

FAIR TRADE

—PROSPECTS FOR SOCIAL STRUCTURAL CHANGE IN THE TIME OF GLOBAL CRISIS—

Author

Katrin Scholz

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Dedicated to my daughter Yuki

"The job of the responsible social scientist is first to uncover these forces [of wealth, power and control], to write about them clearly, without jargon... and finally..to take an advocacy position in favour of the disadvantaged, the underdogs, the victims of injustice." (George, 2010)

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List of Figures

Figure 1 Theories constituting the framework for the analysis of the Fair Trade movement and its transformative potential in times of global crisis

List of Acronyms and Abbreviations

ATO	Alternative Trade Organisations
CLAC	American Coordinating Committee
DIW	Deutsches Institut für Wirtschaftsforschung
EFTA	European Fair Trade Assoziation
es	electronic source
FINE	network of FLO, IFTA, NEWS!, and EFTA
FLO	Fair Trade Labelling Organisation
IFTA	International Fair Trade Association now called World Fair Trade Organization (WFTO)
IGO	International governmental organisation
INGO	International non-governmental organisation
IPE	International Political Economy
IR	International Relations
NEWS!	Network of European World Shops
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
UCIRI	Unión de Comunidades Indígenas de la Región del Istmo

UN	United Nations
WFTO	World Fair Trade Organization, formerly IFTA (International Fair Trade Association)
WSF	World Social Forum

ABSTRACT

With regard to the latest financial crisis, the detrimental effects of the current capitalist trade regime has once again materialised in terms of millions loosing their source of livelihoods. The endless accumulation of capital as the driving incentive to do business has made a few rich richer and the many poor poorer. However, the number of those opposing this neo-liberal free-market ideology has significantly grown in the past decade. And thus, social movements as part of the global civil society have been key actors in expressing counter-hegemonic agendas. Fair Trade has been one of the new social economic movements that direct their social action to the economic sphere, thus influencing the economy towards social and political ends. However, this market orientated approach leads to questioning whether a social movement that challenges the tenants of the dominant neo-liberal trade regime and yet operates within its global trade system can truly provoke transformative change? Drawing from different theoretical approaches, such as world-systems analysis, neo-Gramscianism, and new social movement theory, the answer is not unambiguous. Some scholars have characterised Fair Trade as social movement that at the same time alters and reinforces the conventional economic system. This is also the conclusion this thesis project arrives at, identifying transformative aspects of the movement as well as developments that can be regarded as passive revolution.

Keywords: Fair Trade, global crisis, Gramsci, neo-Gramscianism, world-systems analysis, new social economic movement, counter-hegemonic bloc

CONTENTS

1	INTRODUCTION	6
2	METHODOLOGICAL CONSIDERATIONS	13
2.1	Thesis Objective.....	13
2.2	Thesis Structure.....	14
2.2.1	Chapter 3—Historical background and development of the Fair Trade movement .	14
2.2.2	Chapter 4—Theories and theoretical framework.....	14
2.2.3	Chapter 5—The global crisis and the role of global civil society	15
2.2.4	Chapter 6: Fair Trade—a new social economic movement.....	16
2.2.5	Conclusion	16
2.3	Definitions and Key Concepts	17
2.4	Data	17
2.5	Validity and Delimitations	18
3	HISTORICAL BACKGROUND AND DEVELOPMENT OF THE FAIR TRADE MOVEMENT	20
3.1	Origins And Developments of the Fair Trade Movement	20
3.2	The Formation of Fair Trade Networks	22
3.3	Fair Trade Today.....	24
4	THEORIES AND THEORITICAL FRAMEWORK	25
4.1	World-System Theory	26
4.1.1	Introduction.....	26
4.1.2	Wallerstein’s world-systems analysis.....	28
4.1.3	Recent, expanding work and critique on Wallerstein’s world-systems analysis.	34
4.2	Gramscian Theory and Neo-Gramscianism.....	35
4.2.1	Introduction.....	35
4.2.2	Key Concepts of Gramscian Theory.....	37
4.2.3	Neo-Gramscianism	41
4.3	Social Movement Theories	47

4.3.1	Introduction.....	47
4.3.2	New Social Movement Theory and Resource Mobilization Theory	48
4.3.3	New social economic movement	54
4.4	Theoretical Framework	57
5	THE GLOBAL CRISIS AND THE ROLE OF GLOBAL CIVIL SOCIETY	61
5.1	The Current Crisis in/of the Global System.....	61
5.2	The Role of Global Civil Society in the Light of Global Social Change.....	66
6	FAIR TRADE—A NEW SOCIAL ECONOMIC MOVEMENT.....	71
6.1.1	The Alternative Market, its Mainstreaming and Related Developments—Global and National ..	71
6.1.2	Institutionalisation—Dynamics and Dilemmas of the Fair Trade Movement....	79
6.1.3	The Fair Trade Movement’s Prospects for Transformative Change in the Time of Gobal Crisis .	80
7	CONCLUSION	83
8	BIBLIOGRAPHY	86

1 INTRODUCTION

“[...] human history suggests that social change comes slowly [...] and usually only after a crisis.” (Ehrenfeld, 2008, p. 1)

The 21st century is just a decade old and if one believes the predictions of the climate and environmental scientists and activists who are painting a bleak picture of the future, humanity has to succeed in transforming the current socio-economic system in order to prevent self-extinction. These dismal future prospects address not one but a multiplicity of crises. Just before the financial crisis took off, a global food crisis¹ made headlines in mid 2008 when food grain prices reached their peak, exacerbating the poverty crisis². With regard to the symptoms of a worsening climate crisis, it is the poor who suffer most by the devastating effects of extreme weather conditions. However, the focus on the food crisis has waned as the threat of a global economic recession caused by the global financial crisis moved to the centre of attention dominating the media coverage and setting the agenda for the political day-to-day business in the majority of the developed countries. So far, it seems that the measures taken by the US and European governments could absorb some of the economic shocks triggered by the financial crisis.³ The fact that governments of the OECD⁴ countries had to use billions of tax

¹ As indicated by GRID-Arendal (2009), the current world food crisis has several causes: (i) extreme weather events (ii) growth in biofuel demand resulting in competition for cropland, (iii) low cereal stocks which are a combined result of (i) and (ii), (iv) high oil prices, and (v) speculation in food markets (GRID-Arendal & UNEP, 2009).

² Due to the increased food prices an estimated 130 million to 155 million people were driven into poverty in the last 2 years (World Bank, 2010a). According to the World Bank's poverty estimates published in 2008, 1.4 billion people were living on less than \$1.25 a day in 2005 (World Bank, 2010b).

³ For example, unemployment rates in the producing industry in Germany stayed comparatively low due to the “Kurzarbeit working scheme” where employees are not fired but work less hours and receive state-sponsored “top up income” until the firms' order situation improves again or for a specific period of time not exceeding 18 months, respectively. In addition, the Greek state could be saved from bankruptcy at least for the time being.

⁴ The OECD (Organisation for Economic Co-operation and Development) provides a setting to facilitate exchange among governments of states committed to democracy and the market economy in order to: “support sustainable economic growth; boost employment; raise living standards; maintain financial stability; assist other countries' economic development; contribute to growth in world trade”. (OECD, 2010) The majority of the 31 member states belong to the group of countries with a high per capita income.

payers' money to bail out private banks and to run economic stimulus packages trying to keep the status quo in terms of the socio-economic order and generate growth weakens their power and eventually questions the legitimacy of the neo-liberal paradigm. With regard to the multiplicity of interrelated crises however, one can postulate that the current capitalist trade regime is unsustainable in socio-economic as well as environmental terms and causes an ever widening gap between the very rich and the very poor. Facing the fact that a huge number of people live in absolute poverty and die of hunger in a world of nominal surplus of food, it is obvious that a paradigm shift is vitally important to improve the livelihood for future generations and at the same time prevent further environmental degradation.

While recognising that it is not only the neo-liberal growth-oriented capitalist trade regime and the practices and policies that underpin it that cause the hunger, it did have a significant influence in restructuring the socio-economic and political order in the developing countries—when structural adjustment programmes were put into place without any consultation of citizenries. Additionally, with reference to an OECD study of income inequality released in 2008, Global Issues (2010) points to the fact that the gap between the rich and the poor has widened in more than three-quarters of the rich nations since the mid-1980s. This shows that even in the developed countries, in the so called West where the exploitative capitalist trade regime evolved from, not all citizens eventually profit from this kind of trading but actually lose out on the long run.

This fact is also consistent with the findings of the epidemiologists Wilkinson and Pickett on a national level. Wilkinson and Pickett (2009) have illustrated in their book *The Spirit Level – Why Equality is Better for Everyone* that health and social problems in developed countries are strongly related to the ratio of income inequality *within* a society. Moreover, Wilkinson and Pickett (2009) state that the rapid widening of the income gap starting in the 1980s is clearly related to a change in political opinion (p. 244). With the exception of Canada, the income gap widened most rapidly in the Anglo-Saxon countries like the USA, Great Britain, New Zealand, and Australia whose governments have all adopted the free-market ideology and which took policy measures to create a more “flexible” labour force (ibid.), which is first and foremost required to become increasingly efficient in order to generate more and more profit often for transnational corporations which are not even directly associated to that labour force.

In addition, this efficiency and profit driven capitalist system is based on the unrestricted growth paradigm and thus requires high and ever increasing consumption. However, in a world with a restricted amount of resources unrestricted or endless growth is not possible and if further pursued will eventually lead to a collapse of the ecosystem. The damage done has been recognised in some discussions on the reduction of CO2 emission and the global warming issue. Therefore, a change in the way we live, trade, and treat each other as well as the environment is vital.

Hence, the question arises whether the actors who profit most from the current growth led trade system, such as the transnational corporations, are likely to initiate such change and thus limit and restrict themselves. Most likely they will not take action first—neither, it seems, is the global political elite willing to take such a step. Doubts about the commitment of public decision-makers is reflected in the fact that in the majority of countries, the political establishment is also deeply intertwined with the economic elite and governments are deeply indebted to private banks and financial conglomerates. The recently passed financial bailout packages added to public doubts about the ability of public institutions to fulfil their mandates.

In this context, besides the financial crisis, the public has recently witnessed those meetings such as the Doha Round, the current trade negotiation round of the World Trade Organization (WTO), or the COP15, the United Nations (UN) Climate Change Conference 2009, which were supposed to agree on joint policy measures to address issues like trade justice or climate change and eventually ended in failure. In addition, the UN as supranational organisation has no power without mechanisms of law enforcement. Conversely, although financially stricken, the EU and the US still remain powerful actors. Their dominant position is also reflected by the fact that they continue to heavily subsidise their agricultural sectors, thus distorting global competition particularly in the field of food production. These agricultural subsidies affect especially the developing countries, where a majority of the population depends on subsistence economy and/or works in the agricultural sector. Ultimately, substitution is a means of trade distortion and it results in uncompetitive small farmers, in many developing countries, losing their source of income. Moreover, if small farmers have any competitive advantages according to market logics, it would lie in the area of food production. The subsidies impede possibilities of farmers to enter the market.

When neither the governments nor transnational corporations have the will to agree on common policies creating a fairer and sustainable global trade system, it depends on the individual to take action. Nonetheless, in order to put pressure on the still powerful governments and corporations, respectively, the individual citizen of the Global North needs to join a social movement or a non-governmental organisation which organises resistance. Although, the citizens might face legal constraints or even oppression from governments and corporations, history has shown that it has been the ideas of a few convincing a critical mass of people in a society to foster change; examples for such successful movements were inter alia the anti-slavery movement and the women's movements.

With regard to an ever more dominating growth oriented, neo-liberal, capitalist market system the citizens of the global North gained prominence as a consumer. In this context, phenomena such as mass consumption and throwaway society evolved and became key indicators for the unsustainable character of the neo-liberal trade system. In addition, within this global trade system based on unrestricted growth and obtaining maximum profit, the consumption of products produced, sold, and bought at the lowest price possible eventually leads to a race to the bottom in terms of wages, working conditions and generally to a diminishment of social justice while regulators pay less and less attention.

As a countervailing influence, the increased awareness about the working conditions of producers and workers in the global South led to a change in consumption patterns among some of the Northern consumers and citizens, respectively. In the neo-liberal, market driven societies, a citizen is more and more treated as a consumer or customer in his or her daily interactions.

21st century citizens of the developed countries go to the ballots every couple of years but consume on a daily basis. For public decision makers, business and public pressure plays a role in devising policies, and often the former gains the upper hand over the latter. Businesses' interests only represent citizens as consumers. In this context, Latouche (2007) points out that in the interests of the transnational corporations, consumers are often kept ill-informed about the product contents and the way it was produced. Thus, consumers are required to pay, buy again, and buy a lot. Nevertheless, the purchasing power of consumers is "effectively one of the last powers available to

the people [citizens] to counterbalance, in some cases or to oppose the powers of transnational finance” (ibid., 182). Hence, the consumer’s purchase or non-purchase respectively can become an act of resistance and thus strengthening his or her role as sovereign citizen.

In this context, the concept of ethical consumer evolved showing that the citizen’s purchase act has a social, political and ecological dimension. In the case of Fair Trade⁵ products the consumer voluntarily pays more than she or he would for a conventional product. According to neo-liberal thought, the consumer decides to buy the product with the lowest price but how can the increase of Fair Trade sales be explained by this line of argumentation?

Since the beginning of the 21st century, the international Fair Trade market had double digit growth rates of more than 20% every year (Krier, 2005). By the end of 2008, “[t]he estimated retail value of Fairtrade products rose 22% to almost € 2.9 billion” according to FLO (2009). In addition, in some national markets certain Fairtrade products have a market share between 20 to 50% (FLO, 2010a). This clearly indicates that a growing number of consumers value greater equality and fairness in the production process of goods they consume. Accordingly, through the growth of the Fair Trade market, the Fair Trade movement has support of a growing number of people. Nevertheless, as Fair Trade sales were increased by labelling and selling products in mainstream big retail supermarkets whose market philosophy is still based on selling as much, as cheap as possible and at the same time increasing the profits and extending market share, it is the question of whether the original approach to establish an alternative trade system has been corrupted.

In the context of reframing globalisation from below which has been pursued by many of the global civil society actors throughout the past decade, “Fair Trade can be best understood as an emerging response to the negative effects of contemporary

⁵ Fair Trade is both a social movement and a market-based approach that aim to support small scale producers in developing countries seeking to improve unfair trading conditions and to promote sustainability by advocating the guaranteed payment of higher prices than conventional world market prices as well as social and environmental standards. The universally used, yet informal, definition of “Fair Trade” is presented in chapter 2.3.

globalization, and particularly to the often unjust and inequitable nature of contemporary international trade” (Murray & Raynolds, 2007).

The movement has evolved as an alternative trade movement to support producers, particularly focusing on small farmers, to improve their livelihoods and well-being inter alia by facilitating or improving market access, providing long-term trade relationships, and as mention above paying a higher price than the conventional world market price, plus a social premium that is invested in community building. In addition, the Fair Trade movement raises awareness among the citizens/consumers in the global North of the international trade regime’s negative effects on producers in developing countries and thus calling on the citizens/consumers to alter their shopping behaviour in that way it has a positive impact on people’s lives in the producing industries.

This awareness raising and educational approach has been a key element of the network of Alternative Trade Organisations (ATO). In the early phase of Fair Trade sales activities, One World Shops associated to ATO predominantly sold fair traded handcrafts. However, as people are more likely to buy Fair Trade products in conventional supermarket chains along with others products they need,⁶ the question arises whether the “positive” act of purchasing Fair Trade products and thus supporting an alternative approach to capitalist neo-liberal mass consumption has become a mere farce.

This brings us back to the alternative trade approach of the Fair Trade movement and its market’s growth through the successful mainstreaming of Fair Trade products. Many critics from inside and outside the social movement began to raise questions about the extent, to which the sale of Fair Trade products by mainstream vendors could challenge its foundational values. It is such questions that directly relate to the topic of this work which is to understand the workings of a social movement in the time of capitalism in crisis. Hence, the main research question which this thesis elaborates up on is:

How can a social movement that challenges the tenants of the dominant neo-liberal trade regime and yet operates within its global trade system truly provoke transformative change?

⁶ More than two-thirds of Fair Trade products are sold in mainstream retail and catering facilities (Kocken, 2006, p. 3).

In addition to the above problem statement, the following significant sub-questions are guiding the reasoning of this thesis as well: How should such change look like? Can the Fair Trade movement facilitate shifting the paradigm of unrestricted growth capitalism – or will it inevitably consolidate the workings of the current capitalist system by conferring it with the much needed legitimacy in a time of global crisis?

The debates about these issues are often conducted by citing anecdotal evidence by activists that either oppose or welcome mainstream sales of Fair Trade goods. This thesis pursues these questions by embedding these discussions into the theoretical discourses, which economists and sociologists have devised to describe and explain the construct that is capitalism. In the course of this, the author seeks to answer to which extent the Fair Trade movement, as part of global civil society, can or cannot transform the dominant neo-liberal trade regime and thus the unrestricted growth paradigm.

The author explores these questions in the wider context of the global system being in crisis and looks into the dialectical role of global civil society in terms of strengthening and challenging the neo-liberal regime. Against this background, the author draws on the world-systems theory and theoretical approaches to social movements, namely new social movement theory and resource mobilization theory, in order to explore the capitalist world economy in crisis and thus classify the subject matter in this global context comprising the international level of analysis⁷.

Although, originally applied in the national context of Italy and later applied to the international sphere by Robert W. Cox, the author also draws on Antonio Gramsci's work which she considers important in order to understand the workings of the neo-liberal trade regime and that of a resistant social movement by elaborating on Gramsci's concepts of "hegemony" and "counter-hegemonic historic bloc" as well as on the notion of "passive revolution". The subsequent chapter presents the methodological considerations followed in this thesis project.

⁷ Although, frame of reference is the international sphere, due to the nature of the Fair Trade movement being formed by many national organisations, the author also refers to the national and local level with regard to presented examples.

2 METHODOLOGICAL CONSIDERATIONS

In order to identify and explain the internal reasoning and further proceeding of this thesis, this chapter starts with stating the thesis objective followed by a presentation and discussion of the subsequent chapters. Moreover, significant key concepts are clarified which are not specifically addressed within any of the other chapters. Furthermore, issues such as data collection, validity, and delimitations of this thesis project are addressed.

