

## “Ethical and Solidary” Trade and Fair Trade in Brazil – Complementary Practices of Non-conventional Trade

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## “Ethical and Solidary” Trade and Fair Trade in Brazil – Complementary Practices of Non-conventional Trade

### **Abstract**

The objective of this work is to discuss the concept and practice of “ethical and solidary trade” in Brazil, based upon the authors’ experience as professionals of alternative trade. They were independent consultants to the creation and operation of Grupo Pão de Açúcar’s *Programa Caras do Brasil* (Faces of Brazil Program), one of the world’s most important and comprehensive alternative trade commercialization initiatives by a major supermarket chain, working for Visão Sustentável (Sustainable Vision) from São Paulo, Brazil.

The paper’s intention is to debate concepts, potentials, orientations and hindrances to the sector from our privileged point of view, and to debate to which point “ethical and solidary trade” is complementary to Fair Trade as a model able to present a solution to the dilemma of “how can Fair Trade remain an alternative that distinguishes itself from conventional trade without bearing the risk of remaining marginal?” – especially when under underdevelopment constraints.



### *Introduction*

Without a doubt, in Brazil as in other places there has been indiscriminate use of words like ‘fair’, ‘ethical’, ‘equal’ and their Portuguese counterparts, both in the small available literature on the subject of alternative trade and along the panorama of practitioners. Informally, we were able to identify at least five expressions, not always corresponding to well-defined concepts, which have been or are being used to refer to alternative forms of economic activity aimed at promoting income generation and local development through the linkage of small marginalized producers to mainstream or alternative markets: “Fair Trade”, “solidary trade”, “equal and solidary trade”, “ethical and solidary trade” and “fair and solidary trade”.

It seems clear that, more than on fundamental differences or on traces of compatibility or incompatibility among ideas and actual undertaking of production and trade, the words and expressions put into use depended until very recently main and simply on whoever was speaking, a revealing feature of how immature the ongoing process really was – which is changing. This does not mean, of course, that it isn’t possible to identify and describe characteristics that would show differences between movements and initiatives, allowing for the composition of a spectrum under criteria of social origins, influences, goals, means and perhaps a criterion of idealism versus pragmatic approach. But it surely means that the true content of these differences is not at all in surface when one observes the names tagging concepts or insufficiently conceptualized activities that are taking place as alternative commercial endeavors. And, also, that very little coordinated thought had been devoted to the issue until the past few years in Brazil, as opposed to the importance of the subject, the weight of the actors involved and the size of economic, social and environmental matters commonly associated with it, from the eradication of poverty to emerging social movements, all the way down to the role of corporate social responsibility.

A good and simple approach to the problem, since our main contribution here is a pragmatic insight on the challenges of alternative trade in Brazil based upon our experience as consultants to Grupo Pão de Açúcar’s *Programa Caras do Brasil* – the most comprehensive initiative ever undertaken in Brazil by a non-specialized company – is to use those two concepts which have been thoroughly defined, “Fair Trade” and “ethical and solidary trade” – focusing on the latter,

which is our subject – leaving the others to be sited around these precisely drawn, collectively built and widely known propositions in an appropriate occasion.

Also, we'll depart from the fundamental proposition that *the ideal and practice of creating a structure to mobilize producers and engage them on formally organized activities, in accordance to more or less defined principles – such as minimum-price policies, promoting local development, establishing long-term demands, excluding intermediaries, facilitating access to information and markets – in order to supply to more or less conscious markets, can be called the ideal of a “fair economy”*, a common feature between “Fair Trade” and “ethical and solidary trade”. From this point on we will focus on concepts and systems to demonstrate differences and challenges as we see them. And, finally, we'll offer a brief insight on the experience of Grupo Pão de Açúcar's *Programa Caras do Brasil*, which we helped construct in an independent consultancy work to Brazil's largest retail sector company, with the objective of briefly discussing the possibilities of “ethical and solidary trade” in Brazil when associated to corporate social responsibility.

