

## Fair Trade - Social Solidarity Economy: an Alternative of Economic Integration

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### Abstract

*The results of international trade have generated a set of both winners and losers. On one side we have the big companies and big producers that stand out and on the other hand, there is a sector that has been affected such as groups of peasants, rural communities, cooperatives, amongst others that live in the poor southern countries. Therefore, the objective of this research article is the search and the design of mechanisms that will counteract the flaws of the current systems, and that will translate into social policies to give a solution to the more unprotected people. Fair trade is an alternative that is heading towards practices of a more social and solidary economy and through these mechanisms, that are funded in a solidary and cooperative base, in the last years fair trade has shown a series of ventures that under this logic have given response to the existent problems of unemployment, poverty, gender inequality and contamination.*

**Key Words:** Fair Trade, Social Solidary Economy, Economic integration.

### Introduction

The results of international trade have generated a set of both winners and losers. On one side we have the big companies and big producers that stand out and on the other hand, there is a sector that has been affected such as groups of peasants, rural communities, cooperatives, amongst others that live in the poor southern countries. Therefore, the objective of this research article is the search and the design of

mechanisms that will counteract the flaws of the current systems, and that will translate into social policies to give a solution to the more unprotected people.

The objective of this research is to analyze fair trade and social solidary economy and highlight the effect that this can have seen as a factor of social capital that will contribute to the local and economic development of those economic factors that have been displaced by the dynamic of the traditional international trade.

By this, the question that gives place to this research is if fair trade and the social solidary economy constitute an option to impulse alternative ways of economic integration to those of the traditional conventional international trade.

This article is structured the following way: In the first section the introduction to this research is detailed; in the second section the theoretical elements of international trade and fair trade are described as well as the statement of the hypothesis of work; in the next section the theoretical framework is presented as a response to the investigation's objectives; in the fourth section the results are showed and finally the main results of the study are presented.

## **Literature Review**

### **International Trade and Fair Trade Theories**

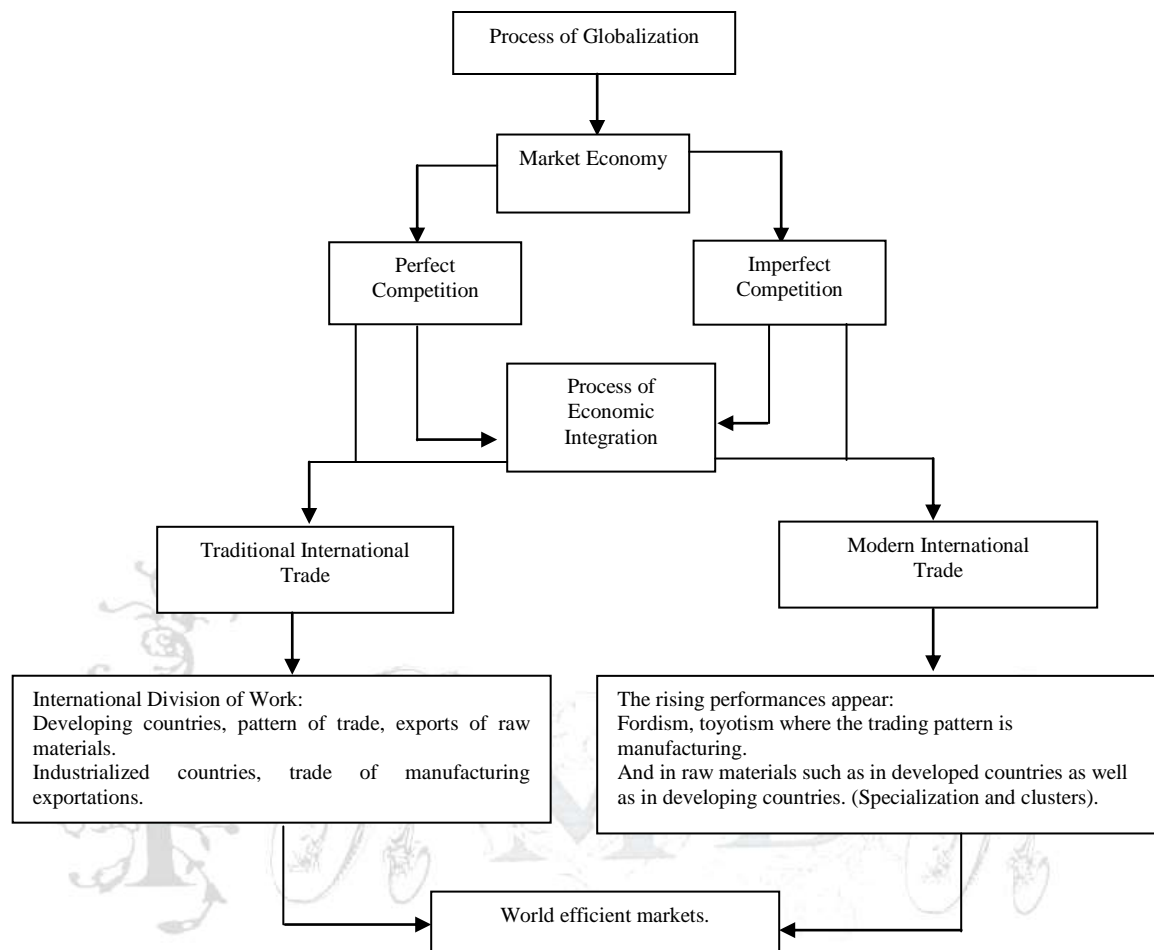
The world's economy has been a process of stages of economic integration where its maximum exponent has been the process of globalization, by which a process of commercial opening was configured, there was a process of capital internalization, and it has modified the relationship of the state with the market where the local economies are dependent of the market.

