

# ETHICS AS AN INTERNATIONAL VALUE-ADDING STRATEGY OF COLORED COTTON IN BRAZIL

Lucilene Bandeira<sup>1</sup>

[lucilene.bandeira@upmf-grenoble.fr](mailto:lucilene.bandeira@upmf-grenoble.fr)

Hubert Drouvot<sup>2</sup>

[Hubert.drouvot@iae-grenoble.fr](mailto:Hubert.drouvot@iae-grenoble.fr)

<sup>1</sup> Université Pierre Mendès

<sup>2</sup> Université Pierre Mendès / Universidade Federal da Paraíba

## ABSTRACT

The issue of this research is based on the role of ethics in the international development strategies of enterprises. Here, within the context of the Brazilian State of Paraíba, a region long characterized by highly archaic structures of production and social relations. It is in this setting that we are interested in highlighting a recent and very promising experience: the cultivation and the valorization/creation of additional value of, colored cotton. At the same time, it reflects a possible evolution of the value systems of certain local leaders/decision-makers, the coordinated actions of certain stakeholders such as research centers, agricultural and production cooperatives, local associations... and the practice of original strategies of product differentiation and valorization both in the national and international markets. In this context, the purpose of the present study is simply to show that an ethical strategy that combines the dimensions of sustainable development and social responsibility is viable under certain conditions and even when it is not exclusive. In particular, it represents a solution in terms of adding value to the natural products from the *Sertão* (a semi-arid region in the northeast of Brazil), bearing in mind that this strategy will have to face those of other enterprises established in the same market and that have opted for price policies based on the exploitation of the local labor force.

**Thematic field:** Development strategy

**Key-words:** Ethics, colored cotton, strategy, social responsibility of enterprises, fair trade, international.

## RÉSUMÉ

La problématique de cette recherche se fonde sur le rôle de l'éthique dans la stratégie de développement international des entreprises. Elle est ici appliquée au Brésil, l'Etat de Paraíba, région longtemps caractérisée par des structures très archaïques de production et de rapports sociaux. C'est dans cet environnement qu'il nous intéresse de mettre en évidence une expérience récente et pleine d'espoir : la culture et la valorisation du coton coloré. Elle repose à la fois sur une possible évolution des systèmes de valeur chez certains décideurs locaux, sur des actions coordonnées entre divers acteurs : centres de recherche, coopératives agricoles et de production, collectivités locales... et sur la mise en œuvre de stratégies originales de différenciation et de valorisation des produits sur le marché national et international. Dans ce contexte, notre intention est simplement de montrer qu'une stratégie éthique qui associe les dimensions de développement durable et de responsabilité sociale est viable, sous certaines conditions et même si elle n'est pas exclusive. Elle est une solution en particulier pour la valorisation des produits naturels du Sertão, en sachant que cette stratégie devra affronter celles d'autres entreprises placées sur le même marché et

REAd – Edição Especial 58, Vol 13, N° 4, dezembro de 2007

qui optent pour des politiques de prix basées sur une exploitation délibérée de la main d'œuvre locale.

**Champ thématique :** Stratégie de développement.

**Mots-clés:** l'Éthique, coton coloré, stratégie, responsabilité social des entreprises, commerce équitable, international.

## INTRODUCTION

The present study was undertaken in a very particular region of Brazil: the north-east which was the first region to be colonized by Europeans. The research issue is based on the role of ethics in the development strategy of enterprises. The key issue is to know to what extent enterprises are willing to associate ethical concerns and the improvement of social welfare of their employees, and of the communities in which they operate, with their traditional vocation to promote growth and wealth.

This issue constitutes a social challenge, and the answer depends on the evolution of collective awareness and the strategic guidelines from business leaders. It is linked to the evolution of value systems and, in a much more pragmatic fashion, to the raising the awareness of entrepreneurs in terms of addressing the fact that such guidelines are one of the means, or given certain market conditions, the only means for an organization to prosper in a sustainable way.

In the present study, this issue is applied to a very precise geographic environment in Brazil, the State of Paraíba, a region long characterized by very archaic structures of production and social relations. It is a sparsely populated area, particularly the semi-arid *Sertão* sub-region. It is precisely in this harsh environment that we are interested in emphasizing recent, promising experiences; they are founded, at the same time, on a neat evolution of value systems of certain local leader, and on coordinated actions of several stakeholders such as research centers, agricultural and production cooperatives, institutions for the management and formation assistance, local associations...and on implementing original strategies for the differentiation and valorization of products.

This study is also concerned with the development of the sparse natural resources available in Paraíba's *Sertão* region, an endemically drought-ridden region, which would thus provide the possibility of endogenous development for the integration of social, ecological and economic interests. In this drought belt, except for the irrigated areas (San Francisco region, to Petrolina and the borders between the States of Pernambuco and Bahia), the few crop plants capable of providing the population with income are sisal hemp, cotton, *mandacaru* cactus and certain palm trees.

Of the current local development experiences based on these few agricultural products, it was decided that the particular case of the colored cotton would be selected for analysis, for the following reasons:

These are findings from an extensive research led by the federal agency EMBRAPA (Brazilian agricultural and livestock research agency)

A person belonging to a large traditional family from the local community has devoted all his energy setting up a company for the manufacture of items of clothing and art craft based on this innovation.