2.1 THESIS OBJECTIVE

The objective of this thesis is to understand the intrinsic paradox of the Fair Trade movement which claims to be an alternative market to the current dominant neo-liberal trade regime, while at the same time it operates within the capitalist global trade system. In addition, this thesis project seeks to shed a light on the power relations in terms of hegemonic and subaltern groups within and outside the Fair Trade movement. Within this context, the author addresses the notion of resistance by looking at the actors who dominate the movement's advancement in mainstreaming Fair Trade products.

While addressing the above mentioned sub-issues the overall aim of this thesis is to identify the workings and deficiencies, respectively, of the dominant neo-liberal trade regime and to explore in this context whether the Fair Trade movement is or might be a kind of social movement that is able to initiate and sustain the vital transformation process of the neo-liberal paradigm. Progressive voices have been advocating for such social structural change since the free-market ideology and the notions of unrestricted growth and profit maximization has started to dominate economic and political thinking while increasingly penetrating domains of everyday life in the global North as well as in the global South.

In order to obtain a deeper understanding of the subject matter, the author has chosen the international, the macro, level of analysis as general frame of reference. However, particularly in the empirical analysis the author also refers to national as well as to the organisational level when exploring specific examples. Due to the scope of this thesis project it is not possible to extensively elaborate the subject matter continuously with

regard to all levels of analysis. However, the author thinks that concentrating on only one level it would not lead to a holistic understanding of the problem.

Holistic understanding is of course never reached in absolute terms due to a lack of knowledge and, amongst others, the bias of the researcher. However, the author is aware of that, being a white, middle class, highly educated woman who is more familiar with the Fair Trade issue from a consumer perspective than a producer perspective. These limitations have been herewith acknowledged and have to be kept in mind when approaching this work.

Nevertheless, the author approaches the subject matter from a critical perspective and aims to present a balanced analysis.

2.2 THESIS STRUCTURE

Subsequent to the introductory chapter, which includes the problem statement, and this chapter on methodological considerations, the thesis project is divided into the following chapters:

2.2.1 Chapter 3—Historical background and development of the Fair Trade movement

As stated before, as we are currently facing a multiplicity of crises the call for a fairer and sustainable global trade system is gaining momentum. The initiators of the Fair Trade movement's alternative market approach engaged in this debate on fairer trade relations already 50 years ago. Hence, this chapter contains a historical overview of the development of the Fair Trade movement while particular emphasis is put on elaborating the perceived movement-market divide. In addition, in terms of the development of the Fair Trade movement, key actors are identified and their roles within the movement are presented.

2.2.2 Chapter 4—Theories and theoretical framework

Within this theoretical chapter, the author discusses and analyses the theories guiding this thesis project starting with the world-systems theory. As stated in the introduction,

the author supports a critical perspective with regard to the current neo-liberal domination of the global trade system and its intrinsic notion of unrestricted growth that she considers as a main impediment in the development of fair and sustainable trade practices. As trade relations are persistently shaped by power relations within and between societies on the local, national as well as international level, it is vital to identify the dominant and dominated groups in the trade relations. Domination with regard to trade relations within a political framework is however not static. Thus, adopting the perspective of the Gramscian political theory of hegemony offers an opportunity to better understand the continuous reshaping of non-static power relations in the capitalist trade system. In this context, the role of social movements as part of global civil society is especially considered.

Accordingly, two main theoretical approaches to social movements, namely new social movement theory and resource mobilization theory, are presented and discussed. Drawing from the former, the concept of the new social economic movement is elaborated.

Thus, the theories presented above constitute the theoretical framework that serves as a guideline to understand and discuss the workings of the global system, its stage of crisis, and the prospects of the Fair Trade movement as part of global civil society to bring about change. While the last aspect is dealt with in the chapter six, the other mentioned aspects are examined with reference to empirical data in the chapter five.

2.2.3 Chapter 5—The global crisis and the role of global civil society

As indicated above, the theories and concepts presented in the theoretical chapter constitute the framework for the discussion of the power structures in the global system and in particular focuses on exploring the notion of systemic crisis. Moreover, the current crisis and its implications for actors seeking to transform the exploitative neo-liberal trade regime are discussed. Here, the global finance crisis is in particular explored as it has a detrimental global impact and illustrates the deficiencies of the neo-liberal trade regime. Here, the global finance crisis is in particular explored as it has a detrimental global impact and illustrates the deficiencies of the neo-liberal trade regime.

In this context, global civil society is conceptualised and related to the findings of Katz (2006) presented in his article *Gramsci, Hegemony, and Global Civil Society Networks*. Drawing on Gramsci's dialectical concept of civil society and theory of counter-hegemony, Katz explores the role of global civil society in the perpetuation and the transformation of hegemony in the context of the global civil society network.

Being a part of global civil society, the author expects to detect similar power relations shaping the network structures within the Fair Trade movement and thus affecting the movement's counter-hegemonic prospects within the global trade system. The examination of these prospects is carried out in chapter six.

2.2.4 Chapter 6: Fair Trade—a new social economic movement

Based on the findings of the previous chapter, this chapter analyses whether the Fair Trade movement is seeking transformative change or due to intrinsic power structures it actually strengthens the capitalist trade system by providing it with legitimated consumer support, although claiming to be a different, alternative trade market. Generally, the author analyses the Fair Trade movement from two perspectives: (i) international perspective—the Fair Trade movement as part of the global civil society and global trade structure and (ii) national perspective—exploring the alternative market in the context of a group of Mexican smallholder coffee farmers' communities. Subsequently to the above analysis, the Fair Trade movement's prospects for transformative change in the time of global crisis are explored.

The findings derived from this analysis contribute in connection with those of the previous chapter five to answering the problem formulation.

2.2.5 Conclusion

In the final concluding chapter, the author presents the main findings of the thesis project and shortly presents the answers to the problem statement as well as to the sub-questions guiding the work.

2.3 DEFINITIONS AND KEY CONCEPTS

This section presents definitions and key concepts that are not presented in the theoretical chapter.

First of all it is to clarify what is to be understood by “Fair Trade”. The definition of Fair Trade as agreed by the Fairtrade Labelling Organizations International (FLO), the World Fair Trade Organization (WFTO, formerly IFTA (International Fair Trade Association), the Network of European World Shops (NEWS!) and the European Fair Trade Association (EFTA) comprising the network FINE reads as follows:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South. Fair Trade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.” (EFTA, 2010)

Referring to Murray and Reynolds (2007), the author uses the capitalised spelling “Fair Trade” referring to the Fair Trade movement that is, according to their definition, composed of the four major Fair Trade institutions FLO, WFTO, NEWS! and EFTA; together identified as the FINE network, plus the associates of the Fair Trade Federation which is a North American equivalent to the FINE which is based in Europe(p. 4). The term “Fairtrade” is used to denote the product certification scheme operated by the FLO (WFTO, 2009).

2.4 DATA

The issues of capitalism in crisis and the lack of fair and sustainable trade relations have recently been covered by the public news media. The controversial discussion about how to transform the current global system and develop a new vision for the 21st century global society also takes place in blogs, electronic journals, portals and the alike.

Moreover, this debate is also regaining momentum in academic writings as well. In terms of the use of secondary literature, the author draws mainly from scholarly sources such as books and journal articles; especially the theoretical chapter is based on such sources. With regard to the other chapters, the author also uses reliable online sources, such as websites of Fair Trade organisations, as well as sources that are specified in the previous paragraph.

With regard to the timeframe of this project, the author uses mainly recent sources that have been published from the 1970s onward. Although, the author refers further back in time when presenting the historical account of the Fair Trade Movement and that of Gramsci's theories generally the starting point of the timeframe of analysis can be set at the beginning of the 1970s with regard to the emergence of the employed theories and the beginning of contemporary globalisation accelerating due to the adoption of the neo-liberal "free market" ideology in the 1980s. However, the analysis of the Fair Trade movement focuses particularly on the last decade concurrent with the movement's significant growth related to the mainstreaming of its products and the increase of global civil society activism and the expansion of the global justice movement.

2.5 VALIDITY AND DELIMITATIONS

This thesis attempts to incorporate different perspectives with regard to the subject matter, including a theoretical framework comprised of multiple complementary theories and their critical examination. By including different theoretical approaches with regard to the analysis of the Fair Trade movement the author seeks to obtain a holistic perspective on the Fair Trade movement. Thus, the internal validity of the work is considered to be rather high. However, the author acknowledges that considering other factors than the chosen ones might influence the transformative potential of the Fair Trade movement differently. These are, however, not discussed in this thesis project due to its limited scope.

With regard to external validity, the author is sceptical whether the thesis findings can be generalised and applied to other social movements. Fair Trade appears to be a rather unique type of movement with very specific features that in effect tend to differentiate it

from other movements. One example is the tension between the alternative activist wing and a mainstream, commercial wing which make up the movement's intrinsic dynamics.

Moreover, a clear limitation is that, although the author intended to approach the multifaceted Fair Trade movement in a holistic manner, only some aspects could be considered which led to certain findings and conclusions. However, a different emphasis on other aspects could have produced different outcomes.

Accordingly, one can state that the subject and its various implications tend to unfold continuously. Hence, the author acknowledges that similar research conducted at a different point in time would generate differing findings and conclusions.

3 HISTORICAL BACKGROUND AND DEVELOPMENT OF THE FAIR TRADE MOVEMENT

This chapter presents a historical overview on the development of the Fair Trade movement and its organisational structures.

3.1 ORIGINS AND DEVELOPMENTS OF THE FAIR TRADE MOVEMENT

The origins of the Fair Trade movement date back more than 60 years ago. Christian faith-based organisations which were involved in charity work are considered to be the ones who have initiated the emergence of Fair Trade networks. Kocken (2006) traces the origins of Fair Trade to the formation of Ten Thousand Villages (formerly SELFHELP Crafts) (p.1) a non-profit organisation associated to the Mennonite Central Committee (MCC) and which was established in the USA and Canada in 1946. Edna Ruth Byler, member of the MCC, initiated the establishment of the organisation by selling needlework she brought back from a journey to Puerto Rico. In the following decades, Byler expanded the cooperation with artisans in other developing countries seeking to provide them with sustainable economic opportunities by creating a feasible marketplace for their products in North America⁸. Thus, the mission of Ten Thousand Villages is to provide “vital, fair income to Third World people by marketing their handicrafts and telling their stories in North America. [In addition,] Ten Thousand Villages works with artisans who would otherwise be unemployed or underemployed”.⁹ SERRV was another faith-based ATO which started its work in the USA in the late 1940s. SERRV was established by the Church of the Brethren in order to help European refugees in post-World War II Europe by selling wooden cuckoo clocks imported from

⁸ In 2006 Ten Thousand Villages reached record sales of \$20 million while extending a network of stores in North America and beginning to sell their products online. For further information see <http://www.tenthousandvillages.com/php/about.us/about.history.php> (accessed May 17, 2010).

⁹ See <http://www.tenthousandvillages.com/php/about.us/about.vision.php> (accessed May 17, 2010).

Germany in the USA¹⁰. The first “Fair Trade Shop” that sold these crafts was opened in 1958 in the USA (Kocken, 2006, p. 1).

SERRV and Ten Thousand Villages belonged to the group of founding members that established the International Fair Trade Association (IFAT, now the WFTO) in 1989 (Barrientos, Conroy, & Jones, 2007, p. 55).

With regard to the evolution of the Fair Trade movement in Europe, Oxfam UK was the first organisation in Europe to start a Fair Trade initiative by selling crafts made by Chinese refugees in Oxfam shops in the late 1950s (Kocken, 2006, p. 1). Oxfam UK emerged from the Oxford Committee for Famine Relief a group formed in 1942 by Canon Milford a university vicar who sought to help Greek civilian victims of World War II¹¹. It was also Oxfam that created the first Fair Trade Organisation in 1964 (ibid.). Three years later, an importing organisation called Fair Trade Original was established in the Netherlands (ibid.). The organisation established subsidiaries in other European countries (Austria, Germany, and Switzerland) and successfully included directly imported coffee supplied by small farmer’s cooperatives from Guatemala into their range of Fair Trade products¹².

From the late 1960s onwards, this initial phase of Fair Trade that was mainly charity oriented was supplemented by other approaches of Fair Trade, namely developmental trade and solidarity trade. The developmental trade emerged as a response to poverty and disaster in the South focusing on the marketing of crafts products. European development NGOs and religious agencies initiated this approach seeking to establish equitable trade relations demanded by people in the South; “Trade not Aid” became the working slogan¹³. The Northern organisations were assisting their Southern counterparts

¹⁰ SERRV was originally an acronym for Sales Exchange for Refugee Rehabilitation and Vocation. In 2008, the non-profit marketing and development organisation sold about \$10 million in handicrafts and foods. Since the 1980s, SERRV imports primarily crafts from developing countries. For further information see <http://www.serrv.org/AboutUs/OurHistory.aspx> (accessed May 17, 2010).

¹¹ In 1948, Oxfam started one the world’s first charity shop chains by opening a shop in Oxford (see http://www.oxfam.org.uk/oxfam_in_action/history/index.html (accessed May 18, 2010)).

¹² For further information on the organisation’s work and its influence in the development of the Fair Trade movement see <http://www.fairtrade.nl/656/History/> (accessed May 18, 2010).

¹³ This message was formulated at the second UNCTAD conference in Delhi in 1968, where the developing countries were demanding fairer trade conditions (Kocken, 2006, p. 2).

in establishing Southern Fair Trade Organisations and supported these in organising producers and production and the export to the North as well as in providing social services to producers. The solidarity trade approach was initiated by organisations that were established to support politically and economically marginalized countries in the South by importing goods from them. (Kocken, 2006, p. 2)

In the 1980s, attempts were made towards expanding the distribution of Fair Trade products mainstream retailers thus making the products available to a broader public (Kocken, 2006, p. 3). In this context, Francisco VanderHoff Boersma, a Roman Catholic priest working with Mexican smallholder coffee farmers collaborating with a Dutch church-based NGO (Solidaridad¹⁴) found an innovative way to increase sales without compromising consumer trust in Fair Trade products and in their origins. Thus, they created the Max Havelaar Seal of Approval¹⁵ in 1988 marking the beginning of the mainstreaming of Fair Trade products. Following this initiative, similar non-profit Fair Trade labelling organisations were established in other European countries and in North America (ibid.).

Another development of the late 1980s was the establishment of formal associations of the World Shops, labelling organisations and organisations associated to the Fair Trade movement (ibid.). These institutions and the establishment of a formal network of Fair Trade organisations are presented in the subsequent section.

3.2 THE FORMATION OF FAIR TRADE NETWORKS

Building on their informal meetings and conference, Fair Trade organisations decided to establish a formal framework for their international collaboration in the late 1980s (Kocken, 2006, p. 4). In 1987, the European Fair Trade Association (EFTA) was established which consists of the eleven largest importing organisations in Europe from nine European countries (Austria, Belgium, France, Germany, Italy, The Netherlands,

¹⁴ For further information on Solidaridad see their website (English version) at <http://www.solidaridad.nl/professionals/who-we-are> (accessed June 2, 2010).

¹⁵ For further information on the labelling organization Max Havelaar see their website (English version) at <http://www.maxhavelaar.nl/english>

Spain, Switzerland and the United Kingdom) (EFTA, The European Fair Trade Association, 2009).

Another organisation that was founded in 1989 is the International Fair Trade Association (IFAT now called the World Fair Trade Organization (WFTO)) (Kocken, 2006, p. 4). The WFTO is the global representative body of over 350 organisations that operates in 70 countries covering Africa, Asia, Europe, Latin America, and North America and the Pacific Rim (WFTO, 2010). The aim of the WFTO is to “enable small producers to improve their livelihoods and communities through sustainable Fair Trade [...] by delivering market access through policy, advocacy, campaigning, marketing and monitoring” (ibid.).

Another European organisation is the Network of European World Shops (NEWS!) that represents around 3.000 World Shops in 15 European countries (Kocken, 2006, p. 3). The establishment of NEWS! in 1994 was the result of continuous and close cooperation between the volunteers working in the World Shops that was initiated by the first European World Shop conference taking place in 1984 (ibid.).

Almost ten years after the “Max Havelaar” Fair Trade label was created, Fairtrade Labelling International (FLO) was established in 1997 (ibid.). FLO, as a worldwide association, is in charge for setting the international Fair Trade standards for the certification of productions and for labelling them as well as for the auditing of trade procedures according to these standards (ibid.). The four main Fair Trade networks FLO, IFAT (now WFTO), NEWS!, and EFTA created an informal work group known by their acronym FINE (Kocken, 2006, p. 4). The aim of FINE is to enable these networks and their members to cooperate on key issues related to their Fair Trade work such as setting core standards and guidelines, monitoring, advocacy and campaigning, and harmonising information and communications systems (FINE, 2003). FINE is maintaining an advocacy office located in Brussels (Kocken, 2006, p. 4) focusing on politically lobbying European policy makers for integrating Fair Trade aspects in trade policies with some recognition achieved.

The goals of Fair Trade are stated in the following joint statement of the movement:

1. to improve the livelihoods and well-being of producers by improving market access, strengthening producer organizations, paying a better price, and providing continuity in the trading relationships;

2. to promote development opportunities for disadvantaged producers, especially women and indigenous people and to protect children from exploitation in the production process;
3. to raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively;
4. to set an example of partnership in trade through dialogue, transparency, and respect;
5. to campaign for changes in the rules and practice of conventional international trade;
6. to protect human rights by promoting social justice, sound environmental practises, and economic security; (Murray & Raynolds, 2007, p. 5)

3.3 FAIR TRADE TODAY

Fair Trade has become one of the fastest growing markets on a global scale (Krier, 2005; Murray & Raynolds, 2007) with annually sales increases of about 20% in the last decade (Krier, 2005, FLO, 2009). Fairtrade sales of the FLO reached a total of € 2.9 billion in 2008 (FLO, 2009). Despite the global recession, none of the Fair Trade markets fell back (ibid.). Moreover, FLO estimates that about 5 million people directly benefit from Fairtrade (FLO, 2010a).

Accordingly, Fair Trade has developed into a global movement that received recognition in the political as well as in the mainstream business domain (Kocken, 2006, p. 5). However, moving to the mainstream also meant to cooperate with profit driven business partners that have incorporated Fair Trade products in their range of products but not necessarily adopted fair and sustainable business culture. Thus, voices from within the Fair Trade movement strongly oppose such cooperation claiming that the original approach to establish a different market, an alternative, to the exploitative neo-liberal trade regime has been corrupted. Whether this is the case is explored by adopting a theoretical framework comprised of theories that are presented in the subsequent chapter.