#### *“Ethical and solidary trade” in Brazil and “Fair Trade”*

In Brazil, the concept of “ethical and solidary trade” (*comércio ético e solidário*, in Portuguese) was the result of a collective and transparent process conducted by the *Fórum de Articulação do Comércio Ético e Solidário no Brasil*, or Articulation Forum of Ethical and Solidary Trade in Brazil, to define alternative means of market access for products crafted locally in small scale, explicitly not corresponding to what has been defined as “Fair Trade”, and neither with the actors or products being the same (for example, as in the *FINE, 2001* definition). *FACES do Brasil*, a multi-stakeholder initiative formed by NGO's, government representatives, companies, working representatives and service providers which were already in one way or the other practicing alternative trade, catalyzed the demands of existing social movements and gathered efforts with the goal of adapting the principles of “Fair Trade” to the existing “solidary economy networks”<sup>1</sup>

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<sup>1</sup> For further information on these networks, its concepts and goals, see SINGER, Paul. 2003. *Introdução à Economia Solidária*. São Paulo: Fundação Perseu Abramo., or SINGER, Paul & SOUZA, André R. 2001. *Economia Solidária no Brasil: Autogestão como Resposta ao Desemprego*. São Paulo: Ed. Contexto.

within the Federal Government. Currently, the forum is working on the development of a “favorable environment for the construction and implementation of a Brazilian ethical and solidary trade system, promoting equality and social inclusion” (FACES DO BRASIL, 2006<sup>2</sup>).

From an historical point of view, the idea of “ethical and solidary trade” in Brazil can be seen as a remodeling of the idea of forming a “fair economy” system to the domestic context, as an adapted extension of the practice of “Fair Trade” which shares with it the same ideal of creating development through economic inclusion instead of exclusion and concentration of wealth – a phenomenon, by the way, that is taking place in many Latin American countries. It is interesting to point out that the movement’s roots, for as much as it is possible to consider it a homogeneous one in Brazil, lie considerably upon the European “Fair Trade” movement, being relevant that the country’s pioneering “alternative cases” were built under the conventional “Fair Trade” model by the Fair Trade Labeling Organization (FLO) among orange juice and coffee producers. But it is impossible to understand the roots of “ethical and solidary trade” without looking to the socioenvironmentalist movement and without understanding the concept and practice of the “solidary economy networks”, which is not our focus in this paper, but have considerable representation among *FACES do Brasil*’s participants.

While to understand why “ethical and solidary trade” is different from “Fair Trade” it is key to see it as a domestic initiative – domestic in the sense that *FACES do Brasil* is working to build a domestic system, since there are converging movements all over Latin America acting under the same banner –, there are other things that must be taken into consideration. An adequately clarifying view on why that is relevant was offered by Rosemary Gomes, a member of *FACES do Brasil*’s management workgroup. Gomes’ work described this distinction as a line between international and national commercial relations, but stressed that the difference between “Fair Trade” and “ethical and solidary trade” was actually a matter of drivers and goals. Says Gomes: while “for many Fair Trade it is still closely tied to social responsibility strategies of large corporations, for others it meets only the demands of consumers in countries of the North, which feel that buying from poor countries they contribute for a better world” (GOMES, 2004<sup>3</sup>). Moreover, for this author and practitioner, the great distance between producers and consumers,

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<sup>2</sup> All quotations from this author were freely translated from Portuguese by the authors.

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both geographically and culturally, a distance which is being bridged by importers, certifiers and other actors from the geopolitical North, could hinder the fulfillment of the principles of proximity and transparency between producers and consumers, both very keen to the discourse of the Fair Trade movement.

This view is one of many representative of the fact that “Fair Trade”, as defined and practiced, wasn’t and still isn’t generally seen as able to fulfill by itself the potential of alternative commercialization in a continentally-sized, multifaceted country, which faces much larger development challenges than the consequences of the behavior of specific international commodity markets and of the action of intermediaries – for example, major regional inequalities, extensive ongoing processes of growth of urban and rural unemployment and impoverishment, one of the world’s most prominent inequalities in income distribution, unfair traditional relations of power and widespread poor local governance, low education rates, thorough forest devastation and loss of biodiversity, extinction of full biomes like the *cerrado* (central Brazilian savannas), among many others. At the same time that there are development-related issues which need to be addressed domestically, there is a wide array of domestic social movements which have “development through fair small-scale commercialization” as a goal – especially but not exclusively in the realm of ‘solidary economy’ and the socioenvironmentalist movement. And, also, opportunities in the domestic market which need to be approached in a specific manner, respecting the particularities of emerging movements and domestic economic constraints alike.