The strategy put into practice seems to fit into our research topic, since this company aims to develop, within cotton farming and the manufacturing process, a fair trade policy, bringing together both the social and environmental concerns (biological cultivation, a natural product not requiring the use of chemicals in its dyeing process).

In this context, the purpose is to simply show that an ethical strategy, which combines the dimensions of sustainable development and social responsibility, is viable, even if it is not exclusive. It represents a solution, particularly in terms of adding value to the natural products of *Sertão*, while bearing in mind that this strategy must face those from other enterprises operating in the same marketplace, which adopt pricing policies that are based on the exploitation of the local labor force.

Presently, considering the advanced level of development of our research, this paper will be presented in two parts:

The first part deals with the definition of the concepts underpinning our issue, which will have to be summarized in order to restructure our theoretical framework.

The second part concerns the field of study. It provides information concerning a particular activity: the production, transformation and marketing of colored cotton, a new product available in the market. An enterprise in Campina Grande was the first to seize this opportunity; it was also the one to define the most coherent and daring strategy in adding value to this resource within a perspective of sustainable development. For this reason it was the object of a case study.

The subject seems to provoke passion and a represent factor of development in a still extremely poverty-ridden region. It is hoped that this project can be successfully accomplished by making some contributions to this promising subject.

## **1.Theoretical Framework**

### **Ethics**

According to the Larousse Dictionary, ethics is the part of philosophy that studies morals; it is the code of morals chosen by a particular person for guiding his/her acts, and life.

Going beyond the individual, ethics is a philosophical reflection upon the habits and standards of socio-cultural behavior.

In the present study, these standards of behavior have been investigated within the context of private enterprise. Considering the social context, in a dynamic fashion, when societies undergo change, moral values are also amenable to transformation. These evolutions are manifested in distinct time scales and societies. It is not only the habits that vary, but also the values accompanying them, the concrete standards, the ideals and wisdom (Valls, 1996).

Ethics sheds new light on all behavior and provides a different sense to action. Therefore, they need to be put into action, a reflection on the gestures or words to be made or pronounced by some one. It requires coherence between the discourse and the actions.

The key issue presented in the practice of the management ethics, therefore, concerns the responsibility of the enterprise and that of its managers/directors vis-à-vis individuals and the world. There is little leeway in ethics management, since the liabilities of the enterprise are enforceable by the laws and rules as far as the enterprise itself is responsible before the law.

Therefore, the aim of ethics management is to turn ethics into an instrument vis-à-vis the efficiency of the enterprise (the pursuit of profit and continuity) Boyer, (2000).

Organizations have plenty of reasons to promote ethics within the business environment. Corporate and environmental ethics, while originating in the United States, have grown in Europe since 1991. It came about thanks to private initiatives supported by public opinion, and to lobbying groups and even resorting to boycotts. It encompasses the ecology (respect for animals, plants, sites and so forth), human rights (safeguard of human dignity, the place of women and respect for children). It is organized around precise international landmarks. An example of this is the international standard SA 800/8000 of social responsibility, as well as the development of the ISO 14000 standards (Michel, 2001).

Enterprises must consider the costs of becoming involved in scandals, since these events can be very damaging to the reputation of an organization, result in large fines, and de-motivate employees (Tansey, 1995). Ethics may be a key factor in ensuring the competitiveness of a company, and therefore, having ethical standards means the power to do better business in the long run. (Stiglitz, 2006).

### **The Social Responsibility within Enterprises. (SRE)**

The emergence of corporate ethics as a field of study is closely related to the evolution of the economic system, as well as to the changes which industrial societies have gone through during the last century. The transformations (and excesses) of capitalism have given rise to this type of questioning, insofar as private corporations, which have become huge multinational conglomerates, giving signals of an unprecedented power (Chandler, 1977; Korten, 1995). Enterprises have become the target of various critiques calling for more social responsibility. Initially, this tendency emerged in the early 1960s, in the United States, and in the early 1970s in Europe, particularly in France, Germany and the United Kingdom (Trevisan, 2003).

By and large, people nowadays are seen to be more concerned with human well-being and the quality of life, and this is expressed by an ethos that values human beings, unlike the strictly capitalist standards of production, which often advocate profit making in detriment to self-fulfillment. Also, a greater sense of the importance of corporate participation emerges in terms of environmental conservation, through the worker participation in the decision-making process, through the concern over the results of the productive activity and in the need to improve the conditions of the community in which it operates.

The inclusion of these themes is associated with the emergence of corporate and academic associations engaged in the dissemination of morally correct and socially responsible practices. The benefits from these practices are enjoyed not only by the enterprises involved but also by all those involved or influenced by the economic activities practiced by the enterprise – the stakeholders.

This perspective takes account of the good relationships that enterprises must establish with their stakeholders, that is, the clients, employees, suppliers, shareholders, owners and the local community (Clarkson, 1995).

According to Stiglitz (2006), the move toward SRE has contributed towards changing the corporate, as well as employee, mindset. It has also greatly helped in the forging of tools to ensure practices that conform to the ideal standard.

