Countries lower tariffs, quotas, labor and environmental standards	Businesses offer producers favorable financing, long-term relationships, minimum prices and higher labor and environmental standards
Producer compensation determined by	Market and government policies	Living wage and community improvement costs
Supply chain	Includes many parties between producer and consumer	Includes fewer parties, more direct trade
Key advocate organizations	World Trade Organization, World Bank, International Monetary Fund	Fairtrade Labeling Organization (FLO), World Fair Trade Organization (WFTO)

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HANDOUT A2-1a

Ten Thousand Villages Website Exploration

PART A: Country Scavenger Hunt

Ten Thousand Villages supports artisan groups from over 30 developing countries. This scavenger hunt will help you discover what some of these countries are. Using the search feature on the top right corner of www.tenthousandvillages.ca, search for each country below. Click on a product that results from the search, and notice the ITEM # on the right side of the screen. The **first two digits** of all item numbers indicate the country of the product's origin. For example, all 7-digit item numbers that start with 68 are products that come from India. As quickly as you can, try to find the two-digit country codes for each country listed in the chart below.

Country Code	Country		Country Code	Country
	Cameroon			Bangladesh
	Burkina Faso			Indonesia
	Swaziland			Pakistan
	Kenya			Philippines
	Vietnam			Haiti
	Thailand			Guatemala

PART B: Learning about the Artists - Research Report

Find a product on the website that interests you. Write its item # here: _____

Read about the item and the artisan group that produces it. Look for links on the page to learn more about the country and the artisan group. Many of the artisan groups have websites that you can access to learn even more about their work and how fair trade affects what they do.

Using all this information, you will write a 2-3 page report on the product, the artisan group that produced it, and the way in which fair trade has helped to make a better life situation for the artists involved. As well, this report should include a brief overview of the country (or area of the country) where the product is made.

Some other websites that might help in investigating Fair Trade:

Fairtrade Canada: fairtrade.ca/

World Fair Trade Organization: www.wfto.org

HANDOUT A2-1b

Ten Thousand Villages Field Trip

PART A: In-store Scavenger Hunt

Ten Thousand Villages supports artisan groups from over 30 developing countries. This scavenger hunt will help you discover what some of these countries are. All large price tags (and some small ones) have the name of countries listed on the tag. Further, the **first two digits** of the stock number indicates a particular country. For example, all 7-digit stock numbers that start with 68 are products that come from India.

As carefully and quickly as you can, try to complete the list of countries for the numbers in the chart below. Don't run around the store...remember there are regular customers shopping and there are breakable objects! A couple of codes may be harder to find than others!

Stock Code	Country	Stock Code	Country
12		66	
18		69	
37		74	
41		79	
54		80	
61		88	

PART B: Learning about the Artists - Research Report

Find a product that has a particular interest for you. Write its stock # here: _____

If you have a cell phone, take a picture of the object to use in your report! Take this number to the check out computer where a staff member will print out information on the object for you using the store's computer system.

Using this information and the Internet, you will write a 2-3 page report on the product, the artisan group that produced it, and the way in which fair trade has helped to make a better life situation for the artists involved. As well, this report should include a brief overview of the country (or area of the country) where the product is made.

Some websites that might help in investigating Fair Trade:

Ten Thousand Villages site: www.tenthousandvillages.ca

Fairtrade Canada: fairtrade.ca/

World Fair Trade Organization: www.wfto.org

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Answers to Scavenger Hunt for teacher reference:

Country Code	Country		Country Code	Country
12	Cameroon		66	Bangladesh
18	Burkina Faso		69	Indonesia
37	Swaziland		74	Pakistan
41	Kenya		79	Philippines
54	Vietnam		80	Haiti
61	Peru		88	Guatemala

HANDOUT A3-1

Biography #1: Dr. Muhammad Yunus

Muhammad Yunus was born into a Muslim family on June 28, 1940 in the village of Bathua, in Hathazari, Chittagong, the business centre of what, today, is the country of Bangladesh. Bangladesh is a poor country and it is the most densely populated. Yunus was the third oldest of 14 brothers and sisters, five of whom died before the age of two. At age 7, his father, a goldsmith, moved the family to the city of Chittagong, where his father ran his jewellery business.

Yunus recounts that the most significant influence on his life was his mother, Sufia Khatun; she never turned away a stranger who showed up at her door seeking help. His mother's compassion and concern would later be the foundation on which Yunus would seek to help the poor in his country, and around the world, as an economist. This inspired him to commit himself to eradication of poverty. His early childhood years were spent in the village. In 1947, his family moved to the city of Chittagong, where his father had his jewellery business.

