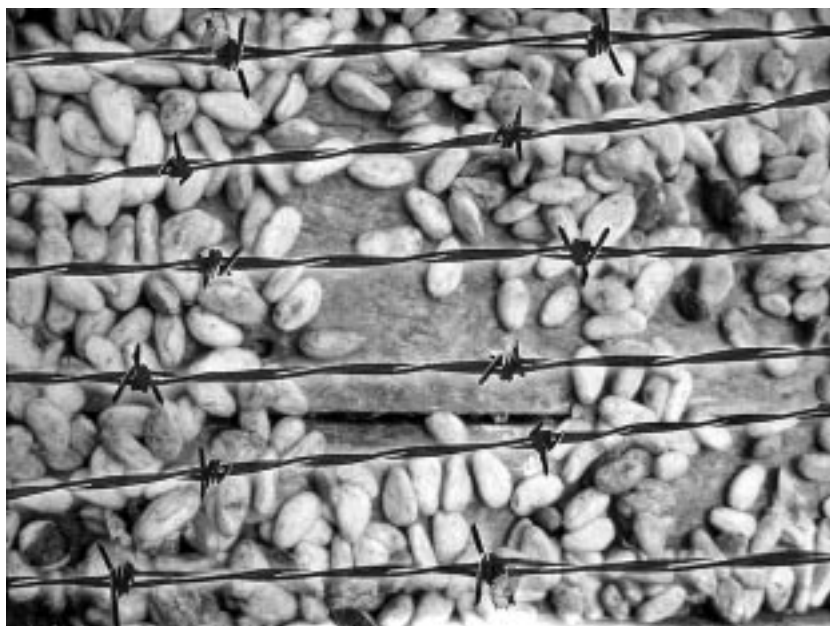


While Chocolate Lovers Smile, Child Cocoa Workers Cry

***Abusive Child Labor in the Cocoa Industry: How
Corporations and International Financial Institu-
tions Are Causing It, and How Fair Trade Can Solve It***

Authors: Deborah Toler, Ph. D., Melissa A. Schweisguth

Editor: Jason D. Mark



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Executive Summary

When most people bite into a piece of chocolate or enjoy a cup of hot cocoa, it is unlikely that they consider its origin. If they knew, it probably wouldn't seem as sweet, for they would taste the bitterness of poverty and child slavery that taint much of the world's cocoa.

In 2000, the U.S. State Department reported that in recent years approximately 15,000 children aged 9 to 12 have been sold into forced labor on cotton, coffee and cocoa plantations in the north of the Ivory Coast.¹ In June of 2001, the UN's International Labor Organization (ILO) reported that trafficking in children is widespread in West Africa.² Subsequent investigations have confirmed that exploitative child labor is a serious problem in the region.

These findings pose a serious problem for the cocoa and chocolate industry, since four West African nations are among the world's top 6 producers: the Ivory Coast, Ghana, Nigeria, and Cameroon.

Yet the major corporations that manufacture and market chocolate and cocoa products continue to deny any real responsibility for the problem. Worse, the chocolate companies are actually exacerbating the child labor crisis through actions in the commodity markets that keep prices low, and by failing to ensure that producers receive a fair share of profits from chocolate and cocoa sales. Through these actions, the chocolate companies keep cocoa farmers in poverty, the poverty at the root of the child labor problem. In the end, farmers get only about 5% of the profits from chocolate and cocoa sales, while companies get about 70%. At the same time, the companies are ignoring a proven, effective and immediate solution for the problem—Fair Trade Certified cocoa.

As this report demonstrates, the major chocolate corporations are complicit in the child labor scandal of West Africa.

The Child Labor Crisis

After initial reports of abusive child labor on cocoa farms surfaced, the chocolate industry commissioned a study, in which the International Institute of Tropical Agriculture (IITA) interviewed more than 4,500 West Africa cocoa producers. Several striking findings emerged. In all, almost one million children work on cocoa family farms. Adding in children on non-family farms, it is safe to estimate that well over one million children toil to bring us chocolate and cocoa. Over a quarter of a million children perform hazardous tasks such as using machetes and applying pesticides. An estimated 12,000 child laborers work on farms without any ties to their families—an indication of trafficking. None of these children were interviewed, resulting in a significant loss of key information. Most children stated that they came to work because factors out of their control—such as family poverty. Almost one-third of the child workers in the Ivory Coast reported that they were not free to leave, meaning that they are essentially in positions of forced labor. School attendance for child cocoa workers is only half that of nonworking children, and average annual revenues amount to \$30-\$108 per household member. Jim Gockowski, a supervising researcher from the IITA, linked these income levels directly to abusive labor: “Clearly poverty is the underlying cause for the child labor situation in West Africa.”³

The US chocolate and cocoa industry has presented a carefully crafted analysis of these findings to the public, highlighting the low prevalence of the worst labor abuses to cover up the massive scale of child labor. In minimizing the situation in this way, and by denying any responsibility for the factors that underlie it, the industry is maintaining the cycle of poverty and desperation that leads farmers to use abusive child labor practices.

To obtain its additional, independent data, the International Labor Rights Fund (ILRF) sent an investigator to the Ivory Coast in May of 2002 and March of 2003.⁴ The ILRF investigation returned a more severe analysis than the IITA study. Cocoa planters “readily acknowledged” the above facts, indicating common awareness of the use of child trafficking and forced labor in cocoa production. The ILRF also found that the child labor problem has not improved since the chocolate industry agreed to take steps to rectify the problem. The ILRF study concluded: “the problem of trafficked, or forced, labor is so endemic to the industry in the Ivory Coast that it is virtually certain that any given shipment contains product harvested under forced labor conditions.”

Connected through chocolate, American children and the children of cocoa farmers are essentially mystic twins living at opposite ends of corporate globalization.

As investigation after investigation has showed, child labor is a real problem in the cocoa fields of West Africa. The next questions must be: How are different actors—multinational corporations and international financial institutions—contributing to the poverty at the root of the crisis; and what is the most comprehensive and viable solution?

Anatomy of a Failure

The Chocolate Corporations’ Complicity

Transnational corporations have contributed to the child labor problems on cocoa farms in two main ways: 1) denying responsibility for producer poverty and thus failing to take actions to ensure stable and sufficient prices and; 2) engaging in trading practices that lead to low market prices and instability, such as speculation and stock manipulation.

Market Players

Though all of the major cocoa processors and chocolate companies have dirty hands with respect to the problems on cocoa farms, those that profit the most have special responsibility to take the lead in leveraging their influence and resources to reverse these crises. Two-thirds of America’s \$13 billion chocolate industry⁵ is controlled by just three companies: Hershey Foods, M&M/Mars, and Nestlé USA.⁶ Out of these three, M&M/Mars, officially Mars Masterfoods, is the largest grossing chocolate and candy company in the world and the third largest private company in the USA, with annual sales of more than \$20 billion.⁷ M&M’s are the world’s top-selling candy, with \$97.3 million in sales in 2001.⁸ Given

its market clout, Mars can be considered to have the highest responsibility and the most resources to pay farmers a decent wage. The company can certainly afford to share some of its profits with farmers.

Letting the Market Run Wild: Abstaining from the International Cocoa Agreements

The major chocolate corporations have had many opportunities to help stabilize the world market at sufficient prices, rendering their failure to do so even more egregious. The most obvious way that corporations could achieve price stabilization is to support the strengthening of the International Cocoa Organization (ICCO)—a multinational body seeking to stabilize market prices through International Cocoa Agreements (ICAs) and other joint efforts—and demand that the USA participate in these multilateral frameworks. [More on these mechanisms below.] The USA has never been a signatory to any of the ICAs.

If the US chocolate industry were really concerned about the impacts of low prices and market volatility on cocoa producers, it could have lobbied for US support for the ICAs, the retention of buffer stocks and other price stabilization mechanisms at several points in the ICCO’s history. The inaction on the part of US companies is a clear sign of their lack of concern for producers’ well being.

Trading Away Farmers’ Livelihoods

Many of America’s largest chocolate and cocoa companies have exacerbated producer poverty by engaging in trading activities that depress world cocoa prices, thereby slashing farmers’ incomes. Just 12 companies, including Archer Daniels Midland (ADM), Cargill, Mars, and Hershey’s, purchase more than 80 percent of the world’s cocoa harvest.⁹ These large buyers are financially strong enough to move the market in a direction that benefits them and have in fact done so, though they will deny having any such power. They repeatedly amass sizable cocoa stocks that are retained to push prices up, and then sold off to trigger a sudden decline. Large stock holdings can also be used to undermine efforts by the governments of cocoa-producing nations to balance supply with demand, thus stabilizing the market. Tellingly, when producer governments take actions to modulate supply in an attempt to influence the market, the market does not respond.

Mars is known as a particularly high-rolling and influential trader among chocolate companies. In fact, former Mars executives have said that the amount of

money the company earns trading cocoa futures is equal to what it brings in through its candy and pet food sales. One executive summed this up by saying: “Mars is very aggressive. They play the market to win, not like other companies. They are very sophisticated, very high-tech...[Mars founder Forrest Sr.] prided himself in his understanding of the markets and he made Mars tops when it came to working the numbers.”¹⁰ To make these inequities worse, even when corporate trading games drive cocoa prices up, farmers see little or no commensurate rise in revenues—although price drops do result in diminished producer revenues of course. Most of the profits of increased world prices wind up in the hands of traders, while local exporters and middlemen absorb any remaining profits that make it to the country of origin.

“Development” Projects with USAID

Corporations could also improve farmer incomes through the development projects they carry out with the United States Agency for International Development (USAID) and similar organizations. It is a stipulation of most USAID programs that American suppliers and consultants be used, effectively ensuring that much of the money allocated for development work actually ends up in the pockets of US corporations and consultants.

Most of the USAID’s cocoa sector programs focus on promoting environmental sustainability and quality improvement, with farmer incomes remaining a rather peripheral issue. These projects have not yet demonstrated any ability to raise producer revenues or prevent abusive child labor. If the chocolate corporations were genuinely concerned about producer incomes, they would have encouraged USAID to put more emphasis on programs to stabilize prices.

Resisting Reform

Despite all of the ways that major chocolate and cocoa processors manipulate cocoa production and the world market, the industry initially denied all responsibility for abusive child labor, stating that they do not own cocoa farms and can’t even track the source of their cocoa because beans from different farms are mixed together before exportation.¹¹

Such claims did not convince consumers or key critics. After the media made the existence of child slavery on Ivory Coast cocoa farms public, public interest groups demanded action. Senator Tom Harkin (D-Iowa) and Representative Eliot Engel (D-N.Y.) added a rider to an agricultural bill proposing a federal system to certify and

label chocolate products as “slave free.” Given the possibility of both consumer boycotts and punishing federal legislation, the industry grudgingly agreed to take action to solve the child labor problem. The industry drafted a “Protocol to eliminate the worst forms of child labor and forced labor in the growing and processing of cocoa beans and their derivative products.” The Protocol establishes the industry’s commitment to end abusive and forced child labor on cocoa farms by 2005 and outlines the basic steps the industry will take to achieve this goal. Its specific objectives include information exchange and action to enforce labor standards; developing systems for monitoring and public reporting; and establishing a foundation to carry out continued efforts.

On paper, this document seems to have the potential to achieve some measure of improvement. The industry formulated its plan with the input of several nongovernmental organizations focused on child labor, forced labor, and other relevant areas. However, the Protocol falls short in many ways. The International Labor Rights Fund (ILRF) has stated that “the initiative, as currently defined pursuant to the industry’s Protocol, Joint statement, and Memorandum of Cooperation, is inadequate alone to effectively address the complex problem of child labor in the cocoa sector. The industry led initiative has resulted in a privatized mechanism without binding and enforceable rights. Privatized self-regulation may serve well in various contexts, but when it comes to child labor, we must demand more.”¹² In addition, the Protocol does not ensure stable and sufficient prices for cocoa - and thus fails to tackle the root cause of abusive child labor - and the type of development work the industry is focusing on has already proven ineffective in improving farmer incomes and preventing abusive child labor. Such projects are essentially limited charity efforts, leaving farmers at the mercy of the market and dependent on the corporations that control the programs, offering no guarantee on proposed benefits. Beyond these points, the Protocol involves “voluntary standards,” meaning that even after it is full effect, companies don’t have to follow it.

The IMF, the World Bank, and the Cocoa Sector

The International Monetary Fund (IMF) and the World Bank have also contributed to the child labor crisis in West Africa.

By forcing countries to assume massive debt payments—the Ivory Coast, for example, is spending five times more on debt interest than on social services—the institutions have sucked resources away from critical government-run social programs. Compounding the impacts of debt payments, the institutions have forced debtor countries to agree to “Structural Adjustment Policies” (SAPs) that have undermined the ability of cocoa-producing nations to stabilize prices.

The Ivory Coast provides a particularly stark example of the ill effects of IMF and World Bank policies. After taking IMF loans, the Ivory Coast adopted a number of SAPs that devastated its cocoa sector: pressure to speed up trade liberalization, the abolition of government-run price stabilization systems, and deregulation of foreign control of domestic industries.