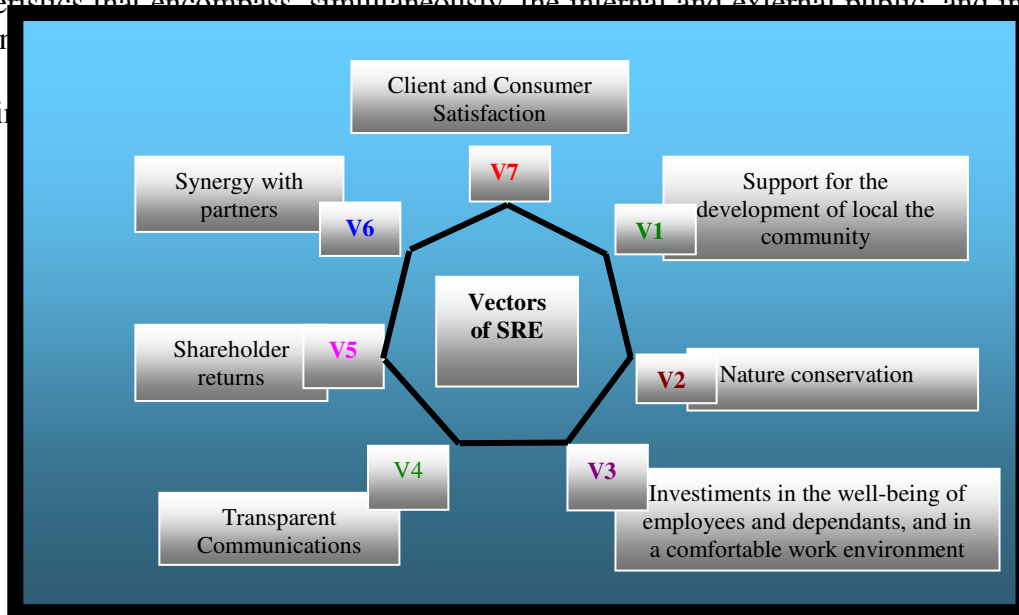
This new concept is reflected in the impact that the production process exerts on nature and on relationships at work. According to Martinet (2004): “corporate ecological and social responsibility has proved to be of such a paramount importance for the world ecosystem, and the future generations, that it has become a key element for the legitimacy, efficacy, and efficiency of enterprises”.

SRE is not, nevertheless, only a set of good business practices enabling enterprises, according to some published studies, to perform better on stock exchange than others. According to Porter (2005), “it is impossible to avoid paying serious attention to a enterprise’s social awareness: the cost of failure is simply too high”.

Among the various definitions of RSE, the one formulated by the Commission of the European Communities can be cited: “Enterprises have a role to play in the creation of sustainable development, and that they can manage their operations in such a manner as to boost economic growth and reinforce competitiveness, and, at the same time, ensure the protection of the environment and the promotion of social responsibility”.

Today, social responsibility, according to Nero and Froes (2001), takes on a critical role with characteristics that encompass, simultaneously, the internal and external public, and investments in environment.

According to  
1.



own in Table

Source: Ashley et al. (2003, p.9).

These vectors guide the enterprise management process in terms of allocation of investments in social responsibility.

It has been perceived that in Brazil some leaders associate the term SRE with charity, perhaps because these practices originated from a Christian association – ADCE (Christian Corporate Leaders Association), dated from the 1960s.

A far cry from the notion of charity, the concept especially emphasizes the alignment of the three

axes – the triple bottom line - that is, nature, individuals and profit, when conducting business.

An example that illustrates this point well is that of a recent announcement by the Danone Group, following its social business strategy. The Group announced the setting up of an investment fund called Danone.communities, in order to put into practice the socio-economic project allowing the poverty-stricken populations of Latin America, Asia and Africa, to afford to buy its products while, concomitantly, this fund should respond to a profitability criteria of roughly 3% a year, in order to finance profitable foodstuff projects (Le Figaro, 19.12.06).

Today, according to Mendonça and Gonçalves (2002), many Brazilian firms seek legitimization through socially-related initiatives, expecting the latter will have positive impacts on the image of their organization. Additionally, the authors recognize the existence of organizations that develop social initiatives that are actually committed to their organizational values.

By contrast, other enterprises only seek to display a socially responsible image by devising a commercial strategy in complete contrast to the underlying values and practices of the organization.

In France, large enterprises, at least, are aware of the political interest that an efficient policy for the management of social and environmental risks plays. The legislation of course spurs them into action: the NRE (new economic regulations) requires that public companies publish information concerning the degree to which they take into account the social and environmental consequences of their activities. Nicole Notat, president of the Social and Environmental Notation Agency, notes that: “the cost of negligence far exceeds the cost of engagement”. From this perspective, enterprises set up analysis devices, and the software companies thrive in this niche. Indicators showing the mastery of energy, or waste treatment, permit remedial action to be taken, which make the investment profitable through the reduction of costs while, at the same time, imparting to the enterprises involved an image that includes respect of the environment.

### **SRE versus Financial Capitalism**

By inciting companies to follow a view that runs counter to SRE guidelines, the globalization process and the increasingly determinant role played by shareholders in corporate strategic decisions results in the prevalence of objectives aimed at creating shareholder value. The mission of enterprises is then limited to financial performance activities.

Prioritizing the creation of shareholder value justifies the distribution of large dividends and a stock redemption policy in support of stock prices.

