

**Importing to the Core with Respect for the Poor:  
A Not-For-Profit Co-operative Model for Breaking  
the Global Division of Labour**

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**Working Paper No. 05-11**

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## Abstract<sup>1</sup>

How do we begin to understand how we – as people in Britain – can import products from the global South in a way that is morally good? This project starts by establishing a view of what ‘good’ means and which values and standards world trading practices can be judged by. Taking stock of academic debates about what is wrong with current importing practices, the two main problematics that emerge are *free market capitalism*, and (following as a consequence from the former but deserving special attention) *the exploitative global division of labour*.

The main concern of the project is to present a model for how importing from poorer areas can be done in a way that is mutually beneficial and egalitarian. Using examples of existing organisations and movements, most notably Radical Routes (the British network for anti-capitalist co-operatives), I discuss the ways in which they can avoid and counteract the capitalist global division of labour. Organising as not-for-profit co-operatives linked through regional networks, importing highly value-added products and sharing financial surplus with Southern producers, are the key features of the model.

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<sup>1</sup> Sincerest thanks to my supervisor Magnus Feldmann, Rose Clark, Emma Gradin, and Radical Routes.

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## **List of Acronyms and Abbreviations**

BBC – British Broadcasting Corporation  
CDA – Co-operative Development Agency  
Co-op – Co-operative  
FLO – Fairtrade Labelling Organisations  
GVC – Global Value Chain  
IFAT – International Fair Trade Association  
ICA – International Co-operative Alliance  
IGO – Inter-governmental Organisation  
ILO – International Labour Organisation  
IMF – International Monetary Fund  
IR – International Relations  
ISI – Import Substituting Industrialisation  
NGO – Non-Governmental Organisation  
TNC – Trans-National Corporation  
UN – United Nations  
WFTO – World Fair Trade Organisation  
WTO – World Trade Organisation

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# Chapter 1: Introduction

## 1.1 Context and Author's Biases

In the 1950s and 60s, development theorists in Latin America calling themselves *dependencistas* started paying attention to a curious trend in the world economy: not only are rich countries *rich in terms of consumption* of nicer and more plentiful food, luxury products, etc - but they also spend their working lives doing *different jobs* from the poor. Whilst global Southerners are typically less skilled and poorly paid farmers, miners and factory workers, Northerners often do white-collar jobs in management, design, research and marketing (O'Brien and Williams 2007: ch8). Dependency theorists saw this global division of labour as key to explaining global poverty and inequality. Furthermore, global capitalism seemed to them to lie at the heart of it all (O'Toole 2007: ch15).

As we will see, dependency theory was criticised for being too generalising, teleological and too trusting in the emancipatory role of the Southern state (*Ibid.*; O'Brien and Williams 2007: 302). On the political Left, poststructuralists pronounced dependency theory dead in the early 1980s for these reasons, but the development literature still contains scattered use of dependency terminology and brief comments that dependency theory's analysis of the global division of labour on the whole was persuasive (even if its ensuing policy suggestions were not) (e.g. Reed 2009: 9; Chang 2010; Rice 2008; O'Brien and Williams 2007: 23). Yet little is explicitly written about how dependency theory continues. In this project I attempt to pick up the pieces of this persuasive analysis and ask where to go next: having learnt that the global capitalist division of labour is harming the poor – but that economic structures are not unstoppable trains on a teleological rail, and that the state cannot be the central progressive actor – what can we as people in Britain do to replace the harm with good?

The desire to understand *what can be done* about the harm our importing practices create should thus be seen as a bias underlying this research project. As critical theorists and Marxists have pointed out, attempting to construct objective and politically neutral theory is futile: '[t]heory is always *for* someone

and *for some purpose*' (Cox 1996: 87). This is why a moral-political world-view is outlined in chapter two, where equality and co-operation are found to be fundamental desirable values. As the author of this project I should also be open about my *personal* biases. As a queer female living in a patriarchal and heteronormative culture, brought up in a working class environment but given access to higher education through governmental welfare systems, I have both experienced oppression and had access to the tools to critically analyse that oppression. The driving force behind this project is the realisation that I, as a European actor in the global economy, have unwittingly been part of oppressing others in the world. This is what I want to change.

## **1.2 Method**

How do we begin to understand how we – as people in Britain – can import products from the global South in a way that is morally good? My method in this project is to start by establishing what 'good' means and which values and standards world trading practices can be judged by (chapter two). I then take stock of the academic debate on what is wrong with current importing practices (chapter three). The two main problematics that emerge are firstly *free market capitalism*, and secondly (following as a consequence from the former but deserving special attention) *the exploitative global division of labour*. To aid my analysis I use several theoretical schools: dependency theory, as has already been mentioned; Ankie Hoogvelt's reflections on and additions to it in her *Globalization and the Postcolonial World* (2001); Global Value Chains analysis, and writing on co-operatives – all of which are explained and discussed as we encounter them.

The main concern of the project is to discuss how importing from poorer areas can happen in a mutually beneficial and egalitarian way: I use examples of existing organisations and movements, discussing the ways in, and extents to which these avoid and counteract the problematics. I have generally chosen two organisational examples in each section: one organisation that is *ideal* (according to the argument in chapter two) and one that hovers in the border-area of what

would, or would not, be a *temporarily acceptable compromise* in times of practical necessity.

To gain a deeper understanding of the workings of these organisations I have carried out some original qualitative research. My research has taken three forms: interviews, ethnography in the form of going to open organisational meetings, and using original documents such as policy documents and reports.

My interviews and ethnographic studies (attending meetings) took place at a quarterly Radical Routes gathering over three days in August 2010. I interviewed four active members of Radical Routes: I announced that I was looking to interview experienced members, and the interviewees volunteered. I also approached three other individuals who did not agree to be interviewed. Radical Routes as an organisation was selected because it is the only national and large (around 500 affiliated individuals) network for anti-capitalist co-operatives in Britain. The gathering I attended was chosen simply because it occurred during the research period. The three meetings I attended were all held at the gathering: one general meeting, one introductory meeting to Radical Routes, and one meeting about dealing with unwanted hierarchies within a co-operative. These meetings were chosen because they seemed the most relevant to my research topic.

My interviews were semi-structured: I asked pre-written questions about the subjects' moral-political values, as well as experiences and opinions of Radical Routes and their member co-operatives, and discussed each point in a non-structured and improvised way (as described in Byrne 2004: 181). I chose to interview four different individuals from different member co-ops as a means of triangulation (Read and Marsh 2002: 237). It should also be noted that I additionally attempted to gain access to several representatives of *three* relevant organisations *other than Radical Routes*, but that they, despite my repeated attempts through different avenues (phone, e-mail, personal contact), failed to respond.



The original documents used in this project are policy documents, annual reports, published accounts and information leaflets by and about the organisations themselves. These documents were chosen simply because they were the only resources available for the type of information I was seeking. Policy documents and reports should not be seen as neutral or unbiased, so I read them critically, making sure to separate factual information about the organisation's policies and activities, from value judgements about, for example, how well the organisation works (Gomm 2008: 319).

### **1.3 Overview of Argument**

Chapter two outlines the moral-political framework by which any importing practice can be assessed. Using a mix of moral cosmopolitanism and contractualism, I find that it is in everybody's long-term self-interest to promote equality and mutual gain. Chapter three offers an overview of arguments regarding what is harmful about current trading practices: that they sometimes violate human rights law; that trade rules are unfair; and most interestingly for this project, that there is an exploitative division of labour as described by dependency theorists, Ankie Hoogvelt and Global Value Chain analysts.

Chapter four outlines the first part of what is needed in a morally good importing model: organising firms as not-for-profit co-operatives. I compare Radical Routes to other co-ops such as Mondragon, café Mono and The Co-operative Group, to ascertain whether and how co-operatives can operate without any of the distinctive features of free market capitalism. Chapter five discusses the ways in which not-for-profit co-operatives can share financial resources across the North/South divide and help non-core area producers upgrade their production and sell higher value-added products. Here I use a theoretical, internationally expanded, version of Radical Routes, contrasting it with a real-life organisation called Shared Interest, which is more commercially successful than Radical Routes, but also further away from the values in chapter two.

At the end of this project, a fairly clear model should have emerged for how firms in Britain can import products from non-core areas in a way that avoids the *structural* problematics of capitalism and its ensuing global division of labour.

## Chapter 2: Why we Must Trade Morally Responsibly – A Moral-Political Framework

Before we make any statements about or analyse world trade, it is important to establish what moral-political standards underlie the discussion.

### **2.1 Long-Term Self-Interest for Mutual Gain**

Debates about *normative* ethics reach back several millennia and deal with questions of how we ought to act: what social rules (if any) should govern our interactions with each other (Bunnin and Yu 2009: 227)? This type of question is interlinked with, but separated in academic philosophy from, questions of *meta*-ethics: where does ethics come from and how can it exist (*Ibid.*)?

Activists and theorists in the global North who dedicate their careers to the issue of world poverty often make (implicit or explicit) reference to the *cosmopolitan* view of ethics (see e.g. Oxfam 2010a; United Nations 2010 [1948]; Caney 2005; Singer 2002). Cosmopolitanism is the idea that all individuals on Earth have the same obligations to each other: everyone is morally equal and is (or can be) part of the same global community (Caney 2005: 4; Kleingeld and Brown 2006). All cosmopolitanism is in some sense ontologically *objectivist*, or at least *intersubjectivist*, assuming the existence of universal moral values in some form or other.

One clear example of *objectivist* cosmopolitanism that has been very influential on Western culture is Christian ethics, providing the meta-ethical view that God created ethics, and the normative rules of the Bible (Russell 2005 [1946]: 292-301). The ethical framework I argue for here, however, is a very different form of cosmopolitanism based on *intersubjectivity*, i.e. the idea that all (or very close to all) humans share certain qualities that make us similar enough to share some ethical obligations and rules (Caney 2005: 36). John Rawls termed this the international 'overlapping consensus' (*Ibid.* p.29). Human bodies are similar in meaningful ways: we all suffer when subjected to unwelcome physical pain,

‘require food and water to survive, and are susceptible to disease, sickness, and malnutrition’ (*Ibid.* p.36, see also Pogge 2008: 55). Caney also cites authors who argue persuasively that we share *psychological* needs (and *need* should here be interpreted to mean requirements for a bearable and enjoyable life): for example, ‘companionship, hope, the absence of horror and terror’ (Kekes cited in Caney 2005: 36).

These common needs can be argued to lead directly to certain moral principles: for example, that all humans should be able to live a full and healthy life by having access to basic education, nutrition and health care; have space for imagination and thought; have emotional bonds with other people; be able to play and have fun; be able to think about and act on the environment around them (Nussbaum 2002: 122, 129-30, also quoted in Caney 2005: 36-37; Pogge 2008: 54-55).

However, the fact that humans *can* share moral principles does not automatically mean that they *should*. Cosmopolitanisms such as Caney’s and Pogge’s do not provide a persuasive meta-ethical explanation for what brings about the moral obligations they describe. Here it is more useful to turn to the work of other theorists, who are perhaps less instinctively palatable to anti-poverty activists. Thomas Hobbes famously wrote in the 17<sup>th</sup> century about morality as a social contract: humans are self-interested actors in a war of all against all and no moral rules exist until humans invent them, which they only do to the extent that it serves their own self-interest (Russell 2005 [1946]: 504-505). Hobbes argued that to be respected in practice, any such invented morality must be enforced by a *Leviathan*, an authoritarian and violent ruler (*Ibid.*).