Dr. Yunus graduated high school placing 16th out of 39,000 students in the region of East Pakistan. He completed both his undergraduate and Master degrees in Economics at Dhaka University in Bangladesh. He travelled to the United States on a scholarship to earn his Ph.D. at Vanderbilt University in Nashville, TN. After teaching for a short time in the US, Yunus returned home and became head of the Economics Department at Chittagong University.

In 1976, a field research project in the villages around Chittagong would lead to a lifetime of work fighting world poverty. Yunus led his research students on a field trip to the poor village of Jobra. They interviewed a woman who, alongside other women, made stools out of bamboo. The woman described how she had to borrow relatively small sums at interest rates of 10% or more to buy the bamboo she needed to make her stools. After making the stools, selling them, and repaying the loan with interest, she was left with the equivalent of two pennies (US). Then the cycle started again with no hope of ever getting ahead; worse, if she or any of her fellow workers got ill or failed to sell, they would become indebted in a vicious cycle of unending repayments. Yunus realized that if the women could simply borrow the funds they needed at reasonable rates, they could get ahead and, in time, improve their quality of life. In that moment, Yunus gave the women a total of \$27 US dollars (or 64 cents each) from his own pocket...the first of what would eventually become millions of microcredit loans.

As he researched the initial ideas of microcredit, Yunus found that these small sums, when loaned to the poor, were able to bring hope and an invigorated sense of entrepreneurship. When given the ability to empower themselves, the working poor can and will work very hard to rise above their former circumstances. Furthermore, they rarely default on their loans because they recognize the need for integrity and honesty to secure future loans. In effect, Yunus found that the working poor can and will rise from the ashes of poverty if given the means.

In 1983, against the advice of politicians and economists, Yunus opened the Grameen Bank (which means 'village bank'); it was founded on the principles of trust and solidarity with the poor clients that they sought to serve. Today, the Grameen Bank operates around the world giving microcredit loans to millions of borrowers. In 2006, Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize for their microcredit initiatives.

Biography Questions for Dr. Yunus

1. Describe Dr. Yunus' childhood. How does it compare to your childhood?
2. What role did education play in the life of Muhammad Yunus?
3. Outline Dr. Yunus' relationship to the microcredit industry.
4. What do you feel is the greatest achievement that Dr. Yunus has made in his life? Why?
5. If you had the opportunity to meet Dr. Yunus, what question(s) would you want to ask him?

Source Information for Dr. Yunus:

www.grameen-info.org

www.nobelprize.org

Singer, Peter. The Life You Can Save. (New York: Random House, 2009)

HANDOUT A3-2

Biography #2: Rev. Dr. Kwabena Darko

Born October 23, 1942 in the village of Bekwai, located in the Ashanti region of Ghana, Kwabena Darko grew up in poverty. Having lost his father while he was young, Darko engaged in petty trading to earn money for his family. Although he had access to education, he spent more time working at trading than in school.

Eventually, Darko's mother got re-married to the owner of a small chicken farm. Darko learned the new business quickly and became very adept at helping to run the operation. It was not long before Darko could manage the farm for his step-father.

Despite his earlier difficulties with education, Darko was able to obtain a scholarship to Ruppel University in Israel where he studied Agriculture and specialized in Poultry Science. Upon his return to Ghana, he worked for the state for a short time but soon returned to his step-father's business. Given his strong work ethic, he helped the farm grow from 5000 laying hens to 100,000 laying hens in just five years!

To this day, Darko credits his religious faith as the foundation for his commitment to hard work, honest business practices, and generosity. When he eventually left his step-father's business and struck out on his own in the poultry industry, he had only \$1000 US dollars to his name. In 1966, he bought 900 hens and three acres of land to establish Darko Farms & Co. Ltd. To grow the business, Darko sought loans from various financial institutions but was rejected several times until one finally gave him a chance. He has never forgotten this opportunity and is the basis for his strong support of Opportunity International, a global microcredit institution. Since 1997, Darko has served on the Board of Opportunity International in the United States and in Ghana. Darko is well known in his country for his philanthropy and generosity and has been awarded honorary doctorates by Universities in Ghana and Great Britain.

Today, Darko Farms & Co. Ltd is the largest poultry producer in Ghana and it is a well-respected company for its quality control and good corporate citizenship. Darko, who has never forgotten his humble beginnings, now spends much of his time volunteering on the Boards of Directors of many organizations. In addition to his work with Opportunity International, he was recently appointed to the Board of Directors of the Bank of Ghana.

In 2000, Darko followed his lifelong passion for his religion and became an ordained minister. In addition to his responsibilities at Darko Farms and various volunteer positions, he and his wife, also a minister, lead a Christian congregation. They have six children of which the oldest three have leading roles in managing and running Darko Farms.

Dr. Darko's story is the basis for the children's book "One Hen".