The theoretical part of this investigation lays on two aspects, in one side, are the theories of international trade based on the theory of classic economy developed mainly by Smith (1776), David Ricardo and Krugman and Wells (2008) and on the other side are the theories of fair trade that are based on the theories of social solidary economy.

The theoretical part of international trade, lays on the classical theories. The economic theory states that there is a well-being with free trade and the comparative advantage on the production of a good when on the production the factors that are abundant in a specific country are intensively used, theory that David Ricardo would develop and further on Hecksher-Ohlin with the factor endowments, in this first stage the exchange will have to relate to the relative prices. By this, the global economy, in the last years has been characterized by a market economy and according to Smith (1776) there is an invisible hand that chasing only one interest, ends up getting what society is interested in overall. In the second phase we get to a process of economic integration where the logistics will be of a modern international trade and the pattern of exchange is now manufacturing and raw materials in developed countries as well as in developing countries with a minor emphasis, this means that in this phase we have the economies of scale and will become an oligopoly and clusters in specific places. As shown in graph 1, we can observe such dynamic.

In such sense we could say that the global economy has been a process of configuration in their production as well in their commercialization patterns and the policies implemented. Generating positive changes as well as leaving factors out of place due to the same dynamic attached to the market, in this case many of the producers of the developing economies of the southern countries.

The main characteristic of the investigation is the analysis of alternatives, practices, and measures that can translate into policies that will help counteract the flaws of the market itself. For this, it is considered that practices of a more social economy and mechanisms of a more equitable market and its transactions, is an alternate way of development that can develop positive effects for the marginalized sectors.



Graph 1 Source: Personally made.