Before its involvement with the IMF and World Bank, the Ivory Coast operated a Stabilization Fund (CAISTAB, as it was called) that set export prices for the crop year and guaranteed producers a stable income. Until the 1980s, the system was a success, offering farmers stable and relatively high prices. The system began to flounder when the World Bank urged the government to liberalize the cocoa sector in the second half of the 1980s. World market prices were falling at the same time, making the situation especially precarious. The IMF and World Bank encouraged further trade liberalization throughout the 1990s. All stabilization systems and market interventions were completely removed by 1999. The cocoa sector has been in crisis ever since.

Virtually overnight, Ivorian farmers without the skills to determine the market price, and without any understanding of how the world market operates, were left to learn the rules of the game or face exploitation. While these sudden changes were taking place, world cocoa prices were again declining sharply, placing farmers in the worst situation possible. Farmer incomes diminished by one half, creating the dire poverty that underlies abusive child labor.¹³ Indeed, Ghana, which still has a marketing board, does not have the abusive child labor seen in the Ivory Coast.

It should be noted that stabilization funds and marketing boards can draw governments into debt if world prices sink below the government’s fixed price for significant periods of time. This is why international price stabilization mechanisms are so important. The International Cocoa Organization (ICCO), founded in 1972, sought to achieve market stability through “International Cocoa Agreements” (ICAs) that operate like state-run stabilization funds. The first ICA was passed in 1972 with signatories representing more than 90 percent of world production and 70 percent of world consumption. The United States, the world’s largest importing country, was not a signatory to this or to any subsequent agreements. The Ivory Coast refused to sign the second and third Agreements (1975 and 1983). The loss of these two major players would prove disastrous for the ICA. The first two Agreements were successful because market prices never went below the ICA floor price. However, by the time of the third Agreement, in 1980, world cocoa prices had tumbled significantly and the ICCO was faced with a surplus it could not afford to buy up. When traders realized that the third ICA would not be effective without the participation of Ivory Coast, prices retreated to \$0.79/lb by 1982.¹⁴

Instead of seeking to help the ICA rebuild, importing countries pushed exporting countries to follow IMF and World Bank trade liberalization measures. As a result, the 1993 ICA had no buffer stock provisions and the 2001 ICA does not even mention market stabilization as one of its goals. A 2000–2001 commodity survey by UNCTAD attributed the significant drops in commodity prices directly to trade liberalization and the loss of stabilization mechanisms.

Fair Trade: A Real Solution

Fair Trade Certification offers a proven solution to the child labor crisis because it guarantees farmers a stable living wage, prohibits abusive child labor and forced labor, and requires independent monitoring of farms each year. It also promotes environmentally sustainable farming, making it the most comprehensive model of positive economic development available. The Fair Trade cocoa system currently involves eight cooperatives in eight countries—Ghana, Cameroon, Bolivia, Costa Rica, Nicaragua, Dominican Republic, Ecuador and Belize—and represents 42,000 farmers and their families.

Fair Trade's Benefits

Fair Trade ensures that farmers can cover their costs over the long-term, promotes self-sufficiency, verifies compliance of labor and wage standards through yearly independent monitoring, permits tracking of cocoa directly to the farm of origin, ensures that 100 percent of funds earmarked for development work go to the communities that need them, and encourages ecologically sound farming. Fair Trade also offers the most effective means of controlling for the volatility of the cocoa market, because it is not weakened by the factors that led to the downfall of CAISTAB and the ICAs: uncontrolled drops in the world market, Structural Adjustment policies, and a lack of sufficient support from key producing and consuming countries.

The best testaments to Fair Trade come from cooperative members themselves. Lucy Manusah of the Kuapa Kookoo Cooperative in Ghana has said: "Before becoming a member of Kuapa in 1994 we were always in financial crisis and we always had our children at home. Now because of better and more timely payments, including the bonus from Kuapa, I can afford the fees to send my children to school."¹⁵ Kuapa Kokoo is the largest cocoa cooperative in the Fair Trade system and has achieved much through its Fair Trade sales. A major project involves drilling wells in each village where cooperative members live, which has provided clean water to communities that previously had no reliable source of potable water. The cooperative has established a farmers' credit union and is the joint owner of the Day Chocolate Company of England (along with the Body Shop and Twin Trading), an achievement that is unheard of for farmers. The cooperative sells only a very small percentage of its cocoa through the Fair Trade system because worldwide demand for Fair Trade remains small. Kuapa Kokoo's accomplishments, already impressive, could be even greater if demand for Fair Trade chocolate were to increase.¹⁶

Despite the fact that purchasing Fair Trade cocoa is a realistic and simple move, large companies lack the will to take this step. Fair Trade certified chocolate was introduced in the US in September 2002, with current licensees generally including a handful of smaller companies. Large companies have thus far refused to support this responsible purchasing option. They clearly have the financial resources to buy Fair Trade cocoa and



The independent third-party agency TransFair USA uses this logo to designate products as Fair Trade Certified in the USA.

are well positioned to do so because they typically source beans from a number of origins and blend these together, are well equipped to promote new products and concepts, can easily absorb any added costs, and would get a definite image boost among socially conscious consumers.

Fair Trade Certified coffee offers a good example of the potential for growth in Fair Trade chocolate and cocoa.¹⁷ Fair Trade Certified coffee officially came to the USA in 1999 through the launch of TransFair USA. More than 160 companies now offer Fair Trade Certified coffee (including Starbucks, Sara Lee,

and Procter and Gamble) and it is available at more than 10,000 retail locations and 150 college campuses.

So long as the major players in the US chocolate and cocoa industry refuse to use Fair Trade cocoa, little will change on cocoa farms.

Recommendations to Mars, Its Industry Partners, and the IMF and World Bank

Much work must be done to build the economic and social stability that will stop abusive child labor on cocoa farms. The US chocolate and cocoa industry has the responsibility and resources to lead the way. The IMF and World Bank also must take several steps to ensure that cocoa producers can live with dignity.

Recommendations to the Chocolate Corporations

Use Fair Trade Cocoa

The US chocolate and cocoa industry must immediately establish purchasing contracts with Fair Trade cooperatives, and establish direct long-term contracts offering the Fair Trade price to all the rest of their producers outside of the Fair Trade system. Companies should promote their Fair Trade products just as aggressively as they promote current products and concepts.

Support Cooperative Development

Companies should see the small but developing Fair Trade cocoa system as an opportunity to facilitate increased enrollment of producers into Fair Trade. Cooperative formation is a sure step towards success for farmers with limited resources and is already a focus of many agencies affiliated with the World Cocoa Foundation, an industry-affiliated research and development group.

Support the Strengthening of the ICA and the Participation of the USA

Bringing the ICA back to its original form, with support from the USA, will do much to repair and prevent the economic damage that has been wrought upon producers and cocoa producing countries. Given that the USA is the world's largest cocoa consumer, the chocolate companies that control the US market should lead the way in bringing the USA into the ICA, and in empowering the ICA to achieve market stabilization at sufficient prices.

Advocate for Debt Cancellation and the Reversal of Structural Adjustment Policies Detrimental to the Cocoa Sector

To close the circle on poverty and exploitation, companies should advocate for the cancellation of massive debts held to the IMF and World Bank by poor nations in Africa, Latin America, and Asia. Corporations should also publicly urge the IMF and World Bank to reverse their Structural Adjustment Policies detrimental to cocoa producers (see below). Unless debt cancellation and an end to SAPs occur, Fair Trade will struggle to reach its full potential.

Recommendations for the IMF and World Bank

Support Crop Diversification and Production of Food for Domestic Consumption

The use of high-yield hybrids and monoculture has caused a variety of problems such as lack of biodiversity, loss of food security, crop overproduction inducing declines in world market prices, and sudden economic devastation as a result of crop destruction by diseases or pests. Crop diversification ensures proper ecological balance, provides food for home consumption and sale in local markets, naturally controls for oversupply,

reduces the likelihood that failure of any single crop will lead farmers to ruin, and engenders natural methods of pest and disease control.

Permit the Reinstatement of State-Run Marketing Boards and Stabilization Funds

In addition to offering producers critical protection from the world market, stabilization mechanisms provide much needed revenues to governments of cocoa producing countries. Countries like the USA provide significant subsidies to corporate agribusiness (but not family farmers), while denying poor governments in the global South the right to support small-scale farmers. Cocoa producing countries must be guaranteed a level playing field and the right to self-determination.

Lower Interest Rates and Permit Easier Access to Affordable Credit

Farmers have few resources to spare and cannot predict their income from year to year. This makes saving money extremely difficult or impossible, forcing farmers to face difficult choices like using child labor to avoid selling or losing their farms. Access to affordable credit is critical to ensuring that farmers can get through the harvest season without resorting to exploitative labor practices.

Reinstate Social Spending

Structural Adjustment-mandated cuts in social spending have left producers in need of more money to cover basic expenses like education and health care, at the same time that their incomes are plummeting. Governments must be given the right to allocate state funds in ways that promote the basic livelihoods of their citizens. Producers must have access to affordable essential services and public education if they are to be expected to send their children to school and pay their workers sufficiently.

Conclusion

It is clear that cocoa farmers are in the midst of a serious social and economic crisis, and that the US chocolate and cocoa industry has the responsibility and resources to support real long-term solutions such as Fair Trade. The US chocolate and cocoa industry's operations, and its approach to ending child slavery, largely perpetuate the very processes that have exacerbated the poverty that lies at its root. In order to bring about the conditions needed to end abusive child labor, the industry must replace its modus operandi with alternative models that center on poverty eradication, independent monitoring,

producer self-sufficiency, access to education and basic services, and the rebuilding of struggling national economies in cocoa producing regions.

Fair Trade has already proven its power to solve the cocoa industry's child labor crisis. IMF and World Bank lending policies have proven to do little except increase the economic and social crises they propose to alleviate. Demands for debt cancellation are mounting across the world, coming from a diversity of well-respected nongovernmental organizations, national governments, and concerned individuals from all walks of life. One cannot help but wonder why chocolate and cocoa companies are stalling to accept these realities and cross over to the side of economic and social justice. So long as the industry remains recalcitrant, it will allow its products to remain tainted with the exploitation that leaves a bitter taste in any chocolate lover's mouth, and that will eventually lose out to the sweet taste of social justice found in Fair Trade.

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Introduction: Dimensions of the Problem

When most people bite into a piece of chocolate or enjoy a cup of hot cocoa, it is unlikely that they consider its origin. If they knew, it probably wouldn't seem as sweet, for they would taste the bitterness of poverty and abusive child labor (including child slavery) that taint much of the world's cocoa.

In 2000, the U.S. State Department reported that in recent years approximately 15,000 children aged 9 to 12 have been sold into forced labor on cotton, coffee and cocoa plantations in the north of the Ivory Coast.¹ In June of 2001, the UN's International Labor Organization (ILO) reported that trafficking in children is widespread in West Africa.² That same year, TrueVision Productions released a video featuring rescued child slaves who detailed their horrific working and living conditions,³ and the Knight Ridder news service broke the story to U.S. citizens with a multiple-article series. Subsequent investigations, to be discussed below, confirmed that exploitative child labor is a serious problem in the region.

These findings pose a significant problem for the cocoa and chocolate industry, since four West African nations are among the world's top 6 producers: Ivory Coast, Ghana, Nigeria, and Cameroon.

Labor Required in Cocoa Production

Cocoa production is quite labor intensive and involves several tasks that are dangerous and difficult for adults, and backbreaking for children. Trees grow to about 25 feet and feature pods containing 40 to 50 cocoa beans, 350 of which are needed to make one pound of chocolate. Workers use machetes to cut the pods off the trees and slice them open, then scoop out the beans and place them in piles covered with banana leaves or burlap to ferment for 7 to 10 days. Fermented beans are dried in the sun or in dryers and then bagged for sale and shipment.⁴

Cocoa is cultivated on both small-scale farms and plantations, though the overwhelming majority of farms are small-scale. Plantations represent only about 10 percent of cocoa farms worldwide.⁵ Farms are typically family-owned, less than 5 hectares (2 acres) in size, and feature a variety of food crops and trees that are used for home consumption and income in local markets. Family members provide the majority of labor, though extra workers may be hired during peak harvest times. Plantations are much larger establishments that typically focus on a single cash crop. Plantations hire some workers year round, the majority of whom work only in the peak harvest periods. Both farms and plantations have been found to use child labor, though the most abusive examples are seen on plantations.

Labor Categories

In defining abusive child labor, this report uses the same ILO definitions and categories that have been employed in investigative studies of child labor on cocoa farms. According to the 1989 United Nations Convention on the Rights of the Child and ILO Convention 182 on the Worst Forms of Child Labor, a "child" is an individual under the age of 18 years. The ILO defines work in terms of "economic activity." Economic activity covers all paid work and certain types of unpaid work, including production of goods for one's own use. It may occur in either the informal or formal sector. These standards do not define children engaged in domestic chores within their own household as economically active. As an example, a child under age 18 working on his uncle's cocoa farm, whether he receives wages or not, is economically active. That same child collecting firewood for his mother is not economically active.⁶

By ILO standards, not all work performed by children is equivalent to "child labor" targeted for abolition. In an attempt to draw a statistical line between acceptable forms of work by children and child labor that needs to be eliminated, the ILO has drawn up a series of age/work activity categories. The summary of their definition is as follows:

“Child labor ... consists of all children under 15 years of age who are economically active **excluding** (i) those who are under five years of age and (ii) those between **12–14 years old** who spend **less than 14 hours a week** on their jobs unless their activities or occupations are hazardous by nature or circumstance. **Added** to this are **15–17 year old children in the worst forms of child labor**. [All emphases are ILO emphases]⁷

Essentially, “child labor” is a narrower concept than “economically active,” excluding all those children 12 years and older who are working only a few weeks a year in permitted light work and those 15 years and above whose work is not classified as “hazardous.”

