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**‘FREE TRADE’ OR FAIR TRADE? HOW CHANGES IN THE
CURRENT INTERNATIONAL TRADE SYSTEM COULD ACT AS A
DEVELOPMENT TOOL FOR THIRD WORLD COUNTRIES:
THE BRAZILIAN CASE**

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ABSTRACT

This study analyses and discusses the impacts of fair trade on cooperatives in Brazil. It also addresses the debate on free trade, showing its weaknesses and strengths; and it acknowledges the importance of governments' macropolicies in promoting development through trade. This study supports the view that international trade, as practised today, is detrimental to the economies of Third World countries, and it suggests actions to overcome negative impacts of international trade. One of these suggestions is alternative trade. However, this study argues that alternative trade, although an efficient tool in promoting the interests of small farmers, poor communities, and unskilled workers, should not be substituted for mainstream trade. Instead, alternative trade should act as a complement and promote the interests of those who have been losing with trade liberalisation policies. In examining one of the alternatives to free trade (the fair trade movement) research was conducted in Brazil in 2001. The evidence from research shows that although fair trade is found in its initial stages in Brazil, the impact has been beneficial to those cooperatives involved with it. The research also found differences between rural and urban participants. Groups in a rural context shared same experiences and types of products (agriculture), while groups in an urban context shared different experiences and were involved in other types of products (manufactures). Although all groups shared some similar difficulties, rural groups were more disadvantaged in terms of the distance, lack of infrastructure, communication problems, and lack of access to services. This study concludes that although the fair trade movement is still in its initial stages in Brazil and has had minor macroeconomic impacts on the Brazilian economy, it should be encouraged since it creates opportunities for marginalised groups to sell their production and reach a minimum standard of living. The study also argues that both alternative and mainstream trading systems have their strengths and weaknesses, and that the ideas behind alternative trade should be incorporated into the mainstream trading system in order to make it fairer to all participants.

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ABBREVIATIONS

ATOs	Alternative Trade Organisations
AIDS	Acquired Immune Deficiency Syndrome
EFTA	European Fair Trade Association
ETI	Ethical Trading Initiative
EU	European Union
FINE	FLO, IFAT, NEWS! and EFTA
FLO	Fairtrade Labelling Organisation
FTZs	Free Trade Zones
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
HDI	Human Development Index
H-O model	Heckscher-Ohlin Model
IBGE	Brazilian Institute of Geography and Statistics
ILO	International Labour Organisation
IMF	International Monetary Fund
IS	Import Substitution
LDCs	Less Developed Countries
MST	Brazilian Landless Movement
MERCOSUR	Southern Cone Common Market
MNCs	Multinational Corporations
NGOs	Non-Governmental Organisations
PAB	Brazilian Artcraft Program
SEBRAE	Brazilian Support Service to Micro and Small Enterprises
TNCs	Transnational Corporations
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
US	United States
WTO	World Trade Organisation