Thomas Hobbes had a decidedly *masculine* bias and made according implicit assumptions. Masculinity can be understood as a group of dominant positions in a binary gender system designed to distribute power and resources according to (perceived) body-sex (Kimmell 2004: 3; Connell 1995; Morrell 2001: 10). Which behaviours are masculine vary, but in mainstream Western society in recent centuries, masculine traits have included competitiveness, aggression, self-

reliance, and strength (Hooper 2001: 3; Kimmell 1994: 125). Hobbes' argument for the Leviathan makes implicit and scientifically unproven assumptions about human nature: that humans are inherently short-sighted and selfish, aggressive, competitive, and I would argue: masculine. Discarding these masculinist assumptions, the idea of a social contract based on self-interest remains persuasive.

One common criticism of the moral contract idea is that a contractual arrangement would increase the vulnerability of those who are not in strong bargaining positions (Caney 2005: 67). If a contract is agreed upon, how do we know it is agreed upon fairly? However, once we understand more about the meaning of self-interest, such criticism can be avoided. The central point of contractualist thinking is that everyone achieves maximum gain from co-operating with everyone else. For example, if we pool our resources together we can build hospitals that give each individual more value for their money than if they had spent their money on health facilities individually. Realist Kenneth Waltz unwittingly demonstrated the validity of this type of argument in a thought-experiment he called the Prisoner's Dilemma (Donnelly 2003: 37).

Waltz attempted to demonstrate that, if two criminal associates are questioned by the police separately and are forced to choose between co-operating with their associate or testifying against her, they are bound to end up testifying against each other, despite the fact that co-operating by remaining silent would have brought them both the optimal outcome. As Donnelly points out, however, there is no logical reason or scientific evidence to prove that the criminals would end up testifying against each other as Waltz suggests (*Ibid.*). Just like Hobbes did, Waltz made certain unfounded assumptions about human nature. In the end, Waltz' thought-experiment shows the mutual benefit of *co-operating*. As long as actors *understand* and *act on* their own self-interest in this *indirect* sense, all participants will act so as to minimise inequality and oppression since such inequitable forces sabotage the co-operative system.

Contractualism drives us to make one final caveat to the cosmopolitan argument. We have seen that humans share many similarities and therefore can agree on basic moral principles. But if contractualism is right, we are only morally linked to other humans in as much as we interact with them. Our interactions with all humans in the world are not in fact equally extensive: we have much broader and deeper interactions with compatriots, neighbours and friends, than we do with random strangers across the globe (see Mason 1997; Nagel 2005). Thomas Pogge has coined a useful term to describe this. An *institutionalist* conception of moral rights and obligations holds that we have rights and duties only to those with whom we share (political, economic, environmental, etc) institutions and patterns of interaction (Pogge 2008: 176). This means that a British student in Bristol does not share duties or rights regarding, for example, health care or child care, with a coffee producing mother in Guatemala whom they have never met or heard of, since they do not share health- or child care institutions. They *do*, however, share rights and duties regarding international trade and climate change since they interact with each other on those issues.

## **2.2 Conclusion**

In this chapter we have seen why we must conduct our global trade interactions in a morally good manner. Most humans are similar enough to be able to share moral rules wherever they interact with each other. It is in our *self-interest* to ensure the well-being of other people in (and to the extent of) our interactions with them since we benefit from co-operation. For this reason, equality, mutual respect, and co-operation to help each other fulfil our common needs, are key values of a contractualist ethic. Global trade is one way in which humans interact with each other across the world, which is why these values apply to it.

## **Chapter 3: How Trade Currently Harms the Poor**

There are several schools of thought that argue convincingly that the vast majority of products imported to the UK are imported in a way that is not ethically good as described in the previous chapter. The current chapter takes stock of this debate, which ranges from less theoretically controversial claims that Transnational Corporations sometimes commit human rights abuses, to the more controversial claim that world trade rules are unfair in the sense of being non-reciprocal and offering different countries different treatment, to the even more controversial claim that the entire global capitalist system and its ensuing division of labour is inherently exploitative and harmful.

### **3.1 Human Rights Abuses**

Regardless of one's ideological affiliations, there is a way in which most people would agree that certain world trade practices harm the poor: namely that corporations – particularly large Transnational Corporations (TNCs) – sometimes breach human rights law in their quest to accumulate more profit (O'Brien and Williams 2007: 259). One example among many is allegations by the BBC and the NGO People & Planet that British retailer Topshop has been buying cotton harvested by forced child labour in Uzbekistan, which is illegal under the UN Convention on the Rights of the Child (BBC 2007; People & Planet 2008). Another example is the Coca-Cola Company's repeated criminal behaviour: in 2003 the BBC reported that Coca-Cola had been selling waste products from a bottling plant in Kerala in Southern India as a fertiliser to local farmers – this fertiliser turned out to contain dangerous and illegal levels of cadmium and lead (BBC 2003). At several locations in India, the company has opened bottling plants in poor areas suffering from water-shortage, draining the groundwater from nearby villages (India Resource Center 2010). (In all these cases the Indian government has penalised Coca-Cola.) Innumerable similar allegations have been made by NGOs against various TNCs – only a very few examples have been described here.

### **3.2 'Unfair' Trade Rules**

Apart from the more obvious point about law-breaking, many theorists argue that there are many more cases in which trade practices *do not violate the law*, but can *still* be said to harm the poor. Many commentators and activists argue that world trade rules themselves are unfair for the poor, and thereby cause harm. This type of argument is what lies behind Fairtrade certifications and related activism and theory – a field that is controversial since it heavily criticises current world trade arrangements (Murray and Raynolds 2007).

Materials produced by the Fairtrade Foundation and its founding organisations (see e.g. Fairtrade Foundation 2008: 1; Oxfam 2010b) portray the problem of harmful trade as to do with issues of unequal say in world trade negotiations and inequalities resulting thereof. Governance of the World Trade Organisation (WTO) and global financial institutions such as the World Bank, is biased and undemocratic, giving dominant influence to Northern states and corporations. This leads to international trade arrangements that favour the rich: for example, Southern countries are forced to liberalise their markets to Northern imports even though the North did not practice free trade in its equivalent phase of development (Chang 2007; Stiglitz 2002: 16-17; Wade 2003).

Such liberalisation is argued to lead to increased poverty as less advanced Southern producers cannot compete with cheaper Northern produce (Oxfam/Godfrey 2006: 5). Northern governments subsidise large sections of their agricultural sectors, allowing Northern farmers to sell their produce artificially cheaply, and sometimes to 'dump' it in the South at below-cost price (Oxfam/Stuart 2005; Oxfam/Watkins and Fowler 2002: Ch 4).

### **3.3 The Exploitative Global Division of Labour**

Some theorists go even further than the Fairtrade argument, offering a different and even more controversial description of how world trade harms the poor. A family of arguments from the more radical political Left asserts that, regardless of whether the law is obeyed, or whether the law is written and enforced in a reciprocal and 'fair' manner, a capitalist world trading system is bound to harm



the poor. Part of this family is the Dependency School – a perspective developed by mainly Latin American scholars in the decades after 1950 (Martinussen 1997: 85; O'Toole 2007: 423). This school is diverse, but it holds that there is a *global pattern* to the distribution of prosperity: there is a division between rich countries (known as the '*core*', mostly corresponding to what non-dependency scholars refer to as the global *North*), and poor countries (known as the '*periphery*', much of the global *South*) (O'Toole 2007: Ch15).

This global division can be explained, as done by dependency theorist Raúl Prebisch, through looking at what types of productive processes are generally carried out in different areas: the periphery tends to engage in more basic tasks that require less skill and infrastructure and that give less profit per hour of labour, such as agricultural production and raw material extraction (Hoogvelt 2001: 38-39; Leys 1996: 46). These basic materials are exported to the core, which in turn carries out tasks like manufacturing (though some unskilled manufacturing has in recent decades been outsourced to the periphery), marketing, design and retail which are tasks that yield a higher profit per invested hour or pound (Gibbon, Bair and Ponte 2008). The finished products are sold back to the periphery at a higher, value-added, price, and wealth is thus continuously transferred from the periphery to the core.

This exploitative world order was established and consolidated through violent colonialism – most notably (though not earliest) in the modern imperialist era of the 19<sup>th</sup> and early 20<sup>th</sup> centuries – but is also self-perpetuating as the periphery becomes increasingly locked into lower value-added tasks, having little capital to invest in the education, technology and infrastructure needed to carry out higher value-added tasks (Hoogvelt 2001: Ch1). This relationship should be understood in the light of Marx's idea of capitalist exploitation: capitalism is structured so that labourers sell their labour power to capitalists (i.e. the owners of the means of production) at a price that is *as low as possible* and that is always lower than the value created by their own labour – the rest is taken by capitalists as profit (Lukes 1985: 60).

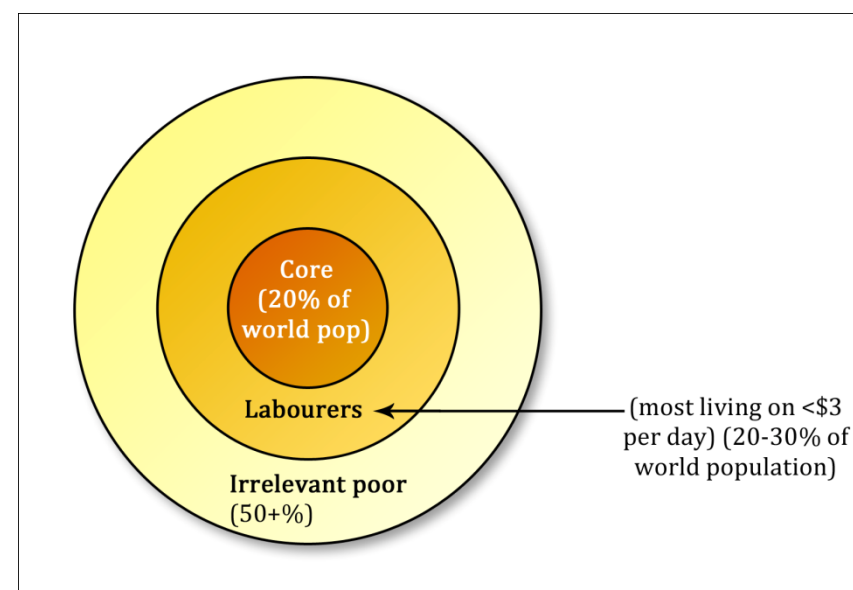
The Dependency School has been criticised from many directions (So 1990: 131-134; Leys 1996: 47-50). Perhaps the most challenging type of criticism points to the over-simplifying nature of the dependency analysis. Not all core actors benefit from having a dependent periphery (*Ibid.*). Core-owned high-technology TNCs such as Sony, Microsoft and Nokia, for example, would gain greater profits from a periphery that can supply cheap *skilled* labour and that is full of consumers wealthy enough to buy technological equipment such as mobile phones and computers, than they can from a periphery that is underdeveloped, unskilled and poor. Dependency theorists cannot argue persuasively against this view, other than to accept a limit to the applicability of their theories. As many critics argue, dependency theorists are wrong in thinking they can explain *everything* by analysing reality on a generalised and structural level: clearly there are cases when their general rules do not apply (So 1990: 131). Similarly, many theorists argue it would be wrong to *underestimate* the insights offered by structural analyses: the Dependency School offers an analysis of global patterns of inequality that is difficult to refute (Leys 1996: 31; James 1997: 72).