The ILO and UNICEF are most concerned in the short term with abolishing the “unconditional worst forms of child labor,” which include trafficking in children, children in hazardous situations or conditions, children in forced and bonded labor, children in armed conflict, prostitution, pornography and in other illicit activities. Significant proportions of children working on cocoa farms - including family farms - work with machetes and other sharp instruments, are often involved in chemical pesticide and herbicide use, and experience other hazardous conditions. In the worst cases, these children (a) have been trafficked either from elsewhere within the Ivory Coast or from neighboring countries; (b) are bonded labor- forced to work for a farmer and are either not paid or are paid far below what they should receive; (c) are subjected to beatings, imprisonment, starvation and other forms of ill treatment.

Child slavery is among the worst forms of child labor. The overwhelming majority of children working on cocoa farms are child laborers who are not slaves, but who are of concern because they are working under hazardous and exploitative conditions. Those children who may be properly referred to as slaves are a subset of this larger category and meet the following criteria. First, they have been snared in Africa’s growing trafficking of children. Here we use the United Nation’s General Assembly 1994 definition of human traffic as “the illegal and clandestine movement of persons across national and international borders... With the end goal of forcing women and children into... Economically exploitative situations for profit.”⁸ A 2000 US State Department Human Rights Report on the Ivory Coast cited a high incidence of child trafficking in West Africa and estimated that about 15,000 children had been sold into forced or bonded labor in the Ivory Coast, mostly young boys between the ages of twelve and sixteen.⁹ Such trafficking for cocoa farm labor particularly centers on

the Ivory Coast, Mali, Burkina Faso, and Liberia. A significant percentage of child laborers on Ivory Coast cocoa farms also come from poorer regions within the Ivory Coast, primarily from the North or from urban areas where AIDS orphans and street children are especially vulnerable and have few other wage earning options.

Second, these children are engaged in forced labor as defined in Article 2 (1) of the ILO Forced Labor Convention 29 (1930):

“The term forced or compulsory labor shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.”¹⁰

Forced labor differs from other forms of child labor through the presence of one or more of these elements: (i) a restriction on the freedom to move; (ii) a degree of control over the child going beyond the normal exertion of lawful authority; (iii) physical or mental violence; and (iv) absence of informed consent.

Bonded labor is a form of forced labor in which the element of coercion flows from a debt incurred by the worker. The Supplementary Convention on the Abolition of Slavery, the Slave Trade, the Institutions and Practices Similar to Slavery, adopted in 1956, defines debt bondage as follows a) “Debt bondage ... is the status or condition arising from a pledge by a debtor for his personal services or those of a person under his control as security for a debt, if the value of those services, as reasonably assessed, is not applied towards the liquidation of the debt or the length and nature of those services are not respectively limited and defined.”¹¹ In sum, child slavery as used here involves the trafficking of children who are placed in forced or bonded labor.

Incidence of Abusive Child Labor in West Africa

General incidences

About one out of three working children lives in Africa, even though the continent contains only 10 percent of the world’s population. Labor force participation rates for children aged five to 14 average 40 percent and in some countries exceeds 50 percent. Virtually all rural and most urban African children work in their households or in family-run farms or businesses. Many urban children are also active in Africa’s informal sector - as hawkers and vendors, in small repair or craft businesses, in local food markets and so on. They are all, by ILO standards, economically active. The widespread



Child slaves on an Ivory Coast Cocoa Farm
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prevalence of child labor in Africa is one reason why it took outsiders as long as it did to recognize child slavery on cocoa farms.¹²

Several conditions account for this high incidence of child labor: continent-wide poverty, cultural views approving of child labor, and, particularly in recent years, deteriorating opportunities to attend school. Sub-Saharan Africa's poverty rate of 47 percent is higher than any other part of the world. Most rural African societies also see child labor as part of a socialization process that gradually introduces children to work activities and teaches survival skills. This takes the form of working with family members on household chores (girls), family farms and businesses, and going to work with fathers who are migrant laborers on cocoa farms.¹³ Although such child labor may be the norm, one must ask whether it is being done at will or out of necessity, and how intensive the work is. There is a clear line between helping around the farm or house after school and being needed to work all day instead of going to school. Likewise, there is a clear line between assisting with basic tasks and engaging in dangerous or arduous work. The labor on cocoa farms all too often crosses these lines, taking children out of school and placing them in dangerous work.

Abusive Child Labor on Cocoa Farms

After initial reports of abusive child labor on cocoa farms surfaced, the industry agreed to contract a study to clarify the extent of the situation. The International Institute of Tropical Agriculture (IITA) carried out this study with technical support from the ILO and focused on Cameroon, Ghana, the Ivory Coast, and Nigeria. The IITA released the findings in August of 2002 in a report entitled "Child Labor in the Cocoa Sector of West Africa," which is the source of all data cited here.¹⁴ Investigators administered "producers/workers surveys"

to 1,500 producers in the Ivory Coast, and administered "baseline producer surveys" to 1,000 producers in Ghana, 1,003 producers in Cameroon, and 1,083 producers in Nigeria. Both kinds of surveys were structured questionnaires addressing farm characteristics, production methods, labor practices, the nature of work, social aspects, and marketing. The producers/workers survey involved additional questions on child labor practices and more details about working conditions in general. Survey data were converted to percentages and combined with relevant census data to extrapolate numerical estimates for the larger cocoa sector. To supplement the numerical data with descriptive information, researchers also administered more extensive "community surveys" to 144 producers, workers (adults and children), and community leaders from 16 villages in the Ivory Coast.

The report verified the presence of abusive child labor with severe poverty at the root. A summary of key findings includes:

Total child labor: In the Ivory Coast, more than 625,000 children work on cocoa farms in some capacity. Similar statistics regarding child workers in the cocoa industry was not provided for other countries. However, figures for employment of children in the family are as follows: 604,500 in the Ivory Coast; 147,700 for Cameroon; 80,200 for Ghana; and 19,400 for Nigeria. Child labor rates were proportionally higher for larger farms, indicating that the greater a farm owner's labor needs are, the more likely they are to use child labor. These results indicate strikingly high child labor rates on cocoa farms. In all, almost one million children are working on cocoa farms owned by their families. Considering the unreported data for all children working on all types of cocoa farms (family and non-family owned) in countries besides the Ivory Coast, it is safe to estimate that well over one million children toil to bring Americans the chocolate and cocoa we love so much.

Dangerous work: More than 284,000 children under the age of 17 perform hazardous tasks such as using machetes and applying pesticides without sufficient protection. The highest incidences of dangerous child labor occur in the Ivory Coast. This figure compounds the concern raised by above data, indicating that at least one quarter of all children working on cocoa farms are not only sacrificing their childhoods and the chance to get an education, but are placed in danger as well.

Salaried child workers and children without family ties: According to the IITA, these two groups are among the most at risk for abusive labor and dangerous work, so their prevalence is a good benchmark for assessing labor conditions. About 1 percent of Nigerian farmers, less than 1 percent of Ivorian farmers and 0 percent of Ghanaian and Cameroonian farmers indicated they employed children as salaried (permanent full time) workers. Overall, these farmers employ about 6,440 children as salaried workers, versus 673,400 adults. About 1.8 percent of all Ivory Coast cocoa farmers employ children without any family ties to the farm. This involves an estimated 12,000 children, of which 57 percent are from the Ivory Coast and 19 percent are from another country. Given these figures, it is clear that thousands of children stand at risk of the worst forms of child labor. In the case of children without family ties, this is a warning a sign that they could have been trafficked in to be sold into abusive labor conditions. Unfortunately, none of the children were interviewed, resulting in a significant loss of key information.

Trafficking and means of gaining employment: Although village leaders seemed to indicate that child trafficking has decreased in recent years, the IITA found that child workers in the Ivory Coast originate entirely outside the cocoa-producing zone. The majority of child cocoa workers in the Ivory Coast (59 percent, or an estimated 3,021) are from Burkina Faso, while the rest come from other regions of the Ivory Coast. The majority of child cocoa workers in Nigeria come from the southeast of the country. An intermediary was involved in the recruitment process for about 41 percent of child workers in the Ivory Coast. Approximately 29 percent of the all child workers indicated they personally knew the cocoa farmer for whom they were working and had sought employment on their own initiative. Given this, it is clear that the majority of children did not choose their present situations, but came into them through factors out of their control. About 94 percent of salaried child workers in the Ivory Coast indicated they knew the intermediary personally; all indicated they had been told in advance they were going to work on coca farms. None of the children reported that their parents had been paid and none reported being forced to leave their home abode against their will. Children's most frequent reason for agreeing to leave with the intermediary was the promise of a better life. These findings indicate that children come to work on cocoa farms out of necessity, seeing it as their best and perhaps only option to break the cycle of poverty in their families and communities.

Freedom of movement: Twenty-nine percent of the child workers surveyed in the Ivory Coast reported that they were not free to leave their place of employment should they wish to do so. These children, almost one-third of all salaried workers, are essentially in positions of forced child labor. Eighteen percent indicated they would need the permission of either their parents or the intermediary who brought them to the farm, while 11 percent indicated that a lack of money for personal transportation kept them from leaving. These findings confirm that significant numbers of child cocoa workers are stuck with no alternative, no way out. They are literally slaves to their present circumstances.

Satisfaction in employment: When asked to indicate their levels of satisfaction with their current situation, 43 percent of those recruited by an intermediary indicated they were satisfied; 43 percent were somewhat satisfied; 6 percent indicated they were not satisfied; and 14 percent did not respond. The reason for lack of satisfaction was most often that the work was too difficult. In sum, over half of the children interviewed reported that their current situation was more than they bargained for and less than they'd hoped for, particularly because they are being required to engage in tasks beyond their abilities.

Access to education: Only 34 percent of children working on Ivory Coast cocoa farms were attending school, while 64 percent of those not working attended school. Essentially, educational opportunity for child cocoa workers is only half that of nonworking children. Child workers in the Ivory Coast without family ties were less likely to be enrolled in school than working children from the family, with respective attendance rates of 45 percent and 57 percent. This information was not gathered for the other countries. Even without this missing data, it is clear that work on cocoa farms leads to reduced educational opportunities, especially among the most desperate children, those who have left their families and communities to work for farmers with no relation to their families.

Income: Average annual revenues amount to \$829 in the Ivory Coast, \$852 in Cameroon, \$282 in Ghana, and \$1,037 in Nigeria. This results in a per household member income of about \$108 in the Ivory Coast, \$73 in Cameroon, \$30 in Ghana, and \$102 in Nigeria. Cocoa revenues account for at least half of all household income in each country: 66 percent in the Ivory Coast, 50 percent in Cameroon, 55 percent in Ghana, and 68 percent in Nigeria. This means that, at best, each member of a cocoa-producing household in Ghana can expect to

live on \$55 per year while their counterparts in the Ivory Coast live on \$162. Jim Gockowski, a supervising researcher from the IITA, linked these income levels directly to abusive labor: “Clearly poverty is the underlying cause for the child labor situation in West Africa.”¹⁵

The Industry Response

Altogether, the IITA data indicate that child labor is indeed widespread on West African cocoa farms, and that much of this work involves aspects of abusive child labor—difficult and dangerous tasks, lack of opportunity for an education, inability to leave the farm.

The US chocolate and cocoa industry has presented a carefully crafted analysis of these findings to the public, describing the problem as small in scale, though complex. Given that the industry co-funded the study along with the United States Agency for International Development (USAID), the US Department of Labor (DOL), one cannot be surprised that the industry is spinning the results to try to exonerate itself. Mars’ written responses to concerned consumers’ letters offer an example of the industry’s take on the study and its responsibilities.¹⁶ Mars has often cited the one percent prevalence of salaried child labor as a sign that the child labor problem is not very widespread or severe. However, one percent is still too large a figure to accept given the grim realities that salaried child cocoa workers face. A single child in an abusive labor situation is too many. Furthermore, the situation of children working on family farms has essentially been glossed over by the industry’s emphasis on the worst forms of child labor, despite the fact that many children working on family farms—almost one million in number—are also facing conditions that fall outside of acceptable labor standards. Regarding the type of work children are engaged in, Mars has mentioned only “concerns about children performing potentially hazardous work.” Such vagaries avoid the fact that the sheer numbers of children involved in such tasks are in the hundreds of thousands. Mars has also failed to tell consumers how pitifully little farmers earn, or that the opportunity for a basic education is virtually cut in half when one works on a cocoa farm.

