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Commentary

Fair Trade, Diversification and Structural Change: Towards a Broader Theoretical Framework of Analysis

Commentary

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Abstract

This paper

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International is used to argue that, far from being detrimental, Fair Trade might actively contribute to diversification by alleviating some of the real-world obstacles that otherwise retard development.

Notes

The author would like to thank Mark Hayes, Adrian Morley, Roberta Sonnino and two anonymous referees for taking the time to offer very helpful comments on earlier drafts of this paper. However, the author naturally takes full responsibility for the final content, and therefore any contentions or inaccuracies that the reader may find within. A further acknowledgement is to the ESRC, which provided the author with studentship support during the development of this work.

¹ The term “conventional” highlights the argument that while the debate about Fair Trade is often couched in terms of “free trade versus Fair Trade”, this does not represent the policy option available. As Barratt Brown ([1993](#)) made clear, the very purpose of Fair Trade was to compensate for the effects of monopolistic and oligopolistic structures that dominate the commodity sectors. In other terminology, Fair Trade es... number of buyers c... firm coordina... ns of interaction

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³ Where... ers to the specific... Where Fair Trade has been applied as internal governance norms by some socially orientated

organizations, FLO Fairtrade has provided a system of third-party governance that offers a specific concretization of these wider principles. It is this latter interpretation that has become the dominant version of Fair Trade in the market (by volume), and for this reason FLO Fairtrade is the focus of this study.

⁴ Although the literature debates the short-term merits of such policy instruments in a variety of contexts, particularly Latin American Import Substitution Industrialization and East Asian export orientation, a general consensus notes that where there are benefits, these are contingent on the development of endogenous productivity (Baer, 1972, 1984; Bhagwati, 1988; Bruton, 1998; Noland and Pack, 2003; Prebisch, 1963).

⁵ Especially given its contribution to avoiding balance of payment constraints on economic development (Thirlwall & Hussain, [1982](#)).

⁶ Numerous authors make the point that the market allocates resources on the basis of private profit and that there is no reason why private financial returns will equate with developmental or social returns (Chang & Grabel, [2004a](#), p. 155; Rodrik, [2004](#)).

⁷ Given the self-reflexive component of sustainable development, there is a reason to deconstruct the concentration on supply-side structural change and suggest that diversification of northern demand should also play a part in building endogenous growth in the south. This is a theme that will be addressed in more detail below.

⁸ Indeed, the literature has long recognized that, in the modern world, it is now recognized that human capital is a key to development (Borensztein et al., [2001](#)). In the modern world, it is now recognized that human capital is a key to development (Borensztein et al., [2001](#)).

⁹ For an example of a demand-pull/push model, see Bhargava et al. (2002), p. 235.

¹⁰ Specifically, the literature has long recognized that, in the modern world, it is now recognized that human capital is a key to development (Borensztein et al., [2001](#)).

¹¹ For example, see Bhargava et al. (2002), p. 235.

¹³ There is evidence to suggest that cooperatives can provide access to technology for individuals from which they would otherwise be isolated (Milford, [2004](#), p. 64). It is also worth noting that these investments have occurred in spite of the theoretical argument that cooperatives have short-term time horizons (Porter & Scully, [1987](#)).

¹⁵ A third response would be to question the assumption that consumers of Fair Trade care only about the physical component of the products. Instead, some consumers clearly show a preference for socially embedded qualities, which should be considered equally in evaluating the utility derived from consumption (Golding & Peattie, [2005](#); Mann, [2008](#)). In this way, analysis could also consider diversification of consumption patterns in evaluating the potential of any given export.

17 On the one hand so as to balance the risk of excluded returns paid sold

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