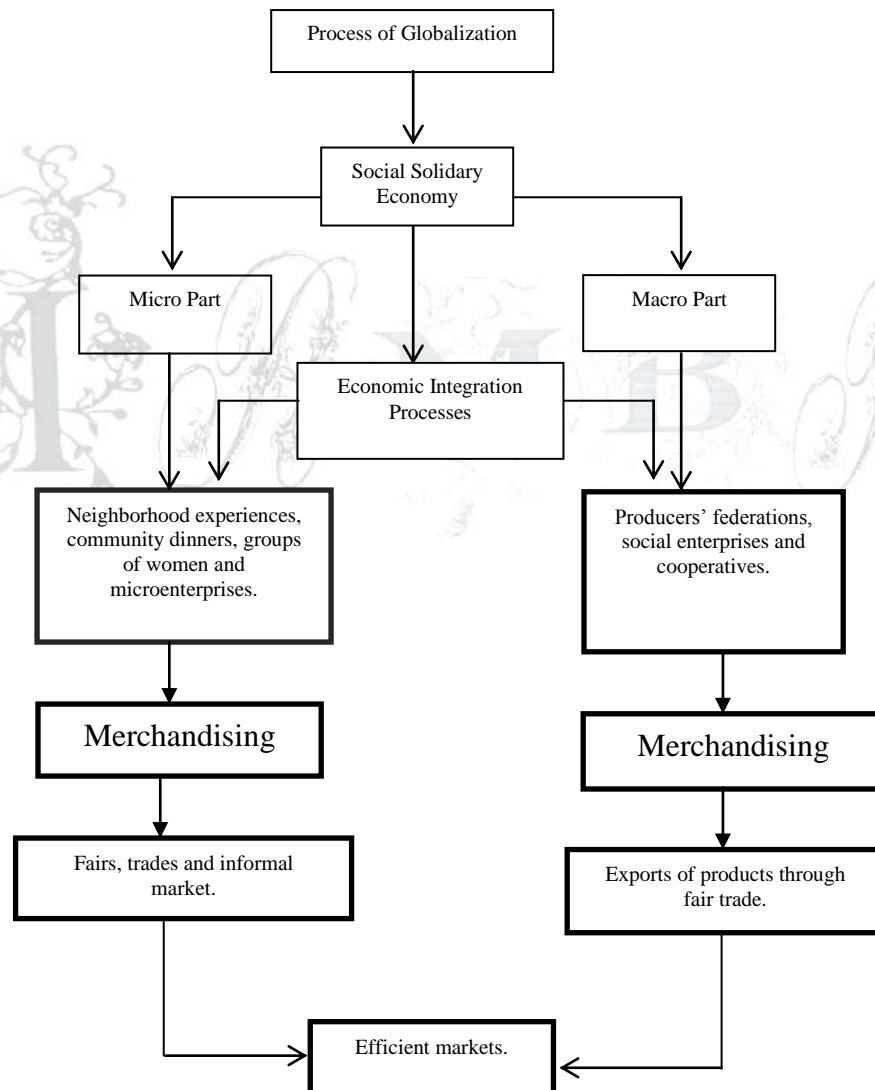
This way, the theoretical part of fair trade lays on the theories of the social solidary economy, which is related to the factor of social capital in the social capital theorists like Bourdieu and Putman in which social capital is seen as an addition to the current and potential resources that are related with the possession of a durable network of relations, more or less, institutionalized with knowledge and mutual recognition, in other words, with the belonging of a group that will bring each one of the members the social backup acquired, a credential that will allow them to get recognized, in the diverse sense.

On the other hand there are the theories of the organisms: United Nations Development Program, Economic Commission for Latin America and the Caribbean, the Inter-American Bank for Development, as well as the World Bank, where the essential part of the theory lays on the durable networks between groups with a social backup according to their solidarity and through social cohesion.

In such sense, the social and solidary economy is a factor of social capital and an element that contributes to the economic and local development. In the last years, a series of practices and speeches associated with the concept of a more social and solidary economy have been implemented in several countries like Africa, Europe, United States and Latin America.

These actions from an economic logistic go from the 'micro' like the: small barrel experiences, community diners, group of women, fairs and exchange of barter in some native communities. And as signaled by Caracciolo and Foti (2003) family actions and the workers of the public road have not yet had the opportunity to approach their interests amongst themselves and with other social sectors, in the way of organizing and be more conscious and efficient in their defense. Nevertheless, they must also consider themselves in the social economy, since they depend on their own effort and work to move forward.

In the 'macro' part the producer's federations stand out, as well as social companies and the cooperatives inside the logic of fair trade that in this case constitute exports of products from this organizations to developed countries, but are mechanisms done by the international networks of fair trade like the IFAT and the EFTA, who are in charge of guaranteeing the producers the highest economic retribution as long as they meet the criteria by which they are based on. Another important role in these networks is the intervention or pressure that the government enforces for these practices to be resumed from an economic policy in the countries. As shown in Graph 2, we can observe the dynamic of social economy:



Graph 2 Source: Personally Made.

The thematic of a social and solidary economy is seen for this analysis as a factor of social capital and as an element that contributes to the economic and local development.

This means, that for this analysis it is important to link fair trade with the social solidary economy. If fair trade is expressed in ways of solidarity, it would mean that by having a social solidary economy there is fair trade and vice versa.

### **Fair Trade a Non-Conventional Type of Commercial Exchange**

In the last years, fair trade has constituted an alternative way to commercialize products and crafts coming from the organizations of producers, families, workshops and cooperatives in Latin America, Africa and Asia. This alternative has constituted a response to the problems that present many of the small producers from these countries to be able to place their products on the world market.

By this, the concept of fair trade and what could translate into a non-conventional or alternative trade practice emerged from the increasingly wider gaps of unequal development from North to South.

