**HOW TRADE AFFECTS WEALTH**

Increasing trade almost always increases wealth. For example, the Philippines has boosted its wealth by selling call-centre services to the world (Figure 6.25).

India used to lead call-centre services around the world. In 2011, however, the Philippines became the world’s leading call-centre hub. About 640,000 Filipinos worked in the country’s call centres. These call centres contributed US$11 billion to the Philippines’ GDP in that year.

Filipino call-centre employees take telephone calls from many North American customers. To do their job, they must speak English, know their product, and be willing to work at night to serve overseas customers. They are all earning wages in an industry that did not even exist in their country a decade earlier. Without trade between countries, these jobs would not exist. Employing people in a country with lower wages to provide goods or services to people in a country with higher wages is known as outsourcing.

It creates more jobs in developing countries like the Philippines. It also provides more developed countries with less expensive goods and services; however, it takes away jobs from those more developed countries.

When an industry is doing well, employees’ quality of life improves financially. The starting salary for a Filipino call-centre employee is about US$300 per month. In a country where 26 percent of people live in poverty, this salary is considered quite good. However, working long hours and night shifts can be hard on workers and their families. This means quality of life is also negatively affected.

**TRADE AND GLOBALIZATION**

One country might sell fruits and vegetables to other countries. Another country might provide financial services, such as banking, to other countries. This international exchange is called global trade. Almost every country in the world takes part in global trade. Recent advances in communication and transportation technologies have brought about globalization: the process of increasing connections, including trading, around the world.

Consider the invention of transportation technologies, such as cargo ships (Figure 6.24), airplanes, and trucks. Through cargo transportation, we can buy virtually anything we want from anywhere in the world. The Internet is also widely used worldwide for buying and trading.

**HOW DOES GLOBAL TRADE AFFECT QUALITY OF LIFE?**

**Trade** is the exchange of goods or services, sometimes for money. It came about because of different people’s access to different natural resources. Trade has been a part of human existence for thousands of years.

Trade can increase quality of life because it gives people access to a wider variety of goods and services. It allows people to meet their needs and wants, even when their local environment cannot.

**Global trade** is trade among the countries in the world. **Globalization** is the process of growing connections around the world.

**FIGURE 6.24** Cargo ships contribute to global trade. In 2012, there were 58,900 cargo ships at sea. Some ships are so large that they cannot fit through the Panama Canal.

*I wonder which products that I use were delivered by cargo ship?*

*What might be some factors that helped the Philippines develop a strong call-centre industry?*

*How trade affects wealth?*

Increasing trade almost always increases wealth. For example, the Philippines has boosted its wealth by selling call-centre services to the world (Figure 6.25). India used to lead call-centre services around the world. In 2011, however, the Philippines became the world’s leading call-centre hub. About 640,000 Filipinos worked in the country’s call centres. These call centres contributed US$11 billion to the Philippines’ GDP in that year.

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GLOBAL TRADE AND SUSTAINABILITY

Growth in global trade has been remarkable. Global trade stood at just US$2296 billion in 1950 and rose to a peak of US$8 trillion in 2005. Developing countries’ share of global trade has grown, too. From 1998 to 2012, their share of global trade grew from 27 percent to 40 percent. Is such a massive increase in global trade sustainable in the long term? To answer this question, we can consider the three principles of sustainability, which you read about in Chapter 4. Does global trade create wealth (economic) while supporting quality of life (social) without harming the land and water (environmental)? If the three principles of sustainability are not met, then global trade cannot be sustainable.

ECONOMIC AND SOCIAL EFFECTS OF GLOBAL TRADE

Many companies outsource to make profits, producing goods in developing countries where labour and materials are inexpensive. These companies then sell the goods in more developed countries, where consumers have more money to spend. If such a company makes a lot of money but does not pay taxes or treat its employees fairly in the developing country, then the trade is not reducing inequality or improving quality of life. For example, people in more developed countries often want to purchase inexpensive clothing. In Bangladesh, in 2011, garment manufacturers employed 3.6 million people to sew clothing that was sold in more developed countries. In 2013, most garment workers in Bangladesh earned an average of just US$38 a month. To save even more money, some garment factory builders ignored building standards, leading to several workplace disasters (Figure 6.26).

ENVIRONMENTAL EFFECTS OF GLOBAL TRADE

Increasing global trade increases economic activity. However, economic activity can harm the environment. For example, the cattle farming industry is the main cause of widespread deforestation in Brazil. In 2014, in August and September alone, 838 km² of rainforest disappeared. Why? It disappeared so that cattle could be grown to produce beef for fast-food restaurants in more developed countries.