4 THEORIES AND THEORITICAL FRAMEWORK

In order to understand the current deficiencies of the neo-liberal global trade system and the affects it has on different actors operating within the system, such as nation-states, transnational corporations and civil society organisations, it is to explore theoretical approaches analysing the international capitalist regime, its state of crisis, and the prospects of civil society organisations challenging the obviously unfair neo-liberal trade practices such as Fair Trade, as a new social economic movement.

With regard to the end of the cold war and the collapse of the communist party regime in the Soviet Union and Eastern European states and the eventual integration of communist countries such as China and Vietnam into the global capitalist trade system, some authors, particularly those drawing from the neo-liberal school of thought, claim that Marx's ideas proved to be inadequate and called for the global triumph of 'free-market' capitalism. However, Hobden and Jones (2005) point to the fact that "Marx, and Marxist thought more generally, refuses to go away." (p. 226). In addition, the authors suggest that

"with the ever-increasing penetration of the market mechanism into all aspects of life [...] it is arguable that Marx's forensic examination of both the extraordinary dynamism and the inherent contradictions of capitalism is even more relevant now than in his own time." (ibid.).

This relevancy is particularly striking with regard to the analysis of crisis. Recurrent financial crises, such as the Asian financial crisis in 1997 and the current financial crisis, show that global capitalism is continuously rocked by severe convulsions. According to Marx's account, such convulsions reveal that the system is inherently instable and that their sinister human consequences around the globe are an inescapable part of the capitalist system itself. With regard to poverty, scholars of the Marxist school of thought argue "that the effects of the global capitalism are to ensure that the powerful and wealthy continue to prosper at the expense of the powerless and the poor" (ibid.). In order to understand world politics it is vital to analyse the structures *of* and the processes which operate *within* the global capitalist system. (see Hobden & Jones, 2005, pp. 226)

Marx, however, did not incorporate the global dimension into his theoretical mapping of the outlines of capitalism. Nevertheless, scholars who have been inspired by Marx's work have applied his theoretical findings to international relations although some have revised and adjusted his ideas with regard to contemporary real-world developments. Thus, a range of sometimes contradicting schools of thoughts has emerged perpetuating Marx's legacy. (Hobden & Jones, 2005, pp. 228)

Two strands of contemporary Marxist thoughts that have made vital contributions to reflecting on world politics and the analysis of the global capitalist system are presented in this chapter: world-systems theory, Gramsci's theoretical concepts, neo-Gramscianism. In addition, new social movement theory and resource mobilization theory are presented, that provide sufficient explanation of the actors involved in such social movements action. Moreover, the concept of the new social economic movement is explored within the context of social movement theory.

Following the presentation of these theories including a critical assessment of their reasoning, the author develops a theoretical framework that is then used to explore the given problem statement in the context of the Fair Trade movement.

4.1 WORLD-SYSTEM THEORY

The first theory that is presented is the world-system theory. The author draws predominantly from Wallerstein's work established this school of thought. However, in the section containing the critique of this approach, the authors also refers to other scholars who have made key contributions to this school of thought or expanded upon the ideas of Wallerstein, such as Arrighi and Chase-Dunn. A sufficient critique has been developed by Frank and others drawing from the work of Abu-Lughod.

4.1.1 Introduction

Within the Marxist school of thought the world-system theory is rooted in the dependency school of thought and in Lenin's influential work on imperialism¹⁶. Although Lenin draws from Marx's thesis that the economic mode of production eventually determines further political and social relations and that historical development can only be properly understood with incorporating the notion of class conflict, he argues that the nature of capitalism has changed since Marx's first volume of *Capital* had been published in 1867. Lenin argues that the world-economy has witnessed the development of monopoly capitalism reaching the highest and final stage of capitalism. Within the system of monopoly capitalism, a developed and dominant core exploits a less developed periphery thus dismissing the idea of *harmony of interests* among global labour being the proletariat opposing the bourgeoisie. Moreover, monopoly capitalism and its two-tier structure of core/periphery imply that the bourgeoisie, the capitalists of the core, exploit the periphery and use the derived profits to ameliorate their own proletariat's fortune. (Hobden & Jones, 2005, p. 231)

With reference to Lenin's theory of imperialism, Hobden and Jones point to two important aspects of the world-system perspective on world politics: (i) "all politics, international and domestic, takes place within the framework of a capitalist world-economy" and (ii) "states are not the only important actors in world politics, rather social classes are also very significant" (ibid.). In addition, it is the position of these actors, states and classes, in the makeup of the capitalist world-economy that circumscribes their actions and determines patterns of domination and interaction amongst them (ibid.).

Scholars of the Latin American Dependency School further developed the concept of the core-periphery division; particularly influential were the works of Raúl Prebisch, André Gunder Frank and Henrique Fernando Cardoso, the latter two drawing from the work of the first mentioned scholar (ibid.). Prebisch argues that international trade was not trade among equals (Wallerstein, 2004, p. 12). The economic strength of the core countries allowed them to exploit the resources of the weaker countries in the periphery, thus generating surplus-value flowing from the periphery to the core (ibid.) as countries in the periphery had to export more primary goods in order to get the same value of

¹⁶ Lenin published his critique of imperialism in the famous pamphlet called *Imperialism, the Highest Stage of Capitalism* in 1917 (Hobden & Jones, 2005, p. 231).

secondary goods imported from the core. Prebisch's observation of this decline in the terms of trade between industrialised and non-industrialised countries overtime led to the proposition of the Singer-Prebisch¹⁷ hypothesis forming the theoretical basis of the dependency theory.

Immanuel Wallerstein also took up the core-periphery division. However, he extended this model by introducing the idea of a semiperiphery within his world-systems analysis that is presented in the subsequent section.

4.1.2 *Wallerstein's world-systems analysis*

The world-systems analysis, as Wallerstein calls his theoretical perspective on social reality, evolved in the early 1970s (Wallerstein, 2004, p. 16). Different to other schools of thought, the world-systems analysis substitutes the national state as standard unit of analysis with that of the so called "world-system" (ibid.). So far there have existed only two kinds of "world-systems" – world-economies and world-empires which were two of the three variants of "historical systems", the third being minisystems (ibid.) or "closed local economies" as Preston calls them (1996, p. 219). Wallerstein argues that by using the phrase "historical systems" or more precisely "historical social systems", world-systems analysts stress "that all social systems are simultaneously systemic (they have continuing characteristics that can be described) and historical (they have a continuing evolving life and are never the same from one moment to the next)" (Wallerstein, 2004, p. 94). In addition, he elaborates on the use of the hyphen with regard to the related terms world-system, world-empire, and world-economy thus defining them as follows: (i) a world-system is "not the system of *the* world, but a system *that is* a world and that can be, most often has been, located in an area less than the entire globe"; (ii) a world-empire is "a large bureaucratic structure with a single political center and an axial division of labor [meaning the relational pair of core and periphery], but multiple cultures"; (iii) a world-economy is "a large axial division of labor with multiple political centers and multiple cultures" (Wallerstein, 2004, pp. 98-99). These two types of

¹⁷ Hans Singer was a German economist who had independently arrived at the same conclusions as Prebisch did in the early 1950s.

world-system differ mainly in how they allocate resource distribution. In world-empires it is a core, a centralised political system, that extracts resources or ‘tributes’ from the periphery and redistributes them to the core area (Hobden & Jones, 2005, p. 231/232). With regard to the world-economy, there exists no single centralised political authority but several competing power centres (ibid, p. 232). However, this does not mean that the stronger states do not strive to obtain a position of dominance (Wallerstein, 2004, p. 57). The unifying feature of this world-economy is, as indicated above, the division of labour that is constituted within the system’s structure (Wallerstein, 2004, p. 23). In addition, the redistribution of the resources that are transferred from the periphery to the core occurs through the means of a market and not by central decree as in a world-empire (Hobden & Jones, 2005, p. 232).

In the context of state dominance, Wallerstein argues that no state has managed to transform the modern world-system into a world-empire, but that three states have achieved hegemony at different points in time. This hegemony, however, was only relatively brief. In the mid-seventeenth century, the United Provinces (today the Netherlands) was the first to achieve such hegemony. Then, the United Kingdom became the hegemonic state of the mid-nineteenth century. In the mid-twentieth century, the United States were the third hegemony. (ibid.)

What made these states hegemonic? For a certain time period, these states were able:

- “to establish the rules of the game in the interstate system,
- to dominate the world-economy (in production, commerce, and finance),
- to get their way politically with a minimal use of force (which however they had in goodly strength),
- and to formulate the cultural language with which one discussed the world.” (ibid., p. 58)

However, the achieved hegemony eventually disappears as this process is an inbuilt feature of the modern world-system.

The modern world-system, the world we are living in, is and has been, from its evolution in some regions of Europe and the Americas in the 16th century, a *capitalist* world-economy according to Wallerstein (Wallerstein, 2004, p. 23). Moreover, the

defining feature of this system is the prioritising of the *endless* accumulation of capital, thus leading to Wallerstein's definition of capitalism as "a historical system defined by the priority of the *endless* accumulation of capital." (Wallerstein, 2004, p. 92). The concept of the *endless* accumulation of capital means that actors, such as individuals and firms, seek to accumulate capital in order to obtain even more capital, this being a continual and infinite process (Wallerstein, 2004, p. 24). Wallerstein claims that, over time, this modern capitalist world-economy has expanded from its emergence to encompass the entire globe (Wallerstein, 2004, p. 23). This expansion is inherent to the systems as

"[c]apitalists need a large market (hence minisystems are too narrow for them) but they also need a multiplicity of states, so that they can gain advantages of working with states but also can circumvent states hostile to their interests in favor of states friendly to their interests. Only the existence of a multiplicity of states within the overall division of labor assures this possibility." (Wallerstein, 2004, p. 24).

In this context, in order to achieve hegemony, it is vitally important for a state to concentrate on the efficiencies of production which comprise the base to successfully achieve hegemonic power (ibid., p. 58). From this follows, also emphasising the above:

"Capitalist world-economy needs the states, needs the interstate system, and needs the periodic hegemonic powers. But the priority of capitalists is never the maintenance, much less the glorification of any these structures. The priority remains always the endless accumulation of capital, and this is best achieved by an ever-shifting set of political and cultural dominances within which capitalist firms maneuver, obtaining their support from the states but seeking to escape their dominance." (ibid., p.59)

Hence, the states face the dilemma of interstate competition in terms of attracting capital on the one hand and on the other hand in terms of securing the economic as well as political stability with regard to the constant struggle over the allocation of surplus-value between the capitalists and the labour force working in production units that create this surplus-value. Wallerstein identifies this constant struggle as class struggle (Wallerstein, 2004, p. 50). These circumstances show how deeply intertwined these institutions – market or markets, multiple states, the capitalist firms, and classes as well as households – are that make up the capitalist world-economy and whose dynamics are reflected in the continually changing and adapting of these very institutions (cf. Wallerstein, 2004, p. 24; Hobden & Jones, 2005, p. 232).

However, the world-system is not only a collection of changing institutions (Wallerstein, 2004, p. 24) but for Wallerstein it is also a system that is historically bounded, which means that it will also have an end in some point of time (Hobden & Jones, 2005, p. 232). Here it is important to emphasise that Wallerstein is particularly concerned with the spatial and temporal dimension of his world-systems analysis.

In terms of space, world-systems theorists divide the world-economy into three interlinked economic zones: core, semiperiphery, and periphery. As mentioned before, their interrelationship is characterised by exploitation where the wealth of the periphery is drained off towards the core. With regard to the axial division of labour of a capitalist world-economy, the concept of core-periphery relates to the production process dividing production into “core-like products and peripheral products” (Wallerstein, 2004, p. 28). Core-like production processes are those that are managed by quasi-monopolies and peripheral production processes constitute virtually competitive products (*ibid.*). Thus, the periphery is obviously in a weaker position with regard to the exchange of these products with the core. However, Wallerstein points out that “quasi-monopolies exhaust themselves” and thus core-like processes become peripheral processes over time, as happened with the textile or car assembly industries (Wallerstein, 2004, p. 29).

With regard to this shift of production processes, Wallerstein argues that there are semiperipheral states where these processes are shifted to before being moved to the periphery (*ibid.*). According to Wallerstein, those semiperipheral states have a nearly balanced mix of core-like and peripheral products (Wallerstein, 2004, p. 28). As mentioned earlier, the core states dominate the peripheral states as they have the majority of quasi-monopolised products and thus the strength to force the weaker states that contain the majority of peripheral production processes (Wallerstein, 2004, p. 29) to accept whatever terms of exchange. The semiperipheral states¹⁸ find themselves in between these two poles facing the pressure from the core while at the same time exercising pressure on the periphery (*ibid.*). These states are of course oriented towards the core and try to prevent themselves from moving down the hierarchical ladder towards the periphery (Wallerstein, 2004, p. 57). In order to move up the ladder, the

¹⁸ “[T]he semiperiphery is composed of large and powerful countries in the Third World (e.g. Mexico, India, Brazil, China) as well as smaller countries that have intermediate levels of economic development (e.g. the East Asian NICs)” (Chase-Dunn, 200, electronic source).

semiperipheral states use “state power in the internal and interstate arena quite consciously to raise the status of their state as a producer, as an accumulator of capital, and as a military force” (ibid.). Hence, these states are striving to become the locus where formerly quasi-monopolised production processes from the core are relocated to, thus competing with other semiperipheral states as these production processes are usually moved to only one or two states in the semiperiphery (ibid.).

Here, the question arises as to what supersedes the relocated erstwhile leading processes in the core-states. Usually, these more competitive products are replaced by other quasi-monopolised products, e.g. genetic engineering or aircraft production that have been so far concentrated in only a few countries (Wallerstein, 2004, p. 29). However, as more and more firms enter the profitable market of the previous quasi-monopoly in a phase of an expanding world-economy, this will eventually lead to “overproduction” (where supply exceeds demand) and thus to lower profits and wages, and ultimately to stagnation or recession in the world-economy. This phenomenon clearly shows that the world-system both contains a spatial as well as a temporal dimension.

According to Hobden and Jones (2005), Wallerstein identifies the following three temporal dimensions: i) cyclical rhythms ii) secular trends iii) contradictions (p. 232).

The term cyclical rhythms describes the recurrent periods of expansion of the world-economy and its subsequent contraction. As indicated above, in times of quasi-monopolistic leading firms, the world-economy is in a phase of expansion (A-phase) (Wallerstein, 2004, p. 30). Conversely, when there occurs a decreasing of the degree of quasi-monopolies in the world-economy, the system is in a phase of stagnation (B-phase) (ibid.). This cycle of succeeding phases, an A-phase followed by a B-phase, is called a Kondratjew cycle, named after a Russian economist describing this phenomenon in the early twentieth century (Wallerstein, 2004, p. 31). Measures taken in the B-phase in order to return to an A-phase lead to a change in the parameters of the world-systems and therefore ending a B-phase does not mean returning to the situation at beginning of the cycle (ibid.). The result of these onwards moving (from a temporal perspective) waves of growth and depression is called a secular trend, the second temporal dimension of the world-economy.

The third temporal dimension of the world-system is contradictions. This term refers to the circumstance that short-term oriented actions taken by individuals that seem

profitable can, in combination with other actions, over time lead to unwelcome or unintended outcomes evoked by the very structure of the world-economy (Hobden & Jones, 2005, p. 234). An example for such contradictions is the capitalist firm's short-term interest to maximise their profits by reducing the costs of production and thus lowering the wages of the workers. However, the workers are also potential consumers of the products they produce and therefore driving down their wages also means decreasing their purchasing power and ultimately leading to a fall in the firms profits.

Nevertheless, at a global level the firms can draw from an expanded pool of wage labour that is willing to work for lower wages which in effect even might mean an increase in the worker's real income. However, when extending the wage-labour pool, the number of workers remaining outside of it is decreasing. Thus, the pool will eventually diminish at a certain point of time reaching the asymptote. (Wallerstein, 2004, p. 32)

According to Wallerstein, when these contradictions, the secular trends, and the cyclical rhythms occurring within the system, converge in such a way that the world-economy cannot maintain to reproduce itself, the system has entered the stage of crisis and therewith heralds the system's end (Hobden & Jones, 2005). Wallerstein makes a clear distinction of what a true crisis is; if the problems can be resolved within the system, then it is not a crisis but a built in difficulty (Wallerstein, 1993, p. 76). Yet, he further argues that:

“True crises are those difficulties that *cannot* be resolved within the framework of the system, but instead can be overcome only by going outside of and beyond the historical system of which the difficulties are a part.” (ibid.)

This means that the world-system will be replaced by another system. Wallerstein claims that the modern world-system that is a capitalist world-economy, presently is in exactly such a crisis and thus in terminal decline. (Wallerstein, 2004, p. 77)

The issue of crisis is further explored in the discussion part of this chapter subsequent to the section on neo-Gramscianism and international relations. However, before presenting neo-Gramscian school of thought, the author shortly presents the works of scholars that have built on Wallerstein's theoretical framework or criticised it.

4.1.3 Recent, expanding work and critique on Wallerstein's world-systems analysis

Many scholars have built their own work on Wallerstein's world-systems analysis framework.

One of them is Christopher Chase-Dunn who, however, emphasises much more the role of the inter-state system compared to Wallerstein (Hobden & Jones, 2005, p. 234). According to Chase-Dunn (2001), “[s]tates have always been subjected to larger geopolitical and economic forces in the world-system, and as is still the case, some have been more successful at exploiting opportunities and protecting themselves from liabilities than others” (electronic source). In this context, Chase-Dunn and Tom Hall (1997) have re-conceptualised the world-systems perspective “for the purposes of comparing the contemporary global system with earlier regional intersocietal systems” (Chase-Dunn, 2001). Thus, Chase-Dunn and Hall argue that “world-systems, not single societies, have always been the relevant units in which processes of structural reproduction and transformation have occurred” (ibid.); they have formulated the “iteration model”¹⁹, a scheme “for explaining the changing scale and nature of world-systems over the past twelve thousand years” (ibid.).