Another, related, challenge is posed by the fact that some peripheral countries *de facto* have industrialised to significant levels (Martinussen 1997: 93). Countries in South-East Asia have, to certain degree, managed to break out of their dependency and move higher up the value chain: for example, many jobs in South Korea, Taiwan and Singapore are now to do with research and design, management, marketing, etc (Chang 2007; O'Brien and Williams 2007: 248-256). This disproves the claim by some Marxist dependency scholars such as Andre Gunder Frank, that peripheral countries could not, in any way, develop under capitalism (Frank 1969: 270; Ruccio and Simon 1992: 125). However, South East Asia's development has come at a price: income inequality has risen in South Korea, Taiwan and Singapore since 1950 (Cornia [United Nations University] 2000; O'Brien and Williams 2007: 253,256). The achievement of this challenge, thus, is merely to force a caveat into Frank's claim: peripheral countries cannot develop *in an egalitarian* (and therefore *desirable*) way under capitalism.

Another way of responding to this challenge is by looking at World Systems Theory, a theory very similar to dependency theory but with a more complex understanding of the available positions in the world system: in addition to core and periphery, a World Systems theorist would speak also of a *semi*-periphery (Wallerstein 2004: 29). The semi-periphery is described as engaged in a mix of core-like and peripheral productive processes, and it can be a transitional position between the two (Hoogvelt 2001: 59).

Ankie Hoogvelt puts forth another, more up-to-date view of the global division of labour: that the core/periphery distinction *has* been correct, but is now outdated (*Ibid.* p. 121, 258-9). She describes three different positions to be had in the global economy, here visualised in Figure 3.1. Two main innovations emerge in Hoogvelt's model: firstly that half of the world's population is now excluded from world trade altogether – these are destitute people living on subsistence production and who are unable to consume imported goods or export their own produce to any substantial extent. Secondly, Hoogvelt argues that the different positions cut across national borders, i.e. that not *all* Northern countries are core countries, the periphery and irrelevant poor are not *only* located in the global South, and vice versa. She does not deny, however, that there is a general difference in wealth between Northern and Southern countries, and that most of the labourers and what she calls 'irrelevant poor' are situated in the latter – this much is empirically true (see HDR 2009). Similarly, to point out that the global South *predominantly* engages in lower value-added production processes and vice versa, is an uncontroversial empirical statement (O'Brien and Williams 2007: 249-250).

**Figure 3.1: Hoogvelt's Description of Positions in the Global Economy**



Source: Compiled from information in Hoogvelt 2001: 258-9.

A school of thought relevant to Hoogvelt's point about border-crossing positions in the global economy, is Global Value Chains (GVC) Analysis. GVC Analysis studies the division of labour within each value chain (for example, a commodity) regardless of the geographical locations of participating firms (Gereffi *et al* 1994: 1). For example, looking at the specific value chain of coffee, a GVC Analyst might trace the division of labour between firms: those who plant, grow and harvest the beans; those who transport the beans at various stages; those who blend and roast; design and manufacture packaging; etc (Daviron and Ponte 2005: 54-55).

GVC analysis starts by mapping the division of labour, but this is not an end in itself. GVC Analysts are particularly interested in a value chain's *governance* structure, i.e. looking at which actor in the value chain co-ordinates and sets the rules for the chain as a whole (Morrison *et al* 2008: 40; Gibbon, Bair and Ponte 2008: 319). Another key concept to the GVC school is firm *upgrade*: studying the ways in which firms can move up the value chain to gain greater incomes and

better conditions (Daviron and Ponte 2005: 29). We will discuss this concept at greater length in chapter five. In this chapter we merely note that GVC analysis shows that most value-addition takes place in the core and that firms in the non-core find it difficult to upgrade (Daviron and Ponte 2005; Gibbon, Bair and Ponte 2008).

### **3.4 Case-Specific Factors**

The central point of all of the theories described in section 3.3, is that the global division of labour is exploitative and unfavourable to the world's poor. As we saw in section 3.3, over-emphasising structural factors leads to an incomplete and inaccurate analysis of reality. For example, if we attempt to explain why, say, a specific family or neighbourhood in Pakistan is suffering from poverty, specific local, political, historical and environmental factors play at least as large a role as structural economic factors (James 1997: 67). Structural theories about the global division of labour could give the impression that peripheral states and citizens are doing nothing wrong; that it is global capitalism's fault that development is not going well (O'Brien and Williams 2007: 302). However, even the most egalitarian and utopian international economic system imaginable could not 'cure' states mired by corruption, poorly structured and managed state apparatuses, dysfunctional social welfare systems and hierarchical cultural values (*Ibid.*). Equally, for Europeans to deny the impact of the global division of labour on the development prospects of poor countries is to wrongly claim innocence of participation in a historical and ongoing *direct* form of exploitation (*Ibid.* p. 303). This latter point is the central motor of this research project, though it must be understood in the context of the previous point.

### **3.5 Capitalism as Underlying Logic**

We have seen that the global division of labour is exploitative, but also that trade rules are unfair and laws sometimes are violated. What causes these three harmful mechanisms is complex, but one key underlying structure that can be singled out is *free-market capitalism*.

There is disagreement on exactly how free-market capitalism (or simply: capitalism) should be defined, but drawing on various well-established definitions we can here describe it as having three distinctive features (Morrison 1995: 310, Burnham 2003: 62-63, Hill 2005: 47-48). Firstly that *property* can and should be owned *privately* by individuals. Property is distributed in a way that produces a distinction between owners of the means of production on the one hand, and labourers on the other, as we saw in Marx's definition of exploitation above. Labourers, we recall, get paid a wage that is as low as possible and unrelated to the sale price of what they produce. Secondly that *profit* is what is seen as the driving force and motivation behind any commercial undertaking. Thirdly that there is a *celebration of competition* between firms, and most distinctively, *between firms in the same market* what I will here call *intra-market competition*). Thus, not only are firms encouraged by capitalist theory to compete against other firms in general, but different firms are also given the incentive to produce products or services that are similar to ones that already exist, thus competing for exactly the same customers. These distinctive features will be discussed more fully in chapter four below.

### **3.6 Conclusion**

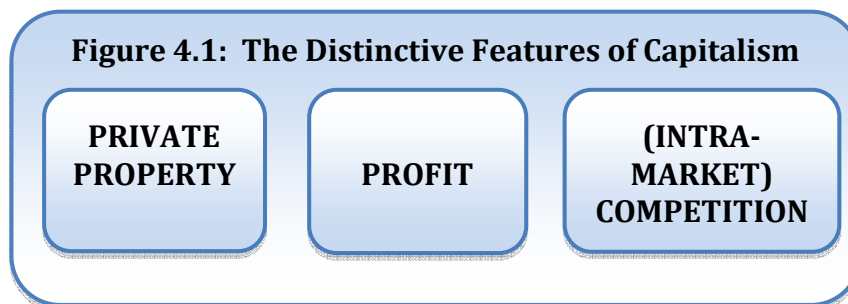
On a *structural* level, free market capitalism as defined here runs like a red thread through the harmful mechanisms described in this chapter, informing, justifying and shaping them. Regarding the global division of labour (section 3.3), *competition* for privately owned profit plays a large role in creating the division as we have seen. (This will be discussed further in chapter five). With regards to human right abuses (section 3.1), *competitive profit-centrism* can drive corporations to violate the law and to proverbially – but almost literally – step over dead bodies to accrue more profit for their shareholders. And finally, capitalist theory is used by TNCs and Northern politicians to *justify trade liberalisation and deregulation* in the global South as described in section 3.2 (see e.g. World Trade Organisation 2008; Greenspan/Federal Reserve Board 2005).

As we will see in the following chapter, conducting global trade in a way that does not use any of the defining features of *capitalism* could be key to morally

responsible trading. The chapter after that will pay specific attention to the *global division of labour*.

## Chapter 4: Alternative Model Part 1: Organising Without Capitalism and for Moral-Political Good

As we saw in the previous chapter, free market capitalism underlies, informs and justifies the main structural ways in which trade harms the poor. One key way of operating outside of the harmful mechanisms described in the previous chapter, is to design businesses as *co-operatives*. I will here argue that a specific form of co-operative business can exist without employing any of the three distinctive features of capitalism in any meaningful sense (see Figure 4.1 for an overview of the distinctive features), and additionally that this form of co-operative lends itself particularly well to egalitarian and human needs-centred practices. This is part of a wider argument about how international trade can be undertaken in a way that does not harm the poor, which will continue to unfold in the succeeding chapter. In the chapter at hand, however, I will consider each of capitalism's three distinctive features in turn, discussing how co-operatives can be modelled to function without them.



### 4.1 Co-operatives Introduced

A non-governmental co-operative business can be defined as 'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise' (ICA 2010). In short, it is an enterprise owned, not by a private individual or external shareholders, but by co-op members. Membership structures vary, the most common forms being: worker's co-ops in which a stated minimum quantity of labour is a requirement for membership;



consumers' or users' co-ops; secondary co-ops which are owned and operated by other co-ops; community co-ops in which residence in a defined geographical area is a requirement for membership (Avon CDA 2010; Zeuli and Cropp 2004: ch4).

The two main differences between a co-operative and a shareholder company are that co-op members do not need to purchase any shares in order to have a democratic voice in the company, and that co-op members typically have one vote each in decision-making, as opposed to distributing votes by amount of money spent on the company as is usually the case in shareholder companies (*Ibid.*). These two basic features do not *per se* challenge capitalism or create social good as described in chapter two – therefore, the co-operative model explored in this project goes beyond the minimum definition.

The most well-known and influential co-operative networking organisation globally is the International Co-operative Alliance (ICA). ICA's members worldwide have agreed on a list of co-operative principles that co-ops can subscribe to voluntarily, outlined here in Figure 4.2. These principles are part in making co-operatives dramatically different from conventional companies in relation to social impact. In this chapter I will draw on several of the principles and discuss the ways in which they can – if interpreted in specific ways – inform a co-operative company structure that does not incorporate any of capitalism's three distinctive features, and that could trade in a morally good way.

<b>Figure 4.2: ICA's Co-operative Principles</b>	
1.	Voluntary and open membership (and thereby ownership)
2.	Democratic member control
3.	Member economic participation (meaning that any surplus is shared between co-op members, reinvested in the co-op, or donated to other organisations)
4.	Autonomy and independence (meaning that no agreement entered with other organisations may jeopardise the members' full democratic control over the co-op)
5.	Education, training and information (both for their members and the general public)
6.	Co-operation among co-operatives
7.	Concern for community
<b>(Source: Adapted from Crowell and Reed 2009: 148-9; ICA 2007)</b>	

## **4.2 Regarding Private Property**

ICA's principles 1 and 2 lay out the key ways in which co-operatives negate capitalism's *private property* element by removing the capitalist distinction between the owner(s) of the business, and the labourers who sell their labour at the lowest price possible.

*Co-operative ownership* (Principle 1) is distributed equally among all co-op members as has been discussed above. Anyone can be a member as long as they fulfil certain requirements – importantly these are not to do with wealth, class, race, gender, etc, but about level of involvement with the business (whether as a worker, volunteer, consumer or other). Another crucial point is that ownership of a co-operative is not individual – rather, it is collective: members can neither buy nor sell any share of the company and have no rights to any specific percentage of its assets, they only hold co-ownership of it as members contributing to the democratic process (Co-operatives UK 2009: 36-37).