For Ceccon (2008) the beginnings of fair trade are born with the organization of alternative trade, the Alternative Trade Organization (ATOS) that started to operate in the forties in the United States and Europe, and in the sixties in the United Kingdom with the OXFAM stores with the sale of crafts from the Chinese refugees and those who would create in 1964 the first import of fair trade in the Netherlands with the name Fair Trade Organization.

On the other hand, in Holland with the institution of aid and development for the catholic youth they would spread the ideological principles of the movement that would contribute to the expansion of fair trade y later on would create in this country two organization of merchandising: The Alternative Trade Organisatie and StichtingIdeelee.

Finally in Spain it would be developed by the social society a mechanism of information to what fair trade is and the importance of an informed consumer towards the products purchased. This way they could carry out the mechanisms of merchandising of products from Latin America, Asia and Africa to Europe.

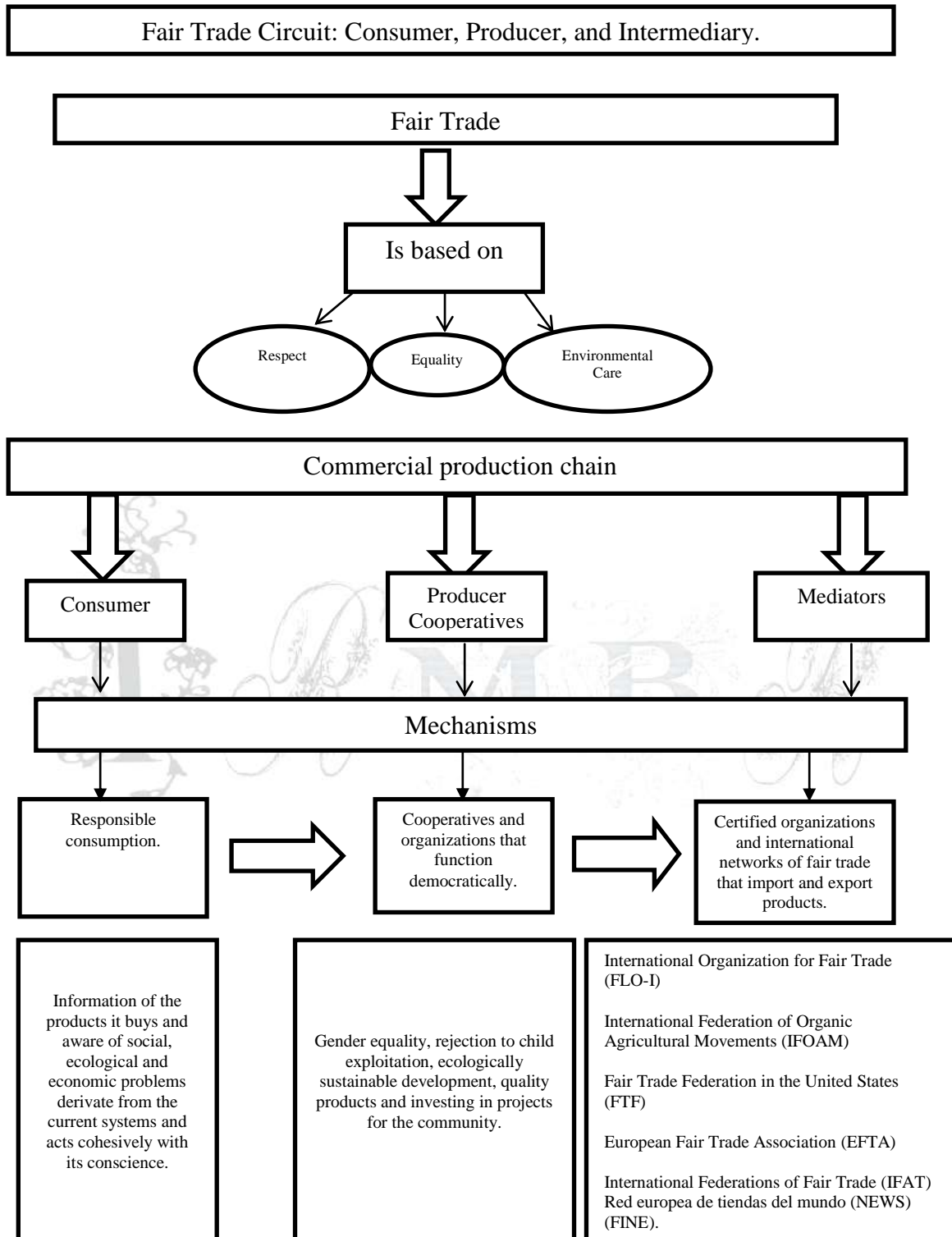
To have a clear concept of what fair trade is, according to several authors, it is a solidary and equitable trade and it constitutes an alternative proposal to the conventional international trade, based on guaranteeing the producers of the countries of the south a fair compensation for their work.