Another aspect of disagreement with Wallerstein's world-systems analysis is the actual time when the modern world-system emerged. Building on the work of Janet Abu-Lughod, Andre Gunder Frank has launched a major critique of Wallerstein's work arguing that the world system is much older than 500 years (Hobden & Jones, 2005, p. 234). Janet Abu-Lughod (1993) argues that there have been several successive world-systems (p. 279). Moreover, Abu-Lughod states that the modern world-system or a “very advanced world-system” she calls it, already existed by the second half of the thirteenth century (p. 278). This world system included almost all regions except the “New World” that “would be reintegrated in the sixteenth century” (p.278). Abu-Lughod has conceptualised her thirteenth-century world-system stretching between China and north-western Europe as its widest geographic extension (ibid., p. 284). When this system emerged, Europe played only a peripheral role (ibid., p. 278). Frank and Gills (1993) also argue that the world system is much older than 500 years,

¹⁹ For detailed information on the “iteration model” see e.g. Chase-Dunn (2001).

claiming that the contemporary world system is at least 5000 years old (p. 3). These scholars criticise Wallerstein's conceptualisation of modern world-system as Eurocentric, arguing that Europe's rise and dominance is only a recent event within an existing world system (ibid.). Moreover, economic cycles of "alternating ascending" phases and "descending" phases as well as cycles of hegemony and rivalry also extend back much further than Wallerstein suggests (ibid.). Furthermore, Frank and Gills disagree that the ceaseless accumulation of capital is a defining and unique characteristic for the modern world-system; "ceaseless" "capitalist" accumulation, particularly money capital, has been at work throughout the millennia (ibid., p. 6).

Another type of critique is articulated by Hettne (1995) arguing that the approach of the world-systems theory lacks the power to explain "how the world system with its centre-periphery structure may as such be transformed" (p. 9). Yet Hettne considers Gramsci and the 'critical school' and "its closeness to the historical reality it is trying to explain" as particularly relevant "when it comes to understanding change" (ibid.). This leads to the subsequent section presenting relevant aspects of Gramsci's work and of neo-Gramscian theory.

4.2 GRAMSCIAN THEORY AND NEO-GRAMSCIANISM

The second strands of contemporary Marxist thoughts that have made vital contributions to reflecting on world politics and the analysis of the global capitalist system is neo-Gramscianism drawing from the work of Antonio Gramsci. By using the critical theoretical underpinnings of the neo-Gramscian school of thought as well as the theoretical concepts of hegemony, war of movement and war of positions, passive revolution, historic bloc, civil society, counter-hegemonic bloc and others, coined or developed by Gramsci, the author seeks to deconstruct the theoretical approach of the world-systems theory and thus obtain a better understanding of the power relations within the world-system and the perpetuation and transformation of hegemony.

4.2.1 *Introduction*

As indicated above and as the term obviously implies, neo-Gramscian theory is greatly influenced by the work of Antonio Gramsci (1891-1937), an Italian philosopher and

Marxist theorist and one of the founding members of the Italian Communist Party established in 1921. Under the fascist regime of Mussolini, Gramsci was arrested in 1926 for his political activities and remained imprisoned until his death in 1937. In the prison in Turi, Gramsci from 1929 onwards (Gramsci, 1971, p. lxxxix) wrote about a broad range of issues such as philosophical, historical, political, economic, and literary subjects (Hobden & Jones, 2005, p. 235). By the time of his death, Gramsci's work consisted of 33 notebooks (Gramsci, 1971, p. xciv) containing mainly notes and some longer essays that were later edited and translated into English by Quintin Hoare and Geoffrey Nowell Smith and published under the title "*Selections from the Prison Notebooks*" in 1971 (Gramsci, 1971).

Due to the circumstances of imprisonment, failing health, not having access to books and facing censorship, it is not surprising that Gramsci's ideas presented in the *Notebooks* are to some extent fragmentary and occasionally opaque (Hobden & Jones, 2005, p. 35). Thus, the statements are rather suggestive than definitive and consequently open to a variety of different interpretations (ibid.). In addition, although criticised by other authors, Cox (1983) sees the strength of Gramsci's work in his historicism and that Gramsci "geared his thought consistently to the practical purpose of the political action" (Cox, 1983, p. 163). Moreover, Gramsci's concepts were not only derived from history and his personal political and social struggle but he was also constantly adjusting them to specific historical circumstances (Cox, 1983, p. 162). Furthermore, Cox emphasises that in Gramsci's thought a concept is "loose and elastic and attains precision only when brought into contact with a particular situation which it helps to explain – a contact which also develops the meaning of the concept" (1983, pp. 162). Against this background, it is comprehensible that Gramsci assigns the domains of politics, law, culture, and knowledge a particular important role with regard to them shaping preferences and policies of actors (ref. Woods, 2005, p. 336). Hence in the societal context, the question that arises then is whose interests and ideas are embodied in the norms and policies of the socio-economic and political system? Gramsci's concepts, in particular his use of the concept of hegemony but also other concepts he developed in order to understand the capitalist societies of his time, have proven quite useful in understanding power relations in the national as well as the global context of world-economy. Whereas Gramsci's work was primarily addressing circumstances in the Italian society, meaning on the national level, he still was aware of the implications of developments in the international sphere (Hobden & Jones, 2005, p. 236).

As noted above, it was the Canadian scholar Robert W. Cox (1983) who recognised the value of Gramsci's theoretical work for studying world politics and thus developed a Gramscian approach that is critical of the prevailing theories of International Relations (IR) and International Political Economy (IPE) (Hobden & Jones, 2005, p. 37). However, before this neo-Gramscian approach to IR and IPE is presented subsequently, the author introduces the key concepts of Gramscian theory.

4.2.2 Key Concepts of Gramscian Theory

The main question that motivated Gramsci's theoretical work was why had it proven to be so challenging to promote revolution in Western Europe. According to Marx, the transition to socialism, succeeding a revolution, would come about first in the most advanced capitalist societies. However, this prediction did not materialise as revolutionary attempts in Western and Central Europe had ended in failure. For Gramsci it was the notion of hegemony that would be useful to explain such failure. (Hobden & Jones, 2005, p. 235)

Hegemony, war of movement, and war of position

The term hegemony is extensively used in IR theory and usually relates to the most powerful state in the international system or to a dominant state in a particular region (ibid.). This perception of hegemony is similar to that of Wallerstein's use of the concept of hegemony. This use of hegemony is equivalent with the term 'dominance' or 'domination' which, however, is different to how Gramsci uses the term. Gramsci perceives hegemony as cultural and political leadership (Jones, 2006, p. 41). Jones (2006) describes Gramsci's concept of hegemony as follows: "Hegemony is a more sensitive and therefore critical term than 'domination', which fails to acknowledge the active role of subordinate people in the operation of power" (ibid.). Consequently, a leading group must be constantly attentive to the varying demands of its subalterns and to the changing context within which it exerts its authority in order to maintain its power (Jones, 2006, p. 48). Hence, the leading social group's supremacy is apparent in

two ways: in its “dominance” *and* its “intellectual and moral leadership” (Gramsci, 1971, p. 57). More precisely, Gramsci writes:

A social group can, and indeed must, already exercise “leadership” before winning governmental power (this indeed is one of the principal conditions for the winning of such power); it subsequently becomes dominant when it exercises power, but even if it holds it firmly in its grasp, it must continue to “lead” as well” (Gramsci, 1971, pp.57)

With regard to the “exercise of power”, Gramsci adopts Machiavelli’s conception of power using the image of a centaur, half beast, half man: a combination of coercion and consent²⁰. While Marxists had primarily concentrated on the state and its coercive practice and capabilities used by one class to oppress another in order to maintain the prevailing system, Gramsci recognised that the maintenance of order was also achieved through consent. However, the maintenance of order through consent was rather a feature of the more developed countries in the West than in less developed countries such as the pre-revolutionary Russia. (Hobden & Jones, 2005, p. 236)

The fundamental difference between Western European countries and Russia was in the comparative strengths of state. The administrative and coercive apparatus of the Russian state was authoritative but turned out to be vulnerable while civil society was insufficiently developed. This circumstance was conducive to the fairly small working class headed by a disciplined avant-garde to crush the state in a ‘war of movement’, not facing any effective resistance of civil society actors. Contrary to Russia, in many Western European countries there existed a well developed civil society under bourgeois hegemony. Thus, an effective ‘war of movement’ would be doomed to failure in the long run due to the resiliency of civil society. Gramsci argued that the alternative strategy was a ‘war of position’ which gradually establishes a strong social foundation of a new state led by the working class and its allies that are other subaltern classes. In other words, struggle against the bourgeois hegemony had to be won in civil society before overwhelming the state apparatus. Hence, it would be vital to establish

²⁰ According to Cox (1983), there can be two strands identified that led to the Gramscian idea of hegemony: (i) one strand evolving from the debates inside the Third International with regard to the strategy of the Bolshevik Revolution and the foundation of a Soviet socialist state; (ii) the other strand developing from the work of Machiavelli (p. 163). In addition, Cox (1983) provides in his article on Gramsci, hegemony, and International Relations a sufficient discussion on the key concepts of Gramscian theory; for detailed information on the first strand and on the other concepts, please refer to this article.

alternative institutions and create alternative intellectual resources building up a basis of an alternative state and society led by the working class. (Cox, 1983, p. 165)

In the words of Cox, [i]t means actively building a counter-hegemony within an established hegemony while resisting the pressure and temptations to relapse into pursuit of incremental gains for subaltern groups within the framework of bourgeois hegemony” (ibid.). Apparently, the building of a counter-hegemonic bloc is rather difficult as the bourgeois hegemony is deeply entrenched in the society’s institutions, perpetuating the moral, political, and cultural norms and values of the dominant group. Thus, bourgeois ideas have the capacity to displace rival views and eventually become ‘common sense’, meaning common to a society as a whole. This leads us to another concept that Gramsci has coined, namely that of “passive revolution”.

Passive revolution and historic bloc

Gramsci developed the concept of passive revolution referring to a particular style of state class politics which enables the leading group to retain authority while implementing changes in the economic, social, political, and ideological domain in order to neutralise transformative pressures from opposing forces (Li & Jaques, 2004, p. 1). By incorporating the interests of the subaltern groups, changes were introduced on the basis of compromise and consent rather than coercion. The bourgeoisie’s response to an organic crisis with the implementations of necessary reforms and social modifications ensures to maintain its authority and consequently to preserve the essential characteristics of the capitalist system (Li & Jaques, 2004, p. 2). In addition, the hegemonic group has achieved the perseverance of its dominance by “exerting moral and intellectual leadership and making compromises (within certain limits) with a variety of allies, who are unified in a social coalition of forces” (ibid.). Gramsci calls such a coalition *historical bloc* (ibid.) or *historic bloc* (Cox, 1983, p. 167) explaining the ‘dialectical’ or ‘reflexive’ relationship of base and superstructure (Jones, 2006, p. 34). More precisely, the term *historic bloc* is used by Gramsci to “describe the mutually reinforcing and reciprocal relationships between the socio-economic relations (base) and political and cultural practices (superstructure) that *together* underpin a given order” (Hobden & Jones, 2005, p. 236). As the constitution of the relations in the superstructure is of vital importance in determining how susceptible a society is to

39

transformative change (ibid.), it is important to further explore the notion of civil society as superstructural phenomenon.

Civil society

The superstructure is not only formed by trade unions and political parties but also by a tremendous range of other institutions that constitute what Gramsci described as ‘civil society’ (Jones, 2006, p. 32). These institutions include among others political organisations, churches, the education system, voluntary organisations, sport associations, the media as well as the family (ibid.; Hobden & Jones, 2005, p. 236). In this context, Jones (2006) emphasises that “Gramsci identified civil society as a key mechanism for the maintenance of authority, and suggested that its effectiveness lies in the way it blurs the distinction between political authority and everyday life.” (p.48). Hobden and Jones (2005) emphasise the aspect that civil society is a “**network** of institutions and practices in society that enjoy some autonomy from the state, and through which groups and individuals organize, represent, and express themselves to each other and to the state” (p.236). In addition, in historical terms, all these institutions helped to create in people specific modes of behaviour and expectations that are concordant with the hegemonic order (Cox, 1983, p. 164).

From this it follows, as already indicated previously, that the interaction between politics and ideas *and* economic relationships has to be considered in the analysis of society in order obtain a sufficient understanding of the underlying power structures. Hence, a society can only be transformed when the hegemonic position of the ruling class or stratum is successfully challenged. This requires a counter-hegemonic struggle within civil society that leads to the erosion of the established hegemony and that in turn to the construction of an alternative historic bloc. (Hobden & Jones, 2005, p. 236)

The above description of civil society clearly shows its dialectical character as it is the realm where the prevailing hegemonic social order is sustained but it is also the sphere of social creativity where an alternative, new social order can arise (Katz, 2006, p. 335).

In order to obtain an understanding of how the above presented Gramscian concepts are applicable to the international sphere, the next section introduces the key aspects of neo-Gramscian theory.

4.2.3 *Neo-Gramscianism*

As mentioned above, it was Robert W. Cox who was the main scholar to introduce Gramsci's theoretical work to the study of international politics and global economy. Generally, neo-Gramscian theory highlights that "actors define and pursue their interests within a structure of ideas, culture, and knowledge which itself is shaped by hegemonic powers" (Woods, 2005, p. 337). Keeping this world view in mind, knowledge cannot be objective and timeless accordingly and thus all scholars' values inevitably affect their analysis (Hobden & Jones, 2005, p. 237). Against this background, Cox formulated the following sentence that is said to be one of the most often quoted phrases in the field of contemporary IR theory: "Theory is always *for* someone and *for* some purpose." (ibid; Cox, 1995, p. 31). Cox argues that it is vital to know in which context theory is developed and employed (Cox, 1995, p. 31). Moreover, it is vital to know what the aim of the user is; whether he or she wants to maintain the existing social order or engage in changing it (ibid.). Depending on which of the two differing purposes is pursued, Cox labels the first as 'problem-solving' theory and the second as 'critical' theory (ibid.). While the first theory accepts the world order as given and by and large as good, thus providing direction to overcome problems or dysfunctions arising within that present order, critical theory explores the ways of how that order has evolved and what potential there is to change its structure (ibid.). In this regard, Cox criticises mainstream IR theories such as Realism and neo-realism, respectively, as serving the dominant actors and thus legitimating the status quo by making the current world order appear natural and unchangeable (Hobden & Jones, 2005, p. 237). Contrary to that, Cox's critical approach to IR seeks to challenge that existing order and supports social developments that bring about emancipatory change (ibid.). Critical theory can be a tool contributing to these emancipatory goals in that way as it allows an analysis of world orders grasping both "the sources of stability in a given system, and also the dynamics of processes of transformation" (ibid.). For the purpose of this kind of analysis, Cox considers Gramsci's concept of hegemony as particularly valuable, arguing that hegemony also is important for maintaining a system's stability and its continuity on the international level as it is for the national level (ibid.).

As already indicated, hegemony is generally equated with ‘dominance’ and/ or ‘imperialism’ in IR theory with the interstate system as level of analysis. Drawing on Gramsci’s use of the concept of hegemony, Cox understands hegemony with regard to the global system as “an order within a world economy with a dominant mode of production which penetrates into all countries and links into other subordinate modes of production. [Moreover] [i]t is also a complex of international social relationships which connect the social classes of different countries” (Cox, 1983, p. 171). Thus, analysing world hegemony one has to consider its triad of political, economic, and social structure that is interdependent and cannot be understood separately.

Cox emphasises that it is a dominant social class that expands its national (internal) hegemony to the international (outward) sphere and thus becomes a world hegemon. Thus, through its expansion, the national hegemony’s social and economic institutions, its culture, and the technology associated with it, become models for emulation abroad. However, peripheral countries that have not undergone similar development such as a thorough social revolution and comparable economic developments might be able to adopt some cultural and economic aspects of the hegemonic model, but they are to a lesser extent able to adopt its political models as they attempt this emulation without crushing the existent old power structures. Hence, an expansive hegemony impinges upon countries in the periphery as a passive revolution. (Cox, 1983, p. 171)

Furthermore, world hegemony is reflected in international institutions through which universal norms are expressed (ibid., p. 172)

International organisations and world hegemony

The state that establishes the hegemony generally initiated the international institutions and rules which in turn reflect orientations that are favourable to the dominant economic and social forces. In other words, these institutions define the general rules for the interaction of states and also for those agents of civil society that act internationally and transnationally; those rules aim predominantly to maintain the dominant mode of production. (ibid.)

More specifically, Cox lists the following key features of international organisations expressing their hegemonic role:

- i. They embody the rules which facilitate the expansion of hegemonic world orders.
- ii. They are themselves the product of hegemonic word order.
- iii. They ideologically legitimate the norms of the world order.
- iv. They co-opt the elites from peripheral countries.
- v. They absorb counter-hegemonic ideas. (ibid.)

Yet, these international institutions facilitate not only the expansion of a hegemonic state but they also allow adjustments to be made by interests of subaltern groups, which however cause the least amount of pain for the hegemonic actor (ibid.). In this context, the rules directing the world trade regime and the monetary relations are especially noteworthy (ibid.). This circumstance is reflected in the dominance of the Bretton Woods institutions and the US American dominance within their institutional structures.

Although, many scholars (also including Wallerstein as mentioned before) argue that the decline of US American hegemony has been heralded, neo-liberalism still remains a hegemonic ideology in the political, economic, and social sphere; particular striking here is the universal model of mass consumption, that originated from the USA, has been emulated worldwide. This ideology, however, poses severe threats not only to the environment but also to the social fabric of societies where competitiveness has been prioritised by state policies and thus social protection, characteristic for the welfare state, is gradually removed or where it has not existed before denied to the citizens. Thus, structural change seems to be vital.

Prospect for change of the world order through counter-hegemonic forces

Conform to the above remark, Cox sees in the prolonged stage of crisis in the world economy an opportunity for developments which could generate counter-hegemonic forces. Cox argues that:

In the core countries, those policies which cut into transfer payments to deprived social groups and generate high unemployment open the prospects of a broad alliance of the disadvantaged against the sectors of capital and labour which find common ground in international production and the monopoly-liberal world order. (Cox, 1983, p. 174)

Thus, the problem of changing world order must be shifted back from international institutions to national societies (ibid.) keeping in mind that

“[w]orld orders [...] are grounded in social relations. A significant structural change in world order is, accordingly, likely to be traceable to some fundamental change in social relations and in the national political orders which correspond to national structures of social relations. In Gramsci’s thinking this would come about with the emergence of a new historic bloc. (ibid.)

Moreover, Cox emphasises that:

“Gramsci’ analysis of Italy is even more valid when applied to the world order: only a war of position involves building up the socio-political base for change through the creation of new historic blocs. The national context remains the only place where an historic bloc can be founded, although world-economy and world-political conditions materially influence the prospect of such an enterprise”. (ibid.)

In order to build such a historic bloc it requires an effective political organisation in order to unite the new working classes generated by international production and to build alliances with peasants and marginalized urban people (ibid.). If this is not successful, monopoly-liberal hegemony is likely to absorb counter-hegemonic forces by restoration of passive revolution (ibid.)