These guidelines may be carried on in detriment to the increase in productive investments, of less risk-taking in new market places and of a reduction in the resources allocated to the implementation of social policies.

Several studies support this thesis, such as the book authored by Patrick Artus, head-economist of a large financial group: “*Le Capitalisme est en train de s'autodétruire* (Capitalism will Destroy Itself), or that from the French banker Jean Peyrelevade, “*Le capitalisme total*” (Total Capitalism). The idea here is not to always focus corporate strategies essentially on the needs of profit-driven shareholders, and rather take into account the expectations of stakeholders as a whole, that is, all the parties with a vested interest in the organization’s future.

From the perspective of financial capitalism, enterprises that give high priority to value-adding

initiatives invest less and favor relocations toward countries that are largely unconcerned with improving social standards. This finding suggests that our research should not be seen through the bias of ‘angelism’ by giving the impression to the reader that the future will be paved only with good intentions, and that taking account ethical aspects will positively transform the business world altogether. Also, it is only hoped that the excesses of financial capitalism, and the legal, financial scandals, which have hit large world groups, such as Enron, WorldCom, Tyco, Parmalat, among others, will ultimately have a salutary impact on the prospects of enhancing the issue of ethics.

The question here is to know how an ethics-based strategy can competitively position itself in relation to the strategies of competitor companies based on financial capitalism.

### **Fair Trade**

Decisions based on conscientious consumption present quantitative and qualitative aspects. Quantitative aspects concern the volume of products consumed, taking a cautious approach to exaggerated consumerism, promoted by massive publicity campaigns. As for the qualitative aspects, the concerns involve the products themselves, their origin, the way they are produced, and considering not only the economic, but also the social and environmental conditions of production (Setem, 1997). For this more judicious approach to the development of the economic activity and corporations, fresh devices for a new way of thinking and implementing initiatives are needed. ([www.strategie-developpement.fr](http://www.strategie-developpement.fr)).

In this context, fair trade is becoming integrated into a market driven by financial capitalism. According to the FINE - international network of Fair Trade Organizations – cited by Jacquiau (2006), “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, marginalized producers, especially in the South”

Through fair trade practices, there is an increase in popular savings, better wealth distribution, and free, solidarity-driven initiatives. Conversely, in the capitalist market the enterprise is dependent on external capital and is driven by free, private initiative. (Mance, 1999).

According to UNDP (United Nations Development Program), the revenues of the fair trading activity represented between US\$700 million to US\$1 billion, that is, around 0.1% of the European trade and 0.01% of the world trade, which translated into benefits to:

directly, more than 1,500,000 producers from 60 countries, in Asia, Africa and Latin America; indirectly, over 5 million people.

This market is growing rapidly; it currently represents only 0.02% of the world trade, but at a growing pace of 50% per year ([www.commerceequitable.org](http://www.commerceequitable.org)).

In 1988, the first fair trade certification was established by the Dutchman Max Havelaar, and the concept started to diffuse across several countries. After 17 years, the Max Havelaar label saw its business revenue almost double, reporting revenue of 70 million euros in 2004 to 120 million in 2005 ([www.commerceequitable.org](http://www.commerceequitable.org)).

Despite these figures, fair trade is still only a drop in the ocean. The *Centres Leclerc*, which claims to be the first distributor in this niche, only earned 5% of their revenues with these products. The consumption of fair trade labeled goods in France is about 1.12 euros by inhabitant per year, compared to 3.50 euros in the Netherlands, or in the United Kingdom, and of 18 euros in Switzerland. (Budget, Les Echos, 02/05/2006).

The value attributed to specific aspects, such as those ensuring respect for the environment, social ethics and concerns, require co-ordination and information devices. It is rather difficult, at the moment of purchase, to identify whether these elements are actually present in the products, whether were they produced in cooperatives or in family farms, whether the employees and the environment have been contaminated with toxic chemicals, or whether child labor has been used in the production.

This situation exposes the consumer to a state of asymmetric information. This difficulty in identifying the presence of such characteristics constitutes the key reason for the need for certification of differentiated products. Certification is a procedure in which a third party (body) formally attests that the product, the procedure or the service is in accordance with specific requirements. Accordingly, either a qualified individual or organization can perform this function. This involves formal recognition bestowed by an authorized body and, preferably, with international accreditation. The need for this form of certification, known as vertical, varies according the skill in identifying the attributes and the distance between producers and buyers.

The certification process represents a label to be affixed to products. The certification of products with intangible characteristics must pass along the entire chain of production with a sector based-coordination mechanism.

The certification of a product indicates that all stages of its production are controlled, which guarantees the transparency of the productive process and demonstrates that this product conforms to a set of defined standards. It is an institutional device that reduces the distance between producers and consumers, leading newcomers to become included in the market and allowing them to widen their profit margins. The label confers upon a product an image of reputation and credibility. According to a poll conducted by TNS Sofres for Le Pèlerin, 65% of consumers in France say they are ready to pay 10% more if they are sure that this cost will help improve life conditions in poor countries (Les Echos, 02/05/06, p. 18).

The absence of an aligned labeling policy and the profusion of labels produce the risk of encouraging profiteers, that is, those claiming this procedure as theirs without respecting its rules. It is incumbent on the Directorate General Health and Consumer to denounce such cases.