The fact is that among these emerging social movements, which were quickly gaining strength in the beginning of this century, a growing consensus was constructed around the fact that “Fair Trade”, seen essentially as a North-South relationship, although never questioned as advantageous and desirable to producers in specific cases, was an exogenous and insufficient vector to meet social and environmental goals in scales compatible to the size of Brazilian social and environmental demands. A perception which was decisive on the constitution of *FACES do Brasil* in 2002, when a left-wing federal government has taken office for the first time since a democratic political system has returned to the Brazilian political life, increasing institutional space for latent social demands.

Thus, “ethical and solidary trade” was defined as “a differentiated commercial flow that, from the establishment of ethical and solidary relations between all links of the productive chain, will result in a form of empowering to wage workers, family farmers, indigenous peoples, *quilombola*<sup>4</sup> peoples, extractivists and peasants which are in disadvantage or being marginalized by the conventional system of commercial relations” (FACES DO BRASIL, 2006). As it becomes clear, it carries a political content along social, environmental and economic goals, but never loses sight of the pragmatic point of view of accomplishing the economic activity.

The concept and practice of Fair Trade as defined by FINE (the international organization which comprises Fairtrade Labelling Organizations International, International Fair Trade Association, Network of European Worldshops and European Fair Trade Association) was never excluded from the forum’s agenda, but, again, the boundary between “Fair Trade” and “ethical and solidary trade”, separated as international and national commercial relations, was to be respected. As stated by the institution itself, “*FACES do Brazil* refers to ethical and solidary trade in the national context and to Fair Trade in the international context. The reason for this choice finds reference in the concerns about firming the concepts proposed by the representative entities in each of these contexts – FACES of Brazil nationally, and FINE, internationally.” (FACES DO BRASIL, 2006).

It is not difficult to understand the pertinence of such distinction. Indeed, the domestic context in Brazil is diverse from the international context which drives Fair Trade initiatives, as the formation and functioning of contemporary developed economies can be said to be in contrast with developing or underdeveloped ones, and as the functioning of the domestic market surely is in contrast with “northern” ones. This has major practical implications both in production and in market absorption conditions, causing very sensible differences between domestic and export-based alternative commercial activities – namely, regarding the availability of credit, fiscal incentives, the availability of income to afford higher prices than those of conventional products, the current status of conscious consuming, the issue of certification, influenced by the former

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<sup>4</sup> A *quilombo* is the independent ancient village which refugee slaves built and where they lived when they managed to escape forced labor. *Quilombos* were formed until the abolition of slavery in Brazil in the later 19<sup>th</sup> century all over the Brazilian territory. Official data of 2004 reported the existence of 743 *quilombo* areas in Brazil, with an estimated population of 2 million, and varying level of contact with the “western civilization”. A *quilombola* is he or her who lives in a *quilombo*. (Author’s note).

two, and logistics. All of which summarize the challenges of alternative trade in Brazil, making the domestic markets, curiously, often harder to reach.

Besides that, it's important to say that "ethical and solidary trade" is not yet a system the way "Fair Trade" is. As a matter of fact, it has still only been constructed as a framework of values, principles and criteria which range from a general ethics guide to specific practical recommendations for practitioners. The values, revealing the movement's inspirations and socioenvironmentalist approach, are: democratic rights of participation, freedom of association, elimination of forced labor, eradication of infant labor exploitation, responsibility and transparency in public and collective administrative processes, eradication of poverty, promotion of human development, valorization of local identities, universal access to education, culture, health services and economic opportunities, education for a sustainable life, treatment of living beings with respect and dignity, a culture of tolerance, non-violence and peace and protection of the Earth's ecologic systems.