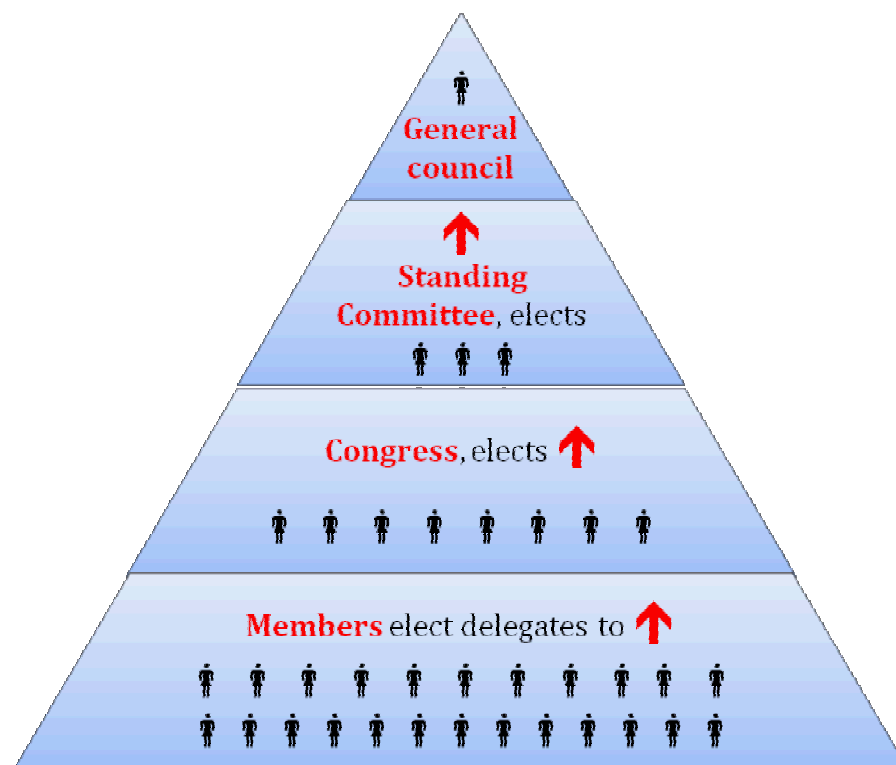
*Democratic member control* (Principle 2) complements the first principle since formal ownership is relatively uninteresting without accompanying decision-making power. Decision-making structures in co-operatives vary – I will here discuss two examples of co-operatives with contrasting structures, chosen because they can be seen as representing extremes at either end of a democratic spectrum.

The first is the Basque (but now multinational) co-operative Mondragon, which uses a multi-tiered structure of managers and elected representatives (Mondragon 2010a; MacLeod and Reed 2009: 120-5). Mondragon is a very large conglomerate consisting of many member co-operatives. Each co-op elects delegates to the Co-operative Congress, which makes most major and strategic decisions. Congress elects a Standing Committee responsible for implementing the decisions made at Congress. The Standing Committee also elects the General Council, which has final authority (*Ibid.*). A map of Mondragon's decision-making structure can be seen in Figure 4.3.

Mondragon uses a system of *trustee representatives* (i.e. autonomous actors acting in the best interest of their representees, without the need to consult the latter ahead of specific decisions (Mondragon 2010a,b; Dovi 2006). This type of representation can be contrasted with *delegated representation*, which allows representatives only to relay the expressed opinions of their constituents. The use of trustee representatives means that officers higher up in Mondragon's representational pyramid can exercise discretion when implementing and evaluating decisions, but are monitored by their electorate and can be voted out if they make unpopular moves (Mondragon 2010b).

Mondragon's trustee-representative democratic structure is vulnerable to the same criticism as state-level representative democracies: the argument has been used since democracy's birth in ancient Greece that using representative tiers, each of which leave room for discretion and use of trustees' personal judgement, lessens the real power held by the general public in the lowest tier (see e.g. Robertson 2002: 148-9). A separate real-life example of this can be found in a 2006 study of coffee producing Fairtrade co-operatives in Guatemala, where only 3 out of 53 members of multi-tier trustee-style co-ops had even heard of the term Fairtrade, indicating that they had very limited knowledge and control of their own co-operatives' dealings with the global North or other companies higher up the value chain (Lyon 2006: 459-460). However, though co-operative democratic structures may be watered down through the use of tiers or trustee discretionary freedom, this form of governance is starkly different from that of a capitalist firm, which typically allows no formal decision-making power for its workers whatsoever (Macleod and Reed 2009: 120-125).

**Figure 4.3: Mondragon's Decision-Making Structure**



(Source: Compiled from information in Mondragon 2010a)

Another type of democratic structure is a flatter structure without any permanent differentiation of responsibility. One co-operative that uses such a structure is Radical Routes, a network of British co-operatives, which will be studied further below. Radical Routes' governance structure is laid out in Figure 4.4.

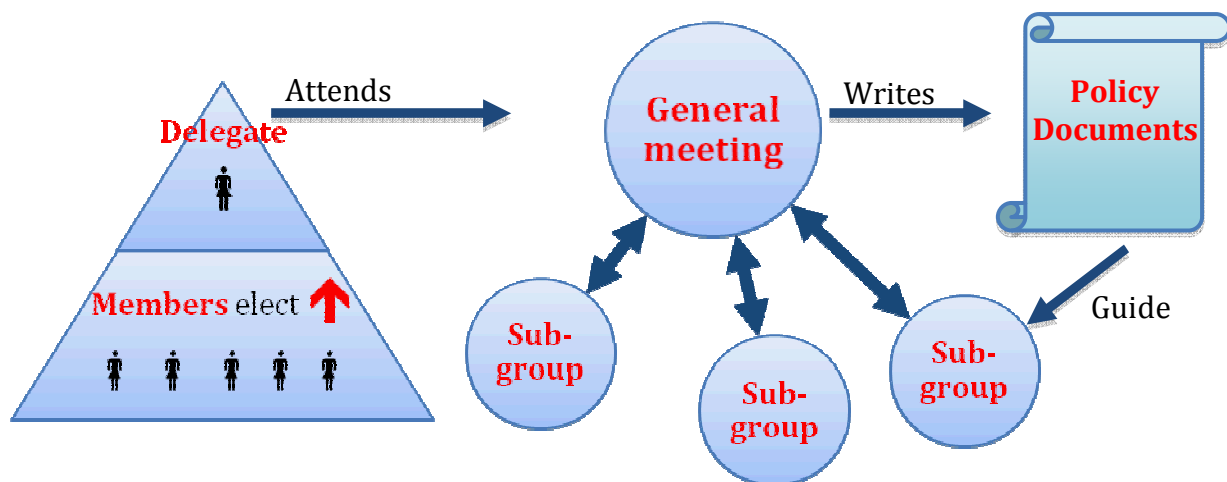
All member co-ops send at least one representative to attend a quarterly general meeting at a gathering hosted by a member co-op somewhere in the UK, where all major and strategic decisions are made (Radical Routes 2010a). Since Radical Routes is a secondary co-op its members are *co-operatives* rather than *individuals*, but the governance structure could apply to a primary co-op without any major alterations. Members divide themselves into sub-groups (called 'working groups'), which meet and communicate more often, dealing with tasks

within a specific area. These sub-groups are partly guided by Radical Routes' policy documents, which are written and discussed at general meetings, and partly by discussions in general meetings (*Ibid.*; author interview 14<sup>th</sup> August 2010).

Radical Routes uses a consensus-favouring decision-making process, which means that consensus (i.e. agreement from all members that a course of action is desirable or acceptable) is sought before any majority-voting becomes relevant (Radical Routes 2008 §3.11-3.16). Each decision is discussed in the general meeting for ten minutes, and if a consensus decision cannot be reached within that time the discussion is continued at the next general meeting (*Ibid.*). The task is then to construct a solution that is acceptable to all but one for every twelve member co-operatives. If consensus cannot be reached, qualified majority voting is used, with a yes-vote for a proposed policy requiring a two-thirds majority (*Ibid.*). At every quarterly member gathering, Radical Routes organises dedicated training workshops and discussion groups dedicated to improving member delegates' ability to use consensus decision-making in a constructive way (author's original research).

Representing a member co-operative at the quarterly Radical Routes gathering and taking part in a working group are tasks that – Radical Routes members argue – unfortunately give individuals more power over the organisation (author's original research). To remedy this, Radical Routes encourages a *rotation* of these roles, so that different individuals carry out the tasks each quarter, half-year or year, the time period depending on the task at hand.

**Figure 4.4: Radical Routes' Decision-Making Structure**



(Source: Compiled from information in Radical Routes 2010a; author's original research)

As we see from comparing Mondragon's and Radical Routes' decision-making structures, there are different interpretations of ICA's principle of democratic member control, and they challenge capitalism's division of labour between workers and owner-authority figures to different degrees. A key point to note here is that Mondragon has over 92,000 member individuals, while Radical Routes merely has something in the region of 500 (Mondragon 2010c; Radical Routes 2009a). One common analysis is that the size of an organisation determines its ability to be genuinely democratic: the larger the group, the more difficult and the less rewarding it can be for individuals to participate (Birchall and Simmons 2004: 489). Another related analysis is that genuine democracy only is possible in smaller organisations because, if a co-operative grows too large, 'democratic decision-making simply becomes too cumbersome and conflictual to allow for effective business practices' (Olin Wright 2008: 168).

As Birchall and Simmons show, there is empirically some truth in this, and the research and debate required by all members in a more inclusive democracy undeniably takes up time and resources (2004; Olin Wright 2008: 168-169). Two

points should be noted regarding this argument, however: firstly that other moral-political values can trump the value of organisational efficiency or decision-making speed. After all, it could easily be argued that state dictatorship is a much quicker way of making decisions on a national scale than democracy is, but this argument is unlikely to persuade many citizens of democratic countries to convert into a dictatorship. Indeed, all interviewees stated that having a democratic voice generally felt more important to them than achieving higher organisational efficiency (author interviews 13<sup>th</sup>, 14<sup>th</sup>, 15<sup>th</sup> August 2010).

Secondly, a meaningful democratic structure can be maintained even with some tiers of delegated representation. One interviewee from Radical Routes pointed out that temporarily delegated and individually assigned responsibilities do not lessen the level of democracy, as long as roles are, firstly *delegated* (see above), and secondly *rotated frequently*, encouraging all members to take on delegated responsibility at some point, if they want to. The interviewee describes having come across many housing co-operatives which, when a task or project arises, designates a 'gaffer who particularly follows through that job, [...] but this kind of management role is only a temporary thing' (author interview 13<sup>th</sup> August 2010). As we have seen, 'temporary' should in the case of Radical Routes be understood in terms of weeks or months, rather than years as in the case of Mondragon's standing committee and council (see Bakaikoa *et al* 2004 for the latter).

There is, I would argue, one caveat to the desirability of this rotational system. More permanent positions on the mainstream job market tend to be staffed through formal application and selection processes, requiring evidence of experience and skills as well as references (see e.g. Shared Interest 2010c). This is not currently standard practice in Radical Routes (author interview 14<sup>th</sup> August 2010), though there is no logical reason it could not be: applications could be scrutinised by delegates from each member co-operative according to certain agreed criteria. Each time a role is created, which is usually done in a general meeting (*Ibid.*), a decision could also be made regarding whether the role should be staffed through a formal selection process.