In this context civil society plays a key role and as mentioned earlier new social movements play a significant role in building up counter-hegemonic forces. Accordingly, in Cox’s words (1995):

“The possibility of reconstructing civil society and political authority ‘from below’ rests upon a revival of the sense of collective responsibility and cross-cultural understanding. Awareness of the problem is the first step. The rest must flow from the experience of many creative social movements.” (p. 45)

Hence, it is vital to look more closely to the developments of new social movements and thus the theoretical considerations engaging in their analysis which follows in the section subsequent to the next which presents some criticism of Cox’s neo-Gramscian theory.

4.2.3.1 Criticism of neo-Gramscianism

In this section, the author presents some aspects of the criticism of neo-Gramscian theory.²¹ Neo-Gramscian thought has been criticised differently for example as “too unfashionably Marxist” but also as “too lacking in Marxist rigour” (Bieler & Morton, 2004). In this context, Schechter (2002) argues that some of the critiques of Coxian theory seem to contradict each other (p.1). In addition, Cox works has been attributed with a whole range of labels such as Marxist, Gramscian, Weberian, etc. and, therefore, Cox’s work, generally, lacks a consensual label—from the perspective of his critics (ibid., p. 4). Moreover, Schechter writes:

“Cox’s critics have examined his work in the perspective of his neglect of issues important to the critics’ own priorities – military-security issues, feminism, and ecology, for instance, and of how he fails to meet the criteria of positivism, neo-realism, or post-modernism.” (ibid., p.1)

While there has also been extensive discussion about ontological, epistemological, and methodological aspects of Cox’s work relating to general aspects of conducting social science, this section, however, seeks to emphasise on the specific use of concepts by Cox that has been criticised— rendering the whole discussion goes beyond the scope of this paper. Particularly, Cox’s use of the notion of state has been criticised in differing ways. Some critics say that his work is too state-centric while other scholars criticise that “he has accepted whole-heartedly the notion of the ‘retreat of the state’” (Schechter, 2002, S. 18). With regard to this issue, Bieler and Morton (2004) detect that:

“Although a fully developed theory of the state is not evident, there clearly exists a set of at least implicit assumptions about the state as a form of social relations through which capitalism and hegemony are expressed.” (p.100)

Similarly, Sinclair (1996) states that:

²¹ For a more elaborated critique on neo-Gramscianism and Cox’s work, the author refers to Bieler and Morton (2004)—A critical theory route to hegemony, world order and historical change: neo-Gramscian perspectives in International Relations and to Cox and Schechter (2002)—The political economy of a plural world: critical reflections on power, morals and civilization. These two works provide a sufficient overview of works and scholars criticising neo-Gramscianism and Cox’s work in particular as well as these authors provide a critique on their own; and referring to the second work Cox engages in this work in an dialogue with his critics.

“Rather than discuss “the state”, Cox’s focus has been on forms of state and how these change under pressure from forces from above (world order) and from below (civil society). Cox considers states to be the focal terrains of conflict and institutional means of action internationally and nationally.” (p.3)

In this context, Cox’s idea to use the Gramscian concept of hegemony as exploring the power relations among and within these forces has been widely credited, however, some have called for “greater sensitivity in the history of ideas when appropriating Gramsci for contemporary application” which means “to remain (re)engaged with Gramsci’s thought and practice (Bieler & Morton, 2004, p. 104).

With regard to the context of power, it is important to mention an argument of Giovanni Arrighi who also further developed Wallerstein’s world-systems analysis. Referring to Gramsci, Arrighi argues that the means of coercion and consent are not the only tendons of world power (Arrighi, et al., 1994). Arrighi emphasises that there is a grey area between coercion and consent which also has to be looked at and where Gramsci put “fraud and corruption” “which are used by hegemonic groups when coercion is too dangerous and consent is too ineffectual” (p.365). In addition, Arrighi argues that it is not only fraud and corruption as means of power that lie in this grey area but that it is also money that is the universally accepted means of payment (ibid.). Moreover, Arrighi argues:

“What makes the modern world system a *capitalist* world system is the peculiar role played by the accumulation of the means of payments in determining the distribution of world power. The main trends and events of the 1980s should make us realize that, unless we carefully analyze the relationships between world hegemony and control over the means of payments in a system in which states compete intensely over mobile capital, we are likely to miss one of the most fundamental mechanisms of the rise and demise of power in a capitalist world system.” (ibid., pp. 365)

Another aspect where critics have complemented each other is in their concern “Cox has too little faith in the old multilateralism, be that UN related agencies or old and so-called new social movements” (Schechter, 2002, S. 18). Cox is indeed cautious about the role of new social movements shaping a different and more just world order as he sees democratisation and “people power” movements can move in either political direction to the right as well as to the left (Cox & Sinclair, 1996, p. 308). Thus, the author considers it necessary to further explore the characteristics of the new social movements which Cox has relatively briefly referred to.

4.3 SOCIAL MOVEMENT THEORIES

This section of the theoretical chapter offers additional perspective on one actor of civil society with particular emphasis on “new social movements” and the ‘new social economic movement’ as one type of them.

4.3.1 *Introduction*

Della Porta and Diani (2006) point to the fact that many scholars have observed and described a growing and increasingly strong social movement which generally is referred to as the “global justice movement” mobilising for a globalisation from below (p. 2)—an alternative globalisation approach. However, this movement is not comprised of a unitary, homogeneous group of actors as the term might imply (ibid.). In addition, it is not only this movement but also other social movements, protest actions and political organisations non-affiliated to any major political party or trade union that have become a persistent constituent of Western democracies (ibid., p.1). Generally, a social movement comprises

“[...] people with a diffuse sense of collective identity, solidarity, and common purpose that usually leads to collective behaviour. The concept covers all the different NGOs and networks, plus all their members and all the other individuals who share the common value(s).” (Baylis & Smith, 2005, p. 780)

Since the 1960, these “new social movements” have emerged centred on specific concerns such as environmentalism, feminism, and peace etc. (Cox & Sinclair, 1996, p. 307), (della Porta & Diani, 2006, p. 6) that is the social sphere. The old social movements had predominantly focused on issues of labour and nations (della Porta & Diani, 2006, p. 6), that is the political sphere. Although these old social movements (trade unions and peasant movements) have experienced a backlash under the effects of globalisation and the social transformation involved putting the centrality of the capital-labour conflict into question, they are still important actors in seeking structural change. Cox (1996) particularly sees the labour movements, based on their experience in organisation and ideological work, to have the strength to “shape the future” (p. 307)—

provided that these movements are able “to transcend narrow corporative thinking to comprehend the requirements of a broader-based social movement” (ibid., p. 310). This is indeed a challenge, as mentioned before; new social movements are very heterogeneous in terms of membership and activism addressing a wide range of issues which might even make them rivals.

With regard to the “global justice movement”, individuals may take action by participating in campaigns against neo-liberal globalisation which might have but is not necessarily seeking to have an impact on the public sphere but rather affects more often lifestyles and private behaviour (della Porta & Diani, 2006, p. 3). Yet ethical consumption is a phenomenon gaining momentum in Western societies. In this context, Fair Trade organisations and practices have in recent years been spreading throughout the Western countries (ibid.).

According to above presentation of social movements, Fair Trade organisations as well as the broader Fair Trade movement are just some actors within the global civil society sphere, whose nature is multidimensional and complex and therefore can be approached in diverse ways. Accordingly, there are various theoretical approaches to social movements. Della Porta and Diani (2006) identify the following approaches that they consider most influential in the field of social movement theory: the new social movement, collective behaviour, resource mobilization, and political process approaches (p.29). Gendron, Bisailon, and Otero Rance (2009) and Canel (1997) regard the new social movement theory and resource mobilization theory as principal schools dominating the study of social movements in contemporary societies. These two approaches are presented in the subsequent section.

4.3.2 New Social Movement Theory and Resource Mobilization Theory

Referring to Eduardo Canel (1997), both approaches—new social movement theory and resource mobilization theory²²— seek to explain the evolution and the implication of contemporary social movements in (post-) industrial societies (electronic source (es.)).

²² For an extensive discussion of these two approaches to understanding social movements see Canel’s (1997) article *New Social Movement Theory and Resource Mobilization Theory: The Need for Integration*.

Canel (1997) states that the theoretical premises of these two approaches are commonly assumed to be incompatible. He, however, argues that each approach scrutinizes social movements at different, but complementary, levels of analysis. Generally, new social movement theory questions reductionist Marxism comprising two types of reductionism: i) economic reductionism, which is “the assumption that a single economic logic provides the unity of a social formation and determines its political and ideological processes” and ii) class reductionism which is the assumption that the identity of social agents is given to them overwhelmingly by their class position” (ibid., es.). Hence, scholars of new social movement theory argue that traditional working-class struggles were replaced by new collective actors that dominated contemporary conflicts. Those new actors were primarily concerned with the “collective control of the process of symbolic production and the redefinition of social roles”, raising non-class issues relating to “gender, ethnicity, age, neighborhood, the environment, and peace” (ibid.).

In contrast, resource mobilization theory criticises “Durkheim’s view of collective action as anomic and irrational behavior resulting from rapid social change” (ibid.). Moreover, this approach questions ‘relative deprivation’ theory that assumes “a direct link between perceived deprivation and collective action” (ibid.). Contrary to these assumptions of relative deprivation studies, resource mobilization theory suggests that “grievances and inequalities could only be considered a precondition for the occurrences of social movements” (ibid.). Moreover, resource mobilization theorists argue that collective action is “triggered by well-entrenched cleavages in society, not by short-term strains resulting from rapid change” (ibid.).

Hence, the new social movement theory view emphasises

“the cultural nature of new movements and views them as struggles for control over the production of meaning and the constitution of new collective identities. It stresses the expressive aspects of [social movements] and places them exclusively in the terrain of civil society, as opposed to the state.” (ibid.).

Contrary, resource mobilization theory stresses

“the political nature of the new movements and interprets them as conflicts over the allocation of goods and the political market. Hence, it focuses on the strategic-instrumental aspects of action and places social movements, simultaneously, at the level of civil society and the state.” (ibid.).

Within both schools of thought, there are various approaches explaining the emergence of social movements.

With regard to new social movement theories, a number of scholars such as Habermas and Offe, Lalclau and Mouffe and Touraine differ in their explanation about emergence of social movements, although all of them base their reasoning on “structural transformations and long-range political and cultural changes which created new sources of conflict and altered the process of constitution of collective identities” (ibid.).

Habermas sees the “colonialization of the life-world” (Habermas, 1981, p. 35 cited in ibid.), that is the penetration of the private sphere by the state and the market as origin of the current crisis of legitimation in contemporary capitalist societies. Thus, the new social movements are perceived as collective action seeking to maintain or reconstruct endangered lifestyles (ibid.) Offe explains the emergence of new social movements against the background of the crisis of legitimation as result from the novel relationship between the state and society in late capitalist social order. Offe perceives the state as “a network of steering mechanisms, whose role in securing system integration, given the inadequacy of market mechanisms, has greatly increased” (ibid.). Thus, the state is given the role of a ‘crisis manager’ regulating social and economic processes and has in turn become “a central source of inequalities and power differentials” (ibid.). Accordingly, following Offe, “the emergence of new social movements must be understood as a reaction against a deepening, broadening, and increased irreversibility of the forms of domination and deprivation in the late capitalist societies.” (ibid.).

Differing from Offe, who takes “the conditions for the reproduction of capital” as the initial point of his discussion of social movements, Touraine sees the rise of social movements being related to the emergence of the post-industrial or programmed society (ibid.). This new societal type has brought “a new culture and a field for new social conflicts and movements” (Touraine, 1985, p. 781 cited in ibid.). In this context, Touraine has developed the concept of ‘historicity’ which refers to “the capacity of society to ‘act upon itself’ in order to reshape the set of cultural models that guide social practices” (Canel, 1997, es.). Thus, Touraine argues that “the central conflicts of post-industrial societies are no longer over political rights or material concerns, but rather over the ‘production of symbolic goods’ – in other words over the appropriation of historicity” (Touraine, 1985, p. 774 cited in Canel, 1997, es.). A social movement is,

accordingly, “the action of a subject calling into question the social form of historicity” (Touraine, 1988, p. 68 cited in Canel, 1997, es.).

Whereas Touraine clearly separates the political from the social, Laclau and Mouffe “assert the primacy of political articulation and the broadening of politics” (Canel, 1997, es.). Laclau and Mouffe relate the rise of social movements to the “availability of the democratic discourse and the consolidation of a new hegemonic formation which followed the end of World War II” (ibid.). Thus, “the availability of the democratic discourse permitted the emergence of collective actors who challenged the view of society as a natural and rigid hierarchical system of different positions” (ibid.). In the context of democratic discourse, Laclau and Mouffe reformulated the concept of hegemony understood as “the process of discursive construction of social agents” (ibid.). Moreover, Laclau and Mouffe also draw a linkage between structural transformations and the emergence of social movements (ibid.). Hence, one aspect was the intrusion of capitalist relations into broader spheres of social life and another aspect was the deeper penetration of social relations by the state with regard to the rise of the welfare state (ibid.). These transformations led to blurring the distinction between the public and the private spheres and thus produced a range of new areas of conflict which in turn gave rise to a variety of social movements (ibid.).

All the above presented approaches within the new social movement theory contribute to explaining the emergence of social movements by identifying long-term structural transformations, which create new structural, political and cultural conditions (ibid.). Melucci argues that this school of thought focuses on explaining the ‘why’ of social movements, “at least in so far as the answer is restricted to broad structural conditions and does not include how actors mobilize resources” (Melucci, 1985 cited in ibid.). However, new social movement theory does not explain the ‘how’ of social movements (ibid.). New social movement theory does not include in its analysis “the dynamics of mobilization, the instrumental level of action, political action, the relationship between social movements, political reform and institutionalization of civil society and organizational dynamics” (ibid.). These aspects are, however, particularly addressed by the resource mobilization theory (ibid.).

The resource mobilization school of thought comprises two main approaches: the ‘political-interactive’ model which is employed by scholars such Tilly, Gamson,

Oberschall, and McAdam; and the ‘organizational-entrepreneurial’ model applied by theorists such as McCarthy and Zald (ibid.).

The ‘political-interactive’ model utilizes a political model to study the processes that led to the emergence of social movements. This approach focuses on “changes in the structure of opportunities for collective action and on the role of pre-existing networks and horizontal links within the aggrieved group” (ibid.). This model examines a range of issues such as political power, political resources, interests, group solidarity, etc. The ‘organizational-entrepreneurial’ model focuses on leadership and resource management, and on organisational dynamics. In addition, this model applies organisational and economic theories to the analysis of social movements. Theorists have focused on two features of organisational analysis: “the interaction of social movement organizations with their environment, and the organizational infrastructure which supports social movement activity” (Gamson, 1987, pp. 2 cited in ibid.). (ibid.)

Generally, resource mobilization theorists opine that prosperity and affluence are factors that are likely to foster social movement activity. Affluent societies generate numeral resources such as money, means of communication, and intellectual classes which can support social movement mobilization. In addition, the development of the welfare state is also considered to be a source of greater social movement activity. Moreover, this theoretical approach examines in particular how groups organise “to pursue their ends by mobilizing and managing resources” (ibid.). Accordingly, social conflict is understood as “the struggle for appropriation of existing resources and the creation of new ones” (ibid.), which can be either material or non-material (Jenkins, 1981, p. 117 cited in ibid.). Material resources include means of communication, money, organisational facilities, manpower etc. (ibid.). Non-material resources include solidarity, loyalty, moral commitment, authority, legitimacy etc. (ibid.). Mobilization in this context is “the process why which a group assembles resources (material and/or non-material) and places them under collective action control for the explicit purpose of pursuing the group’s interests through collective action” (Canel, 1997, es.).

The central contribution of resource mobilization theory is to explain

“the dynamics of mobilization, to identify the type of resources and organizational features that condition the activities of [social movements], and to focus on the relationship between the movements and the political system” (ibid.)

Accordingly, social movements operate within civil society as well as in the political system. Moreover, resource mobilization theorists perceive social movements “as political actors that operate side by side – sometimes in competition, sometimes in collaboration – with traditional political institutions”, this is an aspect that is neglected by new social movement theorist (ibid.).

So far, the above presentation has provided some key features of two main schools examining social movements. As indicated new social movement theory and resource mobilization differ in particular with regard to the level of analysis they employ.

New social movement theory is more sufficient when dealing with macro-processes incorporating the following aspects into the analysis:

“first, the structural potential for [social movement] activity, identifying systemic tensions, contradictions, and conflicts that can give rise to new actors; second, the nature of the political system and the relationship between state and civil society, including such factors as political processes and changes in the structure of political opportunities; third, the processes through which collective identities are constituted and legitimized, including political and cultural traditions, common sense, ideology, and hegemonic practices” (ibid.)

However new social movement theory is not sufficient when dealing with micro-processes and factors involving strategic-instrumental action. Here Canel (1997) considers resource mobilization theory to be more sufficient in explaining the following aspects of social movements:

“first, the dynamic of mobilization – resource management, strategies and tactics, the role of leaders, responses of adversaries and allies; second, organizational dynamics – the nature of recruitment processes, the role of leaders and third parties, type of goals, and goal displacement; third, existing social networks – the nature of these networks, the degree to which they helped the group develop new leaders, communication channels, and a sense of group identity” (ibid.)

Canel argues that only a theory that takes both sets of factors into account can give an sufficient explanation of social movements and explicate the linkages between macro and micro, civil society and the state, expressive and instrumental action, culture and politics. However, as indicated above, neither of the two theories addresses the whole range of factors presented in the two sets, thus leading to the reasoning to integrate these two approaches more stringently. (ibid.)

This argumentation clearly incorporates a critique of each school of thought and identifies the insufficiencies of each approach in order to understand social movements. Hence, this argumentation is herewith acknowledged and considered highly comprehensible, the author however, incorporates predominantly the first set of factors into her analysis as she predominantly focuses on the structural processes at the global level, meaning the macro level, as level of analysis.

In addition, a vital contribution to understanding the fair trade as social movement has been made by Gendron, Bisailon, and Otero Rance (2009), who developed the concept of ‘new social economic movement’ which is presented subsequently.