The 6 principles are defined as "thematic axes which connect values (theory) and criteria (practice)" (FACES DO BRASIL, 2005b), and it is therefore more interesting to move straight to the commercialization criteria. These are divided into "criteria for producers or service executors", "criteria for wholesalers, retailers or transformers of products", and "criteria to be applied both by producers or service executors and wholesalers, retailers or transformers of products".

In the producers' side, the focus is clearly on sustainable development, in the sense that it carries a ethical charge very much in accordance to the idea that development can be no less than achieving success in an economic, an environmental and a social dimension. From the 14 criteria for producers, 3 are economic (labeling and consumer information, democracy, transparency and participation in management and destination of resources to a Local Development Fund), 6 are environmental (restrictions to the use of toxic substances in production, promotion of environmental conservation, forbiddance to the use of genetically modified organisms, respect to environmental regeneration and forestry management plan (when available), optimization of energy use and environmental law compliance), and the remaining 5 are predominantly social and political (legal compliance, promotion of well-being, partnerships with local public

authorities when possible, child labor restraints and democratic mechanisms of power) (FACES DO BRASIL, 2005b).

In the retailers and wholesalers side, the criteria to define “ethical and solidary trade” focus on protecting the small producers’ particularities as opposed to conventional producers, and to guarantee economic sustainability to the “ethical and solidary” businesses. They are: paying a fair price to producers, asking for formal authorization and paying to use the image and the knowledge of producers for marketing purposes, forbiddance of the negotiation system in which producers get paid only when the final consumer actually buy the product, stimuli to the use of mechanisms which favor saving, guaranteeing proper consumer information on ethical and solidary trade, promote education on ethical and solidary trade and conscious consuming, and finally a recommendation of the use of sustainable raw materials (FACES DO BRASIL, 2005b).

Finally, the criteria to be applied both by producers and retailers/wholesalers are intended to guarantee practices throughout the supply chain: compliance to health and safety requirements for people and the environment, forbiddance to infant labor in any stage or activity of the supply chain, wage equivalence among men and women, transparent and balanced discussion of the different stages of trade in which each organization is involved, the need for long-term relationships between producers and retailers/wholesalers, transparent administration in decision-making, resource management and policy definition processes, national and international labor rulings and recommendations compliance, promotion of gender equality and non-discriminatory practices due to race, religion, politic positioning, social origin, sexual choice, marital condition and deficiencies/special needs, selective separation of waste and recycling, and finally the non-indiscriminate use of the “ethical and solidary trade” concept for marketing purposes (FACES DO BRASIL, 2005b).

But, as mentioned, the differences between the “ethical and solidary trade” system in process of construction and the established “Fair Trade” system are more important than just a matter of where each one should act. In our opinion – as the values, principles and criteria leave this particular issue undiscussed – it is arguable if the “ethical and solidary trade” system is to require a certification process to guarantee origins and compliance to consumers, perhaps relying instead on its multi-stakeholder nature to ensure mutual scrutiny between organizations, or on a simplified and cheap certification structure. This is how the practice is being conducted so far, and may be one of the most important distinctions between the two systems in the future – having

in mind that certified goods make up for about 80% of the “Fair Trade” markets. It surely represents a dilemma to be solved, as no one denies the importance of a certificate of origin and quality. The fact of matter is that, as we’ll see, there is resistance to certification among many producers, especially the weaker, and if a certification process is to be established, it cannot pressure production costs.

First of all, there is the small producers’ side in contrast with the very logic of certification, and these producers have a voice in the system’s construction. While, in international “Fair Trade” certification is agreed to be a key to success, the “ethical and solidary trade” model is opening and strengthening new commercial frontiers which shouldn’t create mechanisms to restrain maximum inclusiveness. In our experience in Grupo Pão de Açúcar’s *Programa Caras do Brasil*, in which we were constantly in touch with producers from all over the country helping them to meet the simplest requirements, it became very clear that the level of education, productive and commercial capacity among producers, both regarding the integration of the producer-product-sustainability dimension, on the one hand, and of the producer-market dimension, in the other, would leave most of them out if compliance requirements were tightened. A strict certification process could and perhaps would weaken “ethical and solidary trade” before it became effectively born as a system, and it could be prudent to strengthen producers, and the movement as a whole, with less restraining processes before additional requirements are made.