Rotating roles thus increases the amount of democracy in an organisation, but this comes at its price. As is evidenced in Feldman and Brett 1983, each time someone enters a new job role there might be a settling-in period (learning how systems work, getting familiar with tasks, etc), and the more often a role rotates, the more settling-in periods might be incurred, which has a negative impact on the organisation's efficiency. There is no counter-argument that can disprove this fact, but as has already been explained, equality is generally a more important value than efficiency. If roles rotate so often that all key responsibilities of the role cannot be carried out, the rotation frequency would have to be lowered. What can be said, however, is that role rotation gives participating members a greater understanding of how different roles complement each other, potentially increasing their creativity and problem-solving skills (this type of argument has been used to defend democracy since J. S. Mill 2004 [1862]: chapters III and VIII).

As we have seen, there are many grey areas when discussing democratic member control and its ability to challenge capitalist private ownership. Whether any specific multi-tiered organisation is 'genuinely' democratic is an empirical discussion outside of the remit of this project, but the discussion on democracy can here be distilled into this point: if democracy is the 'rule of the people' (*dêmos kratos*), member control is democratic to the extent that members take part in decision-making procedures, take on rotating delegated roles, and feel empowered. In times of practical necessity (when quick decisions are needed and the organisation's short-term viability is at risk if they cannot be produced) representatives may need to use their own judgement and act as *trustees*, but under normal circumstances the use of *delegates* is preferable. This is part of the more general point that co-operatives, to the extent that they have open membership (and thereby ownership) and democratic member control, exist without the capitalist idea of private property and its ensuing division of labour.



### **4.3 Regarding Profit**

Profit in capitalism is the financial surplus made from commercial activity after expenses incurred by it have been deducted (Oxford English Dictionary 2010a). Profit is time-bound and usually calculated annually or in even shorter periods, but sometimes also in periods of up to five or ten years, but rarely more (see Hill 2005: ch12).

Member Economic Participation, the third ICA principle, states that 'Members allocate surpluses for any or all of the following purposes: developing their co-operative [...]; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership' (ICA 2007). Just like the first and second principles, this can be interpreted in different ways. The Co-operative Group (the world's largest consumer co-operative including The Co-operative supermarkets), for example, realises this principle through giving all members a cash share of the company's surplus bi-annually, the dividend portion sizes being determined by the amount of money spent in the supermarkets during that period by the member in question (The Co-operative Group 2010a). While this 'benefit[s] members in proportion to their transactions with the co-operative', it does not challenge the idea of capitalist profit – it merely distributes the profit between co-op members.

Though most co-operatives are for profit in this way, many co-operatives choose to organise as *not-for-profit*. One example of such a co-operative is the vegan café Mono which states in its Articles of Association that any profits made shall either be reinvested into the co-op itself or donated to other not-for-profit co-operatives, charities or socially beneficial causes (Café Mono Ltd 2009: §62).

Looking to Radical Routes again, we find yet another interpretation of the third principle. Radical Routes does not have a specific policy on profit – instead it deals with the issue in a different way: by having a policy that states that two thirds of its member co-ops must have a policy limiting the permitted absolute income of all co-op members to maximum twice the amount they would receive on governmental income support benefits each year (Radical Routes 2008: §6.1,

2009a, 2010a; author interview 15<sup>th</sup> August 2010). Thus, even if such a co-operative's dividend is shared out among members, none of its members will earn a wage that could be described as high in relation to the national average. This is a roundabout way of ensuring member co-ops are not profit-driven – the reason a more direct policy has not been written being that not all member co-ops distinguish between wages and surplus, often operating on a 'from each according to ability, to each according to need'-basis in a traditional Marxist spirit, rather than having stipulated monthly wages (author interview 16<sup>th</sup> August 2010; Marx 2010 [1875]).

By different means, then, not-for-profit co-operatives challenge the capitalist notion of profit, whether through a straightforward non-profit policy or through a more complex solution. Capitalist theory typically assumes that profit is the incentive behind any commercial enterprise, without which people would not be driven to 'serv[e] customer needs', become efficient, innovate and progress (Hill 2005: 48). The prolificacy and success of not-for-profit organisations worldwide (see Steinberg and Weisbrod 2008), of which non-profit co-operatives are only one form, indicate that this assumption is not correct for large portions of humanity.

As we saw in chapter three, for-profit companies are prone to be driven to disregard human rights issues in their pursuit of profit. By treating profit as the main justification for and driver of any commercial enterprise, capitalist theory cannot logically result in practices that seriously regard either long-term (e.g. 50+ years) or collective consequences. Some for-profit companies do engage in corporate social responsibility (CSR) schemes that consider wider or more long-term consequences of their activities. However, many academics agree that CSR schemes are motivated either by a company's need to improve their public image and possibly divert attention from its otherwise harmful practices – or by motives *other than profit* (e.g. moral sentiment) (Kolstad 2007: 143; Van Tulder and van der Zwart 2006: 134; Schaefer 2008). Being not-for-profit is thus, following the argument laid out here, a *necessary* part of ensuring co-op members are *not* motivated (only or mainly) by short-term individual interest.

In the absence of the guiding principle of profit, other principles will have to take its place. This is an area where ICA's principles fail to provide satisfactory guidance. Only principle 7 is relevant, stating that co-operatives shall have a 'Concern for community' – a more specific meaning of which is not given. This could feasibly be interpreted as calling for outcomes that increase the cohesion, feeling of belonging and fellowship, life opportunities or otherwise wellbeing of people within a specific geographic area in which the co-operative is based, or of a marginalised group (see Oxford English Dictionary 2010b). Whilst this might be *part of* promoting a world consistent with the argument in chapter two, it does not provide sufficient guidance for how co-ops can trade in a morally good way.

Many not-for-profit co-operatives write their own policies on what principles, in addition to ICA's seventh principle, should guide them instead of profit. A set of principles can be summarised from existing not-for-profit co-operatives' policies that encompass the most important learning points from chapters two and three of this project. This set of principles would most notably include: providing high quality and useful services/products at affordable prices; being both economically and environmentally sustainable and offering mutual gain for all stakeholders (see Radical Routes 2009b; Café Kino (trading name of Café Mono) 2010; Kebele Community Co-operative 2010; author interviews 13<sup>th</sup> and 14<sup>th</sup> August 2010).

Exactly how these guiding principles should be interpreted or specified depends on the nature and activities of any specific not-for-profit co-operative, and the full argument of this research project should provide some clarity and direction for their interpretation.

#### **4.4 Regarding (Intra-Market) Competition**

In free market capitalism, privately owned firms seek to gain profit by competing against each other. Capitalist theorists generally hold that monopoly (i.e. the existence of only one firm providing a specific good or service to many different customers) is an undesirable thing: as firms compete against each other for

customers they lower prices, increase efficiency, increase product quality, and are in other ways forced to give customers a better deal (Stigler 2008).

In my analysis of capitalism in this project I make a distinction between competition between firms in *different* markets, and between firms in *the same* (or very similar) markets. My analysis of capitalism is firstly that it heavily promotes competition in general, and secondly that it heavily promotes *intra*-market competition, i.e. competition *within* markets. Since capitalism contains no element of co-operation between firms and since the sole aim of each firm is to make a profit for its owner(s), firms are driven to offer products or services equivalent to those that already exist, but at a cheaper price or with more persuasive branding and advertising (Bowles *et al* 2005: 257, Stigler 2010).

The word 'market' simply denotes the extent of demand for a product or service on offer (*Ibid.*). Thus, distinguishing between different markets can be very difficult: for example, is a vegetarian restaurant competing in the same market as a nearby steakhouse? The answer to this question will vary depending on the context. Though it is difficult to define a specific market in generalised theoretical discussion, firms and market researchers do confidently distinguish between different markets in practice, often using stipulative definitions (see Hill 2005: 584-587; Gupta 2008). My distinction between inter- and intra-market competition is therefore not nonsensical.

As long as citizens' consumption is not planned by the government as in state socialism (see Ericson 2008), competition *between* markets is inevitable: for every product or service offered there are other, perhaps greatly different, products or services a customer might choose instead: for example, instead of buying a car the customer might choose to buy a bicycle (Stigler 2010). Not-for-profit co-operatives can therefore not avoid competing in this way – but they *can* avoid competing with firms in the same or similar markets. When asked about this in an interview, one co-operative activist stated that 'part of setting up a co-op [is] looking around at other services and seeing what is required. [...] [Y]ou wouldn't set up something that competed with an existing co-op' (author

interview 15<sup>th</sup> August 2010). Before a not-for-profit co-operative is set up to serve a need, members would survey and contact other similar co-operatives and discuss whether a new co-op could be introduced without damaging existing ones.

In capitalist theory such a lack of rivalry would be disastrous: what is to incentivise a market's lone firm to achieve efficiency and serve customers well (Stigler 2008)? One of the most oft-cited terms in capitalist economic theory is the 'invisible hand', coined by Adam Smith in 1776, referring to the idea that individuals acting in their own self-interest will, if left undisturbed by state regulation, render social consequences that are 'harmonious in mutually promoting the interests of all members of society' (Blaug 2008; see also Smith 2002 [1776]: Book IV, Chapter II). In other words, free market capitalism is built on the idea that a rivalry of all against all will bring about a good outcome for everyone: producers are driven to become better at what they do, and consumers get a better deal. This means that capitalism not only promotes intra-market competition specifically, but also competition as a value in general. This is true for capitalism's economic theory but also for its wider cultural and political world-view, often referred to as (neo)liberalism (Harvey 2005: ch1; Duchrow 2005: 34; Lazzarato 2009).

In a previous research project I discussed the proposition that competition benefits everybody at greater length, finding persuasive power in the standard criticism from the political Left that (neo)liberalism fails to deal with the fact that individuals and firms rarely are equal competitors (Gradin 2008; see also Bowles *et al* 2005: 151, 394). Accumulation of profit means that individual actors who do well can achieve economics of scale, brand strength and advertising advantages, and can accumulate yet more profit by investing their saved surplus in other, separate, profitable ventures (*Ibid.*). On a cultural level, individuals are widely differently equipped through social hierarchies and class (Olin Wright 2008: 32). Postmodern critics in the vein of Michel Foucault, critical theorists and postmodern feminists would argue that the elevation of competition as a principle to guide social and economic interaction is in fact a tool of oppression

and distribution of wealth from the poor to the rich (see Lazzarato 2009; Cox 1996; Salih 2002: 38; Young 2003: 113). These arguments are here represented merely in a summarised form since the objective of this research project not is to point out the flaws of existing systems, but to offer a credible alternative instead.

The capitalist logic of the necessity of competition does not fully apply to not-for-profit co-operatives. Since they are not motivated by profit, there are other driving forces: most notably (and simply) the will to provide the service(s) or good(s) they were set up to provide (Co-operatives UK 2009: ch2). Many co-operatives additionally explicitly commit to offering customers affordable prices and good service in their Aims and/or Mission Statements (see e.g. Footprint 2010; Café Kino 2010; The Accountancy Co-operative 2010). Not making unfounded assumptions about human nature, it is difficult to prove that humans need competition to be able to engage in useful productive activities (see Steinberg and Weisbrod 2008).

Additionally, what remains true as I have already argued, is that not-for-profit co-operatives inevitably will compete against each other *across* markets. Competition thus *does* play a role in incentivising co-op members to work hard, but it should be noted that this fact is seen by non-capitalist co-operatives as an unfortunate fact of life rather than (as in capitalism) an inspiration and positive driving force. This reluctant attitude is evidenced in ICA's sixth principle – '*Co-operation among co-operatives*' – which attempts to replace competition with co-operation wherever possible.