4.3.3 New social economic movement

With regard to the theoretical approach examining the institutionalisation of new social economic movements, Gendron, Bisailon, and Otero Rance (2009) argue that the new social movement theory appears to be more sufficient for understanding the Fair Trade phenomenon (Gendron, Bisailon, & Otero Rance, 2009, p. 71). Accordingly, social movement is defined “as the collective control of an alternative societal project, a fight that is not directed towards the State but against a social class opponent” (ibid.). Contrarily, resource mobilization theory is “completely oriented towards the quest for State institutionalization”. This seems, at the first sight, contradictory with the above presentations of new social movement theory which cannot explain “the processes and the mechanisms that intervene in the institutionalization (or the absence institutionalization) of the new values and social practices that [new social movements] are said to be developing within civil society” (Canel, 1997, es.). In addition, the focus of new social movement theory on the cultural aspects of the new movements and their activities exclusively being located in the field of civil society “has stripped them away from their political dimension” (ibid.). Moreover, Canel argues that

“Laclau and Mouffe, for example, insist that every new social conflict is political, as politics expand to civil society, but fail to discuss the institutional aspects of politics, the relationship between [new social movements] and political parties, and the institutional process through which the democratization of the state can be achieved” (ibid.).

With reference to Touraine, Canel argues that Touraine who separates the social and the political sphere in his approach “fails to realise that [social movements] are more than cultural phenomena: they are also struggles for institutional reform” (ibid.). This critique is similar to that made by Gendron, Bisailon, and Otero Rance (2009) who present different and also contradictory approaches to examining the institutionalisation of social movements and who take Touraine’s argumentation as initial point of analysis. Accordingly, Gendron, Bisailon, and Otero Rance (2009) cite Touraine who perceives the institutionalisation as a degraded form of the social movements’ action leading to the loss of its transformational potential (pp. 71):

“The study of social movements shows that, after an initial phase of global opposition between competing utopias, a phase of direct confrontation between the social adversaries occurs, followed by the phase of institutionalization of the conflict...This type of institutionalization cannot operate without a transformation of the actors or without the intervention of political forces...” (Touraine, 1973, p. 241 cited in (Gendron, Bisailon, & Otero Rance, 2009, p. 71, their translation).

With regard to the fair trade movement this perspective take into account the reservations of a part of the movement towards the “economic” institutionalisation perceiving this process “as degrading social mobilisation and weakening [the movement’s] political message communicated to the authorities of world economic governance” (ibid., 72). However, as Gendron, Bisailon, and Otero Rance (2009) propose, this issue can be analysed from a different perspective as by drawing from Eder:

“The commonplace that social movements are undergoing a process of institutionalization (which normally means integration into existing political and social institutions) has at least to be corrected. Institutionalising social movements has led to effects that are changing the institutional system itself... [Social movements] represent a new type of institutions which forces the institutional system to adapt discursive structures.” (Eder, 1993, pp.16-17; 19 cited in Gendron, Bisailon, & Otero Rance, 2009, p. 72).

Extrapolating from the above, Gendron, Bisailon, and Otero Rance (2009) argue that “the institutionalization of social movements needs to find transcendence in order to realize transformational potential for institutional structures” (p. 72). In addition, they argue that this perspective allows “an understanding of the transformations that fair trade causes, as it is no longer restrained within the “traditional” institutional sphere of world politics and instead is able to influence the rules of the economic systems” (ibid.).

Against the background of these two perspectives, Gendron, Bisailon, and Otero Rance (2009) explore the notion of a new social economic movement with regard to the recent forms of the institutionalisation of the fair trade movement (ibid.). This analysis of Fair Trade done by Gendron, Bisailon, and Otero Rance offer a vital contribution to answering the thesis' problem formulation and is further discussed when analysing the Fair Trade movement in chapter six.

Prior to that, the concept of the 'new social economic movement' is presented. It was only until recently that scholars engaged in the analysis of economic mechanisms that are used by social movements to respond to social demands (Gendron, Bisailon, & Otero Rance, 2009, p. 72). While the new social movements have extended their action beyond the political sphere to the social sphere in the 1960s, contemporary social movements focus largely on the economic sphere (Gendron, 2001, cited in Gendron, Bisailon, & Otero Rance, 2009, p. 72). The emergence of this new form of social action is conceptualised by Gendron, Bisailon, and Otero Rance (2009) as 'new social economic movement' comprising a new generation of social movements (ibid.). Gendron, Bisailon, and Otero Rance base this conceptualisation on their observation that social movements use

“economic status (that of the consumer or investor) to pressure businesses on a socio-political level. They adapted the economic mechanisms, modelling them according to their values. In short, the arrival of social movements in the economic sphere leads to a redefinition, a re-politicization, and a re-socialization of economic transactions, thus regaining its status as a real social relationship so that it may be analysed and judged as such.” (ibid., pp.72).

With reference to Offe (see also above) who argues that new social movements are a means for citizens, who remain unsatisfied with the welfare state system, to build political action and thus express their demands (Offe, 1985 cited in Gendron, Bisailon, & Otero Rance, 2009, p. 73), Gendron, Bisailon, and Otero Rance draw the parallels to new social economic movements. They argue that “new social economic movements have become the means for citizens to construct political action within the market where unsatisfied demands on the political system can be expressed in the era of globalization” (Gendron, Bisailon, & Otero Rance, 2009, p. 73). Relating the social action of these new social economic movements to the globalisation paradigm clearly shows the global

system is considered to be the vital frame of reference in order to understand economic and socio-political structures as well as their underlying power relations.

Next, the author discusses the constraints and opportunities of the different theories presented above in order to utilize them for analysing the Fair Trade movement's counter-hegemonic and transformative potential within the global system and its current stage of crisis.

4.4 THEORETICAL FRAMEWORK

In this section, the author explains how the above presented theories and concepts are operationalised and how they can contribute to a comprehensive understanding of the raised problem.

The concepts derived from the world-systems analysis, Gramscian theory and neo-Gramscianism, as well as the presented social movement theories (new social movement theories and resource mobilization theory) constitute the theoretical framework that guides the subsequent discussion about whether the Fair Trade movement, as part of the global civil society network, can provoke transformative change or just provides with its market-based approach the neo-liberal capitalist trade regime with the much needed legitimacy in a time of global crisis.

Generally, all the presented theoretical approaches are considered to support the cause of emancipation and social change; however, not all of them can explain the workings of the alternative trade, the Fair Trade movement and its transformative potential towards social change in the time of global crisis. Nevertheless, all of them can contribute to a holistic understanding of the Fair Trade movement as illustrated in the figure below.

The figure (Figure 1) shows the theories and their interlinkages constituting the theoretical framework guiding the reasoning of the thesis project.

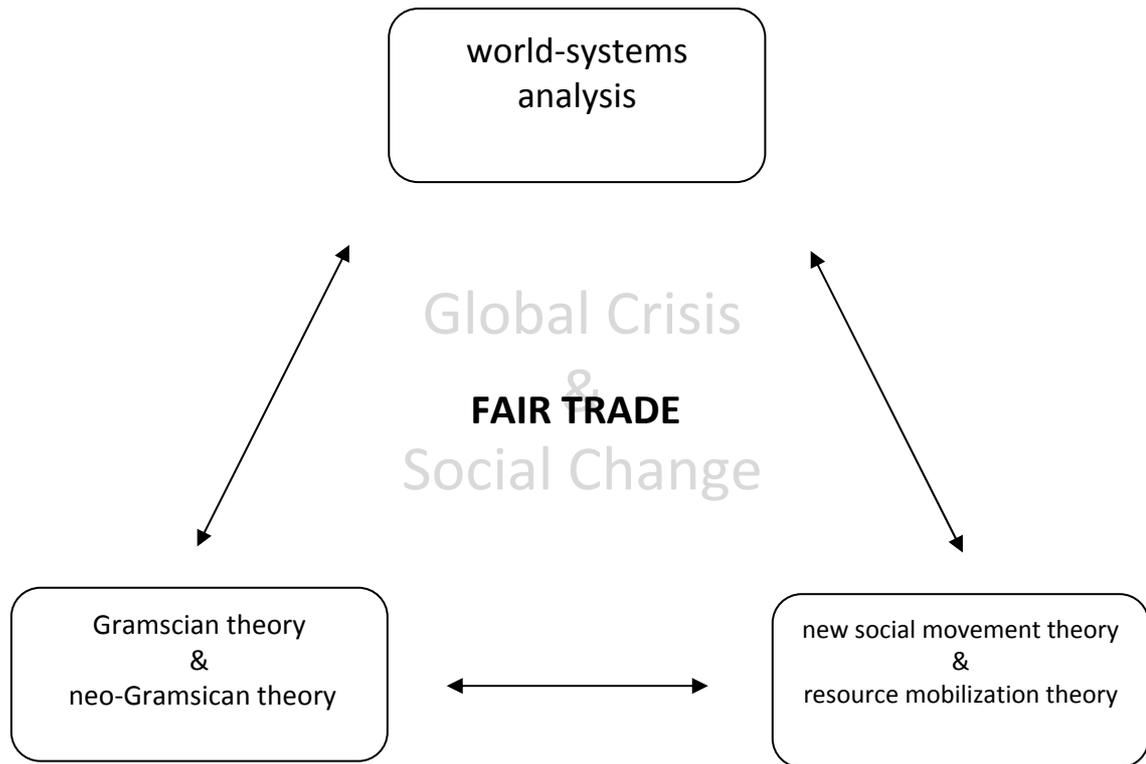


Figure 1 Theories constituting the framework for the analysis of the Fair Trade movement and its transformative potential in times of global crisis

Starting with world-system theory, it contributes from a macro perspective, which is the international level of analysis, to an understanding of the crisis of or in, respectively, the capitalist world-economy. Moreover, this theoretical approach provides an explanatory framework for the dominance of the capitalist core economies from the North, controlling the social, political and economical sphere at the national as well as the international level. In addition, world-system analysis with its core-periphery model clearly illustrates the dependency and imbalance in the production chain of raw materials and also with regard to the relocation of production processes. And thus illustrates the division of labour which is the defining feature of the capitalist world economy.

However, as argued by Hettne (1995), the approach of the world-systems theory lacks the power to explain “how the world system with its centre-periphery structure may as such be transformed” (p. 9). Yet Hettne considers Gramsci and the ‘critical school’ and “its closeness to the historical reality it is trying to explain” as particularly relevant “when it comes to understanding change” (ibid.). In addition, neo-Gramscianism adopting Gramsci’s use of the concept of hegemony analyses more deeply the

underlying relationship of how hegemonic power structures have been achieved and maintained in the international system particularly considering the dialectical phenomenon of civil society.

Moreover, Gramscian theorising explains the perpetuation and transformation of hegemony at the national level; neo-Gramscianism applies this to the international sphere, however, arguing that social relations at the national level have to be transformed in order to achieve global social change. Accordingly, Cox has argued in order to build such a counter-hegemonic historic bloc that challenges the hegemonic order, it requires an effective political organisation in order to unite the new working classes generated by international production and to build alliances with peasants and marginalized urban people (*ibid.*). In other words a group of subalterns such as workers, peasants and other marginalized people need to form a counter-hegemonic historic bloc challenging the hegemonic bloc exercising social, political and economic leadership.

However, as Della Porta as well as other new social movement theorists argue, criticising the class reductionism of many Marxist related approaches, it is and not the working classes but the middle classes and very heterogeneous groups of actors that dominate the new social movements. Both Wallerstein and Cox refer to the agency of social movements as the motor to form alternative historic blocs without providing explicit characterisation of these movements.

While the old social movement evolved around class conflict thus focusing on the political sphere gaining political power, new social movements focused on the social as well as political sphere addressing issues of race, gender, and class. The former, however, has not succeeded in achieving transformation when being in power, the later achieved substantial improvement in altering the social fabric in terms of establishing empowerment issues with regard to minority groups in the policy debate and eventually amendments in constitution to assure equal rights of the citizenry as a whole. With the anti-globalisation movement, challenging the neo-liberal capitalism and growth oriented and profit driven economic system, another type of new social movement has evolved that also addresses in its social action the economic sphere in order to bring about change, entailing a shift from non-materialistic issues to materialistic aspects of social activism.

Accordingly, della Porta and Diani (2006) have related the regained significance of materialistic aspects determining social relationships to the increase of poverty in industrialised societies in the global North. This development has led to the evolution of these new social economic movements providing a distinct theoretical approach to the specific features of the Fair Trade movement.

However, with regard to the notion of crisis, these approaches build their explanation on the crisis of the late capitalist state; however, they do not provide an explanation for the wider global structural transformations which in turn is explained within the world-analysis framework.

In addition, new social movement theory and resource mobilization theory, the former focussing on macro processes and the later on micro processes, still retain within the national or context of the global North. In this context, they, to some extent, focus on post-industrial societies of which some have strong welfare states fostering the emergence of social movements which are primarily occupied with the social sphere. And thus hegemony is primarily perceived as dominating the discursive construction of social identity with regard to new social movement theory. As this theoretical approach locates the social movement in the social sphere as opposed to the political, it does not provide explanation for the wider global state system. However, this in turn is explored within the neo-Gramscian perspective that sees the power structures determined within the field of civil society.

To sum it up, all theoretical approaches contribute to a better understanding of the subject under scrutiny, however, non of the approaches is capable of explaining all characteristics of a social movement challenging and operating within the neo-liberal capitalist trade system in a stage of global crisis.

5 THE GLOBAL CRISIS AND THE ROLE OF GLOBAL CIVIL SOCIETY

The above presented concepts comprise the tools in analysing the Fair Trade movement, as one actor of global civil society, its counter-hegemonic potential, and thus the prospects for social change within the global trade system in a stage of crisis.

This chapter is structured as follows: first, the current crisis and its implications for actors seeking to transform the exploitative neo-liberal trade regime is explored. Then, the global finance crisis is in particular explored as it has a detrimental global impact and illustrates the deficiencies of the neo-liberal trade regime.

Moreover, drawing from research findings obtained by Katz (2006), global civil society is conceptualised and the power structures within the global civil society network are examined. The findings of this discussion are incorporated in the next chapter analysing the Fair Trade movement in above outlined context.

5.1 THE CURRENT CRISIS IN/OF THE GLOBAL SYSTEM

As indicated in the introduction, we are currently facing a multiplicity of crises that have, although to a different extent, detrimental impacts on the social, political, economic and cultural sphere of the majority of, if not all, nation-states and thus humanity as a whole. With reference to Wallerstein's world-systems analysis these crises are phenomena of "all those structures and processes we have come to know as an inherent part of the existing world-system", being in wild oscillation, which is a central feature of the transitional period from one world-system to another (Wallerstein, 2004, p. 77). In other words, these crises are actually indicating that the world-system itself is in crisis. According to Wallerstein this contemporary systemic crisis had its beginning with the world revolution in 1968 (ibid. 84). Accordingly, a combination of two factors led to this world revolution, on the one hand it was the "long-existing anger about the

workings of the world-system” and on the other hand “the disappointment with the capacity of the antisystemic movements²³ to transform the world” (ibid.) as the “great participatory élan of the period of mobilization seemed to die out once the antisystemic movements came to power in any given state” (ibid., p. 84).

With regard to the first mentioned factor, it was the rejection of US hegemonic power that fuelled the uprisings (ibid.). These upheavals coincided with the incident that the growing “squeeze of profits” was to be seriously felt due to an increase of costs of production (ibid. pp. 78) and sales prices that have not been able to keep pace with that development (ibid., p. 83). These costs comprise remuneration (increase of employees’ income), inputs (increase in costs of depleting raw materials/resources), and taxation (increase in costs of infrastructure²⁴) that have all been continuously rising particularly over the past fifty years (ibid., p. 83). However, sales prices have not been rising due to an increase of the number of producers and thus their recurrent inability to sustain oligopolistic conditions (ibid.). Nevertheless, producers try constantly to find a way in order to reverse these conditions (ibid.), for example by relocating the production to the semiperiphery or periphery, respectively, or exploiting resources where costs are lowest due to a lack of workers’ protection, environmental regulations, and law enforcement. However, in both areas asymptotes will eventually be reached as mentioned. With regard to reduce taxation this meant a cut on the benefits of the welfare state starting in the 1980s.

At that time, in the light of entering a long Kondratjew B-phase (Wallerstein, 2004, p. 86), economic and political centrist and rightist forces attempted to repress rising those production costs as mentioned above. Pursuing this reduction, these policies, which were “called “neoliberalism” as theory and “the Washington Consensus” as policy”, which have been first promoted by the Thatcher government in the UK and the Reagan government in the USA (ibid.). Under the premise of globalisation these policies

²³ Wallerstein defines “antisystemic movements” as “organizations which sought to bring about fundamental changes in social organizations [...] seeking to implement the slogan of liberty, equality, and fraternity in a way different from that of the liberals” (Wallerstein, 2004, p. 67). One of the first to organise in such a movement were the urban industrial working class emerging in the strongest centres of industrial production (in Western Europe and North America) in the mid 19th century (ibid.).

²⁴ The term infrastructure comprises “all those physical institutions outside the production unit which form a necessary part of the production and distribution process—roads transport services, communications networks, security systems, water supply” (Wallerstein, 2004, p. 82).

pursued the opening of all frontiers to permit a free flow of goods and capital, however, not of labour. Hence, the locus for promoting the theory was The World Economic Forum at Davos and the IMF and the newly created WTO became the principal enforcers of the Washington Consensus (ibid.).

However, the implementation of these policies in terms of rolling back production costs was not sufficient (enough) to “end the squeeze of profits”. This circumstance resulted in the shifting of the capitalists’ focus from the production arena to that of financial speculation in order to make profit and thus accumulate more and more capital that way. However, “[s]uch financial manipulation can result in great profits for some players, but renders the world-economy very volatile and subject to swings of currencies and of employment” (ibid., p.86). The fact that “the world-economy is subject to acute speculative pressures, which are escaping the control of major financial institutions and control bodies, such as central banks” (p. 87) adds to a development which is indicating increasing chaos that further destabilises the world-system (p. 86) and that is what the world now is facing: a “large scale, systemic and long-term economic failure of a liberalized, highly integrated economy” (Pettifor, 2009, p. 21).

Ann Pettifor was one of the first who clearly anticipated a global financial collapse and called for action to avert such a collapse (Real-World Economics Review Blog, 2010). In 2003, Pettifor (2003) refers to a report of the New Economics Foundation (NEF), which she has been the editor of, that warned against a major debt crisis that the “first world” is approaching. The report predicted that a giant credit bubble, created by central bankers and finance ministers had then reached a “tipping point”. In addition, there were \$100 trillion of debt outstanding, but only \$33 trillion of income with which to repay those debts on a global level (ibid.). Moreover, it was argued that when this credit bubble burst in the United States and Britain, it would be the middle-class consumers that would first bear the impact of the financial crash (ibid.), because the consumers had been actively encouraged in their borrowing of money by the monetary deregulation policies of both central bankers and the US and the UK government (ibid.). Furthermore, a collapsing credit bubble would have an enormous impact resonating around the world and thus hurting the poorest most (ibid.).