## **2. Colored Cotton**

Colored cotton is a variety of cotton that grows naturally colored, and the samples studied reveal they date back to 2500 BC. Ancient civilizations in Africa, Australia and the Americas, more precisely South American Incas, made use of this kind of cotton.

According to Gulath and Turner (1928), quoted by Carvalho (2005), there was a great variety of shades, as research in those conducted in those countries demonstrates. The majority of species were brown. However, the fibers were short length and lacked resilience and uniformity. These drawbacks explain why the production of naturally colored cotton remained limited to handicrafts, and therefore could not compete with the world production of conventional cotton, white cotton.

In terms of genetics, of the various types of cotton, the colored type prevails. We would only have the colored type were it not for man's intervention (Beltrão and Carvalho, 2004).

Research into the improvement of the colored cotton began in the 1980s, at the University of Texas,



U.S.A (Natural, 1992). In Peru, a textile company from the city of Arequipa has marketed naturally colored cotton products throughout the world since 1993 (Hubert, 2004). This company works with peasant Indian families, and benefits from the Dutch bio-label SKAL (fair colored cotton), owner of EKO label. In the late 1990s, Peruvian exports of naturally colored cotton exceeded the 15 million euros (to know more: [www.peruatex.com](http://www.peruatex.com)).

Other similar projects have emerged in Latin America. In the Santander Hills, Columbia, Indian communities from Mexico, Guatemala, Bolivia and Paraguay, set up development projects that in part rely on the renewal of colored cotton, which in turn is planted in rotational farming with food crops.

In Brazil, thanks to research conducted into colored cotton by EMBRAPA<sup>1</sup>, investigators have combined genes responsible for the color and those responsible for producing plants with more resilient fibers into one unique species. Thanks to this technological intervention, the production of commercially viable cotton was made possible. Previously, in Brazil, a few brown-fiber cottons were utilized as ornamental plants in the States of Bahia and Minas Gerais, and the fiber was also used as craft item. It has only been since the 2000 that this type of cotton began to be commercially exploited in the country. Likewise, colored cotton is also grown in Peru, Israel and China.

The tendency of consumers to seek organically-made products is a boon to the autonomous province of Xingjian, China, the first world producer of naturally colored cotton. There, Professor Zhang Zhennan has conducted research on colored cotton for 40 years. According to him, “its color is natural, there is no point in dyeing it, and therefore it does not pollute and thus it favors the environmental protection”. In this autonomous region about 17,000 hectares (42,000 acres) are used in this farming activity. Xinjiang provides 95% of the Chinese production of naturally colored cotton. There are 4 shades of the brown type and 3 of the green type. Investigators, apparently, use seeds that were cultivated during space-cultivation programs in order to create new shades, such as black, red, and blue (Baiyun; CCTV.Com).

The breeding of colored cotton can reduce production costs in the textile industry as no chemical dyes are used. If misused, by the way, such dyes can represent a health hazard and a factor contributing to river pollution. Hence, colored cotton cultivation provides a thread that does not discolor and causes no harm to the environment. At the same time, it has the advantage permitting savings with water and energy by reducing the volume of effluents to be treated. In the textile industry, the dyeing process is extremely polluting, because it generates residues with a high concentration of salts and other noxious substances. The bleaching operation also generates residues such as caustic soda, peroxide and neutralizers. Despite effluent treatment, about 15% of the residues are released and can pollute the ecosystem.

In relation to the cultivation of the crop, another advantage is that these species only need to be replanted every three years, thus contributing to the reduction of costs for the farmer and reducing soil leeching.

## 2.1 Methodology

In order to carry out our research in a new, fully growing environment, the case-study method was chosen.

According to Giordano (2003), the case study assumes that a phenomenon is analyzed by means of

---

<sup>1</sup> Brazilian agricultural and livestock research agency. It is a federal government body and has 37 research centers and 11 central units. For further information, please consult: [www.embrapa.br](http://www.embrapa.br)

several data collection techniques (assessing documents, interviews, observations, etc.). These data of various origins serve to construct the case to be analyzed in connection with a particular issue (Hamel et al., 1991). Accordingly, the case study reports on an event or a series of events (present or past) to obtain a theoretical knowledge that could shed light on the practice.

In the absence of statistical data, a descriptive, relational analysis of the reality of the production chain was carried out in economic, social and ecological terms, after the field interviews and visits took place in the towns of Campina Grande and Patos.

The nature of the issue and the limited number of enterprises involved in the value-adding activity of colored cotton were the reasons that led the author to take a qualitative approach, by combining the case study method with interviews with all the stakeholders involved.

The cooperative *Coope Natural* has taken the opportunity offered by the launch by EMBRAPA of varieties of colored cotton to develop a strategy aimed at creating a line of garments and adornments from certain practices related to the sustainable development. And the present author made it the object of a case study.

Yet, to define the conditions of an actual fair trade policy it was necessary to perform an analysis of the entire chain by identifying the strategies of the different players and by making inquiries into the following points: Is there a common concern over fair trade among the different stakeholders? Where exactly in this chain lies the fulcrum of the surplus value/added-value? Is this added-value intended to prioritize the improvement of the future of small farmers who are the reason for the creation of this product?