This principle, like the others, can be interpreted in different ways. The Co-operative Group (of supermarkets, banking, etc) realises 'co-operation among co-operatives' through being a member of the national trade body Co-operatives UK which 'campaigns for co-operation and works to promote, develop and unite co-operative enterprises' and which is not a non-capitalist organisation (Co-operatives UK 2010; The Co-operative Group 2010b).

Radical Routes and its member co-operatives interpret the sixth principle more narrowly. Many Radical Routes co-ops are also members of Co-operatives UK, but have policies that demand even thicker co-operation with other Radical Routes members. Radical Routes can be described to fulfil ICA's sixth principle in three main ways, laid out in Figure 4.5.

**Figure 4.5: Activities Undertaken by Radical Routes to Fulfil ICA's Sixth Principle**



(Source: Compiled from information in Radical Routes 2009b; author's original research)

Radical Routes' quarterly gatherings are dedicated to meetings, workshops, discussions and social events that allow member co-operatives to discuss their own and each other's strengths, weaknesses, challenges, needs and resources (Radical Routes 2010b). Co-op representatives share experiences through discussing and giving advice, but also through sharing informational materials and bureaucratic documents such as policies or accounts (*Ibid.*; author's original research). Gatherings allow members to meet face-to-face, but the sharing of skills and information continues via the internet or telephone in between them when members need help with specific questions. Gatherings also prompt member co-operatives to request and share in-kind resources such as vehicles,

equipment and labour power. In-kind requests can also be made via the internet or telephone in between gatherings (*Ibid.*).

Through its investment arm Rootstock (set up as a separate organisation for legal reasons), Radical Routes allows member co-operatives to access loans at favourable interest rates (currently 0%, 1.5% or 3%, depending on the interest investors request) and flexible repayment schedules (Rootstock 2010a). Anyone who is interested and who agrees with Rootstock's and Radical Routes' policies can invest their savings in it – technically this is done by buying shares in Rootstock, but in practice this transition is not much different to an investor from opening a savings account with a bank and transferring money there, or transferring it back when needed, as long as notice is given (Rootstock 2010b; author interview 15<sup>th</sup> August 2010). Rootstock lends money to Radical Routes member co-ops only, and decisions about whether and how much to lend is made by Radical Routes through network-wide consensus (Rootstock 2009). Investors can be both individuals and co-operatives, and it should be noted that Radical Routes has a policy stating that 'We encourage/expect members of member co-ops to invest some of their capital (if they have any) in Radical Routes or its member co-ops' (Radical Routes 2008: §7.1).

Effectively, then, this is a system of surplus-sharing: if a member co-operative or any otherwise interested individual makes a surplus beyond their individual/firm needs (a reference point for which is indicated in policy §6.1 discussed above), it is shared with other Radical Routes co-operatives.

A possible problem for co-operatives, applicable also to investment organisations such as Rootstock, is pointed out by Darryl Reed: co-operatives 'tend to be under-capitalized because members have little incentive to invest (because their shares do not appreciate [...])' (Reed 2009: 25). Put simply: long-term collective gains such as social equality, reduced global poverty and environmental sustainability may not always be attractive incentives for rich people to invest. Radical Routes has had access to over £770,000 since it started lending in 1991 (Rootstock 2010c), which for a small voluntary organisation is



significant. However, the success of schemes providing not-for-profit co-operatives with money depends on the ability of investors to accept the argument of long-term self-interest as laid out in chapter two of this project. This is an unavoidable – and probably greatly significant – practical difficulty, though it is an exogenous problem to the theoretical argument presented in this project.

#### **4.5 Conclusion**

Co-operatives can take many forms, but three main organisational features can allow them to exist without capitalism: using delegated and rotating roles of responsibility (with the frequency of rotation and amount of room for personal discretion varying but being as high and low as possible respectively). Being not-for-profit and being motivated instead by the desire to provide a high quality service or good at an affordable price. And finally, co-operating with other co-ops through resource-sharing networks.

It is difficult to deny that co-operative firms generally appear slightly less efficient and able to offer slightly more expensive products than mainstream capitalist firms, since such efficiency and cheapness usually is achieved by the latter through exploiting their workers and putting profit over staff wellbeing (Reed and McMurtry 2009: 1). In other words, non-capitalist co-operatives are burdened by ‘those pesky’ *moral standards*, and their success as a business form depends on customers’ willingness to accept that challenge.

On the upside, non-capitalist co-operatives offer an appealing and practically viable model for how ethically good trading can be done. In the next chapter we will see how co-ops can relate to each other across core/non-core divides in order to counteract the global division of labour.

## **Chapter 5: Alternative Model Part 2: Rethinking the Value Chain and Inter-Firm Relationships**

In chapter three I argued that there are three main ways in which world trade is harmful to the poor on a structural level: it generates human rights abuses, it is regulated by unfair rules, and it creates an exploitative global division of labour. Free market capitalism was singled out as a structural element that plays a large part in justifying, informing and causing these harmful mechanisms. Chapter four argued that firms *can* organise in a non-capitalist way by taking a specific co-operative form. Inter-firm co-operative networks such as Radical Routes and Rootstock can allow co-ops to work together rather than compete, but in this chapter I pay extra attention to the division of labour among those co-operating firms. As dependency theorists, Ankie Hoogvelt and GVC analysts have pointed out, there are global patterns in the division of labour that leave poorer areas on the 'low road' to development (i.e. doing lower value-added tasks), while richer areas take the 'high road' (Giuliani *et al* 2005: 550). This division of labour means that co-operatives need to be intelligent about the ways in which they interact with each other – particularly across the core-periphery divide. The model started in chapter four can therefore not be complete without special attention being paid to this issue, which is what this chapter is dedicated to.

### **5.1 Existing Proposed Theoretical Solutions to the Problem of the Global Division of Labour**

Discussions about the exploitative global division of labour – and particularly discussions about how to do away with it – do not currently hold a mainstream or dominant place either in academia or in wider society. Relevant theories are therefore less than abundant, but I will here briefly discuss three existing types of proposal that suggest how we might break the global division of labour. These types correspond to the three main perspectives discussed in section 3.3: the dependency school, GVC analysis and the argument offered by Ankie Hoogvelt.

*The Dependency School* has widely been criticised for lacking in persuasive power when it comes to policy suggestions (Leys 1996: 53, 63; Chang 2010: lecture at University of Bristol)<sup>2</sup> (above). One of the key policies suggested by dependency scholars, as well as other development theorists in the mid to late 20<sup>th</sup> century, was *Import Substituting Industrialisation* (ISI). The idea was that peripheral *states* should embark on enormous investment to build industrial capacity domestically, enabling products to be made at home rather than be imported (O'Toole 2007: 427). Though theoretically interesting, in practice ISI went down in history as a failure since it relied too heavily on the agency of inefficient (and often corrupt) developmental states, and incurred peripheral countries with astronomical debt from initial investment loans (*Ibid.* p. 432, Silva: 2007: 75).

For their part, *GVC analysts* do not offer any specific policy proposals (that are relevant to this project at least). Instead, GVC analysis points the general direction for how such policies could be designed. One key idea offered in this area is the notion of *GVC upgrade*: how can firms further down in the value chain climb higher up? (See e.g. Humphrey 2004; Giuliani *et al* 2005; Gereffi 1999). The literature offers two points of learning here: firstly that there are different meanings of what value chain upgrade is; and secondly that the amount of *hierarchy* within a value chain has a large impact on the upgrading possibilities of firms lower down in the chain.

GVC analysis has developed a typology for different ways in which a firm can move upwards in a value chain ('upgrade'): *process* (i.e. becoming more efficient and improving production processes to give more yield); *product* (i.e. moving into production of more sophisticated or expensive products); *functional* (i.e. starting to carry out higher value-added tasks that were previously carried out by firms higher up the value chain) (Humphrey and Schmitz 2002: 1020). According to Humphrey and Schmitz, the most empowering and revenue-generating form of upgrade is the latter (2000: 20).

The possibilities available to a firm lower down in the chain of upgrade in one of these forms, is, according to GVC analysts, determined largely by the amount of *hierarchy* in a value chain's governance structure (Giuliani et al 2005: 550). Drawing on GVC theory and several case studies, Humphrey and Schmitz argue that a more hierarchical value chain offers less scope for lower-end firms to upgrade in a progressive way (2000: 18-28). Hierarchical value chains are dominated by a 'lead firm', i.e. a firm that has the most capital, the best brand position, or is otherwise the most strongly placed in a market to sell highly value-added products (Gibbon *et al* 2008: 319). The lead firm typically initiates a value chain and designs, co-ordinates and oversees the interactions between the various firms within it by making decisions about what product shall be produced, to what specification, using what materials, to what cost, etc (*Ibid.*). Hierarchically organised value chains may allow lower-end firms to engage in small-scale and slow *product* and *process* upgrading, but not usually the more lucrative *functional* upgrading (Humphrey and Schmitz 2000).

On the other hand, types of chain governance that are more equal provide greater scope for long-term functional upgrading as firms are more willing to help each other and share knowledge (*Ibid.* p. 1, 25-27). Such chains are described by the authors as either 'network'-style (in which firms co-operate through for example joint marketing, technological compatibility agreements, etc), or market-style (in which firms merely buy and sell to each other without affecting each other's activities or products) (*Ibid.*; Richardson 1972: 884).

Ankie Hoogvelt ends her 2001 book with suggestions for how to overcome the problems of globalisation. For Hoogvelt capitalism's dominance must be fought, partly by large and politically agreeable NGOs such as Oxfam and Greenpeace, but more importantly by local radical grassroots groups, protesting against corporate wrongdoing and setting up their own local alternatives to the capitalist lifestyle (2001: 267). Hoogvelt considers the use of local community exchange systems (forms of non-capitalist currency) as a way to refuse to participate fully in the capitalist system (p. 264). She also stresses the importance of environmental sustainability: when discussing world trade she

makes a strong case for an overall *reduction* in the global movement of goods as a way to reduce global CO2 emissions (p.265). (This is an interesting and persuasive point, though outside of the remit of this research project). Despite having discussed the global division of labour at length earlier in the book, Hoogvelt unfortunately does not further address the ways in which trading practices in particular, could improve.

## **5.2 The Role of Importing Value-Added Products**

Drawing from successful aspects of the existing proposed solutions discussed here, we can piece together a generalised model for undoing the exploitative global division of labour on a structural level.

First of all, learning from the debate about dependency theory, this project is written from the perspective of core countries (more specifically the United Kingdom) and focuses on what people in *the core* need to do to counteract exploitation.

As we can learn both from criticisms of dependency theory and from Ankie Hoogvelt, radical and progressive change to world trading practices does not happen inside WTO meetings or government buildings, but rather in citizens' everyday lives (Hoogvelt 2001: 258-267). Political grassroots activists on the radical Left (particularly some anarchists) often speak of the concept 'd.i.y.' – Do It Yourself (Spencer 2008; Infoshop.org 2010). D.i.y. involves setting up grassroots alternative practices to complement protest and lobbying. If you are unhappy with existing mainstream structures, the d.i.y. argument goes, set up your own home-made alternative and watch it grow. The model presented here, thus, encourages citizens to set up not-for-profit co-operatives organised as described in chapter four, importing products from non-core areas of the world.

The Dependency School was path-breaking in the 1950s in demonstrating that global poverty and underdevelopment can be explained – at least partly and on a systematic level – by the exploitative global division of labour (O'Toole 2007: 423-437). As we have seen, GVC analysis has added to this knowledge that it is

*functional* upgrade (rather than mere increases in efficiency or a move into more luxury-orientated markets) that help firms in non-core areas achieve meaningful progress. This gives direction for what grassroots importers should aim for: making sure that non-core firms perform as many of the functions higher up in a value chain as possible.