In minimizing the situation in these ways, and by denying any responsibility for the factors that underlie it, the industry is maintaining the cycle of poverty and desperation that leads farmers to use abusive child labor practices.

Methodological Concerns

The methods, though designed with the input of child labor and statistical experts, involved some key flaws that resulted in the failure to collect appropriately representative data. This has certainly resulted in a significant underestimation of the true level of child labor and child slavery. The International Labor Rights Fund (ILRF)¹⁷ is one of several organizations that have articulated specific concerns about the methodology. Such criticisms do not necessarily question the validity of the data that were collected, but raise the point that these data understate the severity of the actual problem. Some of the methodological issues identified by the ILRF were mentioned in the discussion above, namely the failure to interview child cocoa workers without family ties to the farm. In addition, in two of the four countries studied, surveys took place outside the peak harvest season, which is the time that child labor and abusive labor are known to be at their highest levels. The study also depended heavily on personal interviews that involved a very sensitive topic and were conducted with strangers in positions of authority. The abusive labor practices in question are looked down upon, and thus are not something one would feel comfortable admitting participation in, especially not to a person one does not know. One cannot help but wonder how large of an iceberg of abusive child labor lies under the tip exposed by the IITA study.

Independent Investigation by the International Labor Rights Fund

In order to resolve such methodological concerns and collect independent data, the International Labor Rights Fund (ILRF) sent an investigator to the Ivory Coast in May of 2002 and March of 2003.¹⁸ He interviewed federal and local government officials, industry regulators, port managers, export company officials, members of cocoa cooperatives and cocoa producer groups, individual cocoa producers and planters, human rights lawyers, and human rights activists. The investigator visited dozens of cocoa farms and plantations in the Sasandra-Soubre-Gagona region, which is the source of about 46 percent of the Ivory Coast’s cocoa. The major findings are summarized and interpreted below.

- Ivory Coast farms use child laborers brought in from Mali and Burkina Faso by intermediaries and labor brokers. Demand for labor far outstrips the resources of family farms in the peak harvest season, indicating significant potential for using child labor.
- Most children bought through labor brokers are not

allowed to leave the farm until the end of the season. This contrasts the lower figure of 29 percent cited by the IITA, indicating the situation is more severe than the IITA data would lead one to believe.

- Cocoa planters “readily acknowledged” the above facts, indicating common awareness of the use of child trafficking and forced labor in cocoa production. This is another contrast with the IITA study, which reported that village leaders viewed trafficking as low in prevalence.
- The child labor problem has not improved since the release of the industry Protocol, even though the government of the Ivory Coast has pledged to take action and some labor brokers have been arrested for their participation. None of the exporters or planters had been subject to any investigation of their practices.

The ILRF summarized its results as such: “The problem of trafficked, or forced, labor is so endemic to the industry in Ivory Coast that it is virtually certain that any given shipment contains product harvested under forced labor conditions.” The ILRF study returned a more severe analysis than what the industry presented, indicating that significant proportions of the Ivory Coast’s cocoa, and thus the products of America’s largest chocolate corporations and cocoa processors, remain tainted with abusive child labor and, in the worst cases, child slavery.

While the IITA and ILRF studies differ in their estimates of the severity of abusive child labor on cocoa farms, they both agree that abusive child labor is present, and that poverty is the root cause. Both also concur that abusive child labor takes many forms and is not easy to identify. Most media reports have painted the labor issue as mainly involving child slaves, drawing less concern towards less horrific, but still exploitative, forms of child labor. This has allowed the chocolate industry an easy way out because the industry’s Protocol seems a good solution to the labor problem as most consumers understand it. Given the complexity of the actual conditions on cocoa farms, it is imperative to retain a focus on the general problems of child labor and poverty, and demand a more comprehensive solution than the industry’s Protocol.

As investigation after investigation has showed, abusive child labor is a real problem in the cocoa fields of West Africa. The next question must be: How are different actors—multinational corporations and international financial institutions—contributing to the poverty at the root of the crisis?

The IMF, the World Bank, and the Cocoa Sector

Background and Basic Operations of the World Bank and International Monetary Fund

Founded in 1946, the International Monetary Fund (IMF) and the World Bank provide loans to developing countries in need of financial assistance. Although most countries in the world belong to both institutions, power rests in the hands of their biggest contributors, notably the USA, Europe and Japan. Those countries, the USA in particular, have the final say as to which countries will receive what kind of loans and under what conditions. This is important because merely observing that “the World Bank” or “the IMF” made a given decision obscures the fact that there have been conscious, deliberate fundamental policy shifts in both organizations since they were founded, and that countries like the USA have directed those shifts according to their interests at any given time. The IMF and the World Bank took on their present neoliberal mandates when Ronald Reagan came into office 1981 in the USA and Margaret Thatcher became Prime Minister of the United Kingdom. Both were devoted to free market fundamentalist economic principles and wanted developing countries’ markets forced open to foreign private investment and Western imports.

Effects on Africa

The most immediate effect of such policies was to eliminate the power of African governments to protect the interests of their citizens. While the term “failed African states” became cliché in academe, the truth was that African states were systematically dismantled. The role of the African state became that of facilitating foreign investment and trade, and maintaining a political climate conducive to foreign business. The longer-term effects have been devastating for Africa’s poor majorities.

During the global recession of the 1970s, demand for cocoa dried up and prices plummeted. The Ivorian government faced growing deficits and engaged in higher levels of borrowing than what could be covered by domestic savings. Unlike a number of more reluctant African governments, the Ivory Coast was an eager borrower in the European financial markets. By the early 1980s, it became increasingly clear that these levels of borrowing were unsustainable. Other African and Latin American countries that followed similar paths were suddenly locked out of international financial markets. Unable to finance their investment programs and unwilling or unable to institute adjustment measures to

cope with their circumstances, most African countries found themselves in the grip of stagflation—a stagnant economy combined with inflation, a debilitating mix.¹⁹ In 1989, the Ivory Coast was forced to turn to the IMF and the World Bank for financial assistance.

African countries currently spend large percentages of their export earnings on loan repayments. In truth, the principals on both IMF and World Bank loans have

actually been repaid many times. As such, these countries are now paying interest on old loans. The level of human suffering in these countries is enormous. A brief look at the table below illustrates how much more money African countries are spending to repay loans than they are spending on basic human services such as healthcare and education. The Ivory Coast, for example, is spending five times more on debt interest than on social services.

Table 1: Debt Payment in Relation to GNP and Social Spending²⁰

	<i>Benin</i>	<i>Burkina Faso</i>	<i>Cameroon</i>	<i>Ghana</i>	<i>Guinea</i>	<i>Ivory Coast</i>	<i>Liberia</i>	<i>Mali</i>
<i>Total Debt (US\$ millions)</i>	1,647	1,399	9,829	6,884	3,546	14,852	2,103	3,202
<i>GNP (US\$ millions)</i>	2,280	2,569	8,232	7,501	3,476	10,215	990	2,660
<i>Debt to Export (%)</i>	159	274	356	172	306	246	388 (in 1996)	322
<i>Health Spending, % of GNP</i>	2.0%	3.9%	1.0%	1.8%	1.2%	1.4%	1.0%	2.0%
<i>Education Spending, % of GNP</i>	3.2%	1.5%	2.9%	4.2%	1.9%	5.0%	1.7%	2.2%
<i>Debt Service, % of GNP</i>	2.7%	2.1%	6.5%	7.7%	4.6%	13.5%	0.1%	3.1%

Structural Adjustment Policies

Compounding the effects of debt, all countries receiving IMF and World Bank loans must also agree to “Structural Adjustment Policies” (SAPs) designed to reduce state expenditures and thus free up funds for debt repayment. These reforms fall into three categories:²¹

- 1. Deflationary measures—currency devaluation, increased export promotion**
- 2. Institutional changes—privatization, deregulation, government downsizing**
- 3. Expenditure—removal of subsidies, reduced spending on social services**

Examples of SAPs that impact the agricultural sector are given below, along with their negative effects.²²

Deflationary Measures

Increased interest rates

- Small farmers and workers have difficulty obtaining loans
- Small farmers sell their land or lose it

Increased export production

- Induces crop oversupplies that push down commodity prices
- Best lands prioritized for cash crops, poorer lands relegated to food crops
- Food security decreases
- Increased deforestation/clear-cutting and use of expensive and polluting agrochemicals

Currency devaluation

- Revenues suddenly become insufficient to meet production costs or cost of living

Institutional Changes

Privatization of industries and services

- Services fall under monopolies, often foreign ones
- Commodity stabilization mechanisms are replaced by systems that benefit private entities over producers

Deregulation of foreign ownership of industry and resources

- Large foreign corporations can easily acquire local industries
- Foreign entities can gain control of entire sectors of industry, such as cocoa exporting

Government downsizing

- Government is less able to enforce laws
- Widespread government layoffs

Expenditure

Reduced social spending

- Basic education is unaffordable, literacy rates decline
- Future generations are unprepared for skilled jobs
- Health care access declines

Eliminate tariffs

- Local producers can't compete against foreign imports

Removal of subsidies for basic goods

- Food and basic necessities become unaffordable

Abolition of commodity boards and stabilizations funds

- Farmers are pushed into the world market without adequate knowledge to succeed
- Farmer incomes become unstable and insufficient
- Governments lose a key source of national income

IMF and World Bank Impacts on the Ivory Coast and Its Cocoa Industry

The Ivory Coast provides a stark example of the ill effects of IMF and World Bank policies. The country's economy was one of the most stable in West Africa before the 1980s, but became one of the weakest through its involvement with the IMF and World Bank. The Ivory Coast signed its first agreement with the IMF in 1989, took six World Bank Structural Adjustment Loans from 1989 through 1993, and entered into a \$384 million IMF Enhanced Structural Adjustment Facility loan (ESAF) in 1995. This progression in itself is an outward manifestation of the failure of these lending institutions because the ESAF is an IMF program meant for the world's poorest countries, a class that the Ivory Coast fell into only after it accepted six World Bank loans.²³

Following the IMF and Bank's policy mandates, the Ivory Coast adopted a rigorous Structural Adjustment program, centered on liberalization of the agricultural sector, reduction of civil service and social spending, and currency devaluation. Rapid economic deterioration ensued. Between 1980 and 1995 GDP remained stagnant, though exports increased from \$3 billion to \$5 billion, representing a decrease in real terms. The poverty rate rose from 17.8% to 37% from 1988 to 1995. Between 1980 and 1990 employment in the informal sector more than doubled and unemployment nearly tripled.²⁴

Such changes have had a direct impact on the cocoa industry, leading to widespread difficulties for West African countries that depend on cocoa revenues. Some of the IMF and World Bank policies that have been particularly destructive to the cocoa sector are pressure to speed up trade liberalization, the abolition of government-run price stabilization systems (e.g., marketing boards and stabilization funds), and deregulation of foreign control of domestic industries.

In the 1960s and 1970s the government regulated the marketing of major export crops such as cocoa, coffee, cotton, and palm oil through a state run agency known as CAISTAB (Caisse de Stabilisation), or the Stabilization Fund. The Stabilization Fund set export prices for the crop year, thus guaranteeing producers a stable income. Farmers sold their cocoa through private traders rather than directly to CAISTAB, so farmers were still liable to exploitation by middlemen. However, farmers knew what CAISTAB's prices were and thus had sufficient knowledge to bargain for a fair return from the trader. The Stabilization Fund operated by setting aside revenues when world prices exceeded producer prices, and then

returned those revenues to producers when world prices dipped below producer prices.²⁵ Until the 1980s, the system was very effective. The government was able to shelter farmers from fluctuations in world prices and offer them relatively high prices. The system began to flounder when the World Bank urged the government to liberalize the cocoa sector in the second half of the 1980s. World market prices were falling drastically at the same time, making the situation especially precarious. By 1988, when CAISTAB was offering 400 FCFA/kilogram, the world market price was only 450 FCFA/kilogram. Because transport and handling charges added another 300 FCFA/kilogram, CAISTAB's total costs exceeded the market price well over what the fund could cover, and the government was losing about \$1 per kilogram. CAISTAB's revenue base soon vanished and the government started to borrow funds, primarily from French commercial banks. This resulted in a severe economic crisis involving restrictions on government hiring, downsizing of the government payroll, and a virtual standstill of publicly financed construction.

The IMF and World Bank encouraged further trade liberalization in the Ivory Coast throughout the 1990s. All remaining stabilization systems and market interventions were completely removed by 1999. CAISTAB was privatized and ceased to set export prices, subjecting producers directly to the volatile world market. The cocoa sector has been in crisis ever since.

Virtually overnight, Ivorian farmers without the literacy skills or radios needed to determine the market price, and without any understanding of how the world market operates or how to negotiate with traders, were left to learn the rules of the game or face exploitation. While these sudden changes were taking place, world cocoa prices were again declining sharply, placing farmers in the worst situation possible. Farmer incomes diminished by one half, creating the dire poverty that underlies conditions like abusive child labor.²⁶ Abusive child labor and much human suffering could well have been prevented if the stabilization system remained in place. Indeed, Ghana, which still has a marketing board, does not have the abusive child labor seen in the Ivory Coast. (Ghana's marketing board also buys directly from farmers, thus removing the typically exploitative traders, and farmers receive extension services that alleviate some of their costs.)