Transporting goods from one place to another uses fossil fuels, which also harm the environment. For example, suppose that a producer grows mangoes in Guatemala, Central America, and wants to sell them in Canada. It is a 4000 km trip from Guatemala to Canada. The more fossil fuels we burn, the more we contribute to climate change. How are people responding to the harm that global trade is doing to the environment? Some people decide to eat organic foods, become vegetarian or vegan, or buy locally grown foods.

FIGURE 6.26 In April 2013, an eight-storey garment factory collapsed in Bangladesh. Rescue workers and volunteers tried to save workers trapped under the rubble. The factory produced inexpensive clothing for consumers all over the world. The collapse killed 1100 people. The builder had ignored safety standards to save costs.

FIGURE 6.27 Ken Banks, software engineer

A software engineer writes programs for devices like computers and cellphones. These programs help people do many things, such as share ideas, socialize, or run a business.

Ken Banks (Figure 6.27) is a software engineer and entrepreneur. He grew up in Jersey, Channel Islands. At a young age, he learned how to write computer programs. As he got older, he became interested in global development and pursued that interest in university. He also volunteered and worked on conservation and development projects across Africa.

Banks observed that, globally, many more people have access to basic cellphones than access to the Internet. He founded the Kiwanja organization and created a text messaging program called FrontlineSMS. This program allows anyone with a cellphone to communicate with over 3 billion people—for free. Since its launch in 2005, this program has been downloaded by over 200 000 people in 150 countries.

One unique aspect of FrontlineSMS is that people can use it to meet their specific needs. For example, farmers in El Salvador can use it to access the latest market prices for their goods. People in Nigeria have used it to monitor elections. Doctors in the Philippines use it to communicate with patients in rural areas. With Banks’s program, people can access new economic, social, and political opportunities. Banks has received numerous international awards. He says, “We need to let people find solutions to their own problems ... It’s economic and political empowerment.”

Making connections

1. Banks used his skills to develop a program that allows people to improve their quality of life. Name one skill or interest you have. Brainstorm ways you could use that skill or interest to help other people improve their quality of life.

2. Why do you think people around the world are using FrontlineSMS? What qualities of this program have made it successful?
THE FAIR TRADE OPTION

Our current system of global trade can improve the lives of many people in developing countries by increasing economic activity in those countries. However, not all trade improves the lives of all people. For example, companies may take advantage of workers by paying very low wages. As you read in the chapter opener, some companies even employ children or force them to work as slaves. These children work in very harsh conditions and do not receive an education. Many work in conditions that are not safe. Also, as mentioned in Chapter 5, the environment may be destroyed and polluted, and endangered animals may lose their habitats or be killed.

How can we change the system of global trade to end unfairness, reduce inequality, and avoid harming the environment? One idea that has been put into practice is fair trade. Fair trade is global trade in which producers (people who grow food or make products), distributors (people who buy from producers and sell to consumers), and consumers work together to trade fairly. The purpose of fair trade is to ensure that workers who grow food or make products get better treatment. They also get better wages and an overall better quality of life. Another purpose of fair trade is to protect the environment and promote sustainability for the long term. Figure 6.28 shows how one small change can improve workers’ quality of life.

Three Perspectives on Fair Trade

Figure 6.29 shows three different perspectives on fair trade using the example of coffee. The perspectives shown are those of producers (Figure 6.30), distributors, and consumers.

Producers’ Perspective

We are the businesses that grow coffee beans. Many of us are co-operatives, or groups of farmers.
• We are guaranteed a minimum price for the coffee we grow.
• We pay a reasonable wage to our workers.
• We use sustainable environmental practices, such as reduced pesticide use.
• We provide money to the local community to improve the quality of life in the community.

Distributors’ Perspective

We are the businesses that buy from producers and sell to consumers.
• We buy fair trade coffee because we want to support the fair treatment of producers.
• We sell fair trade coffee to consumers who are aware of fair trade practices.

Consumers’ Perspective

We are the people who buy and drink fair trade coffee in restaurants or at home.
• We look for fair trade labels when we buy coffee.
• We buy fair trade coffee even if it costs a little more.
• We care about the environment and the quality of life of others. We want to end unfairness and inequality in global trade.