## 2.2 Field Study

This study was carried out in the production cooperative *Coope Natural*, and in order to better understand the context in which it operates, interviews were made with the various players who work in partnership with it within the productive chain of colored cotton, as well as analysis of the entire chain (research center, assistance center of PME, professional associations, specialized public organs).

### a. The colored cotton chain

The production chain begins with EMBRAPA that provides the seeds and technical information for small producers in the *Sertão da Paraíba*, who practice small-scale family farming. Each of these families (around 600 families) possesses between 1 and 3 hectares (around a 7.400 acres). They grow cotton in brown, reddish-brown, and green shades, using archaic techniques. The colored cotton is then carried in donkey-drawn carts to the farmers' cooperative *Campal*, where they are paid 1.302 *reais* per kilo, that is, 30% more than for white cotton.

The bottleneck in the chain is caused by the spinning process, because, as yet, there are no companies that perform this process on a constant basis. Currently, it is done by *Coteminas* Campina Grande 3, but it is not at all interested in spinning small amounts of cotton, as it uses 60 tons of cotton per day.

The next stage is the weaving, which is carried out by *Matesa*, a medium-sized company from João

---

2 Equivalent to 0.48 euros

3 The Companhia de Tecidos Norte de Minas (COTEMINAS) is the major Brazilian textile company.

Pessoa, which utilizes modern machinery in the process.

Since the launch in December 2000, the cotton plantations have experienced robust growth.

Table 2: the evolution of colored cotton farming in the State of Paraíba

2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
10 h	60h	600h	600h	2000h	2000h

Source: Private planning of researcher Carvalho<sup>4</sup>

At the marketing level, there is an advantage as the price of colored cotton is higher in the international market than that of white cotton. The value of colored cotton varies between \$3 and \$5 per kilo of colored fiber, which permits a much larger margin compared to white cotton, which is sold at around \$1.5 per kilo. (Embrapa, 2006).

#### **b. The enterprise studied: *Coope Natural***

The export consortium known as Natural Fashion was formed in 2000. This group is managed by the designer Maysa Gadelha. The decision to create this association was based on the conviction of the existence of a potential market abroad, especially in Europe, where ecologically correct products represent an ideal market niche for colored cotton.

Considering the expansion of this consortium, it was necessary to create a production cooperative in order to allow the entry of new partners and to meet the increasing demand for products. In 2003, the export consortium became a production cooperative named *CoopeNatural*.

The cooperative has a monthly production of 10,000 pieces, comprising: garments, accessories, adornments and craft articles. The installed capacity allows for the production of 50,000 pieces and, according to the director, in order to grow further: the challenge lies in offshore market developments.

The group owns the trademark Natural Fashion, which has already been registered in the European Union. In Brazil, the registering process is work-in-progress; though it is a slow procedure (around 10 years are required to obtain legal protection). Colored cotton fits perfectly within this perspective of brand policy: “a product with a competitive edge, in the local textile sector”, states the cooperative director Maysa Gadelha.

The cooperative directly employs eight full-time workers: a manager, the head of the marketing department, a financial accounting assistant, a receptionist, a designer, two workers responsible for cutting of fabric, and one in charge of logistics. It functions like a head unit for the production,

<sup>4</sup> Kindly offered during our interview.

## ETHICS AS AN INTERNATIONAL VALUE-ADDING STRATEGY OF COLORED COTTON IN BRAZIL

purchase and sale of products derived from colored cotton: garments (for men, women and children), bags, craft and adornments. The cooperative currently consumes 10 tons of colored cotton per year, and with a strong tendency towards increasing demand.

According to Maysa Gadellha, the cooperative increased its sales by 233% in 2005, and is on course to grow a further 100% this year.

The products are conceived with craftsmanship, are very good quality, and tend to meet ecological and social criteria in the wake of the implementation of certain fair trade concepts.

Today, the exports of the cooperative represent only 5% of the total production, and this percentage began to increase with the opening of other sale outlets in Portugal, in July 2006. In the coming years, the cooperative aims to export 40% of its production.

With reference to the institutions that support this activity, the director mentioned Sebrae, Embrapa, IEL and Senai. These are federal and state institutions, or linked to the National Industry Confederation (as in the case of IEL), which contribute to approaches in education and in technical assistance training (Sebrae, Senai), to the sponsoring of trade fair exhibits and to the development of colored cotton-made products. (Embrapa). She also reveals a lack of financial subsidies on the part of the government for the participation in international trade fairs, which she finds regrettable for she considers that these initiatives are of paramount importance for the promotion of their product which constitutes a novelty within the market. The cooperative is engaged in a *démarche* for obtaining an organic and social certification standard, which will facilitate the increase of their revenue.

The procedure is carried out by IBD (Biodynamics Institut<sup>5</sup>). It began in July 2006, with the support of Embrapa and Sebrae, with the certification of the organic fiber in an area set aside for the organic farming of colored cotton.

For the moment, the cooperative only has one certification from Embrapa attesting to the consumers that the product is actually naturally-grown colored cotton, as mentioned previously. However, the IBD mark is affixed on the labels, as though the cooperative had already been awarded this certification.

In relation to the environment, the cooperative is concerned with the waste recycling. The scraps of fabric are utilized in hand crafted products (cloth dolls, animals). The use of colored cotton, an organic, natural product, is per se an activity that bears an ecological character. According to the director, Maysa Gadellha, “colored cotton as such conveys our ecological message”.