An astute reader may well question the effectiveness of stabilization funds and marketing boards given that they can draw governments into debt if world prices sink below the government's fixed price for significant periods

of time. It is for this reason that international stabilization mechanisms are so critical. The International Cocoa Organization (ICCO), founded in 1972, sought to achieve market stability through “International Cocoa Agreements” (ICAs). Somewhat like state-run stabilization funds, ICAs operate via stock management and a floor price. ICAs are still in place today, but they have lost their effectiveness due to the same kinds of Structural Adjustment policies that led to the abolition of commodity stabilization systems in individual countries. The first ICA was established in 1972 with signatories including 19 exporting countries that represented more than 90 percent of world production and twenty-nine importing countries that represented 70 percent of world consumption. Notably, the United States, the world’s largest importing country, was not a signatory to this or to any subsequent agreements. The Ivory Coast refused to sign the second agreement of 1975 because it felt that the floor price was too low. The first ICA stipulated that countries representing at least 80 percent of the market had to sign before the ICA could enter into force, so the Ivory Coast’s non-participation rendered the second agreement inoperative.²⁷ The Ivory Coast could also not be persuaded to join the third ICA of 1980, which included a \$1/pound floor price. Subsequent agreements negotiated in 1986, 1993, and 2001, once again included the Ivory Coast as a signatory.

The strength of the ICA was never tested during the first two Agreements because market prices never went below the ICA floor price. The ICCO was able to accumulate \$230 million during this time and used it to buy enough surplus cocoa to push prices up to a modestly high level. By the time of the third Agreement in 1980, world cocoa prices had tumbled significantly and the ICCO was faced with a surplus of 210,000 tons that it lacked the funds to absorb. The Ivory Coast, which had previously contributed \$30 million but was no longer a member, was threatening to withdraw financial support. Loss of this key player put the ICA, and cocoa farmers worldwide, in a precarious position. In 1980, the average market price was \$1.18/lb. By early 1981 it was \$0.94/lb and fell as low as \$0.75/lb in June that same year. When cocoa traders anticipated the enactment of the third ICA in September of 1980, prices jumped to \$1.06/lb. Later, when traders realized that the ICA would not be effective without the participation of Ivory Coast, and without enough money reserved to buy up surplus cocoa, prices retreated to \$0.79/lb by 1982.²⁸

Instead of seeking to help the ICA rebuild, in the 1980s importing countries pushed exporting countries to follow IMF and World Bank policies and liberalize their cocoa sectors. As a result, the 1993 ICA had no buffer stock provisions and stocks that were accumulated under previous ICAs were completely liquidated by March 1998. Even worse, the current ICA (2001) does not even mention market stabilization as one of its goals. While one of the stated objectives of the 1993 accord was “to contribute towards stabilization of the world cocoa market in the interest of all members,” “to secure an equilibrium in the medium and long term,” and “to assure adequate supplies at reasonable prices equitable to producers and consumers,” the 2001 ICA mentioned none of these goals. The ICA currently serves the functions of promoting sustainable production, facilitating development projects in producing countries, and increasing demand for cocoa products.²⁹ A 2000-2001 commodity survey by UNCTAD attributed the significant drops in commodity prices directly to trade liberalization and the loss of stabilization mechanisms: “This can be seen at the international level with the end of economic clauses in international commodity agreements” noted UNCTAD.³⁰ Left without any means of stabilizing cocoa prices, producers have been pushed into the economic desperation that underlies abusive labor and other exploitative practices.

At the same time that IMF and World Bank policies have weakened the power of producers, governments in cocoa producing countries, and international stabilization mechanisms, they have helped large exporters increase their power. Through unregulated consolidation of local export operations by multinational corporations, a few large foreign buyers have been allowed to take control of significant proportions of the world cocoa market and local trading. This has resulted in significant drops in cocoa prices and a massive loss of export revenues for cocoa producing countries. As this has happened, the Bank and the IMF have sided with the corporations and against the very countries they claim to be helping. When the Ivorian government tried to build in safety checks against falls in world cocoa prices, multinational cocoa exporters objected, as did the IMF and the World Bank. When CAISTAB was dismantled per IMF agreements, a new producer-led cocoa marketing body was established in July 2001—the Coffee and Cocoa Bourse (BCC)—with the responsibility of ensuring that farmers would receive fair prices for their beans. The BCC was charged with developing a new marketing mechanism for the cocoa sector. But its efforts were undermined when board

members representing exporters walked out in protest over proposed export quotas. Archer Daniels Midland (ADM) and Swiss-exporter Barry Callebaut voiced strong objections at the mere mention of quotas. The World Bank reinforced the traders' position, warning against imposing quotas as they could be interpreted as a departure from the government's free market pledges. Still, the BCC did set export quotas to reduce the dominance of the large exporters and limit supply in order to help ensure at least some price stability. There are signs, however, that the larger traders are ignoring the quotas, abusing their growing power to benefit themselves at the expense of struggling African economies and cocoa producers.³¹

In sum, the World Bank and IMF have played several critical roles in promoting child labor and child slavery on Ivory Coast cocoa farms. First, Structural Adjustment Policies (SAPs) have raised production costs, promoted crop oversupplies leading to price drops, undermined attempts to stabilize cocoa prices, removed critical social services, and increased the cost of basic needs and schooling throughout West Africa. All of this has forced farming families to make the hard decision to pull children out of school and put them into wage employment or work on the family farm. Second, by promoting rapid trade liberalization and the abolition of stabilization funds and marketing boards, the IMF and World Bank have left producers and national economies helpless in the face of the volatile commodity markets. Third, transnational corporations have gained increasing power to keep cocoa prices low through SAPs governing production and export, as well as the support of the World Bank and the IMF in blocking any policies that threaten corporate profits. In the end, cocoa farmers are forced to seek the lowest cost labor as possible, leading them to child labor and even child slavery.

The Complicity of the Chocolate Corporations

While farmers are struggling under low market prices and the policies of international financial institutions, corporations are profiting off of the very same conditions. The chocolate companies are actually exacerbating the child labor crisis through their actions in the commodity markets. By keeping commodity prices low, the chocolate companies keep cocoa farmers in poverty, the poverty at the root of the child labor problem. At the same time, the companies are ignoring a proven, effective and immediate solution for the problem—Fair Trade Certified cocoa.

Corporations contribute to the problems on cocoa farms in two main ways: 1) denying responsibility for producer poverty and thus failing to take actions to ensure stable and sufficient prices and; 2) engaging in trading practices that lead to low market prices and instability, such as speculation and stock manipulation.

The Role of M&M/Mars

Although all of the major cocoa processors and chocolate companies have dirty hands with respect to the problems on cocoa farms, those that profit the most have special responsibility to take the lead in leveraging their influence and resources to reverse these crises.

In America, chocolate is a \$13 billion industry,³² two-thirds of which is controlled by just three companies: Hershey Foods, M&M/Mars, and Nestlé USA.³³ Nine out of every 10 candy bars on supermarket shelves is made by one of these companies, with M&M's coming in at first place with \$97.3 million in sales between February 2001 and February 2002.³⁴

Out of these three American giants, M&M/Mars, officially Mars Masterfoods, is the largest grossing chocolate and candy company in the world and the third largest private company in the USA, with annual sales of more than \$20 billion.³⁵ Mars candies such as M&M's, Snickers, and Milky Way are steady consumer favorites and a cornerstone of the company's profits. Children represent a significant portion of retail sales and also sell the company's products through school and organizational fundraisers. Mars Masterfoods also owns Uncle Ben's, Seeds of Change, and several pet food brands (Pedigree and Whiskas). Mars, the parent company of Masterfoods, owns patented vending machine technology and provides specialized communications to the military. The company also has an exclusive contract with the U.S. military to provide chocolate products that fit army ration guidelines, which it has worked vociferously to retain.

The three Mars siblings who own the company are tied for fifteenth ranking on the Forbes 2003 list of richest people in the United States, and are worth an estimated \$10.4 billion each. The company is known for having some of the highest salaries in the industry. A Mars senior manager can earn as much as \$300,000-500,000 per year. It is curious why a company that compensates its employees so generously, and that is so financially well endowed, does not extend its support to the cocoa producers that represent the very backbone of its profits.

Given its position as the market leader, Mars can be considered to be the US chocolate company with the highest responsibility and the most resources to pay farmers a decent wage.

Letting the Market Run Wild

The main way that corporations such as Mars have perpetuated abusive child labor and other forms of exploitation is through their refusal to ensure that producers receive a stable and sufficient wage. Companies let the market price rise and fall as it may, and concern themselves with farmer income only insofar as they realize that farmers must earn enough to keep growing cocoa that meets the industry's quality and quantity needs. Of course, the sad truth is that farmers manage to continue farming in the face of pitifully meager earnings by cutting spending on basic needs and labor. Such sacrifices somehow do not enter the picture for the industry. Price stabilization is a concept that companies see as problematic, and something that would simply encourage overproduction and remove incentives for quality improvement.

Trading Farmers' lives

Many of America's largest chocolate and cocoa companies have exacerbated producer poverty by engaging in trading activities that depress world cocoa prices, thereby slashing farmers' incomes. Since the loss of the ICA's stabilization ability, neither the governments of cocoa producing countries nor the producers themselves have had any power in setting world cocoa prices. World prices are derived via the trading of futures and options in commodities markets such as the Coffee, Sugar and Cocoa Exchange (CCSE) in New York and the London International Financial Futures and Options Exchange (LIFFE). The ICCO's official daily price is the average of these two.³⁶ The Exchanges do not participate in cocoa price determination but provide a forum for such trading. Larger buyers are financially strong enough to move the market in a direction that benefits them and have in fact done so, though they will deny having any such power.

According to the European Fair Trade Association, by the time a chocolate bar reaches store shelves trading organizations and the chocolate industry receive about 70 percent of the profit from chocolate, whereas the



Cocoa pods on the farm of a Nicaraguan Fair Trade cocoa co-op member

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Global Exchange

farmers get barely five percent. While growers and consumers alike benefit from stable cocoa prices, the commodity exchanges breed price fluctuations that benefit only large traders, including some of America's biggest chocolate companies.³⁷

Just 12 companies, including Archer Daniels Midland (ADM), Cargill, Mars, and Hershey's, purchase more than 80 percent of the world's cocoa harvest.³⁸ These companies repeatedly amass sizable cocoa stocks that can be increased and retained to push prices up, or sold off to trigger a sudden decline. Large stock holdings can also be used to

circumvent producer governments' attempts to balance supply with demand, and thus stabilize the market. Significantly, trade in cocoa futures exceeds the actual amount of cocoa that physically changes hands, by as much as 14 fold in one estimate.³⁹ This is yet another clear illustration of how far the market is from the realities of cocoa production and cocoa producers, and how the cocoa trade benefits corporations over the farmers on whose labor it is built.

A basic understanding of the cocoa trade will help clarify these issues. The major determinant of a commodity's price is supply, which is primarily influenced by pestilence, disease, undue weather, natural disasters, war, and over planting. Over the long term, the world cocoa market typically cycles through alternating periods of boom and bust, in line with changes in the world cocoa supply. However, this long-term cycle is often punctuated by devastating short-term fluctuations due to the factors listed above, as well as speculation, rumors, and other events. Prices can swing wildly over short times, making it difficult if not impossible for farmers to estimate their income from one year to the next. After a minor stock decline of 29,000 metric tons in the 1975-1976 crop year, world prices doubled. In the 1979-1980 crop year, an historically high excess of 148,000 metric tons set off a gradual price decrease that continued throughout the 1980s. Most recently, cocoa prices increased significantly when civil war erupted in the Ivory Coast, and then came back down after news of peace accords that encouraged cocoa farmers return to the farms they had fled. According to UNCTAD, cocoa prices have the highest degree of instability among the major commodities because myriad factors make supply highly capricious, while demand has remained rather inelastic.⁴⁰

Prices are also manipulated via speculation and predictions for upcoming harvests. It is here that cocoa traders can spell disaster for farmers because predicted surpluses and shortages affect prices just as real surpluses or shortages do. When predictions are incorrect, farmers suffer needlessly while speculators profit significantly. Minor price fluctuations or rumors of shortages have indeed blown out of proportion, generating price spikes that fall as soon as the rumors are deemed unfounded. As an example, the 1999/2000 ICCO Annual Report states: "At the end of January 2000 a sharp fall in prices occurred in just two days...during which cocoa prices lost more than 8% of their value. This decline was attributed to speculative selling in New York, partly triggered by reports of very good crops. [In June] futures staged another mini-rally, sparked by rumors of a coup d'etat in the Ivory Coast. ...However, after the concern sparked by rumors from the Ivory Coast had subsided and the situation in the country became more stable, futures fell at the end of June 2000." Tellingly, when producer governments take real actions to modulate supply in an attempt to influence the market, the market does not respond. This is made clear in the ICCO 1999/2000 Annual Report: "[In July] there was no apparent market reaction to the news reports that four leading West African countries—the Ivory Coast, Ghana, Nigeria, and Cameroon—had agreed upon a crop withdrawal mechanism, followed by the destruction of a minimum of 250,000 tonnes of cocoa to be effective in 2000/01." These two starkly contrasting cases illustrate exactly where the power lies in the world market: with the cocoa corporations and speculators in the New York and London, not in the cocoa producing countries.