However, the crisis has not been averted and the so called Credit Crunch was caused by “the bursting of a massive bubble of privately created credit, issued at high real rates of

interest, which has become unrepayable” (Pettifor, 2009, p. 21). The first who were facing the burden of unrepayable debts were the ‘sub-prime’ debtors in the US facing increasing interest rates on loans that banks were raising as a consequence of defaults on debts damaging the banks balance sheet (ibid.); this situation was worsened due to sudden bankruptcy or unemployment. Soon the downward spiral was ignited in all the world-economy entailing, mass lay offs especially of factory workers. The USA witnesses near double digit unemployment (Bradsher, 2010), however, as Fritz Hollings (2010) argues, the job loss is not a result of the recession but rather due to the offshoring of production claiming that one third of manufacturing jobs were lost during President George W. Bush's legislation. There has indeed been a substantial shift of production from the core to the semiperiphery. Nevertheless, the semiperiphery as in the case of China still depends on the core to import their products as the country's own domestic consumption is still too low to compensate for a decrease in demand from the consumers in the Global North (particular US and EU) (see Pettifor, 2009, p. 24) and thus these consumers need a sufficient income in order to keep up mass consumption patterns.

The latest crisis has clearly shown that when a core country's international trade increases and its shifting of resources out of some industries (non-comparative advantage sectors) does not necessarily involve a successful shift into others (comparative advantage sectors) due to an expansion in the numbers of producers, and thus results in increased competition and more importantly leads to the detrimental impact of a speculative financial sector that is decoupled of the real production of assets.

As indicated before, Arrighi (Arrighi, et al., 1994) clearly argued that the relationships between world hegemony and control over the means of payments, specifically mobile capital, in a global system need to be carefully examined in order to understand the mechanisms of the rise and demise of power in a capitalist world system (see above). While an elaborate analysis of the financial crisis would be beyond the scope of this paper and shifting its focus, it is, however, important to consider the role of the dominant financial sector in terms of power relations within the world-economy, as Arrighi argues.

The adoption of neo-liberal policies by the US and UK government in the 1980s was a political decision, although market aspects had a major impact. With regard to the

global impact of these decisions, Cox, as mentioned earlier, argues that the hegemonic state, that is the US, has dominated the character of international institutions (IMF, WTO and the World Bank) through which the neo-liberal agenda was promoted facilitating US and Western interests. With regard to the “structural adjustment” programs even promoters of those policies had to acknowledge that these policies too often had detrimental effects for many countries in the global South which adopted them and opened frontiers. Eventually, in the light of the global financial crisis, it is undisputable that, as Ransom argues (2009) “[t]ogether, the International Monetary Fund, World Bank and World Trade Organization have failed no less completely than the private banks they mimicked, and whose interests they ultimately served” (p. 16). In addition, Ann Pettifor puts it more bluntly:

“[...] we are stricken by consequences of decisions by Anglo-American central bank governors and finance ministers to abandon their duty to act as guardians of nation’s finances and instead to deregulate financial systems and give free rein to the private finance sector to engage in reckless, destabilizing, irresponsible, unethical, and often fraudulent actions.” (Pettifor, 2009, p. 26).

From this follows, that it is vital for governments to re-regulate the finance sector. However, the immediate reaction to the crisis was different, as David Ransom argues: “Out of mere instinct, the G20 is still trying to rebuild the very financial architecture that has collapsed, including the Unholy Trinity of ‘multilateral’ institutions that were its caretakers” (Ransom, 2009, p. 16). Moreover, with regard to conservatives forming, in coalitions with liberal parties, the governments in many EU countries, it is questionable whether the political class will take the steps to regain control over the finance sector and take other measures such as abolishing unfair trade substitutions. Particularly striking is the interconnectness of the political class with the economy with regard to the newly elected British government. According to an analysis by The Sunday Times, almost four-fifths of the new British cabinet are millionaires (Milland & Warren, 2010). Although some of the cabinet members are “old money”, many of them have made their fortunes in the finance sector or transnational corporations (ibid.). Obviously, there exists a tight relationship between the government’s political elite and the economy, in particular the finance sector.

Nevertheless, facing huge national debts that have even increased exorbitant through the bail out of private banks with public money, governments are forced to act in order to

prevent states from going bankrupt. One step that could lead in the directions of re-regulating the finance sector is the agreement between France and Germany that they will propose a tax on banks and financial transactions at the next G20 summit that will take place in Toronto at the end of June 2010.

In order to regulate the financial markets and close off tax havens, ATTAC²⁵, an international organisation and network in the global justice movement, has been campaigning for more than a decade, demanding an introduction of such a tax, the so-called Tobin tax.

This clearly shows that civil society, proposing alternative, counter-hegemonic ideas, has an impact on the hegemonic class, especially when their power is weakened. In addition, Hobden and Jones (2005) argue that “[i]n time of crisis, however actors have far greater agency to determine the character of the replacement structure” (p. 234). Therefore, this space in time has to be used and it is particularly important that progressive forces which seek to establish a fairer and more equitable global order, build a political alliance strong enough to pressure governments to take the necessary steps towards a fairer and more sustainable political, social, and economic order.

This involves (global) civil society and in particular global social movements which, have demanded vehemently global social justice and which lobbied for change towards reaching such an end which is not an end in itself. This is elaborated upon in the subsequent section.

5.2 THE ROLE OF GLOBAL CIVIL SOCIETY IN THE LIGHT OF GLOBAL SOCIAL CHANGE

The question of how such transformative change should look like has been and is continuously discussed within the world’s political left. A global meeting ground for such discussions is the World Social Forum (WSF) that first met in the city of Porto

²⁵ ATTAC stands for “Association for the Taxation of Financial Transactions for the Aid of Citizens“ and was founded in France in 1998. For further information on the organisation and the network see <http://www.attac.org/>.

Alegre, in Brazil in 2001, aiming to oppose the World Economical Forum in Davos. The WSF, also referred to as the “movement of the movements”, is defined as

“[a]n international space for meditation and organization of every people who are against the globalization and who are building alternatives to support the human development and surmount the market domination of countries and in the international relations.” (World Social Forum, 2008)

Although, some have dismissed the Forum whose motto is “Another World is Possible” as dream factory (Ransom, 2009, p. 13) it has gained influence and recognition in the public debate. This is also reflected by the attendance of five South American presidents during the meeting in Belém, Brazil in 2009. Although, Evo Morales, Hugo Chávez, Rafael Correa, Fernando Luco, and Lula da Silva might have had their own motives to attend the WSF, it is to point out that some of them had attended previous Forums before becoming presidents being involved in social movement activism (Ransom, 2009, p. 14), thus proving the motto to be true. However, it is still to be seen whether the neo-liberal dominance of the capitalist global North is successfully challenged and global justice a result of it.

Further, the view that global civil society, and in particular NGOs, are the space where alternative ideologies are developed is overly optimistic as Katz argues (Katz, 2006). As indicated before, drawing on Gramsci’s dialectical concept of civil society and theory of counter-hegemony, Katz explores the role of global civil society in the perpetuation and the transformation of hegemony with regard to the global civil society network. Referring to the first role, he states that the current hegemony of neo-liberalism is backed by the dominant US state,

“[...] as well as a host of other states, and non-state actors (such as the European Union, World Trade Organization, World Bank, and International Monetary Fund) forming a historic bloc, which inevitably coopts the major organizations in global civil society, and uses them to promote its agenda under a cloak of openness” (ibid., p.335)

In addition, he refers to the critiques of global civil society’s involvement in global governance which argue that “there is an over optimistic conception of the role [civil society] plays vis-à-vis hegemonic institutions” (ibid., p. 335). Further, Katz presented a variety of research findings that have shown that INGOs (international NGOs) are for example “pressured to emulate the managerial styles of transnational corporations and the IGOs they depend on” (ibid. referring to Ramia, 2000) and that many partnerships

between Northern and Southern NGOs are “highly unequal and paternalistic” (ibid. referring to Edwards, 1999). However, regarding the second, the transformative, role of civil society, it is also “where leadership and movement from below can emerge” (Katz, 2006, p. 336). With regard to hegemony at the global level, a “counter-hegemony needs to be a complex international social relationship by which the social classes [in particular the groups disadvantaged by globalisation] in the different countries get connected, forming a global counter-hegemonic historic bloc” (ibid.).

Referring to Katz, the formation of the counter-hegemonic bloc is one of the conditions that need to be fulfilled in order for hegemonic change to happen. The second is that INGOs adopt a social democratic ideology which counters the existing neo-liberal hegemony. Ultimately, the construction of a counter-hegemonic historic bloc will induce a “war of position” that is “an integrated intellectual and political struggle at a variety of levels at the emerging world order—local to global—that slowly builds up the social foundations for a new regime” (Katz, 2006, p. 336 referring to Rupert, 1993). In order to be effective, a counter-hegemonic bloc needs to be a “unifying, non-homogenizing, and indigenizing strategy of resistance” that does not duplicate power disparities inbuilt in the existing world-system (Katz, 2006, p. 337).

In his research, Katz analyses these two opposing models of global governance and asks whether the existing structure of global civil society networks either predominantly support the notion of being part of neo-liberal hegemony or of being a counter-hegemonic historic bloc resisting global neo-liberal hegemony (ibid.).

If global civil society is the former then he argues that “it should reflect the inequalities in the current world order”, which would be: i) north-south disparities with regard to the number of INGOs in the global society network, ii) accordingly, the distribution of organisational links, and iii) a strongly polarised core-periphery structure in which Northern INGOs comprise the core. Moreover, the formation of a historic bloc would expectantly be prevented by hegemonic forces, thus leaving the global civil society network substantially fragmented. In addition, hegemonic actors would promote hegemonic values and practices which would be reflected in a high proportion of links between INGOs and IGOs while those INGOs with a higher number of links play a dominant role in the network and are likely to be from a developed country. Conversely,

INGOs from developing countries would have less links than their Northern counterparts. (ibid.)

If global civil society is the later, that it has been build up a counter-hegemonic historic bloc then it should “form a coalition of *all* the subaltern groups in society”, following Gramsci’s writings. In addition, *all* of these groups need to interact with each other, meaning that many of the possible links between the network members actually exist, thus resulting in a high density network. Moreover, an egalitarian structure characterises the counter-hegemonic historic bloc where power is decentralised and there exists a flat hierarchy between all the groups participating in the historic bloc (Katz, 2006 referring to Batliwala, 2002). Furthermore, the historic bloc should be diverse and inclusive and should comprise different organisations, representing different interests, groups, and regions. Additionally, Katz states that “[a] historic bloc is well integrated by definition, since it is an amalgamation of all subaltern groups into one counter-hegemonic movement” (Katz, 2006, p. 37). (ibid.)

In order to answer his research question, Katz has sought to estimate the network structure of global civil society by analysing inter-organisational links between INGOs as well as their links with IGOs and their organisational structures. Although INGOs are not the only actors in global civil society, as Katz clarifies, they are the most visible building the central element of the networks infrastructure and thus are of particular importance. (ibid., 338)

Katz’ findings are presented below:

- Global civil society network is characterised by dominance of high-income economies
- Distribution of organisations and links in the network is tilting towards developed countries while more than 50% of country distribution of nodes and links are located in five countries (US, UK, Belgium, France, and Germany)
- Overall density of the INGO network is extremely low
- Clear core/semi-periphery/ periphery structure

These findings lead to the assumption that hegemonic forces have a strong impact on the global civil society network, which is particularly the case looking for example at

trade agreements. Nevertheless, Katz also found out that the network displays substantial integration, that it is very cohesive, and that there exist strong links *between* groups. Despite the network being still underdeveloped, and disparities and hierarchies being still present, the high integration of the network could be explained by the fact that the global civil society is in the, although relatively slow, process of counter-hegemonic formation. Referring to his findings, Katz, however, emphasises that “[f]or Gramsci, civil society is *all at once* hegemonic and counter-hegemonic” (ibid., p. 345).

Katz’s identifies hegemonic and counter-hegemonic characteristics of the global civil society network guides subsequent analysis of the Fair Trade movement which is to explore how a social movement that challenges the tenants of the dominant neo-liberal trade regime and yet operates within its global trade system can truly provoke transformative change in a time of crisis. As the Fair Trade movement is one actor in global civil society, the author expects similar network structures within the Fair Trade movement reflecting the overall structure of the global civil society network.

Moreover, drawing from new social movement theory the institutionalisation of the Fair trade movement is examined.

6 FAIR TRADE—A NEW SOCIAL ECONOMIC MOVEMENT

As indicated above, the theoretical framework as well as the findings of the discussion in chapter five informs subsequent analysis of the Fair Trade movement with regard to its counter-hegemonic potential and the prospects for social change in a time of global crisis. This chapter contains the three sections: i) exploring the alternative market its mainstreaming and resulting developments; ii) analysing the institutionalisation and the dynamics and dilemmas of the Fair Trade movement as results; iii) Fair Trade's prospects for transformative change in the time of global crisis.

6.1.1 The alternative market, its mainstreaming and related developments—global and national

As presented in the chapter three, Fair Trade began about 60 years ago with the “charity trade” approach that focused on poverty alleviation and not on transforming the existent capitalist trade system and the unequal power relations between the dominant core and the exploited periphery. In this context, Fair Trade organisational structures steering the movement's network activities expanded from hegemonic core countries to other core countries not necessarily challenging the trade system but acting through the same trade channels. Different to the conventional market, however, was the approach that some of the “wealth” extracted from the periphery was redistributed on a voluntary basis referring to the decision of Northern consumers to buy fair traded products instead of conventional ones. However, the unrestricted growth paradigm has not been challenged, this approach concentrates more on curing the symptoms rather than challenging the neo-liberal trade system that is driven by the endless accumulation of capital which is the actual cause of inequality and which poverty is a symptom of.

Contrary to many scholars (e.g. Murray & Reynolds, 2007; Wilkinson J., 2007) who have traced the Fair Trade movement's origin back to the work of these religious-based groups emerging in the mid-20th century (as presented in the Chapter 3), VanderHoff Boersma (2009) sees the actual beginning of the Fair Trade movement with the introduction of a different type of market that is based on trading certified Fair Trade products.

As indicated before, the certification process was proposed by a group of communities of Mexican smallholder coffee farmers and realised in collaboration with the Dutch development organisation Solidaridad creating the Max Havelaar Seal of Approval. This proposal was the result of these small indigenous producers resisting the “rationalizing” of commodity markets such as the coffee market when coffee prices collapsed in the mid-1980s (ibid., p. 53).

In order to obtain fairer prices for their coffee, some of the smallholder indigenous communities established an independent organisation called Unión de Comunidades Indígenas de la Región del Istmo (UCIRI). The organisation UCIRI, as legal entity, enabled these communities to export their coffee directly and thus eliminated many of intermediaries in the commodity chain (ibid., p. 51).

VanderHoff Boersma (2009) emphasises that this proposal of a certification label has had a truly global impact. The Fair Trade market expansion along with the expansion of the certified products range as well as the linking of Northern consumers Southern small producers were results of this development (p. 52).

Moreover, VanderHoff Boersma (2009) argues that UCIRI’s initiative to create a different market shows that “when the poor are able to organize themselves and experience that the co-operative road is a viable option, then a new social, political, and cultural begins to emerge” (p. 52). In addition, VanderHoff Boersma argues that this alternative market “is not charity, relief work, or any other non-reciprocal form of aid” and it “is not a transitional market designed to enable inefficient producers to become capable of competing in the mainstream market” (ibid., p. 54). Contrary to the notion of endless accumulation of capital that is driving the world-economy and leading producers to externalise production costs in order to make higher profits, within the alternative market all costs, including environmental and social costs of production, are internalised (ibid.). This is concurrent with the neo-classical premise that *all* costs must be calculated and reflected in the price (ibid.). In this regard, VanderHoff Boersma (2009) argues that:

“The fair market provides an alternative which is urgently needed to counter the practices of a dominant market that excludes the masses from active participation, encourages the degradation of the environment, and promotes the objectification of human relationships such that labour becomes just another commodity” (p.55).

Moreover, the alternative market initiated by the UCIRI, with regard to this organisation of self-organised smallholder coffee farmers' communities, this group of subaltern peasants and their approach to alternative trade can be regarded as a counter-hegemonic project which has been successful in terms of globally gaining allies to support such market.

Based on their success of establishing a direct link between producers, located in the periphery, and consumers, located in the core, UCIRI could increase their income by 100%, from a dollar per day to two dollars (VanderHoff Boersma, 2009, p. 55). Although, this seems not a lot for Northern standards, this improvement of income had a significant impact on the local economy (ibid.).

The communities' participation in the alternative market enabled them to diversify production and to establish other initiatives such as an eco-tourism company, and to set up a community stores, creating a fairer market at the local level (ibid., p. 56).

In addition, various other forms of economic and social infrastructure have been developed as well, such as credit facilities, and a training centre (ibid.). This development led to an increased capacity building within the communities in the economic and social realm and also to an empowerment in the political sphere (ibid.). By forming alliances with other organisations of indigenous small produces, predominantly in the South of Mexico, their communities have obtained political clout. As a consequence, the indigenous communities have successfully pressured the federal government of the State of Oaxaca to recognise their demands as indigenous groups. Accordingly, they achieved the amendment of the state constitution leading to the restoration of the "the old traditional forms of democratic customs of the communities" (ibid., 57).

Regarding this development, the author arrives at the conclusion that a counter-hegemonic bloc of subalterns has successfully challenged hegemonic power structures and initiated social change, at least on a regional state level, and with the prospects of national expansion. Accordingly, a counter-hegemonic historic bloc has been formed on a local level, making allies on a regional level and thus pressuring the state to amend its constitution to order to granting the indigenous more rights than before. However, this historic bloc is still not comprised of all subaltern groups of that society, as what Katz (2006) considers the defining feature of a counter-hegemonic historic bloc.

In addition, the development in the subaltern communities and their region is based on the successful corporation of producers in the periphery and consumers in the core, a circumstance that can neither be explained by Katz's theoretical approach nor by that of Cox.

As mentioned before, Cox argues that it requires an effective political organisation in order to unite the new working classes generated by international production and to build alliances with peasants and marginalized urban people. However, with regard to globalisation and the relocation of production processes from core to periphery, it is not very likely that the working classes unite globally as they have in fact opposing interests with regard to protecting their work place. Therefore, class reductionism as argued by the new social movement theorist cannot provide a sufficient explanation for the workings of the new social movements.