Another practitioner has noticed the same aspect among producers participating in the conceptualization process, pointing out that among those who are deeply enough involved to have developed their own critical views on the different aspects of “fair economy” as opposed to the conventional functioning of markets, “the main focus of criticism lies on the certification process and the use of certification seals or labels. They fear that the process could exclude many groups that, for very different reasons, do not have the conditions to enjoy the benefits of certification and of a seal” (FERRARI DOS SANTOS in FRANÇA (org.), 2003<sup>5</sup>). This is a widespread perception very much related to the fact that the logic of “certification as differentiation” would be excessively exclusive in an initiative which is primarily aimed at social inclusion. So, we could say that “ethical and solidary trade”, besides being a domestic initiative, perhaps shouldn’t be certifiable the way “Fair Trade” is. So far, it has relied in its multi-

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<sup>5</sup> All quotations from this author were freely translated from Portuguese by the authors.

stakeholder nature, mutual scrutiny by stakeholder organizations and, well, solidarity to guarantee that processes are in accordance to values and principles.

But there is more to it, as the cost-effectiveness of a certification process is doubtful. Contrarily to its main purpose, it can be argued that certification would create obstacles to market absorption of “ethical and solidary” products, considering that conscious consuming is also only blossoming in Brazil. While it is common to read in *pop-management* literature, in Brazil as elsewhere, that consumers are growingly demanding sustainable development and ecological standards and practices, and actively responding to products that fulfill those demands, experience has been showing that price is still the main driver of purchase, except for very tightly identifiable and circumscribed segments and groups. If it is very much true that if the conscious market is already small, the market for more expensive certified products could be even smaller.

A comprehensive national survey conducted by *Instituto Akatu pelo Consumo Consciente* (Akatu Institute for Conscious Consuming) in 2004 has discovered that only 6% of Brazilian consumers practice behaviors which qualify them as “conscious”, “punishing companies with attitudes they do not agree with and considering social and environmental actions of companies in the purchasing experience” (AKATU, 2004). 37% were classified as “committed”, 54% as “beginners” and only 3% as “indifferent”, but the methodology of that research has led to biases in composed indicators because it considered many behaviors which weren’t exactly “purchasing behaviors” as much as “efficiency behaviors” or “consumer rights-related behaviors”. When specifically confronted with the “I always decide my purchases for the lowest price” question, 84% of the “indifferent”, 81% of the “beginners”, 82% of the “committed” and 79% of the “conscious” have answered yes (AKATU, 2004). Willingness to pay higher prices for social and environmental practices was also detected to be low, leading to the belief that, if it’s hard enough to charge for “social and environmental added value” in Brazilian markets, mainly due to the effects of relative economic stagnation, the costs of certification could drive potentials down to the level of inviability. Except, of course, in specific cases and segments, which shouldn’t be taken as a general parameter for the construction of the system as a whole.

Another extensive study aimed at exploring the status of conscious consuming in Brazil, though not specifically focused in “ethical and solidary trade” but in “green marketing”, and not focused

on consumer behavior, but consumer attitude, has concluded that “even though popular management literature spreads the existence of this green consumer and the great influence it makes on companies’ strategies, what is really observed is a lack of studies that can identify, in Brazil, this environmentally responsible consumer. (...) Thus, it cannot be affirmed that the Brazilian consumer can be framed as a green consumer and that his or her behavior is conditioned by ecological considerations” (PEREIRA, 2004)<sup>6</sup>. Despite the fact the subjects aren’t exactly the same, the conclusions of this work, among which that “It is not possible to affirm yet that Brazilian consumers are conscious of the impact their consuming has in the environment, though it seems that consumers look with sympathy toward companies or brands that display this environmental concern” (id., ibid.), could in a general manner be projected to the “ethical and solidary trade” market, if only to reinforce the idea that “ethical and solidary trade” must take price-competitiveness as a priority if it is to succeed. The *Programa Caras do Brasil* experience, which we could follow from very close range, also corroborates the fact that to answer a survey on “what do you think it’s good” and *to actually buy* a more expensive product with social and environmental added values are still two different things, especially when, as in *Caras do Brasil*, the differentiated products are offered in the same store than ordinary ones. This is particularly interesting when the issue of “how can alternative trade remain an alternative that distinguishes itself from conventional trade without bearing the risk of remaining marginal” is raised. Well, it could be by developing strategies to become less distinguishable from ordinary products from a pricing point of view, without detriment of the values it promotes.

