



World Geography

Fair Trade Coffee

Name:

Section:

Score: ____/5

Directions: Read the following dealing with the differences between fair trade and free trade as related to coffee growers and answer the thought questions at the bottom of the page

Free Trade versus Fair Trade

The Free Trade Issue

The current global economic climate strongly favors the spread of free trade. The world's most powerful country, the United States, has been a proponent of free trade for over a century and this position has not wavered in the face of extreme ideological opposition. In fact, the belief that most people in power have today in the idea of free trade comes close to bordering on a religious ideology. With the collapse of Communism and the weakness of socialist proponents at present, it seems that any opposition to the philosophy of free trade stands little chance of implementation. While the fact that many are unsatisfied with this ideology is evident—the protests at G8 summits in the past show this. Their voices have had little effect in changing the underlying economic philosophies that control global wealth.

Free Trade Theory... and Fact

When looking at the pros and cons of free trade, it becomes apparent that while creating wealth and promoting efficiency, the system also leads to huge discrepancies in wealth that has left vast swathes of the planet in abject poverty. While many countries have dealt with these problems internally, by implementing social security policies and a safety net that seek to guarantee certain basic needs and minimum levels of wellbeing are maintained, the same provisions have not been made for the world as a whole and this has led to problems that are beginning to affect not only those living in poor countries, but the entire world. This includes the growing movements against globalization, extremism in certain parts of the world, global warming, and other transnational issues that the rich countries in the west can no longer shield themselves from by closing their borders.

The story of free trade coffee shows one of the disadvantages of the free trade system. During the early 1990's the price of coffee on the global commodity markets dropped drastically. This is a frequent and natural occurrence of such markets and methods such as futures, gearing and options make the price of a commodity something that is very difficult to predict. When the coffee prices dropped on such markets, coffee growers in Mexico and South America were forced to sell their crop at a price below what it had actually cost them to produce. This situation illustrates the vulnerability of such producers to price fluctuations and the fact that they cannot afford to wait until a better price is available for their crop and must sell immediately.

The Fair Trade Shopping Movement

However, standing out in the middle of all of this is the fair trade movement. This is centered on an agreement among those wishing to act for the world's poorest food producers, to commit to a policy of making trade fair. The main strength of the idea is that it does not oppose, and in no way contradicts the definition of free trade. Because of this, it has garnered wide support as a real way of going forward, supporting government and global trade policies, while dealing with some of the main disadvantages of free trade.

The fair trade system now operates to guarantee many of such producers a fair price for their product and shield them from the dangers of the commodity markets. They are always given a price that will allow them to sustainably grow their crop while maintaining a basic standard of living. They are also provided with a premium that is used to fund development projects in their region and plan for a better future for their children.

Source: "Free Trade versus Fair Trade." *The Fair Trade Coffee Company*. N.p., n.d. Web. 17 May 2016.

Thought Questions:

1. What are the potential advantages of free trade and for whom does it benefit?
2. What are the disadvantages of free trade?
3. Is free trade or fair trade better for consumers? Support your answer using the assertion, reasoning, evidence method.
4. Is free trade or fair trade better for producers? Support your answer using the assertion, reasoning, evidence method.
5. Look at the source of the article and explain how the article might be biased, and for what reason.