

Definition

It means that people who make or grow a product are paid fairly for their work. Producers get paid directly at fair prices, cutting out the middlemen who would have taken most profit.

The problem...

- Coffee Farmers receive market payments that are lower than the costs of production, which keeps people in a cycle of poverty and debt. The world price for raw coffee has dropped by over 50% since 2000. This drop means people are working longer and harder for less money.
- Deforestation to make way for land to grow coffee
- Pollution from the spreading of pesticides

“We get a higher price when we sell our coffee to ‘Café Direct’. We are able to pay a doctor who will give treatment to our members. I can afford more food for my family and send my children to school”

“My neighbour sells his bananas for \$1 for a 40lb box of bananas. I sell mine to a fair trade market for \$2.50. This means that I can have a much better standard of living”

How FT has helped coffee producers

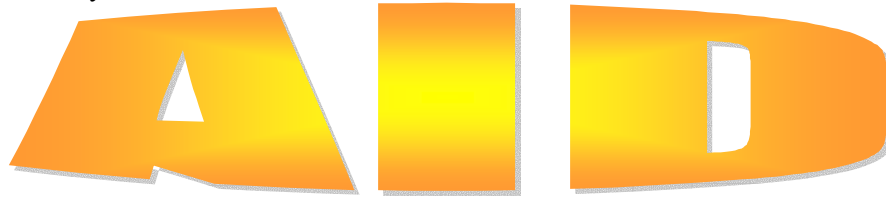
- Fair trade **guarantees a minimum wage** for the harvests of small producers, this means they can provide for the basic needs for their families
- Farmers are **provided with credit** facilities and paid a minimum price.
- Fair Trade brings the **product directly to the consumer** and cuts out some of the intermediate costs of middlemen so that the benefits of trade are more likely to reach the producers
- Fair trade **develops long-term trade** based on trust and respect
- Fair trade works with co-operatives so that the producers control the business and the members of the cooperative **share the profits** and benefits fairly
- The profits from receiving fair wages can be used by the producers to **invest in health**, education and the protection of the environment

Coffee producers in Mexico

- In the village, farmers run a bus service to the nearest town which takes their children to the only secondary school
- The farmers have brought a computer to track the sales of coffee and help keep records on the coffee crop
- Fair trade encourages *sustainable* farming practices, e.g. Mexico organic farming does not use chemicals, and sustainable cultivation methods have been used to grow coffee

Advantages of fair trade to MEDCs

1. If producers in the LEDCs can earn higher wages and are helped to develop in the long term, they will be able to increase their spending power. This means they will be able to afford to buy high value processed products such as computers from the MEDCs. In turn this means the MEDCs will expand their trade and will have new markets in which to sell their manufactured products. This is becoming more important as 75% of the world's population lives in the LEDCs
2. Consumers in MEDCs will be able to buy top quality products knowing that the trade has been good for everyone.
3. Consumers in MEDCs are able to keep their conscience clear as they know they have helped poor producers in LEDCs by trading in a moral way.



It is the giving of resources by one country or organisation to another country. Resources can be in the form of:

- Money
 - Expertise – ppl. who have skills and knowledge
 - Goods – food and technology
1. **Short term aid** – is also known as emergency aid and is aid given in response to a particular immediate need e.g. natural disaster
 2. **Long term aid** – usually takes years before it is of benefit to a country e.g. improved education or a tree planting scheme

Why is aid needed by LEDCs?

LEDCs need aid to help cope with:

Global inequalities due to differences in levels of development

Introducing sustainable methods of development

The importance of trade which causes a trade deficit

1. **Bilateral aid** – aid given directly from one country to another. It is sometimes 'tied' with strings attached.
Advantages – can foster strong links between donor and recipient countries
Disadvantages – large schemes used up land belonging to local ppl
 - aid can lead to debt as LEDCs often cannot afford to pay bank loans
 - aid can encourage corruption so often the most needy do not receive
 - aid money is often spent on prestigious schemes e.g. dams which don't benefit the majority
2. **Tied aid** – the donor country specifies what the aid spent on e.g. health, education etc. Aid can also be tied to trade patterns e.g. the money must be spent on goods from the country giving the aid.

Disadvantages – aid can lead to debt as LEDCs often cannot afford to pay back loans & Tied aid forces the recipient to buy goods from donor country.

3. **Multilateral aid** – in this, governments donate money to world organisations or agencies and these bodies then distribute the aid

Advantages – helps LEDCs to develop new forms of agriculture and industry

Disadvantages – although farming and industry are often targeted products are often sent abroad to MEDCs

- LEDCs can become dependent on aid and fall into more debt

4. **Voluntary Organisations** – funded by the general public to organise aid programmes

Advantages

- Not tied
- Encourages low-cost self help schemes which are more likely to be sustainable
- More likely to go to those most in need
- Deals with emergencies
- Encourages development of local skills and use of local raw materials
- LEDCs do not get any further into debt

Disadvantages

- Dependent on giving from general public
- Income uncertain

Reasons for lending Aid

Governments and individuals have different motives for giving aid. It can be a **political** decision e.g. EGYPT is an important ally for America in a strategically significant position in the Middle East. This was important in the war with Iraq. The relationship is strengthened by the fact that America lends EGYPT more aid.

Countries also give aid for **economic** reasons e.g. MEDCs may see the potential in maintaining links with LEDCs many of whom may be ex-colonies because of the large market they provide. Projects may require long term assistance e.g. UK donated £100 million to assist building of Victoria dam – Sri Lanka. Many UK scientists & engineers were employed in construction the dam.

Many countries and individuals feel they have a **moral** obligation to assist those countries facing difficulties of having limited financial reserves of their own

Positive and negative outcomes of aid

Aid can have positive benefits for recipient countries. Promoting development and improvements in standards of living and the quality of life of many while enabling ppl. to help themselves. However, it can also have negative outcomes. Doesn't always reach ppl. in most need, thereby widening differences. It can be used for overambitious schemes and some feel it can lead to over dependence of MEDCs

Care must be taken to ensure that:

1. Aid programmes involve local people
2. Aid is appropriate to the situation
3. We do not assume that all types of aid are useful to developing countries