There are arguments to offset this understanding, even though they also do not focus specifically on the “ethical and solidary trade” movement. One of them is the existence of a well-established and known organic products market, which, according to a survey conducted by the Service of Support for the Micro Enterprise (SEBRAE), is “relatively congruent with the potential consumer of Fair Trade foods” (SEBRAE, 2004). Also, “according to a survey held by the Brazilian Ministry of Environment and IBGE – *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics) – the role of conscious consumers is representative. In 2001, 44% of the consumers bought products with recycling packages, 36% preferred environmentally friendly products, 81% indicated motivation to buy ecologically responsible

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<sup>6</sup> All quotations from this author were freely translated from Portuguese by the authors.

products and 73% admitted motivation to buy an organic product. This information shows that part of the Brazilian consumers consider buying sustainable products as a way to cooperate with the social, environmental and sustainable development responsibility" (ARRUDA, 2003).

Even though this can be true and it is generally accepted that the growth of conscious consuming in Brazil is a reality, what our experience has been teaching is skepticism. First because most "ethical and solidary" products aren't food products, and there is no actual proof that the consumers of organic products would automatically be interested in the "ethical and solidary" segment. Second, because conventional organic products definitely deliver a consumer health differential along with responsible environmental practices, which allow them to rely less on a "solidary consumer attitude". And again, also because it is questionable whether consumers are really willing to buy "ethical and solidary" products as much as they say they intend to. In any case, we believe that there is still a lot to be learned from experience.

Thinking back about the matter of certification and its impact on prices, it's not too ambitious to say that *Caras do Brasil*'s simple and low-cost "eligibility criteria" model to select suppliers worked out satisfactorily well, adding that any additional costs imposed on products would definitely be felt in terms of sales – in detriment of producers' wealth and prosperity. The consumer response to this type of certification in Brazil may not be so advantageous for many producers, which can be slowly changing but must be taken into consideration.

This concern with price can be especially important because other factors concur to pressure producing costs. The difficulty of finding good and cheap logistic solutions also imposes constraints in many cases, due to Brazil's continental size associated with the fragilities of much of its transport infrastructure. This logistic challenge can help figure why costs are so often high in "ethical and solidary trade", and why the market segments it can reach are relatively small. Here's the key: while social and environmental added values increase with how difficult accessibility to the main domestic consumer markets is, transport costs and risks can often increase at disproportionately higher rates. And there is an inescapable contradiction in the fact that, as the importance of a certification process grows alongside the distance between producer and consumer, the transportation costs and risks can rise so much that they can end up making many products the least likely to endure a higher price in the shelf due to this certification

process. While it is true that many of these differentiated products maybe will never be “popular”, in the sense of being cost-competitive, it is also true that how elitist they should be is something to be addressed.

To illustrate how serious the logistic challenge can be, we could say that there is no exaggeration in the fact that logistics can be easier in foreign trade than in domestic markets. As we learned when *Caras do Brasil* started to sell environmentally-correct *pirarucu* fish from the Amazon Basin in São Paulo and Rio de Janeiro in 2005, an emblematic example, it is actually easier to transport codfish from Norway or salmon from Chile to southeastern Brazil than this particular species from the country’s northern region, as it is also easier to take it to foreign markets through river and sea transportation. The social and environmental value of the activity, though, is immeasurable, since it represents the maintenance of the very relevant Mamirauá Sustainable Development Reserve in the state of Amazonas, and this perception has led to good domestic market acceptance even though the product reached São Paulo and Rio de Janeiro at the same price than other more exquisite species.