Other authors see it as a strategy on the fight against poverty, since the concentration of wealth and the capacity to achieve goals of development will separate the north from the south. Fair trade is promoted by various non-government organizations, that is to say, drifts from movements of civil organizations that are born in Europe and whose central motto is to practice a job with dignity respecting human rights: the rejection to child exploitation, equality between man and woman and the process of being solidary in the relationship with producers, distributors, and consumers.

To fulfill the objectives mentioned before, fair trade performs a series of procedures throughout the entire chain of production-trade, that is to say, the producers, mediators, and consumers play an important role to have results quantitatively and qualitatively. In Graph 3, we can observe the dynamic of fair trade:

### **Hypothesis of the Study**

Fair trade and the social solidary economy constitute an option to impulse alternatives ways of economic integration to those of the traditional conventional international trade.



Graph 3 Source: Personally made.

## Methodology

The design of the investigation understands the analysis and description of the cases and experiences that under the logics of fair trade have searched the way of placing their products in the international and local markets through the alternative practices of merchandising and it will give greater attention to the Mexican case.

## Experiences of Fair Trade and Social Solidary Economy in the World

Nowadays millions of people and farmworkers in small organizations are members of fair trade and experience social solidary economy in the world. According to the annual report of FLO in 2012, 1,07 million of farmworkers were registered in small organizations that are members of fair trade worldwide and 168,000 people are working on the certification of Fair Trade adding a total of 1,24 million workers and people that are benefited from fair trade. In such way that the percentage by region registers a 59% of the organizations of workers of fair trade are found in Africa, while in Latin America and the Caribbean they add a 24% and in Asia a total of 17%. The experiences, by continent are different but not less important.

### Europe

In the European continent the sales of Fair Trade in the Spanish country billed 26 million of euros which shows an encouraging number, even when it is far from the European average. Since according to FLO the average spending per habitant in 2011 was 0,55 euros, ten times less than the rest of the rest of the continent or in countries such as France or Germany and far from de levels of Switzerland (29euros per habitant per year) and United Kingdom (24 euros).

In Germany, the tendency is encouraging, since they spent 447 millions of euros in products of fair trade, 16% more than the year before. It should be noted that in the European continent the circuits of fair trade are tightly linked to the stores where the imported products from Africa, Latin America and the Caribbean and Asia are distributed. Only in Germany, there are 800 stores of fair trade called "EineWelt Laden".

### Africa

In the African continent fair trade also shows its advances, an example of this is Kenya, where the exportation of horticulture generated earnings of 906 million American dollars and it is estimated that the exportation of fresh fruits and vegetables from the sub-Saharan Africa to the United Kingdom is the sustenance for 1 to 1.5 millions of people. This type of commerce has helped Africa to reduce their dependency from the welfare assistance and in the long term could help their development.

### Latin America and the Caribbean

In the Latin-American and the Caribbean context the development of the cooperative model is directly associated with fair trade which has provoked a change in the functioning of the rural areas; the agricultures get united, exchange and experiment together. The union in the cooperatives has strongly favored the conversion to the organic agriculture, where the products that have a strong presence in the cooperatives are coffee and bananas. In the last years in Latin America and the Caribbean they have inclined towards developing mechanisms of merchandising in a local level through economic policies that favor merchandising through the fair trade channels.

Cases such as Brazil, with FACES, which is a platform of organizations integrated by associations of producers, workers, and non-government organizations and government managers are focused on the national joint of fair and solidary trade.



In such collective process, a conceptual base from the National System of Fair and Solidary Trade is created which obtains in November of 2010 the signature of President Lula to integrate as a public policy through presidential decree. This public system is a combination of concepts, principles, criteria, factors, management and social control spaces, arranged in a unique strategy of confirmation and promotion of Fair and Solidary Trade in the country. The decree created the National Management Committee, composed by the civil society (production ventures, merchandising and consumption) and the government (three ministers of the Federal Government).