In this context, within the new social movements in the global North there are predominantly people from the middle class who are involved in social action. In the case of the Fair Trade movement and other social movements, it is thus the middle classes dominating the movements' organisational structure (della Porta & Diani, 2006) as well as the group of consumers who are relatively highly educated (de Pelsmacker, Driesen, & Rayp, 2005) and thus likely to earn a high income.

Accordingly, it is smallholder farmers in the global South and middle class consumers in the global North who have built an alliance opposing the exploitative neo-liberal trade regime. Thus, it is neither the new working classes building alliances with peasants and marginalized urban people, as Cox suggests, nor is it an alliance of all subalterns, referring to Katz's proposition.

Nevertheless, as the flexibilisation of the labour market has generated increasing poverty in the industrialised countries the middle classes more and more are confronted with the corrupting of their financial status.²⁶ In this regard, these middle classes could very well be perceived as an evolving subaltern group as opposed to the affluent part of society who has become increasingly rich. Accordingly, della Porta and Diani (2006)

²⁶ For example, today only 60 percent of the people are still considered middle class in Germany deriving a net income between 860 and 1,844 Euro. In 2000 it were still 66 percent of the population. (DIW, 2010) This is a development that can be observed in other developed countries as well as indicated before.

argue “the attack on the welfare state by dominant neoliberalist and free-market economic policies has produced the return on the “materialistic” issues of social justice” (p. 63). This could also explain the emergence of the new social economic movement which clearly shows a shift from social action directed towards the economic sphere rather than the social sphere as described by Gendron, Bisailon, & Otero Rance, (2009).

Fair Trade, as these scholars argue, is the “emblemic figure” of this new type of social movement that pressures the economy towards social or political ends (ibid., p. 63). This perception of the Fair Trade movement is closely related to the institutionalisation of the movement and the mainstreaming of Fair Trade products which is further explored in the subsequent section.

Prior to that, the author further explores the structure of the global Fair Trade network in terms of the location of involved organisations. Generally, with regard to organisations comprising the Fair Trade as presented by (Murray & Raynolds, 2007), the majority of these organisations is located in the global North, predominantly in Europe and Northern America. In this context, there can be identified a strong link between the main markets for Fairtrade certified products and countries in which there is a Fairtrade Labelling Initiative or Associate Member in place. These countries are:

Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxemburg, **Mexico**, Netherlands, New Zealand, Norway, **South Africa**, Spain, Sweden, Switzerland, UK, USA. (FLO, 2010b, emphasis by the author)

There are only two countries, Mexico and South Africa, which are located in the semi-periphery belonging to that group with Comercio Justo Mexico and Fairtrade Label South Africa as associate members of the FLO. However, given the role of UCIRI, the initiator of the certification process of Fair Trade products and the strong trade relations between Mexico and South Africa with North America and Europe, respectively, it is not surprising that these countries play a significant role in the Southern Fair Trade movement. With regard to Fairtrade certified producer organisations there are so far organisations located in 58 developing countries (FLO, 2010b), whereof distribution is as follows:

- 25 countries in Africa—producing: Cocoa, Coffee, Cotton, Flowers, Fruit, Vegetables, Herbs & Spices, Nuts, Rice, Sugar, Tea, Wine

- 12 countries in Asia—producing: Cotton, Coffee, Flowers, Herbs & Spices, Nuts, Rice, Sports balls, Sugar, Tea
- 1 country in North America—producing: Coffee, Fruit, Honey
- 8 countries in Central America—producing: Cocoa, Coffee, Fruit, Honey, Nuts, Sugar
- 9 countries in South America—producing: Cocoa, Coffee, Cotton, Flowers, Fruit, Honey, Nuts, Quinoa, Rice, Sugar, Wine
- 4 countries in the Caribbean—producing: Cocoa, Coffee, Fruit

Although, FLO does not provide the information which countries that are in detail, it is to be assumed that many semi-peripheral countries such as Mexico, India, Brazil, and South Africa belong to that group as they are main producers of commodities such as cotton, coffee, sugar, and wine. This assumption is supported by John Wilkinson (2007) who points at the increasing national activities of Fair Trade organisations in these countries (p. 233).

Referring to the products produced in these countries, as presented above, the conventional structure of the production chain is in principal maintained (ibid., p.237). Southern producers are still predominantly involved in raw material production (such as coffee and cocoa) whereas processing and “value added” activities remain in the North (ibid.). Thus, coffee roasters and companies processing cocoa make still the most profit. So far Fair Trade has not been able to change this type of trade relationship as it operates within the trade system dominated by multilateral trade agreements and the WTO establishing tariff barriers and setting trade rules.

With regard to the countries involved and the fact that two-thirds of the Fair Trade sales are generated through FLO certifications channels, one can clearly see a dominance of high-income-economies within the Fair Trade network corresponding to Katz’s findings on the global civil society network. This is, however, related to the nature of the Fair Trade movement where Southern producers tried to find a way to increase Fair Trade sales by establishing a certification process and thus reaching a wider consumer base, which is of course located in the rich core countries.

In terms of interlinkage, in the FLO network structure, comprising the main labelling organisations, the links between these organisations are rather strong as they operate

according to a shared global Fairtrade strategy. Nevertheless, there is a clear dominance of the core also with regard to decision making process within the FLO and the other organisations. This has been particularly criticised by VanderHoff Boersma (2009) being one of the smallholder coffee farmers of UCIRI. He states: “Small producers are patient. They are also in a privileged position to see the real nature of the problem. Northern actors must learn to listen and respect the views of the Southern partners” (2009, p. 59). In addition, VanderHoff Boersma (2009) argues that

“The logic of the organized producers from the South and those from the North who are in charge of the fair trade market do not always coincide. The latter are often more committed to the goal of poverty reduction than they are to upholding the values and practices of the alternative market. As a result, they often seem to focus on selling products at almost any cost. In doing so they sometimes paternalistically make decisions for the good of small producers to which small producers are totally opposed. Such was the decision to allow Nestlé into the fair trade market, a company whose practices runs completely counter to fair trade values. This was a mistake of the first order for our movement.” (p.58)

This clearly shows the power imbalance within the movement and it also makes clear that the way of how the Fair Trade movement is institutionalised divides the members along the lines of the certified Fair Trade model pursued by the FLO and the ATO model²⁷; this tension is characterised as a clash between a “softer, more commercial” wing and a “radical, militant” wing of the movement as Gendron, Bisailon, and Otero Rance call it (2009, p. 63).

The ATO model is characterised by independent certification and direct involvement in importing and retailing activities creating new channels of commodity exchange (Raynolds & Long, 2007, p. 18). This model is strongly promoted by the WFTO (Wilkinson J. , 2007, p. 226), comprising the ATO movement oriented strand of Fair Trade compared to the market oriented FLO strand. As indicated before, WFTO represents more than 350 ATOs that are predominantly located in the South. Nevertheless, the WFTO is headquartered in the USA.

²⁷ However, FLO consulted the stakeholders and amended its strategy accordingly (FLO, 2009). An example of these new standards is the fact that small producers’ organisations are enabled to prepare their own development plans and thus have more control over improving their livelihood (ibid. p. 4).

As ATOs have predominantly focused on the trade of handcrafts, “there is a clear limit to [the ATOs] direct sales strategy” (Raynolds and Long, 2007, p. 9). Accordingly, although “ATOs have been, and continue to be very successful at educating consumers and demonstrating that new ways of organizing trade are possible, [...] they are perhaps necessarily sidelined to the margins of the mainstream market” (ibid.).

The fact that “[s]eeking to maximize the positive benefits of Fair Trade has meant engaging transnational corporations and other unlikely partners, a strategy that is causing considerable concern and debate within the movement” (ibid.) shifted the focus initial approach as an alternative market.

Although, the Fair Trade movement’s activity is oriented towards the economic sphere rather than the political sphere, drawing on Gramsci, one can judge this development as a process of passive revolution. The transnational corporations included Fair Trade products in their range of products but have not subscribed to the Fair Trade standards with regard to their organisational structures and business culture. However, they have implemented slight changes to their product range and also with regard to their corporate identity in order to incorporate demands of subalterns expressed by consumers engaging in ethical consumption. However, the essential characteristics of these corporations, which seek maximum profits, have not been changed. And the dominance of the FLO within the movement clearly shows that there is a tendency that proponents of a different market opposing the collaboration with transnational companies and their transformative pressures are in the danger to be neutralised.

Conversely, there are also different perspectives on this matter, as Gendron, Bisailon, and Otero Rance (2009) argue, drawing on the new social movement perspective, that an ethical restructuring of the market has been achieved to some extent; however, they acknowledge that a revolution completely altering the global system’s international commercial rules is not likely to be achieved by the initiative of social movements as Fair Trade.

Nevertheless, Gendron, Bisailon, and Otero Rance show how Fair Trade has altered existing structures. This view is also confirmed by John Wilkinson (2007) who argues that, although the institutionalisation and mainstreaming process have evoke conflicts between the different wings in the movement, their activities are “equally often

mutually reinforcing” (p.237). Subsequently, the institutionalisation of the Fair Trade movement, the resulting tension, and its implications for the movement are analysed.

6.1.2 Institutionalisation—dynamics and dilemmas of the Fair Trade movement

With regard to recent developments within the Fair Trade movement “the increasing institutionalization of the movement has pressured different organizations into a more specialized position within the movement” (Wilkinson J. , 2007, p. 230). As mentioned above, this specialisation, however, has provoked tensions within the movement between the labelling (FLO) and the alternative (ATOs) wing (ibid.). However, John Wilkinson argues that this conflict does not call for a solution as both wings can “dedicated themselves to autonomous activities” that often are mutually reinforcing (ibid., p. 231). In this respect, the consumer awareness raising campaigns conducted by the ATOs are “a powerful factor in promoting the market and directly benefiting mainstreaming” (ibid.). Moreover, Wilkinson argues that:

“Without the World Shops’ network of volunteer militants, Fair Trade mainstreaming could rapidly be overtaken by own-label strategies of retail and dominant food firms. Similarly the political campaign and advocacy segment reinforces the public legitimacy of the Fair Trade movement endorsing its definitions and inhibiting its dilution into a mere marketing strategy. For its part, the entry of large-scale retail into Fair Trade exponentially expands awareness of Fair Trade products and principles and in doing so increases the public for alternative trading and campaigns” (ibid.)

Despite these complementary aspects, the ATOs had to alter their strategy due to “pressures of adjustment to market demands”. Besides professionalising their staff and relocating its World Shops, the new strategy included the creating of an own trade mark launched by WFTO (formerly IFAT) in 2004 at the World Social Forum in Mumbai (ibid., p. 220, 231). This label has a format that is “close to existing grassroots practices” and involves largely participatory (not third party as FLO) certification of producer organisations rather than individual products (the latter is also a FLO strategy) (ibid.).

In addition, the ATO has directed “its attention to mobilizing State support, both through official recognition of its goals and as a key institutional consumer via public procurement initiatives” (ibid., p. 220). This last strategy was predominantly pursued within the European context (ibid. 235). This has been successful in that way that the

Fair Trade movement could win the support within the European Union via both the European Parliament and the European Commission in 1998 (ibid.); the latter positioning itself constructively with regard to Fair Trade and providing support in two ways through: “the promotion of consumer awareness” and, as mentioned, “the implementation of public procurement policies” (ibid.). Therefore, “countering market mainstreaming [...] looks likely to take the form of public mainstreaming of the Fair Trade movement” (ibid.) in the form of public mainstreaming” (ibid., p.236) that is the political institutionalisation. In this context, Gendron, Bisaillon, and Otero Rance (2009) argue that:

“Whether political or economic, this institutionalization has the power to transform and, as demonstrated in studies on working-class movements, it does not destroy the social movement that drives it even the modification of its discourse and strategies” (p. 76)

This argument brings us back to the initial problem statement of how a social movement can truly provoke transformative change that challenges the tenants of the dominant neo-liberal trade regime and yet operates within the global trade system. Drawing on the above findings this question is explored subsequently.

6.1.3 The Fair Trade movement's prospects for transformative change in the time of global crisis

With regard the coffee crisis in the 1980s and the UCIRI initiative to establish a certification label in order to reach a wider consumer base and a fair price for their coffee, the contemporary institutionalised Fair Trade movement is itself a product of the crisis caused by the neo-liberal capitalist free-market structural change programs. The alternative market initiated by UCIRI was “originally conceived as a strategy enabling greater market access for producer”, however, the demands of the institutionalisation imposed “a buyer driven logic to which producer groups had to adjust” (Wilkinson J. , 2007, p. 232).

Nevertheless, the reaction to the imposed criteria of production practices, labour conditions, and organisational forms “encouraged the development of a collective identity in the South transforming the beneficiaries of alternative fair trade into the producer component of a rules-based certified trading system” (ibid.), thus leading to

the establishment of the Latin American Coordinating Committee (CLAC) of Fair Trade producer organisations. Similar organisations were also set up in Africa and Asia which negotiate the terms of trade for participation within FLO, the Northern labelling organisations (ibid.).

The emergence of the increased institutionalisation of Fair Trade organisations in the South is closely related to the “increasing recognition that, even in the context of expanding markets, exports provide at best only a partial solution to income generation for peasant communities” (ibid.). Although, there are around 5 million people benefiting from Fair Trade, as mentioned above, they are only a tiny fraction of the estimated 400 million very small farms and 100 million family farms worldwide (Nagayets, 2005, cited in ibid.). Therefore, Southern Fair Trade activists turn increasingly to strengthen domestic markets and promote alternative domestic market networks (Wilkinson J. , 2007, p. 234), as for example described in the case of UCIRI.

Accordingly, structural transformations have taken place in some Southern communities, improving the livelihoods of an increasing number of people. This development is likely to continue with regard to the recent “consolidation of South-South networks and the aspiration to substitute North-South by South-South Fair Trade” (ibid.). This could eventually lead to a shift in power relations, weakening the influence of the global North still dominating the trade relations. However, this would also require the altering of international trade rules where the North is still dominating the respective organisations.

Therefore, many Northern activists have recently concentrated on campaigning for “the adoption of alternative trade policies, whether national, regional or global” (ibid., p. 234). This goes in line with Fair Trade achieving support within the European Union and other initiative to pressure for the public regulation of Fair Trade as described above.

Yet, despite these successes towards challenging the detriments of an exploitative capitalist neo-liberal trade regime, it is questionable whether and/or the Fair Trade movement could contribute to the regaining control over the runaway finance sector.

Nevertheless, one can draw attention to the expansion of ethical trade standards to a variety of business sectors; in particular the establishment or growth, respectively, of

banks pursuing ethical and socially sustainable financial business practices are to be mentioned. In order to expand these developments, it would require a constant reflection of Northern consumers, in particular but consumers in general with middle classes being created in many of the emerging economies, of their everyday consumption behaviour and moreover require their political activism as citizens.

Moreover, in order to gain influence in terms of challenging the hegemonic international political and economic rules, a convergence of the various movements is vital. That this is already happening has been described by Katz who has pointed out developments within global civil society slightly tending towards joining counter-hegemonic forces.

7 CONCLUSION

The starting point of this thesis project was to explore the paradox of the Fair Trade movement which challenges the tenants of the dominant neo-liberal trade regime and yet operates within its global trade system. The Fair Trade movement initially created an alternative market based on direct producer-consumer relationships and fair trading rules. However, this market approach has been institutionalised through the labelling and mainstreaming of Fair Trade products which has been extremely successful in growth rates regarding the its market expansion. Thus, it seemed questionable that such a new social economic movement that cooperates with transnational corporations could truly challenge the capitalist neo-liberal trade regime and provoke transformative change. An additional question raised was: How should such change look like? And further, the author posed the question whether the Fair Trade movement can initiate the shifting from unrestricted growth capitalism to a sustainable and fair trade regime or whether it inevitably will consolidate the workings of the current capitalist system by conferring it with the much needed legitimacy in a time of global crisis.

The nature of these questions addressing the workings of the world-system and the transformative potential of one global social movement comprised of many international, national and regional actors being all part of the global civil society network, are producing differing answers depending on the level of analysis and the theoretical approach.

According to Gendron, Bisailon, and Otero Rance (2009) there has occurred a transformation within the global market system as the Fair Trade movement successfully established a trade network that has led to the empowerment of a few million small producers improving their livelihoods. Accordingly, within the exploitative global trade regime, there has been established a market that is based on solidarity and respect for the people at the producing end of the supply chain.

However, drawing from Gramsci's theorising, this development is to be perceived as passive revolution because the existing hegemonic historic bloc is not yet replaced by an alternative historic bloc and the notions of neo-liberal capitalism still shapes the conventional trade system. In the context of passive revolution, globally, transnational corporations have bought into the Fair Trade idea and threaten to water down the Fair

Trade standards. At the same time, many companies have adopted corporate social responsibility schemes responding to the demand of valuing ethical and environmental issues as part of their business culture. This development is closely connected to the recent success of the Fair Trade movement (Gendron, Bisailon, & Otero Rance, 2009). In addition, in the European context, Fair Trade received some recognition in the political arena, as the EU is supporting Fair Trade initiatives. Nevertheless, trade subsidies have not been abolished yet which would have a much larger beneficial effect for producers in the South than the relatively small Fair Trade market has. With reference to Gramscian perspective, the response by the hegemonic bloc to an organic crisis with the implementation of necessary reforms and social modifications ensures its authority and consequently preserves the essential characteristics of the capitalist system. As in the case of Fair Trade, the movement had to respond to market demands in order to ensure its legitimacy.

Nevertheless, there have occurred sufficient developments in some Southern countries empowering smallholder farmers, as in the case of UCIRI, leading to strengthening their communities and establishing domestic markets. And the recent development of South-South trade relationships, emancipating from the North-South, core-periphery dependency can be a sign that counter-hegemonic forces in the South are gaining momentum.

However, the global system is still dominated by transnational elites pursuing the endless accumulation of capital, as shown with the latest global crisis caused by the deregulated finance sector.

Nevertheless, development of the Fair Trade movement has shown that an alternative trade system, where the product's price has internalised all productions costs and where producers livelihoods are secured, is possible and also demanded by increasingly well informed consumers in the global North.

Thus, a Perspective to strengthen the counter-hegemonic possibility is to support the ATO sector of Fair Trade movement to maintain their activist role in awareness raising and campaigning.

To build a global counter-hegemonic bloc social movements, addressing such as justice, organic, environmental issues, need to build alliances globally. Prior to successfully

achieving this, however, social relations at the national level need to be modified by lobbying the State for policy changes of the local, national, and international trade rules.

With regard to the theories considering the historical/temporal dimension as determining factor for social relations it is still to be seen whether the counter-hegemonic struggle will achieve systemic transformation and also towards which end.

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