The group has recently obtained permission to use a privately-owned field as an experimental field for colored cotton in response to two major concerns of the cooperative:

the award of an organic certification;

the guarantee of supplies;

*CoopeNatural* has no share in the production of the agricultural cooperative *Campal*, and to break this current dependence on a single supplier, the director has decided to engage in the development of their own crops. This is all the easier for her in that she belongs to a family of big land owners with a tradition in cotton farming, at a time when this production was prosperous in the Campina Grande region.

This decision, however, runs counter to the principle of developing farming in small family

---

<sup>5</sup> Brazilian nonprofit company which develops accreditation activities of inspection and certification in the domain of organic agricultural and livestock treatment and extraction products. For further information: [www.ibd.com.br](http://www.ibd.com.br)

holdings. One of the small farmers that the author met at the Campal cooperative said it was very important for him and his family to have received a plot of land from the State. Ten years ago, working on a large rural estate, he frequently encountered difficulty to feed his family (his boss retained 50% of the crop). At present, besides the cotton production he practices subsistence farming, and he also owns a cow to ensure the families milk consumption, “I live better because I work on my own, I am my own boss, I decide what to grow...I want to move upward in life...I work very hard so I won't be standing at the bottom of the ladder”.

Apart from this exception, as far as the social the social aspect is concerned, certain responsible attitudes on the part of the enterprise, internally and externally, were remarked:

At the internal level, strong support was found (with finance) for the training of employees through training programs on a continual basis in the local schools, and also through seminars in education centers organized in other states.

At the external level, the formation of partnerships with local craft associations has created 850 direct jobs, and an unidentified number of indirect jobs. These relationships are managed with a concern toward an equitable initiative<sup>6</sup>, even if the job market is extremely precarious in the region, leading to the consideration that, within this context, wages and security remain very poor. These relationships encourage the organization of craftsman groups at the professional level, and the motivation of these workers is reinforced by the capacity of creating new embroidery models.

According to the director, the crafts workers do not have any point of reference as far as the value of their work is concerned: “Had we not had this responsible approach, it would be very easy to exploit them...”

### **The socially responsible discourse**

In our analysis of the case, by establishing parallels between the *Coope Natural* production cooperative and Campal Agricultural Workers Cooperative, it was perceived that social concerns were founded on different arguments.

Nevertheless, beyond the social discourse, the payment of a price 30% superior to the peasants, compared to the purchase price of white cotton, the question remains whether this is a social attitude or simply because the market accepts a higher price for the colored cotton. Yet, the author was not completely convinced by the director of *Campal* agricultural cooperative on this aspect. Although it is considered a regular practice in the region, a small farmer reported having felt obliged to have his children work so they could survive. According to his statement made during the interview, the peasant M. Brito told the author: “We need to have our children work, too, so they can help us, for even in colored cotton farming we are not able to maintain our family with dignity. Everyone has to work...”.

This rather precarious situation is recognized by the director of the *Campal* cooperative, which is why he wishes to integrate the weaving and the spinning processes within the cooperative, in order to redistribute more added-value among its members.

---

<sup>6</sup> The payment to the craftsmen for under-treated pieces is made according to the hours worked in the conception, based on the Brazilian minimum wage. Unfortunately, as traditionally occurs in Brazil, these workers are not declared and do not possess a working card. All the production material is provided by the cooperative.

## ETHICS AS AN INTERNATIONAL VALUE-ADDING STRATEGY OF COLORED COTTON IN BRAZIL

The director also fears that this new niche market will attract big industrialists from the South of Brazil, and that they will come to the northeast to buy land and develop a large scale mechanized production, and with no particular concern for the social issues. CUEX, a big group from São Paulo, has begun a tentative production of organic cotton on a 20 hectare area in the region .

### Conclusion

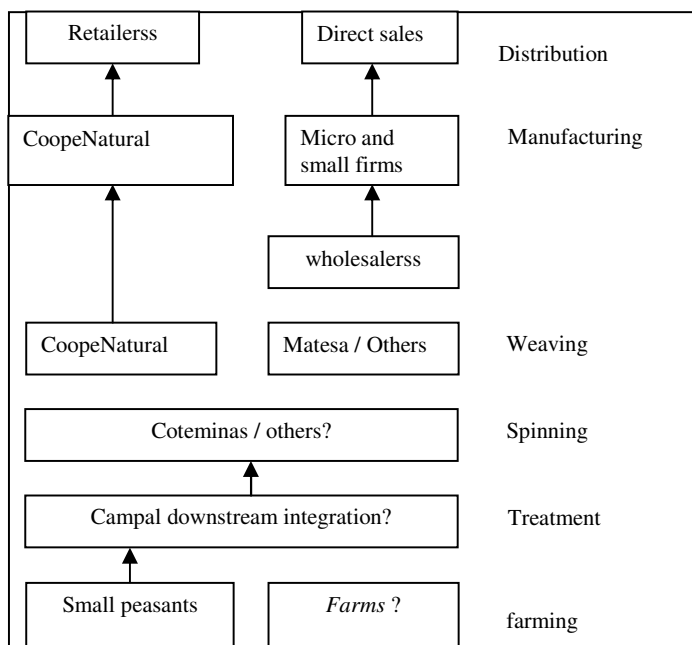
The colored cotton farming is growing at full capacity in the State of Paraíba, and has proven to be an opportunity for local development. The launch of this type of cotton, which has been possible thanks to Embrapa's biotechnological research, gave rise to renewed hopes in this *Sertão* region, this time through the adding of value of products made from colored cotton, which brings in its wake a host of advantages for the achievement of a sustainable development.

