

Chapter 1: Introduction

The Fair Trade Zone, an industrial sewing cooperative, is the world's first worker-owned free trade zone.

The Fair Trade Zone began as a sustainable economic development project in early 1999. A group of Nicaraguan women, who had lost their homes in Hurricane Mitch just a few months earlier, started a project to set up their own business: an industrial sewing cooperative. Working in conjunction with the non-governmental organization (NGO) Jubilee House Community, Inc.

and its project the Center for Development in Central America (JHC-CDCA), the group began to organize as a cooperative. In February of 2001,

Cooperativa Maquiladora Mujeres de Nueva Vida Internacional (COMAMNUVI) was

officially incorporated with the vision of one day becoming a free trade zone. After many years of working towards this goal, the members of COMAMNUVI formed

another business to administer the free trade zone, Zona Franca Masilí, S.A. with the commercial name "The Fair Trade Zone / Zona de Comercio Justo."

The name "**F**air Trade Zone" is a deliberate play on words to distinguish the business from conventional "**f**ree trade zones," commonly known as sweatshops. Conventional **f**ree trade zones are known for low wages and bad working conditions. The **F**air Trade Zone, in contrast, emphasizes fairer wages, good working conditions and worker-ownership of the business. In October of 2004, the Fair Trade Zone received certification as a free trade zone and after fulfilling the final requirements began operating as a free trade zone in July 2005.



the Fair Trade Zone worker-owners ship their first container

The implications of this development are broad: if a small group of poor women – victims of a hurricane – can become a free trade zone, then other groups can do the same. This innovation of a worker-owned free trade zone has the potential to turn the current model of globalization on its head because benefits that have previously been available only to large corporations suddenly become available to those who need them most: the world's poor.

We can use Nicaragua as an example of an underdeveloped country that attracts many free trade zones. In Nicaragua, as in so many poor countries, the economic situation and lack of employment are the first concerns of the population. Seventy-eight percent of the Nicaraguan people live on less than \$2 per day while 43% live on less than \$1 per day.¹ The official



Nicaraguan child hauling trash

unemployment rate in Nicaragua is 54% nation-wide.ⁱⁱ One in three Nicaraguan children suffers from some degree of chronic malnutrition.ⁱⁱⁱ There is a sense of desperation among much of the population in the country. “Right now in Nicaragua the cost of the basic food basket is over [\$298] per month, and what you earn is \$88 a month, maybe \$118 if you’re lucky,” says María Elena Medina, a member of the Fair Trade Zone.^{iv} Unless Nicaragua can come up with viable alternatives soon, the people of this country are doomed to live in extreme poverty, with conditions worsening by the day. Fortunately, there *are* feasible economic alternatives for the poor of countries like Nicaragua, one of which is the example offered by the Fair Trade Zone’s approach to sustainable economic development.

In Nicaragua, the government has been incapable of coming up with a workable plan to create quality employment – the current administration’s “alternative” is the low-paid, highly unstable jobs offered in the country’s free trade zones. Likewise, there are relatively few non-governmental organizations (NGOs) working specifically on sustainable economic development. They tend to work on smaller-scale housing, health care and micro-credit projects. There are many reasons NGOs don’t work on sustainable economic development projects: not only are such projects incredibly time-consuming (needing organizational staff on site full time for a period of years), but they are also costly, and it is not easy to convince

donors to give money to such projects. Unfortunately, unless the poor can find a sustainable way to support their families, health care and

micro-credit projects won’t be able to save them from the extreme poverty that is currently the reality for 78% of Nicaraguans.

Sustainable development is development set in an egalitarian social, political and economic context that uses no more resources than can be replenished. The role of sustainable economic development comes in to give the poor an opportunity to learn to successfully run their own business. Because the bottom line with the Fair Trade Zone has always been creating sustainable employment, we have not focused on helping one or two people create a business, but on supporting a whole group of people willing to work together. This group of people, in turn, has not focused solely on maintaining employment for themselves, but on expanding their business specifically so that they can create more employment for families in their community. These families with income then boost the local economy, which benefits the community as a whole. This is the result of successful sustainable economic development.

One of the most important aspects of the Fair Trade Zone project is that it is a worker-owned cooperative, in which workers have voice and vote on all matters. Because the project was designed to create sustainable employment for the poor, it was imperative that the business be a truly democratic enterprise. We argue that no business can be sustainable as long as its workers are exploited, and workers can always be exploited unless they have a voice in the workplace. We believe that the future of production does not reside on the benevolence of factory owners,

but on the workers themselves representing their own interests.^v The only way to guarantee that the workers' voice is heard is if the workers themselves are the owners of the business. Cooperatives offer members "a right and a means to influence corporate policy. They also have a binding set of values, based on integrity and an idea of social solidarity."^{vi}

Projects such as the Fair Trade Zone have the advantage of working in an export market, and so are not restricted to the capacity of the local market. In the Nicaraguan economy, for example, there is a very limited amount of capital circulating, and the Fair Trade Zone would not be able to compete with cheap goods flooding the market from other countries. The cooperative would have to lower salaries, compromise quality and lay off workers in order to undersell the competition. Happily, they are not forced into this situation because they have an export market. Their exports bring foreign capital into the country and, more importantly, directly into the pockets of the worker-owners in their cooperative.



worker-owners have voice & vote

How does one secure an export market? In the case of clothing, and in the case of many other products, making a quality organic and fair trade product provides a guaranteed market in many parts of the world, including Europe, the United States and Australia. Currently the fair trade markets world-wide are flooded with a small variety of goods: coffee, tea, chocolate and artisan crafts. It is our belief that the fair trade market is strong enough to support many more products,



fair trade organic coffee beans

and that the market is in fact clamoring for everyday items to be offered as fair trade. In marketing circles, the consumer group referred to as "creative consumers" are those people willing to spend more on a product because it is organically certified or fairly traded. These "creative consumers" currently represent 50 million consumers in the United States alone.^{vii} Worker-owned cooperatives in developing countries should take advantage of this market. They should also take advantage of those benefits available to free trade zones in order to make themselves more competitive in these markets. The goal of this document is to show how this can be achieved specifically to benefit those living in extreme poverty.

This document is intended to answer questions about the Fair Trade Zone – how this small cooperative was able to achieve free trade zone status, and why they chose to do so – as well as serving as a rough guide for other groups attempting to create sustainable employment for the poor around the world.

The Fair Trade Zone project has been carried out by the members of *Cooperativa Maquiladora Mujeres de Nueva Vida Internacional* (COMAMNUVI), in conjunction with the support of the non-profit corporation Jubilee House Community and its project the Center for Development in Central America (JHC-CDCA).

ⁱ Interview with Nicaraguan economist Adolfo Acevedo, 22 September 2005.

ⁱⁱ Human Development Index, 2004, United Nations Development Programme.

ⁱⁱⁱ UNICEF, At a Glance: Nicaragua (<http://www.unicef.org/infobycountry/nicaragua.html>)

^{iv} Interview with María Elena Medina Vallejos, 22 August 2005, Ciudad Sandino, Managua.

^v Quoting Richard Applebaum, author of Behind the Label in Baker, Linda. "Made in the U.S. of A?" *Salon.com*. February 11, 2004. <http://www.justiceclothing.com/thereis/justice/news.html>

^{vi} Hargreaves, Ian. "Remember the "divi"? It's back – cooperatives." *New Statesman*, March 19, 1999.

^{vii} Ray, Paul H. and Sherry Ruth Anderson. The Cultural Creatives: How 50 Million People are Changing the World. NY: Harmony Books, 2000.