Such experiences occur again and again, with results that benefit only large companies while pushing cocoa-producing governments and small local cocoa buyers in deeper economic difficulty. Exact sales and holdings figures are hard to come by because secrecy is an essential part of winning the trading game. Mars is known as a particularly high rolling trader among chocolate companies, with much more intense involvement than Hershey's and other companies. Mars has a corporate division whose sole purpose is market analysis and prediction. In fact, former Mars executives have said that the amount of money the company earns trading cocoa futures is equal to what it brings in through its candy and pet food sales. One executive summed this up in saying: "Mars is very aggressive. They play the market to win, not like other companies. They are very sophisticated, very high-tech... [Mars founder Forrest Sr.] prided himself in his understanding of the markets and

he made Mars tops when it came to working the numbers."⁴¹ Hershey's is no innocent player either. A former Hershey's buyer stated that on several occasions the company has intentionally induced sudden drops in the market by placing its cocoa stocks back on the market. The company denies that it still engages in speculation.

To make these inequities worse, even when political strife, supply problems, and speculation drive cocoa prices up, farmers see little or no commensurate rise in revenues—though price drops do result in diminished producer revenues of course. Most of the profits of increased world prices wind up in the hands of traders, while local exporters and middlemen absorb any remaining profits that make it to the country of origin. This occurs because most farmers do not have the resources to get their cocoa to the point of export so they must rely on middlemen ("traitants" in the Ivory Coast), who are known for consistently underpaying farmers. In 1988, for example, traitants were frequently paying farmers half the official price. "The Ivory Coast's mostly illiterate farmers are ill equipped to negotiate with hard-bargaining commodity buyers," the International Cocoa Organization (ICCO) concluded in 2000.⁴² When the government threatened to revoke the licenses and issue stiff fines for such practices, many traders resorted to the use of promissory notes or declared bankruptcy, and stocks of fermented cocoa began to accumulate in the country's interior.⁴³ When prices rise, farmers continue to accept drastically low payments without protest simply because they have no knowledge about the market price.

Such trading activities have had clear effects in the Ivory Coast, where foreign cocoa exporters have increased their power through consolidation while small Ivorian firms have consequently lost their leverage. Ten major exporters, led by US companies Cargill and ADM, control the cocoa sector in Ivory Coast. The biggest cocoa bean buyer during the 2001/2002 season was the Cargill group, which purchased 13 percent of the total crop. American rival Archer Daniels Midland (ADM) was number two, with 10 percent of the crop, followed by France's Bollore group with eight percent. The biggest local exporter was Coopyca, which ranked number 19 and had purchased only 12,631 tons or less than one percent of the crop.⁴⁴ When the Ivorian government tried to generate desperately needed revenue by increasing export tariffs in 2001, the large exporters simply refused to export anymore cocoa until the new tariffs were lowered—dictating a favorable financial situation for themselves.⁴⁵

Abstaining from the ICA

Corporations have indeed had many opportunities to address the pricing issue directly, rendering their failure to do so even more egregious.

The most obvious way that corporations could help stabilize market prices is to support the strengthening of the ICA and demand that the USA become a signatory. The USA has never been a signatory to any of the ICAs, meaning that US corporations have likewise played no role in supporting such stabilization mechanisms. Of course, US companies have benefited from them by enjoying a steady supply of cocoa at affordable prices. If the US chocolate and industry were really concerned about the impacts of low prices and market volatility on producers, they could have lobbied the US to support the ICA, and/ or supported the retention of buffer stocks and other price stabilization mechanisms at several points in the ICCO's history.

The inaction by US companies is a clear sign of their lack of concern—indeed their complete lack of support—for any system that would stabilize prices at levels that are sustainable for producers, notwithstanding the benefits companies would see through such stability.

Development Projects with USAID

Another significant avenue through which corporations could improve farmer incomes is through the development projects they carry out in collaboration with the United States Agency for International Development (USAID) and similar organizations. USAID is America's major direct funding agency for development projects carried out in poor countries. Since the Reagan administration, the major focus of USAID has, like that of the IMF, World Bank and WTO, been on promoting "market solutions" to poor countries' problems. In its overview for its sub-Saharan Africa programs, for example, USAID explains some of its programs:⁴⁶

"USAID supports the Africa Growth and Opportunity Act (AGOA) by ... expanding U.S. - African business linkages. Through the Presidential Economic Growth Opportunity program, funding of \$1,999,000 will be used to link African exporting, manufacturing, and service companies with local and U.S. suppliers, customers and /or joint-venture partners."

"Under the Africa Trade and Investment Policy (ATRIP) program, the policy change component provides technical assistance and training to help design and implement changes that will...establish a better environment for business. The business linkage

component helps U.S. and African businesses in developing transaction-based commercial relationships and enhances the private sector's ability to shape government policies."⁴⁷

USAID and US corporations often work together in what are commonly known as "public-private partnerships." It is indeed a stipulation of most USAID programs that American suppliers and consultants be used, effectively ensuring that much of the money allocated for development work actually ends up in the pockets of US corporations and consultants. While such programs would ideally return the largest benefits to farmers, the companies that have a hand in designing them are typically the primary beneficiaries. An overview of projects relevant to the cocoa sector reveals that the primary goals of such work focus on promoting environmental sustainability and quality improvement in cocoa production, with farmer incomes remaining a rather peripheral issue. To be of real benefit, these programs should focus on empowering farmers with knowledge of how the world market operates and what current prices are, helping them organize to build collective bargaining power, and having the resources and information to avoid exploitative middlemen and shortchanging local traders. Such projects have not yet demonstrated any ability to raise producer revenues or prevent abusive child labor.

A few examples of projects will help clarify this issue. Mars is one of the contractors receiving \$700,000 for a USAID project, "Sustainable Tree Crop Project-Cocoa: Smallholder Business Development in Ivory Coast and Ghana."⁴⁸ The project's goals include: 1) working to build cooperation among cocoa producing countries in West Africa; 2) promoting environmentally sustainable growing methods; and 3) helping farmers increase productivity, quality, yield, and marketing ability. These goals are being achieved through means such as 1) introducing environmentally safe pest and disease control methods; and 2) increasing producers' knowledge about cocoa prices via radio distribution. Although farmers could potentially receive higher income by improving cocoa quality and increasing their marketing skills, this will not happen so long as the world market remains volatile, and farmers remain without access to credit and other critical social services as a result of IMF and World Bank Structural Adjustment Policies.

Mars Foundations is also one of the funders for USAID's new Strategic Analysis for Growth and Access (SAGA) program to support policy-oriented research on economic reform issues in sub-Saharan Africa. SAGA's

main objective is to create African advocates for “free market” policy reforms and to strengthen African institutions’ ability to “undertake high quality research on policy reform and advocate and manage it.”⁴⁹ If the industry really wanted to make a difference, it should be demanding that such “policy reforms” instead center on a reversal of detrimental Structural Adjustment Policies, particularly the abolition of marketing boards and stabilization funds, rapid trade liberalization, removal of government services and supports central to agriculture, and increased interest rates that make loans difficult to obtain.

Pushing the Industry into Action

Despite all of the ways that major chocolate and cocoa processors manipulate cocoa production and the world market, the industry initially denied any responsibility for abusive child labor, stating that it does not own cocoa farms and can’t even track the source of its cocoa because beans from different farms are mixed together before exportation.⁵⁰ Such a claim is ludicrous considering that, in addition to engaging in the development projects described earlier, companies employ various systems for monitoring the state of their crop. For example, in addition to its involvement with the Sustainable Tree Crops Program, Mars rents satellite time to monitor cocoa-related weather patterns around the world, and employs statisticians to predict how cocoa harvests could be affected by “weather, economic trends, consumption patterns, political developments, and myriad other factors on cocoa, sugar, and peanut prices.”⁵¹ In all of the surveillance companies undertake, it is hard to believe that they would never see any cases of abusive child labor or other exploitative practices.

Fortunately for child and adult cocoa workers, such claims did not convince consumers or key critics. After Knight Ridder and other media outlets made the existence of child slavery on Ivory Coast cocoa farms public, the resulting negative publicity snowballed and consumers demanded answers and solutions. Two members of the US Congress, Senator Tom Harkin (D-Iowa) and Representative Eliot Engel (D-N.Y.), took up the issue by adding a rider to an agricultural bill proposing a federal system to certify and label chocolate products as “slave free.” The measure passed the House of Representatives and created a potential disaster for Mars, Hershey’s, Nestle and other major chocolate manufacturers who would not qualify for the “slave free” label. Before the bill could reach the Senate, the Chocolate Manufacturers Association (CMA) hired former senators George Mitchell and Bob Dole to lobby

against it. Given the distinct possibility of both consumer boycotts and punishing federal legislation, the industry agreed to take action to solve the child labor problem.

The industry drafted a “Protocol to eliminate the worst forms of child labor and forced labor in the growing and processing of cocoa beans and their derivative products.”

The Industry Protocol

The Protocol establishes the industry’s commitment to end abusive and forced child labor on cocoa farms by 2005 and outlines the basic steps the industry will take to achieve this goal. The Protocol was “witnessed” by several nongovernmental organizations such as the International Union of Foodworkers, the International Labor Organization (ILO), Free the Slaves, and the Child Labor Coalition. The term “witnessed” essentially means that the NGOs that signed the Protocol did not have a hand in crafting it, but verified their knowledge of the process. These NGOs did have direct input into subsequent documents that spelled out the industry’s commitments and plans in more detail: a Joint Statement, and a Memorandum of Cooperation. The Joint Statement was released in November of 2001. Its specific objectives, taken directly from its text, are:⁵²

- a) execution of a binding memorandum of cooperation among the Signatories that establishes a joint action program of research, information exchange, and action to enforce the internationally-recognized and mutually-agreed upon standards to eliminate the worst forms of child labour in the growing and processing of cocoa beans and their derivative products
- b) incorporation of this research that will include efforts to determine the most appropriate and practicable independent means of monitoring and public reporting in compliance with those standards;
- c) establishment of a joint foundation to oversee and sustain efforts to eliminate the worst forms of child labour and forced labour in the growing and processing of cocoa beans and their derivative products. The Signatories welcome industry’s commitment to provide initial and ongoing, primary financial support for the foundation.

The foundation, known as the “International Cocoa Initiative” has the following goals:

- Support field projects and act as a clearinghouse for best practices that help eliminate abusive child and force labor in the growing of cocoa;

- Develop a joint action program of research, information exchange and action to enforce internationally recognized abusive child and forced labor standards in the growing of cocoa; and
- Help determine the most appropriate, practical and independent means of monitoring and public reporting in compliance with these labor standards.

On paper, this document seems to have the potential to achieve some measure of improvement. The industry has also taken input from the affiliated NGOs seriously, and has incorporated some of their key concerns into the plan. However, halfway into the Protocol deadline, little concrete progress has been made. Some of this is certainly due to the fact that civil war in the Ivory Coast has made it dangerous to work there. However, this cannot explain the lack of progress in other cocoa producing countries in West Africa. What is holding back progress is the industry's failure to support real solutions and exchange a small portion of its massive profits to ensure a sufficient return for farmers and workers.

Shortcomings of the Protocol

A number of nongovernmental groups working on human rights, labor rights, and child labor have raised concerns that the industry plan, while a step in the right direction, falls short in its means and its mission.

The International Labor Rights Fund (ILRF) has stated: "ILRF supports...efforts to end the exploitative use of children in cocoa harvesting by working with the industry initiative. However, ILRF believes that the initiative, as currently defined pursuant to the industry's Protocol, Joint statement, and Memorandum of Cooperation, is inadequate alone to effectively address the complex problem of child labor in the cocoa sector. The industry led initiative has resulted in a privatized mechanism without binding and enforceable rights. Privatized self-regulation may serve well in various contexts, but when it comes to child labor, we must demand more."⁵³

Global Exchange has voiced strong concerns that the Protocol does not ensure stable and sufficient prices for cocoa, and thus fails to tackle the root cause of abusive child labor. The ITTA itself admitted that average cocoa revenues make "it difficult for families to have sufficient income to meet their needs." These needs include labor costs, and if these cannot be met, farmers will continue to use abusive child labor practices. Beyond these points, the Protocol involves "voluntary standards," meaning that even after it is full effect, companies don't have to follow it. Such criticisms all point to the need for

solutions that pay farmers stable and sufficient prices, require independent monitoring, and require mandatory compliance among the chocolate and cocoa industry.