The point is: if consumer perception of social and environmental added value to a given “ethical and solidary” product isn’t very high due to a specific combination of causes, normally related to how widely known a given environmental and/or social issue is, the transportation costs and the logistic challenge will seriously reduce market size and may even affect business viability. This has consequences towards how useful specific certifications can be in this model, since it adds additional pressure on costs and consequently on purchase prices. In this particular example, there is legitimacy in the fact that the Mamirauá Sustainable Development Reserve management plan is widely known and the extraction of *pirarucu* at sustainable rates is technically simple due to the use of traditional knowledge by local inhabitants – so the consumer won’t need to know the process has been specifically audited by an independent body, trusting simple legal compliance requirements. But that’s not always the case, and others may not be so fortunate to find a solution to this “how cheap/expensive and safe/risky logistics is”, “how will consumers know the product is differentiated and has quality” and “how much more are they willing to pay” equation.

These aren't the only challenges "ethical and solidary trade" faces, they are just those which could be more clearly perceived from the experience we've had, which follows. Surely, additional factors can be highlighted from different perspectives as the process unfolds – just to mention some examples, the spread of productive and commercial capacity, product quality, the integration of the producer-product-sustainability dimension, credit availability, support and legal regulation, among others.

*Alternative trade and Corporate Social Responsibility in Brazil: a brief insight into Grupo Pão de Açúcar's pioneering Programa Caras do Brasil (Faces of Brazil Program)*

Above all, "ethical and solidary trade" is necessarily a multi-stakeholder initiative, and this is how it is being conducted in all spheres. It is based on partnerships between converging movements, as for example the "solidary economy" networks, the organic products movement, the conscious consuming movement, the environmentalist movement, specialized shops, the different causes supported by non-governmental organizations, many governmental spheres and programs, and even the Fair Trade practitioners. So there's not the smallest doubt that the one of its main features is its inclusiveness – the potential of catalyzing a wide array of social demands into one coordinated front.

The challenges "ethical and solidary trade" faces, as we have seen, are enormous. There is a potential market but it is questionably strong and definitely geographically concentrated, prices must provide conditions for development and at the same time be competitive, production must be efficient and clean, infrastructure networks are in many cases precarious, capacity among producers is still generally low, there is no legal regulation of the activity, among other aspects. No one would deny that just to place a product on a shelf, sell it for an acceptable price and get your project going is already a victory in this context.

Even recognizing the inescapable dilemma of the relation between "ethical and solidary trade" and corporate social responsibility, especially in the food retail sector, it becomes clear that the current status of alternative trade in Brazil requires partnerships between all converging social movements, in public, private and third sector alike. If we define the problem as a matter of

deontological ethics versus an utilitarian approach, which is complicated and definitely would require further investigation which cannot fit the objectives of this work, this means that the approach will tend to be more utilitarianist, mostly because it seems that the “ethical and solidary trade” movement may not be able to afford a purely idealistic positioning in a context of so many difficulties. It is opting – being very important to remember that it is not a solidly homogeneous movement –, to accept all available adequate market access opportunities as a means to promote the strengthening of initiatives where they are the most fragile. It seems true that it is overall advantageous to accept contradictions because the existing market access opportunities are showing to be useful as a development tool, to improve the producers’ living conditions, to stabilize their economic situation and to popularize more environmentally sustainable practices. Most of all, producers are undoubtfully maturing when facing the challenge a supermarket shelf imposes.

When *Grupo Pão de Açúcar*, Brazil’s largest food retail chain with 556 stores in 13 states and 70,000 employees, decided to create a special channel for “ethic and solidary” products – although the concept barely existed in October, 2002, when *Programa Caras do Brasil* was launched, we departed from the possibility that the supermarket chain could offer what movements, producers, supporting NGO’s and governments most needed: market access under adequate conditions. And, fortunately, we proved to be right, as acceptance among stakeholder organizations was very high and a wide array of partnerships could be formalized. The truth was that perception among practitioners and supporting organizations was of urgency to get initiatives prospering, triggering capacitation, involvement and, at least, economic sustainability.

The problem to be solved, then, was to design the conditions under which commercialization was to be practiced. Using a language keen to NGO’s and supporting organizations, with a pro-active focus on the producer’s needs and neat conceptualization, *Grupo Pão de Açúcar* managed to consistently develop an initiative to take “sustainable products”, as they were then called, to the country’s most vigorous markets.