Much can be learned from the Dependency School's Import Substituting Industrialisation model. The model suggested here is in some ways similar to ISI, but avoids its main problems by being fundamentally different in two ways. Rather than giving the developmental *state* the central responsibility for ensuring upgrade happens on a national scale, this model gives members of not-for-profit co-operatives the responsibility. Not-for-profit co-ops in non-core areas, supported and overseen by co-op networks as described in chapter four, facilitate their own gradual upgrade. Furthermore, the model presented here puts responsibility on firms and individuals in *core* parts of the world to lend money at favourable rates and repayment terms, as well as donate money to poorer producer areas, as we will see in the following section.

Finally, GVC analysis teaches us that non-hierarchical, network-style, relationships between firms are more conducive to lower-end firm upgrade than hierarchical relationships.

To summarise the positive proposal made in this section, the exploitative global division of labour can be counteracted by ensuring that as many tasks as possible – particularly the higher value-added ones – are carried out outside of the global core before they are imported. There may indeed be limits to the types of tasks non-core firms can feasibly carry out: for example it might be difficult for firms in, say, Central Africa or South East Asia to be tuned in to marketing trends in Britain. Here we have to remember, however, that marketing would play a much smaller role in a non-capitalist world than it currently does (see Albert 2003: ch13 for this type of argument – though Albert proposes replacing marketing altogether with centrally administrated databases of product information, which is a proposal that is too practically flawed to be accepted here). As is the case

today, firms would need to investigate the needs and desires of local customers, as well as inform them about products and educate them about the benefits of ethically good importing. As a general rule, however, any activities that could feasibly be placed in the non-core producer firm's own office, should be.

This does not mean that all products on Earth should be designed and manufactured in non-core areas: as Hoogvelt points out, the overall amount of world trade needs to be reduced and the production of many goods needs to be localised for environmental reasons (2001: 265, see also Kirkpatrick and Scrieciu 2008).

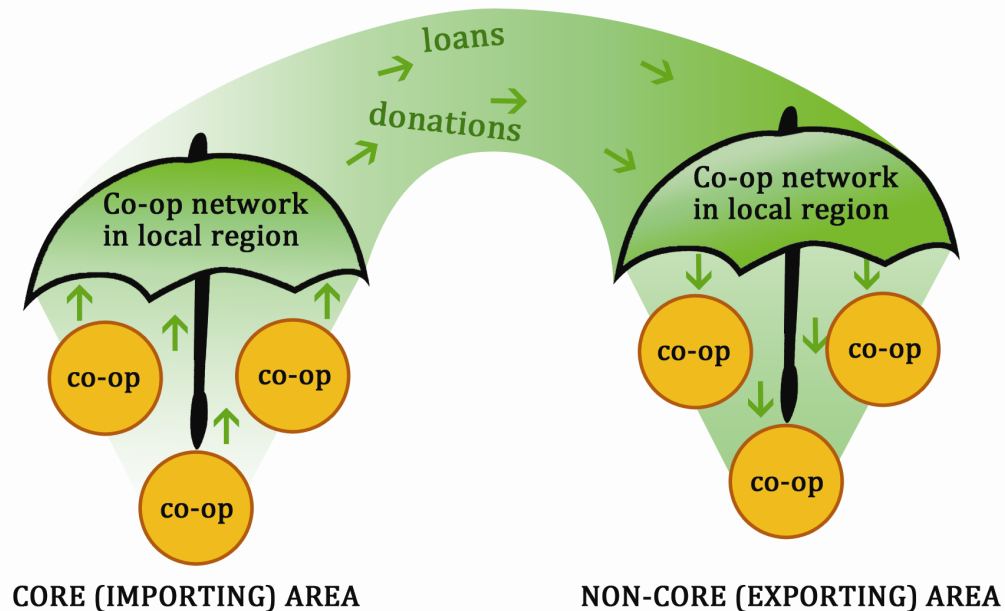
### **5.3 The Need for Inter-Co-op Investment**

As dependency theorists and other proponents of Import Substitution Industrialisation failed to take seriously enough, moving higher up the value chain requires *financial investment* (Silva 2007: 75; Humphrey and Schmitz 2000: 18). In this section I will discuss two models for how such investment could flow from core areas of the world to non-core areas: firstly a model based on a theoretical international replication of *Radical Routes/Rootstock* (chosen as an example because it is Britain's only large resource- and knowledge-sharing network for not-for-profit co-operatives); and secondly the model used by the British investment co-operative *Shared Interest* (chosen here because it is the only<sup>3</sup> investment organisation in the United Kingdom that invests only in firms in the global South that trade ethically (more specifically, WFTO certified Fairtrade producers)).

Let us start by imagining how Radical Routes/Rootstock's organisational model would work if scaled up to an international level. If Radical Routes functions as an umbrella network for co-operatives in the UK, sharing knowledge as well as in-kind and financial resources, this structure could in theory be replicated in peripheral, semi-peripheral and what Hoogvelt calls 'irrelevant poor' areas of the world.

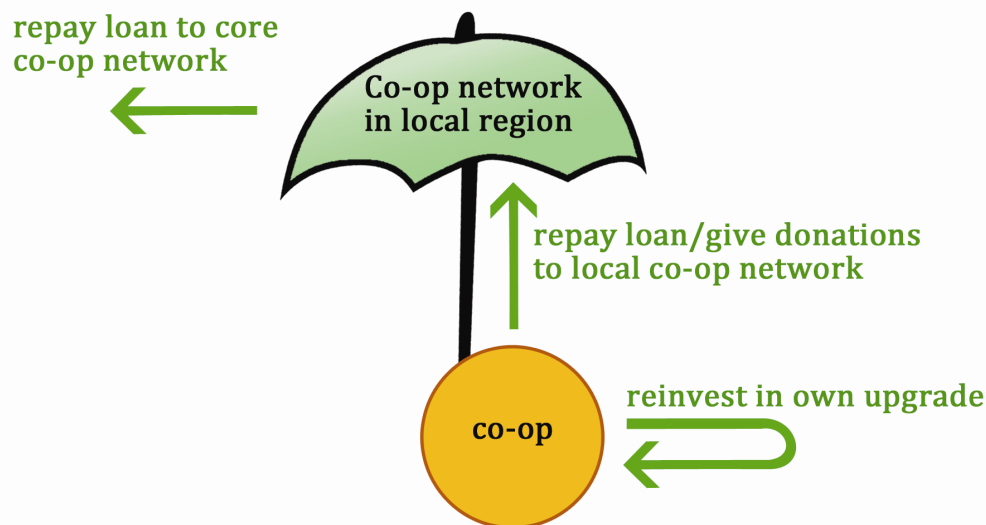
The usefulness of organising through an investment network such as Radical Routes rather than lending individually from firm to firm, is twofold: firstly, having a gathered pot of money means lenders can lend, and borrowers apply for loans, at a time that suits them – there is not a need to match up the timing exactly (author interview 15<sup>th</sup> August 2010). Secondly, routing loans via a network of many other co-operatives means that any loan application is scrutinised by hundreds of co-op members with relevant business experience, rather than by one individual lender, reducing the risk of loans ending up in incapable hands (Rootstock 2010c). Taking these arguments into account, internationalising Radical Routes/Rootstock would logically take the form visualised in Figure 5.1. How non-core producer co-operatives would spend their surplus is further detailed in Figure 5.2.

**Figure 5.1: Initial Investment Flows in Radical Routes/Rootstock Model**  
(green indicates financial flows)





**Figure 5.2: Destinations for Surplus Made by Non-Core Co-ops in Radical Routes/Rootstock Model**



Radical Routes or an equivalent organisation would gather funds from co-operative members and invest them into an equivalent co-op network in a non-core area. This latter network would be as controlled by its member co-ops as Radical Routes is, and would collectively decide which of its own member co-ops to lend the money to. This money would be spent on machinery, training, communication networks, and other things needed for a firm's gradual *functional* upgrade, as well as *process* and (if relevant) *product* upgrades. Once the upgraded firm starts making a surplus, it can reinvest some of the surplus into further upgrade for itself, and also start to repay its upgrade loan, thereby allowing the original investment to be re-invested into another firm.

A potential query on this proposal might be how lenders and donors in core-area co-operative networks can communicate and reach consensus with people in co-operatives on the other side of the globe. As is the case *within* Radical Routes and Rootstock, policies are written in the first instance through a consensus-based process, but as a last resort through qualified majority voting (see chapter four above). Delegated representatives are used extensively within Radical Routes and would have a central role to play in meetings between co-op networks. Looking at Radical Routes' current practices, it is expected and feasible that such

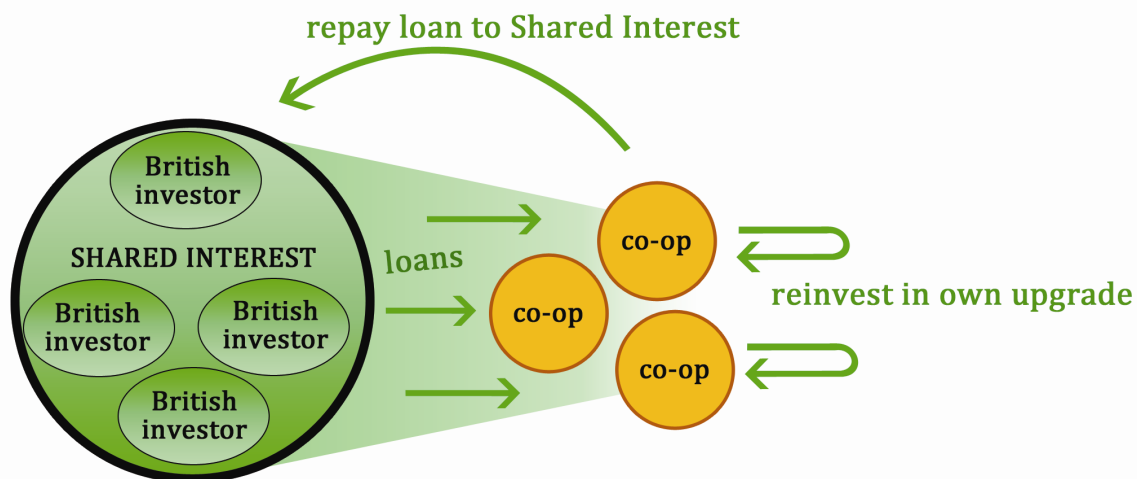
meetings would take place every month or quarter, and thanks to existing communication technology, it is realistic to imagine large groups of delegates meeting via online voice- or video-conference services (see Arkesteijn *et al* 2004 for an empirical study showing the feasibility of such virtual meetings). Two interviewees stated that face-to-face meetings between delegated representatives are necessary at least once per year for personal and practical reasons, but that voice call meetings are an acceptable way of conducting more frequent discussions (author interviews 14<sup>th</sup> August 2010). Language problems would be a factor, but not to any greater extent than is the case in all other trade across countries (see Poncini 2003: 17-18 for a concise summary of the debate around multi-lingual international business meetings).