In addition to raising concern about what the Protocol is missing, several NGOs have voiced concerns about what it involves. The industry has publicized the establishment of a few pilot projects, largely operated through the abovementioned Sustainable Tree Crops Program and other related initiatives that the industry has already been funding and operating for years. As stated earlier, such programs have already proven ineffective in improving farmer incomes and preventing abusive child labor. In addition such projects are essentially limited charity efforts that leave farmers at the mercy of the market and dependent on the corporations that control it, and offer no guarantee as to the nature and stability of the proposed benefits. Although farmers could potentially receive higher incomes by improving cocoa quality and taking more control of processing and marketing, this will not happen with certainty unless the chocolate industry offers cocoa farmers a fair price and works to stabilize the market at such a price. Clearly, the industry must seek additional solutions, and these must be implemented immediately.

As for educational efforts, these seem to be built on the assumption that cocoa farmers somehow think that abusive child labor and replacing school with work are acceptable. Cocoa farmers are humans, they are parents, and certainly they want their children to be well treated and experience the opportunities available in their society—including school. Equally as offensive, the chocolate industry's plans force farmers to take the financial responsibility to end abusive child labor, despite the fact that the chocolate industry knows full well that the world cocoa price fails to give farmers the resources to do so.

Fair Trade: A Real Solution

Those who have criticized the industry Protocol have not simply stopped there. They have offered clear solutions. One of the most comprehensive is Fair Trade Certification. Fair Trade Certification was introduced to ensure a fair price for small-scale farmers in the global South (Africa, Asia and Latin America), whose livelihoods have suffered as a result of the current conditions of international trade. Fair Trade is an international certification and monitoring system run by the Fair Trade Label Organizations International

(FLO), a 17-member international umbrella organization formed in 1997. TransFair USA is the FLO-affiliated labeling agency in the United States.

Fair Trade Certification offers a proven solution to the problems the chocolate industry is ignoring and exacerbating. Fair Trade guarantees farmers a stable living wage, prohibits abusive child labor and forced labor, and requires independent monitoring of farms each year. It also promotes environmentally sustainable farming, making it the most comprehensive model of positive economic development available.



The independent third-party agency TransFair USA uses this logo to designate products as Fair Trade Certified in the USA.

Fair Trade Guidelines

Farmers in the Fair Trade Certified system are members of democratically organized cooperatives. There are currently eight cooperatives in eight countries—Ghana, Cameroon, Bolivia, Costa Rica, Nicaragua, Dominican Republic, Ecuador and Belize—representing 42,000 farmers and their families. Fair Trade Certification assures consumers that the chocolate and cocoa products we consume are derived under fair labor and wage conditions, offering a product that satisfies consumers’ desire for socially responsible products.

Standards for participation in the Fair Trade system are developed by FLO, with input from producers, companies, and experts in relevant fields. The standards are made available to the public and revised as needed on a regular basis. The most recent standards, released in April of 2003, are summarized here.⁵⁴

Producer Groups

- **Membership and Cooperative Structure:** The majority of members are small-scale producers who are primarily dependent on their own labor. Members are organized in democratic cooperatives with transparent structure and decision-making processes. Producer groups must follow ILO Convention III on ending worker discrimination, which rejects “any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin.”
- **Community and Cooperative Development:** Cooperatives must use the Fair Trade premium to establish and maintain a “social fund” to be used for community development and farmer training.
- **Child Labor:** FLO follows ILO Conventions 29, 105 and 138 on child labor and forced labor. Forced or

bonded labor must not occur. Children can work only if their education is not jeopardized, and they may not engage in hazardous tasks.

- **Labor and Wage Conditions:** FLO follows ILO Plantation Convention 110, and ILO Convention 100 on equal remuneration. All employees must work under fair conditions and receive wages greater than or equal to the national minimum wage/regional average. FLO follows ILO Conventions 87 and 98 on freedom of association and collective bargaining. Workers who are hired (e.g., in the peak harvest periods) have the right to establish, join, and help run organizations of their own choosing.

- **Quality and Commercialization:** Cocoa quality must comply with the minimum quality standards required by the different markets and the co-op must have the capacity to export their cocoa successfully.
- **Environmental Protection:** Producers are expected to practice environmental protection and use “Integrated Crop Management (ICM).” ICM favors the use of organic/biological fertilizers, pesticides and disease controls over chemical pesticides and fertilizers. Producers are encouraged to work towards organic certification and practice “shade cultivation” by growing cacao among a diverse canopy of native species.

Once a producer group meets the requirements for certification, they are added to the FLO Producers Registry. FLO visits cooperatives annually to ensure continued compliance with the Fair Trade criteria. If a cooperative is found non-compliant, the group will be put on probation to allow for improvement and dismissed from the list if serious violations continue.

Cocoa Importers

- **Cocoa importers** must purchase cocoa from a registered co-op.
- **Minimum Price:** The floor price for cocoa is \$1,750 per metric ton (\$0.80/pound), \$1,950 per metric ton (\$0.89/pound) if the cocoa is certified organic. When the market prices rise above the floor price, the Fair Trade price rises to amount \$150 per metric ton above the world price, with the additional \$150 to be reserved for the social fund.
- **Credit:** The cocoa importer is obliged to facilitate the producers’ access to affordable and fair credit at the beginning of the harvest season.

- Direct, long-term contracts: Cocoa importers and farmers depend upon reliability and continuity, and should trade under direct, long-term contracts (one to 10 years).
- Importers pay a licensing fee to ensure the sustainability of the system, and to ensure that costs for certification are borne in the North rather than by the farmers.
- Importers must sign a contract with their in-country affiliate, which is TransfairUSA in the United States.

Chocolate and Cocoa Companies

Companies that want to sell chocolate and cocoa products with the Fair Trade Certified label must also sign a contract with their in-country affiliate. These “licensees” must agree to purchase a specified percentage of Fair Trade Certified chocolate and cocoa in relation to their total volume. Additional regulations regarding the use of the Fair Trade label and other aspects also apply. Products must be entirely Fair Trade certified cocoa/chocolate to bear the Fair Trade Certified label. Products that contain a blend of Fair Trade Certified and non-Fair Trade Certified cocoa and chocolate cannot bear the label. TransFair verifies importer and company compliance through an audit of relevant paperwork, including sale receipts and tracking numbers.

The Relevance of Fair Trade to Abusive Child Labor and the Industry Protocol

Fair Trade is a well designed and fully implementable system that has proven effective in reversing the ill effects of free trade. It is a comprehensive and already proven model that could lend itself well to the chocolate industry’s stated goals, if the industry would only back its words with meaningful actions. The following points identify how Fair Trade offers the solution the industry is seeking:

- Fair Trade guarantees farmers a stable living wage under direct long-term contracts and access to credit, ensuring that farmers can cover the costs of labor, production, and meet basic needs over the long-term.
- Farmers are organized into democratic cooperatives that have control of their own production and marketing, promoting continued self-sufficiency.
- Fair Trade prohibits abusive child labor and forced labor, and mandates sufficient wages for hired workers.
- Fair Trade verifies compliance of labor and wage standards through yearly independent monitoring.
- Cooperatives keep records of all farmer sales, offering

the ability to trace cocoa directly to the farm of origin.

- Fair Trade requires that farmer cooperatives reserve a portion of their revenues for community development projects and farmer training, removing the need for outside charity and ensuring that 100 percent of funds earmarked for development work go to the communities that need them.
- Fair Trade encourages environmentally sustainable farming methods such as organic and shade cultivation, ensuring that farmers use methods that benefit the earth and maintain community health.

Fair Trade as a Means of Price Stabilization

Fair Trade offers the most effective means of controlling for the volatility of the cocoa market, which has repeatedly wreaked havoc for producers. Fair Trade achieves this because it is not weakened by the factors that led to the downfall of CAISTAB and the ICAs: uncontrolled drops in the world market, Structural Adjustment Policies, and a lack of sufficient support from key producing and consuming countries. Fair Trade intrinsically offers a stable price without placing additional responsibilities on the already struggling governments of cocoa producing countries or the companies themselves because its effectiveness cannot be weakened by outside forces or changes in the world market price.

Fair Trade’s Benefits

In addition to offering a perfect system for company sourcing, Fair Trade has brought clear benefits to farmers who sell through the network. The fair and stable income guaranteed by Fair Trade provides farmers with a living wage and the ability to plan for the future. As a result, they are able meet basic needs and improve their nutritional intake. Fair Trade farmers have increased access to health care by establishing local facilities, and have expanded educational opportunities by offering scholarships and establishing neighborhood schools. Fair Trade cocoa farmers have been able to organize workshops to improve yield and quality, convert all of their production to organic, control common crop diseases, gain essential business skills, and enter the international market. Equally as important as the economic benefits these developments have brought, the farmers have gained confidence and gained leadership skills that help them remain self-sufficient.

The best testaments to Fair Trade come from cooperative members themselves. Lucy Manusah of the Kuapa Kookoo Cooperative in Ghana has said: “Before becoming a member of Kuapa in 1994 we were always in financial crisis and we always had our children at home. Now because of better and more timely payments, including the bonus from Kuapa, I can afford the fees to send my children to school.”

Asamoah, also from Kuapa Kokoo, stated: “We had very hard times in the 1980s when the price of cocoa beans went down. The money we used to get from selling our cocoa beans to the government didn’t give us enough to buy materials or a pump for our own water supply. Many farmers were so desperate that they sold the cacao trees for wood. Things are better now that I have joined a cooperative.”⁵⁵

Kuapa Kokoo is the largest cocoa cooperative in the Fair Trade system and has achieved much through its Fair Trade sales. A major project involves drilling wells in each village where cooperative members live, which has provided clean water to communities that previously had no reliable source of potable water. The cooperative has established a farmers’ credit union and is the joint owner of the Day Chocolate Company of England (along with the Body Shop and Twin Trading), an achievement that is unheard of for farmers. The cooperative sells only a very small percentage of its cocoa through the Fair Trade system because worldwide demand for Fair Trade remains small. Kuapa Kokoo’s accomplishments, already impressive, could be even greater if demand for Fair Trade chocolate were to increase.⁵⁶

The positive effects of Fair Trade also span to Latin America, the birthplace of cacao and the home of many rare varieties that are prized by specialty chocolate companies. A delegation from Global Exchange visited the Cacaonica cooperative in Nicaragua in February 2003. Mariano Ruiz Gonzales, a 71 year-old farmer, told the delegation: “Look what I was able to do with such little resources. If I had some more resources, I could really improve it a lot and achieve a lot more. I need someone to extend credit to me, not a gift but credit.” Delegation representatives asked if this would be possible if the Fair Trade market were to increase and open up more Fair Trade sales for his cooperative, and he answered with an enthusiastic affirmative.⁵⁷

Benigno Flores Espinoza, President of the Producer Committee, has said: “ In Nicaragua it is difficult to form a cooperative, because, due to the violent history, there is an image of co-ops that their people are armed



This Nicaraguan family sells their cocoa through the Fair Trade system. The fair income they receive has helped them improve their farm, keep their kids in school, and send their son to an agricultural training program. All of the farmers in their co-op use organic methods and preserve the rainforest—something Fair Trade also encourages.

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and aggressive. For a long time farmers did not want to become part of any cooperative. Now we have organized ourselves and together we already have learned a lot: in the beginning we had no idea about the quality or the maintenance of quality. Now we give courses to farmers on how to detect diseases and how to ensure a good quality of cocoa. We work in an ecological way, because we don’t want to damage nature.”⁵⁸

The American Fair Trade Market

Fair Trade certified chocolate was introduced in the US in September 2002. Thus far, licensees include a handful of smaller companies: Cocoa Camino, Dagoba, Divine, Dean’s Beans, Equal Exchange, Ithaca Fine Chocolates, Lake Champlain, and March du Monde. None of America’s large importers or companies uses Fair Trade. The small companies that are already selling Fair Trade Certified products are certainly making a difference in the lives of small farmers. But their impact represents only a fraction of the potential benefits that would be realized if companies like M&M/Mars and Hershey’s began using Fair Trade cocoa. So long as the major players in the US chocolate and cocoa industry refuse to use Fair Trade cocoa, little will change on cocoa farms. If these companies support Fair Trade, producers would see real gains. Large companies are in fact best positioned to use Fair Trade for a number of reasons:

- Public support for Fair Trade is growing among consumers that enjoy products like M&M’s and Hershey’s. These consumers, who now have to make the choice between their values and their favorite brands, would readily purchase Fair Trade products from Mars and other industry giants.

- Large companies typically buy beans from a number of sources and blend these together, and thus could easily incorporate Fair Trade cocoa beans with different flavor profiles into their current products. Fair Trade cocoa should have no problem meeting the larger companies' quality requirements, given that specialty companies are currently among the major Fair Trade users.
- Large companies are well equipped to promote new products and concepts because they have a dedicated fan base and the necessary resources for advertising. Mars, for example, spends \$400 million per year on marketing.⁵⁹
- Large companies can easily absorb any added costs because they have significant profits.
- Large companies compete for consumers based on very specific factors, and public image is one factor that has become increasingly important in recent years. Selling Fair Trade products would give companies a definite image boost.

Despite the fact that purchasing Fair Trade cocoa is a realistic and simple move, large companies lack the will to take this step. As consumer demand increases, companies will indeed see that Fair Trade offers an important profit opportunity. Companies that lag behind the trend towards Fair Trade will see revenues trickle off as consumers prefer Fair Trade products.