The program began commercialization in 2003 selling in 4 stores of São Paulo grocery, personal hygiene, decoration, culinary, domestic utensils, and textile goods from 25 suppliers from 11 states, benefiting directly and indirectly over 6,000 people. A year later, 12 stores were selling

products from 44 suppliers from 16 states, and the benefited were already 11,000. In the end of the year of 2005, it was 35 stores selling goods from 71 suppliers from 19 states, benefiting over 12,500 people. The steady growth is a measure of its great acceptance among stakeholders as among consumers.

A key feature of the program is the observance of eligibility criteria to make sure that the privileged commercial conditions are only conceded to initiatives deemed as “sustainable”, excluding environmentally unfriendly activities and others that could compete in conventional markets. “The partnership of all suppliers with other institutions is seen by the *Caras do Brasil Program* as a guarantee of their social responsibility and as a certification of sustainability” (ARRUDA, 2003), but the company always overlooked independently many aspects of production to ensure eligibility as a means to protect the Program’s reputation. With a clear third-sector inspiration, *Caras do Brasil* actually managed to blend the company’s core-business activity with differentiated and transparent dialogue with the small producers, working its way through historic constraints in Brazil’s alternative trade.

According to a comprehensive case study conducted Fundação Getúlio Vargas, from São Paulo, “the potential suppliers got to know the Caras do Brasil Program through television, newspapers, supportive institutions, producers’ partnerships or cooperatives. Some suppliers were invited to apply, with the help of Mr. José Pascowitch, an independent consultant for the Program, whose role to get this accomplished was special” (ARRUDA, 2003). The gains in learning how to conduct their small businesses was great: “For the suppliers who had not a legally established organization, a first difficulty was to solve this situation. Others mentioned lack of experience, as the use of bar codes, and the product package adaptation and standardization. On the other hand, they all agreed that these requirements are necessary to become part of a profitable sales channel, expressing their feelings as: satisfaction, trust, recognition, safety, pride, optimism, opportunity of an increasing future for business and perspective of complementing the participants’ family income” (ARRUDA, 2003).

The establishment of strategic partnerships was also very important: “SEBRAE/SP (...), for instance, offered courses, training and financing to some projects, aiming to capacitate producers. Others helped to elaborate a business plan and supported them with credit and resources, aiming

to develop the whole productive chain in what relates to the producer. Their intention was to make the producers more professional and ready to create an additional self-sustainable income" (ARRUDA, 2003).

There were partnerships in the public sector, also, with the Ministry of Environment, which "has the objective of offering the needed know-how to some initiatives of small suppliers, making their business sustainable and providing adjustments in the current commercialization process" (ARRUDA, 2003), and the governments of the states of Amazonas and Rio de Janeiro. The results of these partnerships were very positive, as many producers could gain access to the privileged conditions the Program offered.

Overall, *Caras do Brasil* has achieved a great success, having obtained national and international recognition in many relevant spheres, including the United Nations Global Compact. But it faces challenges for the future, especially regarding the conditions of growth and regarding the possibilities it offers as a comprehensive corporate social responsibility tool, involving all company publics around the company's sustainability and ethical values. These future developments are yet to happen.

*Conclusion: "ethical and solidary trade" in Brazil, an initiative complementary to Fair Trade*

From our standpoint, the Brazilian concept and practice of "ethical and solidary trade" and the international concept and practice of "Fair Trade" are complementary. They share many fundamental values and differ in many others, but overall the difference between the domestic and the international economic environments may cause "ethical and solidary trade" to develop a different system in order to adequate its practices to the constraints of underdevelopment.

We understand that "ethical and solidary trade" can effectively play a role in the achievement of many issues of the sustainable development agenda, including the Millennium Development Goals implementation in national and subnational spheres, the adoption of the Global Compact's 10 principles in the corporate world, and in a general way, through conscious program designing, stakeholder dialogue and commercial practice, to the success of a wide array of national and international public policies. "Ethical and solidary trade" reinforces the influence of social and

environmental principles in production, marketing and consumption, and even though it has serious challenges to address, it can profit on the establishments of partnerships between public, private and third sector.

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