Having considered an internationalisation of Radical Routes/Rootstock, let us now look at an alternative model – one that is fully functional in practice (rather than being a theoretical expansion) and conforms to a larger extent to prevalent norms in the business world regarding organisational make-up. Shared Interest is an investment co-operative based in the UK with regional offices in Costa Rica, Kenya and Peru, which lends money from UK lenders to Fairtrade certified producer firms in the global South (Shared Interest 2009a). Most of the money lent by Shared Interest is lent in a way that is not directly relevant to this research project (e.g. as loans for reconstruction after natural disasters), but around 35% (ca £1,524,000) of its funds are lent as Producer Loans, intended to promote some form of value chain upgrade (*Ibid.* p. 6; Shared Interest 2010a). It should be noted that Shared Interest does *not* use the term ‘upgrade’ and does not mention or associate itself with any explicit theories relating to the global division of labour in any of its reports, reviews or other promotional materials available from its website.

In brief, Shared Interest receives investment from a range of private investors in the UK who agree to lend their money at 0% interest (*Ibid.* p. 2). Producer firms in the global South can apply for loans if they are officially WFTO/IFAT or FLO *Fairtrade certified* (see FLO 2010 for further information on such certification). Shared Interest’s experts, most of whom are based in a UK office, then determine

whether each applicant is fit to be granted a Producer Loan on financial grounds (Shared Interest 2009b). Producer Loans last between one and five years and are intended for ‘the purchase of infrastructure such as machinery, buildings or vehicles’ (Shared Interest 2010a). Loan sizes and repayment schedules are flexible (*Ibid.*). The Shared Interest model is visualised in Figure 5.3.

**Figure 5.3: Investment Flows and Destinations of Surplus in Shared Interest Model**



(Source: Compiled from information in Shared Interest 2009a,b,c)

Shared Interest is governed in a way similar to Mondragon’s democratic structure outlined in chapter four above. All members of the co-operative are represented in the general council, consisting mostly of individuals selected by the administrators at random, and partly by individuals who have applied for the role (Shared Interest 2009b: 9). The role of the council is to scrutinise the work of the board of directors – but not to elect it, as elections to the board are held by universal postal vote (Shared Interest 2009c: 3). It should be noted that conditions for membership in the co-op include *holding a UK bank account* (which usually requires having a postal address in the UK) and investing a minimum of £100 into Shared Interest (Shared Interest 2010b).

There are two main striking differences between these two models: firstly the number of individuals involved in decision-making. The Radical Routes/Rootstock model involves a high rotation of officers and roles of

responsibility, with administrative roles rotating each year (Rootstock 2010d). All major decisions are taken at quarterly general meetings by *delegated* representatives, whilst Shared Interest has permanent administrative positions and a small council (around 10 individuals) and board of directors (around 6 individuals) who serve for a year as *trustee representatives* (see chapter four). As we have seen, this renders the Radical Routes/Rootstock model more *egalitarian* and the Shared Interest model more *efficient*.

Secondly, the main decision-making weight lies in different places in the two models: in the Radical Routes/Rootstock model it is up to non-core co-operatives themselves – by criteria agreed with the investing core-area co-operative network – to decide which co-operatives should be granted finance. In the Shared Interest model, it is the UK bank account-holding *donor-members* who decide (through the actions of their administrative staff and trustee representatives). As Ankie Hoogvelt argues, global Northerners deciding how Southerners should spend their money can have wider anti-egalitarian consequences and may, even if unintentionally, reproduce colonial power relationships (2001: 191-196). The privileged role of British donors in Shared Interest's decision-making appears to be built on the unfounded assumption that Northern donors are intrinsically better disposed to knowing whether and under what circumstances Southern firms should be given access to funds. This is not only difficult to reconcile with the egalitarian values argued for in chapter two, but also risks giving decision-making power to those who are the least informed and experienced (but who happen to live in the UK and have £100 to spare).

#### **5.4 Further Possible Objections to Importing Value-Added Products**

We have now seen that British firms can counteract the exploitative global division of labour by importing products that are as 'finished' (highly value-added) as possible. This idea is not uncontroversial or unproblematic – some objections and queries have already been discussed.

One further objection that needs to be dealt with, is that the initial investment needed in poorer countries might far surpass that which co-operative networks

in richer countries can provide: apart from machinery and training, co-ops in the global South might need large-scale infrastructure such as better road and rail networks, electricity supply, internet connections, a high standard and accessible education system, etc, to be able to *start* upgrading (O'Toole 2007: 427).

Well-known economists such as Ha-Joon Chang and Robert Hunter Wade show that the historical development of such infrastructure in the global *North* was orchestrated by the state, not by the private sector (Chang 2003; Wade 2003). Whether this means that the state should be at the centre of building infrastructure in the global South today is an ongoing and contentious debate – a debate dominated by the binary view that either the state, or *for-profit* corporations, should be given main responsibility, (see e.g. Calitz and Fourie 2010) of which the latter view is incompatible with the moral-political argument made in this project.

The corner of not-for-profit co-operative networks in this debate is poorly defended, and with the relatively modest turnovers of organisations like Rootstock (less than £1m ever (Rootstock 2010c)) and Shared Interest (around £25m annually (Shared Interest 2009c)) in comparison to the costs of large-scale infrastructure (hundreds of millions or billions), it is difficult to deny the need for state involvement at least at an initial stage. One of the weaknesses of ISI was that it relied *too* heavily on the state, prescribing that firms be nationalised and the state have more or less absolute market control, which was a task that corrupt and ineffective Southern states could not handle (Silva 2007: 76; O'Toole 2007: 433). However, that ISI *over-emphasised* the role of the state does not mean that it should have *no* role: indeed, any actor other than the state seems unable to provide for such needs at this point in history (for-profit corporations because they are morally-politically undesirable and not-for-profit co-operatives because they are too financially insignificant).

Another objection is more radical: should non-core areas really industrialise and adopt jobs (and thereby perhaps also lifestyles) similar to ours in the UK? Is it not a form of cultural imperialism to attempt to shape the global South in our

British image? (See e.g. Escobar 1995: ch2; Darby 1997 and other postcolonial and post-development theorists for this type of argument). Whilst this objection is important to bear in mind, it is not applicable to the argument presented in this project. Whereas some capitalist and modernist conceptions of development could be described as attempting to homogenise, or 'Macdonaldise' (see Ritzer 2004) all areas of the world, the model proposed here is a flexible one, based on participation, localisation and collaboration. If firms are not in pursuit of profit they do not have the incentive to treat humans like robots on a production line: democratic decision-making ensures that workers have input into what the nature of their own work should be. Furthermore, the idea of not-for-profit co-operation is not mainly a European idea, but an idea largely popularised in South East Asian social movements, as well as in Russian anarchist theory (Omvedt 1994; Kropotkin 2009 [1902]).

## **5.5 Conclusion**

This chapter has drawn from existing theoretical proposals for how to counteract the exploitative global division of labour – from ISI to grassroots activism to GVC analysis findings on upgrade, and more – to synthesise a model for how British importers should relate to non-core area exporters. As a general rule, British firms should import as highly value-added (in other words, as 'finished') products as possible, with the ideal being that non-core firms lead the value chain and export goods that are ready to sell.

Though a fairly straightforward rule of thumb, this leads to complex questions about how non-core area producers are to suddenly upgrade and provide higher value-added goods. Here we looked to Radical Routes/Rootstock's co-operative network model to see how such a form of organisation would work on an international level. Surplus made by co-operatives in Britain would be partly donated and partly lent to local co-operative networks in the non-core, and distributed among its members for functional (and, where necessary, process or product) upgrade. This model was compared to that practiced by Shared Interest to put the potentially fanciful ideas of not-for-profit co-op networks into perspective. Though a lack of financial resources and time might render the

Shared Interest model an acceptable compromise *temporarily*, the Radical Routes/Rootstock model holds up as a realistic ideal.

## Chapter 6: Conclusion

Improving global trading arrangements is recognised by many theorists, NGOs and IGOs to be a key part of poverty reduction (see e.g. UN Millennium Project 2005: ch 14). This research project set out to piece together a model for how British firms can import products from the world's poor areas in a way that is mutually beneficial and egalitarian rather than harmful. This does not mean that this project has now solved the problem of world poverty: world poverty has *far* wider reaching causes than exploitative importing, and even so, this project has discussed trade only on a *structural* level.

What 'improved' trade arrangement means varies greatly depending on what values and conditions you are ultimately striving towards. The United Nations, for example, explicitly champions free competition and equality of *opportunity* (implicitly: not of *outcome*) and accordingly understands improved trade as liberalised trade (*Ibid.*). But this research project has set out different basic moral-political values. In chapter two, I argued that since we benefit from co-operation, it is in our long-term self-interest to ensure that all our interactions with others are done in a way that satisfies everybody's basic needs and that is egalitarian. In other words, that humans share certain basic physical and mental functions, and that co-operation tends to lead to the best outcome for everyone involved, means that equality and mutual wellbeing are extremely attractive values to prioritise and strive towards.

Having established the values our importing should be guided by, we then looked at what is wrong with current world trading practices. Here two main *structural* problematics were discerned: firstly, free market capitalism, and secondly – which results from the former – the exploitative global division of labour. Free market capitalism promotes hierarchy (most crudely between the bourgeoisie and labourers) and exploitation (value extraction from the latter by the former). This unequal relationship is reflected on a global level across value chains.



Drawing from theory and real-life examples, I have laid out a comprehensive model for how firms would be structured (chapter four) and how they would interact across the North/South divide (chapter five) in a world where equality and mutual gain were the guiding principles. The discussion has focused mostly on elucidating what firms can *ideally* do to avoid the current structural problematics, and *to what extent compromise is acceptable*.

The co-operative is a business form, which, if structured in the right way, can function without any of capitalism's distinctive features and instead act for mutual gain. Unlike capitalist firms, co-operatives can be owned by all main stakeholders and be run democratically; they can be driven by longer term global gains rather than short term personal financial gains; and they can co-operate with other co-ops to share resources and assist each other.

As for how co-operatives can counteract the global division of labour between rich and poor areas of the world, a key tool is to upgrade the (functional) capacity of lower-end firms. As a British consumer or importer this could mean buying finished products from poorer areas rather than buying raw materials, components or labour only to carry out the more highly value-added processes ourselves. Placing more highly value-added tasks in poorer areas requires investment, which could most democratically be done through a Radical Routes-style resource-sharing structure where co-ops in the importing country club together to donate and lend money to co-op umbrella organisations in poorer (exporting) areas. One of the beauties of non-capitalist co-operatives is that the money that would in a capitalist business be siphoned off by shareholders as personal profit and spent on luxury apartments and golfing holidays, can instead be used to reinvest in businesses to promote upgrade.

This project attempts to address what Nancy Fraser has called the 'postsocialist' condition's lack of comprehensive progressive vision (1997: 1). As the slogan of the World Social Forum says: 'another world is possible', and the suggestions

made in this project are intended to be part of that world. Of course many theorists, politicians and members of the public would scoff at the 'possibility' of a system built on equality and mutual gain. Such a world requires extreme changes in attitudes and priorities of consumers and workers. The question is, if the profit-motive does not ultimately satisfy our needs, are we prepared to work as hard for more long-term but less instantly gratifying outcomes? Are we prepared to reduce our overall *quantity* of consumption to afford higher *quality* in an ethical sense (i.e. consumption not subsidised by exploitation)? Indeed, humanity's ability to coexist without exploiting and oppressing each other seems to hinge on its ability to think longer-term. In aid of that, the argument for mutual gain and equality presented in this project is compelling, and on closer inspection, Realist arguments about the inevitability of mistrust and deceit turn out to rely on masculine and patriarchal assumptions.

This project can of course not magically make humanity morally 'good', but it does provide a starting point for how we can think about moral-political motivation and for how we can import products from poorer areas into Europe in a way that furthers out long-term mutual gain.

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