Fair Trade Advocacy and the Industry's Response

Mars has been the focus of consumer requests for Fair Trade chocolate in the USA. Nationwide, consumers have sent thousands of faxes, letters, and postcards to the company. In May of 2001, more than 200 highly respected labor, human rights, faith-based, environmental, and social justice organizations endorsed a sign-on letter asking Mars to offer Fair Trade. Concerned parents and faith-based groups have begun converting school and organizational chocolate fundraisers to Fair Trade. Elementary school teachers have taken up the issue in their classrooms. School children have sent hundreds of letters and cards asking Mars for Fair Trade. Some classes have even set up their own web sites, developed and performed plays for school assemblies, and sent boxes of candy back to the company.

Through all of this, Mars has held fast to the industry line regarding the Protocol. The company has expressed its position in letters sent to customers requesting Fair Trade from the company: "As a matter of addressing the

root causes of poor labor conditions," company letters say, "Fair trade' is one of several options to consider. Ultimately, however, Fair Trade is an approach that works best with farms that have access to infrastructure such as communications and warehousing facilities. While our long-term goals include encouraging the development of farmer organizations, currently the majority of farmers in West Africa do not have access to the type of infrastructure that is needed to take part in a fair trade supply chain."⁶⁰

Mars' response completely disregards the realities of Fair Trade and the cocoa sector in general. Fair Trade is indeed feasible for many farmers right now. As noted above, 42,000 cocoa farmers from eight different countries are already organized into cooperatives in West Africa and Latin America. These farmers are living proof that Fair Trade works. Given that a child slavery was uncovered in West Africa, it is important to note that two West African nations (Ghana and Cameroon) are home to cooperatives, and others from West Africa are in the process of joining. These cooperatives are currently producing a much larger supply of Fair Trade cocoa than the amount that is actually sold at Fair Trade prices because large corporations like Mars refuse to support this responsible purchasing option. In fact, Fair Trade cooperatives produced 89 million pounds of cocoa in 2000 but sold only three million pounds at Fair Trade terms.⁶¹ There are literally millions of pounds of cocoa that Mars and other corporations could buy right now to show support for Fair Trade.

While many farmers are not yet in the Fair Trade system, Fair Trade membership is indeed within their reach. As mentioned earlier, 90 percent of cocoa farmers worldwide are small farmers, all of who could join the Fair Trade system so long as they are organized into cooperatives. Cooperative formation would not involve extra strain on cocoa farmers, but would in fact maximize their limited resources and minimize their burdens, because cooperative members pool equipment, supplies, and knowledge and share these with one another. Many organizations work to facilitate cooperative formation and the chocolate and cocoa industry cannot claim to be unaware of these groups—they are listed on a dedicated page on the World Cocoa Foundation web site. The industry could easily enlist these groups to assist with cooperative development and thus facilitate continued growth of the Fair Trade supply chain.

Fair Trade Certified coffee offers a good example of the potential for growth in Fair Trade chocolate and cocoa.⁶² Fair Trade Certified coffee officially came to the USA in

1999 through the launch of TransFair USA and has continued to reach new levels of support among consumers and companies. (Before that time, several companies were selling coffee purchased through alternative marketing systems that mirror fair trade standards, but there was no independent certification and monitoring agency dedicated to enlisting new companies and verifying their compliance.) As a result of consumers' requests for Fair Trade coffee, more than 160 companies now offer Fair Trade Certified coffee and it is available at more than 10,000 retail locations. Starbucks, the giant of the specialty industry, agreed to offer Fair Trade in 2000. Other notable suppliers and retailers include Peet's, Sara Lee, Ralph's, Safeway, Border's Books, and Harris Teeter. Faith-based groups across the nation have agreed to purchase only Fair Trade coffee for organizational purposes. Students at more than 150 college campuses have successfully lobbied their dining services to offer some kind of Fair Trade coffee. All of this has been achieved not through government regulation, but by grassroots advocacy by everyday coffee drinkers.

These shifts in the Fair Trade coffee market are clear evidence that informed consumers will act, and that their actions, no matter how simple they may seem, have powerful effects on corporate practices. Cocoa farmers and their communities have already waited too long to see a similar rise in the Fair Trade cocoa and chocolate market. Consumers, retailers, and companies must embrace Fair Trade now, or face worldwide expansion of abusive labor conditions that plague West African cocoa farms, and a continued decline of quality of life in cocoa growing regions.

Recommendations to Mars , Its Industry Partners and the IMF and World Bank

The information presented in this report makes it clear that much work must be done to build the economic and social stability that will lead to the end of abusive child labor on cocoa farms. The US chocolate and cocoa industry has the responsibility and resources to lead the way. The IMF and World Bank also must take several steps to ensure that cocoa producers can live with dignity.

Recommendations to the Chocolate Corporations

Use Fair Trade Cocoa

The first and foremost recommendation is for the US chocolate and cocoa industry to immediately establish purchasing contracts with Fair Trade cooperatives, and establish direct long-term contracts offering the Fair Trade price to all the rest of their producers outside of the Fair Trade system. Companies should promote Fair Trade just as aggressively as they promote current products and concepts. Typically, the initial amount for a Fair Trade contract is 5 percent of a company's total purchases, a level that would allow companies to make an immediate commitment to Fair Trade while maintaining support to current producers. As the Fair Trade system grows, companies should continue to increase their Fair Trade purchasing levels.

Support Cooperative Development

Companies have cited the limited size of the Fair Trade system as an excuse to withhold support for Fair Trade. Instead of seeing this as a problem, companies should see this as an opportunity to facilitate increased enrollment into the Fair Trade system. Cooperative formation is a sure step toward success for farmers with limited resources and is already a focus of many agencies affiliated with the World Cocoa Foundation. Companies that really want to solve the problems they perceive in the size of the Fair Trade cocoa system should leverage their support with these and other relevant organizations to facilitate its continued expansion.

Support the Strengthening of the ICA —With the Participation of the USA

As explained earlier, state-run stabilization systems can only go so far if the world market is permitted to drop to insufficient levels and fluctuate wildly. The ICA in its initial form was successful in maintaining sufficient cocoa prices and helping both cocoa producing and consuming countries benefit from cocoa production. Through trade liberalization and lack of support from key players such as the USA—and sometimes the Ivory Coast—the ICA lost its power and farmers were left helpless. Bringing the ICA back to its original form, with support from the USA, will do much to repair and prevent the economic damage that has been wrought upon producers and cocoa producing countries. Given that the USA is the world's largest cocoa consumer, it has the greatest responsibility to support the ICA. The US companies that bring in the largest profits from cocoa processing and retail sales of chocolate and cocoa products should

lead the way in bringing the USA into the ICA, and empowering the ICA to achieve market stabilization at sufficient prices.

Advocate for Debt Cancellation and the Reversal of Structural Adjustment Policies Detrimental to the Cocoa Sector

To close the circle on poverty and exploitation, companies should work to promote economic and social stability in the countries and regions that are major cocoa producers. Specifically, companies should publicly advocate for the cancellation of massive debts held to the IMF and World Bank by poor nations in Africa, Latin America, and Asia. Cocoa producing countries and their regional neighbors are facing increasing economic desperation because revenues once directed towards social services and economic stabilization are now directed towards debt payments. Debt cancellation is critical to ensuring real social and economic stability in cocoa producing nations. Corporations should also publicly urge the IMF and World Bank to reverse their Structural Adjustment Policies detrimental to cocoa producers (listed below). Unless debt cancellation and an end to SAPs occur, Fair Trade will struggle to reach its full potential.

Recommendations to the IMF and World Bank

Support Crop Diversification and Production of Food for Domestic Consumption

Since the “green revolution” of the 1970s, USAID and other organizations have promoted the use of high-yield hybrids and monoculture—that is, specialization in a single crop. This has become a major part of Structural Adjustment Policies regarding increased agroexport. Farmers who traditionally grew cocoa under a natural shade canopy—among other fruits, vegetables, and leguminous plants—took the advice of outside technical experts and razed the forest to grow acres of nothing but cocoa or another single crop. This has caused a variety of problems such as lack of biodiversity, loss of food security, crop oversupplies inducing a decline in the world market, and sudden economic devastation as a result of crop destruction by diseases or pests. Crop diversification can ensure proper ecological balance, provide food for home consumption and sale in local markets, naturally control for oversupply, reduce the likelihood that failure of any single crop will lead farmers to ruin, and engender natural methods of pest and disease

control. Encouraging farmers to return to traditional cultivation methods that are based on crop diversification is an important step that companies must take the lead in enacting. The World Cocoa Foundation mentions crop diversification as a central component of promoting environmentally sustainable cocoa production. Its additional social and economic benefits to farmers make it a critical component of any program that seeks to promote long-term solutions to abusive child labor and poverty among cocoa farming communities.

Permit the Reinstatement of State-run Marketing boards and Stabilization Funds

The role of commodity stabilization systems was explained above. In addition to offering producers critical protection from the world market, these systems also provide much needed revenues to governments of cocoa producing countries. These revenues can be directed toward critical social programs, allowing countries to take back their self-sufficiency and escape the grip of international debts. Countries like the USA provide significant subsidies to corporate agribusiness (but not family farmers), while denying poor governments in the global South the right to support small-scale farmers. Cocoa producing countries must be guaranteed a level playing field and the right to self-determination.

Lower Interest Rates and Permit Easier Access to Affordable Credit

When cocoa producing countries increased interest rates per Structural Adjustment Policies, producers were left unable to attain affordable credit. Faced with low world cocoa prices, an unstable market, and exploitative middlemen, farmers have few resources to spare and cannot predict their income from year to year. This makes saving money extremely difficult or impossible. As a result, farmers face difficult choices, like using child labor to avoid selling or losing their farms. Increased access to affordable credit is critical to ensure that farmers can get through the harvest season without resorting to exploitative labor practices.

Reinstate Social Spending

Structural Adjustment-mandated cuts in social spending have left producers in a state of economic instability. Producers now need more money to cover basic expenses like education and health care, but their incomes are plummeting. Such measures have also rendered governments unable to take care of their own populations, insulting and invalidating the expertise of governments to identify what is most needed in their own countries. Governments must be given the right to spend state funds in ways that promote the basic

livelihoods of their citizens, and in ways that are determined by governments themselves. Producers must have access to affordable essential services and public education if they are to be expected to send their children to school and pay their workers sufficiently.

Conclusion

It is clear that cocoa farmers are in the midst of a serious social and economic crisis, and that the US chocolate and cocoa industry has the responsibility and resources to support real long-term solutions such as Fair Trade. While the chocolate industry pulls in billions of dollars through chocolate sales and cocoa trading—and expends hundreds of millions more on advertising and executive salaries—cocoa producers remain without any hope of gaining even a single foothold on the ladder of economic stability.

The US chocolate and cocoa industry's operations, and its approach to ending child slavery, largely perpetuate the very processes that have exacerbated the poverty that lies at its root. Through this report, we have identified the culpability of IMF and World Bank policies, and the industry's refusal to support any sort of price stabilization. In order to bring about the conditions needed to end abusive child labor, the industry must replace its modus operandi with alternative models that center on poverty eradication, independent monitoring, producer self-sufficiency, access to education and basic services, and the rebuilding of struggling national economies in cocoa producing regions.

To make this happen, Mars and its industry colleagues must start buying at least 5 percent of their cocoa from Fair Trade cooperatives; pay a fair trade price to all producers who are not in cooperatives; and help them organize themselves into Fair Trade cooperatives. In doing so, Mars and other large companies will set a positive example that other corporations will want to follow. This in turn could lead to a restructuring of the

entire cocoa industry itself. Mars has stated that one of its goals is to “raise the standard of living of all farmers and their families who depend on cocoa for their livelihood” and “ensure that the communities [that] provide raw materials and services benefit from their relationship with [Mars].” If this is truly the case, Mars should be a leader in making Fair Trade a reality for all cocoa producers.

Granted, the problem of child slavery in cocoa production is only one of thousands of examples of child labor exploitation.⁶³ For this reason, companies must advocate for systematic change through the reversal of Structural Adjustment Policies and the cancellation of the massive and unjust debts held against countries in cocoa producing regions. These steps will ensure the kind of structural improvements that are needed for economic and social stability in cocoa producing regions. With a guaranteed sufficient income and healthy national economies, cocoa farmers will be able to realize the hopes that are basic to humanity: a decent standard of living, self-sufficiency, pride in one's work, the ability to send one's children to school and provide for one's family with dignity, safe working conditions, a healthy environment. In this way can abusive child labor will become a thing of the past.

Fair Trade has already proven its power to solve the cocoa industry's child labor crisis. IMF and World Bank lending policies have proven to do little except increase the economic and social crises they propose to alleviate. Demands for debt cancellation are mounting across the world, coming from a diversity of well-respected nongovernmental organizations, national governments, and concerned individuals from all walks of life. One cannot help but wonder why chocolate and cocoa companies are stalling to accept these realities and cross over to the side of economic and social justice. So long as the industry remains recalcitrant, it will allow its products to remain tainted with the exploitation that leaves a bitter taste in any chocolate lover's mouth, and that will eventually lose out to the sweet taste of social justice found in Fair Trade.

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