## Figure 6.28

This infographic shows how a small increase in cost makes little difference to consumers. However, it can make a big difference to the earnings of producers.

<table>
<thead>
<tr>
<th>Price of a chocolate bar in the store</th>
<th>$3.00</th>
<th>$3.06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of money that goes to the cocoa producer</td>
<td>$0.30</td>
<td>$0.36</td>
</tr>
</tbody>
</table>

**FAIR TRADE CHOCOLATE**

- **Cost to the consumer** goes up 6 cents, or 2%.
- **Producer’s earnings** go up 6 cents, or 20%.

**FACTS**

- **3 MILLION TONNES** of cocoa are produced every year.
- **About 40%** of cocoa is grown using slave labour.
- **OVER 70%** of all cocoa comes from West African farmers.
- **OVER 70%** of all cocoa is grown using slave labour.
- **About 15,000** child slaves working on cocoa farms in West Africa.
- **The companies who manufacture the chocolate bars get about 70% of the store price.**

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I wonder how fair trade practices have changed this farmer’s quality of life?
CHANGING PEOPLE’S LIVES

Fair trade is often associated with food. However, fair trade products are available in many forms. Fair trade soccer balls are one example. They have become quite popular and can now be purchased in Canada and other countries.

At the age of 28, British entrepreneur James Lloyd launched a business supplying stores with fair trade soccer balls. Why soccer balls? Approximately 70 percent of soccer balls are hand-stitched in Sialkot, Pakistan (Figure 6.33). James Lloyd learned that many of these soccer balls were being made by child labour. A study done in 1996 reported that about 7000 children, from 5 to 14 years of age, were working full time stitching soccer balls in Sialkot. Some adult workers were also being mistreated. The situation has improved, in part because soccer players around the world started buying fair trade soccer balls.

Because of demand, by 2014, there were six certified fair trade soccer-ball producers in Sialkot. Some of these companies run a fair trade stitching centre for women. They must do the following:

- Hire only adults—no children.
- Pay a fair wage. It is estimated that workers for fair trade producers earn about 50 percent more than the average.
- Ensure safe working conditions.
- Provide facilities for women (for example, women’s washrooms).
- Put money back into the communities to pay for child care and healthcare for workers.

1. **FORMULATE QUESTIONS**
   - Is global trade sustainable?
   - Explain your initial thoughts, referring to the three principles of sustainability. Formulate inquiry questions that would help you explore the sustainability of global trade.

2. **INTERPRET AND ANALYZE**
   - Use a Venn diagram to compare the impacts of global trade on developing and more developed countries. Include both advantages and disadvantages. What inequalities can you see?

3. **INTERRELATIONSHIPS**
   - What makes fair trade fair? How does fair trade generate economic development while improving people’s lives?

4. **COMMUNICATE**
   - Design the packaging for a fair trade product. Use ideas from the discussion of fair trade in your design. Show your design to a classmate. Explain the reasons for its features.

THE SIZE OF FAIR TRADE

You may not have noticed all the fair trade products that are available to buy. Once you start looking, however, you will find them labelled as fair trade. The fair trade system has grown quite large. Products range from chocolate to bananas, from clothing to soccer balls. To be considered fair trade, a producer must be certified by a recognized fair trade organization, such as Fairtrade International (Figure 6.31), the World Fair Trade Organization, and the European Fair Trade Association. Only then can the product be labelled as fair trade.

Here are some fair trade facts:

- The fair trade system benefits 1.4 million small-scale farmers and workers.
- Sixty countries make fair trade products.
- Fair trade products are sold in more than 70 countries.
- More than 27 000 different products around the world carry the fair trade logo.

Some global development organizations help to get fair trade started. For example, the United States Agency for International Development (USAID) sponsored a growing co-operative in Azua, in the Dominican Republic. This local co-operative is called Cooprobata. It has been growing fair trade bananas since 1994 (Figure 6.32). It sells them to the United States and Europe. Because the bananas are fair trade, Cooprobata has been able to fund scholarships, sponsor literacy programs, and pay for surgeries needed by people in the community.

**CHECK-IN**

1. **FORMULATE QUESTIONS**
   - Is global trade sustainable?
   - Explain your initial thoughts, referring to the three principles of sustainability. Formulate inquiry questions that would help you explore the sustainability of global trade.

2. **INTERPRET AND ANALYZE**
   - Use a Venn diagram to compare the impacts of global trade on developing and more developed countries. Include both advantages and disadvantages. What inequalities can you see?

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