This has had a favorable result in the strengthening of the channels of merchandising and solidary consumption. For example, in the creation and diffusion of methodologies, in the support to the development of new experiences, and in the diffusion of good practices. Brazil participates for many years now in the international movement for fair trade, producing and exporting products such as coffee, cashew nuts, clothing, crafts, orange juice, educational toys and chocolate, amongst other products, generating benefits for production groups that have had access to a fairer market, with price and more appropriate conditions.

### Mexico

The beginnings of fair trade in Mexico is in the decade of the eighties in a context for Mexico called the lost decade; with high inflation rates and in the agriculture and livestock sector a crises that will start to deepen, which would take the small farmers to reconsider before a context of new demands for commercialization.

The incursion of fair trade in Mexico would be seen on the side of the coffee producers, a sector of agriculture that went through as part of the international context and free trade with the problems of low price in grains, the lack of access to loans, single crop farming that stops production of mayor quantities of agricultural products, and the absence of public services (water, energy, drainage, transportation), problems that existed with the crisis in all of the Mexican agriculture.

In 1999, Mexico is consolidated as a civil association of fair trade and creates its own brand of warranty seal for fair trade with which it ensures that products comply with the established criteria to be able to commercialize them locally, and where producers associations participate from states such as Oaxaca, Chiapas, Puebla, Morelos, Veracruz and Yucatan, mainly.

In the last decade, producers of other states have joined this dynamics and have incorporated different products for merchandising. Nowadays, the certified organizations under the Mexican seal that offer their products to the market are:

Product	Number of Organizations	Location
Coffee	11	Oaxaca, Chiapas, Guanajuato, puebla
Honey	5	Chiapas, Yucatán y puebla
Sesame Seed	1	Oaxaca
Lemon	2	Oaxaca y Campeche
Chocolate	2	Chiapas
Nopal	1	Distrito Federal
Mango	2	Oaxaca, Campeche
Passion Fruit	1	Oaxaca
Processed and Fresh	9	Chiapas y Distrito Federal
Cleaning articles	2	Distrito Federal

These products are commercialized in more than fifty sell points located mainly in the Distrito Federal and metropolitan area, Chiapas, Morelos and Puebla. There are eighteen organic and solitarian stores



distributed in some other states of the country. In the next graphic, you can observe that eleven states that commercialize:



Fair trade in Mexico works with a network of small organic producers that ascend to 50 thousand families. In the journey, fair trade Mexico AC has created various activities focused on integrating more producers to the process of fair trade. For that they provide accompaniment to organizations of small producers in their integration to fair trade; generate information and tools that will allow people, companies and organizations to integrate to fair trade; participate in campaigns, events and discussion forums and promotion. The organic production in Mexico assigns an 85% to the export market. Amongst the most exported products in fair trade are coffee, which is the most exported product, honey, fruits, vegetables and seeds. The countries that they mainly export to are: Germany, Holland, Japan, England and Switzerland.

## Discussion of the Findings

The analysis show that each day more people have ventured into entrepreneurship with a solidary base and conduct requirements that are part of the concerns of the world economies, such as environmental care, no child exploitation and gender equality; they have realized that with a collective base they can have a mayor benefit for their work. However, it is important to make clear that these ventures do not cover the entire demand of these problems, but do constitute an alternative that is already being applied in other countries. Such are the cases of Africa, Latin America and Asia that have applied the mechanisms of fair trade and have had favorable results to insert small producers in the international commerce but in a way of fairer transactions.

## Conclusions

The consequences of following a model of international trade that does not glimpse in its transactions are fairer agreements for developing countries that will keep taking more marginalized sectors each time, in this case the small producers of southern countries. Therefore, fair trade and the social solidary economy are an option to debate in the political scene of the countries that have implemented an economic policy. In the case of Mexico, the beginning of fair trade have justified a wide range of options for those who work on the land in small areas, as well as the owners of micro-companies of transformation and sales of base products. This way, fair trade will constitute an alternative for the producers against the crisis and the lineage of the traditional commerce that dispose small producers.

However, we are in the beginning of fair trade in the northeast of Mexico, therefore, the information of its model and systematic structure has not reached the knowledge of most of the national producers.

Only 28% of the states that conform the republic are active and follow this alternative pattern of economic model that has benefited numerous Mexican producers in the south of the country. By reaching this model of fair trade to the entire republic you can consolidate a social base and a more solid ethic in the commercial transactions.

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