Biography Questions for Dr. Darko

1. Describe Dr. Darko's childhood. How does it compare to your childhood?
2. What role did education play in the life of Kwabena Darko?
3. Outline Dr. Darko's relationship to the microcredit industry.
4. What do you feel is the greatest achievement that Dr. Darko has made in his life? Why?
5. If you had the opportunity to meet Dr. Darko, what question(s) would you want to ask him?

Source Information for Dr. Darko:

www.ghanaweb.com

www.onehen.org

Milway, Katie Smith. One Hen. (Toronto: Kids Can Press, 2008)

HANDOUT A3-3

Understanding Microfinance

PART A: What is Microfinance?

Microfinance or microcredit is a system of lending money to the world's poor. Without access to such loans, poor, struggling entrepreneurs are at the mercy of moneylenders that charge enormously high levels of interest. In effect, taking a loan from a moneylender keeps an impoverished person in debt-slavery. Large banks do not help because the size of the loans required are so small; it's not worth their effort to help out.

When Dr. Muhammad Yunus formed the Grameen Bank in Bangladesh, he did so after his research uncovered the plight of impoverished people in debt-slavery. He came upon a group of women that had borrowed money from a moneylender to buy the raw materials to make their furniture items. They could never pay back the high interest loans with the income earned from the products they sold. Thus, they needed more loans to buy more raw materials before the old loans were repaid. This is debt-slavery...a vicious, repeating cycle of loans that puts one deeper and deeper into debt. Yunus realized that to end the cycle of debt, the women just needed the equivalent of \$27 US; he gave it to them out his pocket. With these funds, the women could buy their raw materials without incurring more debt. In a relatively short time, they repaid their high interest loans and built up capital to ensure a lasting supply of raw materials.

Microcredit institutions loan small amounts to needy people at very low rates of interest. Over thirty years of research has shown that these loans help entrepreneurs to build up their businesses step by step, loan by loan, until they are self-sustaining operations. Furthermore, given the millions of loans made in the past thirty years, the default rate on microcredit loans is virtually non-existent (roughly 2%). Time and time again, Microfinance organizations report that when given an honest and fair opportunity, the world's poor know how to work towards building a better life for themselves, their children, and their communities.

Many of those benefiting from microfinance methods are women. Women account for 70% of those living in extreme poverty in developing countries. According to the website of Opportunity International, a pioneer in microcredit lending,

Women are often excluded from education, the workplace, owning property and equal participation in politics. They produce one half of the world's food, but own just one percent of its farmland... While Opportunity gladly extends loans to men, the organization believes the greatest opportunity for interrupting cycles of extreme poverty come from microfinance programs that target female entrepreneurs. When women improve their circumstances, they also improve the lives of their children. By investing in nutrition and education, they help to create a better future for their children and their communities.²

Microfinance is a growing industry and one of the most consistently successful ways of helping impoverished people to rise above their circumstances and create a better life.

² Opportunity International: www.opportunity.org - "What is Microfinance"

Part B: Grameen Bank's 16 "Decisions"

The clients who seek microcredit loans from Grameen Bank in Bangladesh agree to make the following 16 decisions³ about their lives to ensure the loans can maximize their success.

1. We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

Questions for Reflection & Discussion:

1. Select two or three of the decision statements and explain how agreeing to make these decisions can help poor entrepreneurs maximize their success?
2. Is there a decision statement that stands out to you as strange? Can you think of a justification as to why it is in the list?
3. Read over the 16 decision statements and group them into categories of commitments (eg. perhaps one category could be "personal health" or one could be "doing for others"). Reconsider your answers to the first two questions given your categorizations.
4. Ethically, is it reasonable and right to make loans dependent on adherence to a statement of principles like the one above?

³ Grameen Bank: www.grameen-info.org - "Methodology"

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HANDOUT A4-1

The Ethics of Alternative Commerce

I have been assigned the **topic** of (circle one): Fair Trade OR Microfinance

I have been assigned the **ethical normative system** of (circle one):

Utilitarianism OR Deontology OR Virtue Ethics

1. Briefly summarize the basic principles underlying your topic:

2. Briefly summarize the ethical viewpoint of your assigned ethical normative system:

3.
 - a) From the point of view of your ethical normative system, in what way(s) can your topic be viewed as morally good?
 - a) From your viewpoint, are there any aspects of your topic that might be morally questionable?

4. The ideas of Fair Trade and Microfinance are termed 'alternative' methods of commerce because they are not the traditional means of conducting business. Apply the same questions given in #3 to the more traditional means of doing business (ie. free trade and loan institutions that only loan large sums to generate substantial profit through interest). Are your answers different or are there commonalities? Can you make a compelling case for which version has greater moral goodness?

5. The basic principles of social justice lie in ideas about equity and fairness for all people, and the notion that people must not be exploited for profit. Can you envision any way in which the alternative methods studied, as you understand them, could be used to exploit people rather than help them? Give specific examples.