In a first field investigation, the enterprise analyzed was found to be especially concerned in developing marketing policies focused on adding value to the product. Currently, it is not in a condition to obtain fair trade label certification, and this may hamper its development.

Additionally, the situation of the small peasants who produce the colored cotton was found not to have changed fundamentally, despite concerns by the director of the peasants' cooperative-CAMPAL. The activity of this enterprise, which is limited to the first transformation of cotton, does not allow for the generation of sufficient added-value to improve the life conditions of small peasant members; hence, the will expressed by the board of directors to engage in the development of a downstream vertical integration.

The context of the colored cotton chain is found to completely fit in the approach of an international market inclusion, especially in the terms of fair trade. To that end, it is required that the chain organization respects the criteria defined by the certification bodies.

Diagram 1. Colored Cotton chain in the State of Paraíba.



Source: the author

The current colored cotton chain in the State of Paraíba still needs a framework that will allow the achievement of positive results for the community. For the moment, the ‘success’ of colored cotton has brought no big changes.

Considering the definition of fair trade, according to which it is important that equity exists all along the chain, from the producer to the distributor, this research demonstrates that this condition has not yet been met in the colored cotton chain.

The deployment of this mode of production will face difficulties connected with local political structures.

Is it perhaps incumbent on the certification bodies to impose this need to the company, which is aware that its national and international expansion will directly depend on the acquisition of a fair trade label?

It is a fact that this product is still in its launch stage, and that it represents very little in terms of a percentage of the cotton production. The respondents, however, all believe that colored cotton represents a good opportunity, that it is well accepted by consumers who seek quality articles which respect the criteria required for sustainable development, not only in Brazil, but especially in the international market, particularly in Europe.

The setting up of micro-enterprises for the manufacture of colored cotton is currently a growing phenomenon, considering the good acceptance of colored cotton-made products, especially among tourists. These enterprises pay a very low price to the seamstresses (around 0.53 euros per piece), and they sell them along the sea shore or in the crafts market, which may vulgarize the products from this niche market, and hinder the prospects of a future fair trade policy.

## REFERENCES:

Beltrão N. E. de M. «**Breve História do Algodão no Nordeste do Brasil**». Embrapa, 2003. Campina Grande. p.6-10.

Beltrão N. E. de M., Carvalho, L. P. «**Algodão Colorido no Brasil, e em particular no Nordeste e no Estado da Paraíba**». Embrapa. (Comunicado Técnico, nº 128). Campina Grande.2004.

A. Boyer. **L'impossible éthique des entreprises**. Editions d'organisation, 2002.

Carvalho L. P. de et at. «**Cores Naturais da Fibra de Algodão e Obtenção de uma população da Cultivar Cnpa 7h Verde**». Embrapa, Campina Grande, 2005.

Clarkson M. B. E. **A stakeholder framework for analyzing and evaluating corporate social performance. Academy of Management**. The Academy of Management Review, v.20, n.1, p. 92-117. Jan, 1995.

Chandler, A. **The visible hand: the managerial revolution in American Business**. Cambridge, 1977. Harvard University Press.

Drouvot H. «**Le made in Brésil, L'industrie brésilienne face à la mondialisation** ». Pug, 2005, p. 160-161.

Embrapa. **Brs Verde**. Campina Grande, 2006. (Folder)

REAd – Edição Especial 58, Vol 13, N° 4, dezembro de 2007

- Giordano Y. **Conduire un projet de recherche: une perspective qualitative**. Ed. Management et Société. 2003 p.43-45
- Hubert M. **Possibilités et conditions d'exportation pour une PME implanté dans un pays en voie de développement**. IAE- Grenoble. Rapport de stage, 2004.
- Jacquiou C . **Les coulisses du commerce équitable**. Ed. Mille et une nuits, 2006. p.11-13
- Korten D. C. **When corporations rule the world**. Connecticut: Kumarian Press, 1995.p. 402-405.
- Mance E.A. (1999) «**A Revolução das Redes: a colaboração solidária com alternativa pós-capitalista a globalização atual**». Petrópolis: Vozes, 2ª edição,190 -200p.
- Melo Neto F. P. de ; Froes C. **Gestão da Responsabilidade Social Corporativa: o caso brasileiro**. Rio de Janeiro: Ed. Qualitymark, 2001.
- Martinet A. C. Reynaud E. « **Entreprise durable, finance et stratégie**» Revue Française de Gestion. V. 30, n° 152 septembre -octobre 2004.
- Melo Neto F. P. de ; Froes C. **Gestão da Responsabilidade Social Corporativa: o caso brasileiro**. Rio de Janeiro: Ed. Qualitymark, 2001.
- Mendonça J.; Gonçalves J.«**Responsabilidade social nas empresas: uma questão de imagem ou de substância?**» Anais do XXVI Encontro da ANPAD. Salvador: ANPAD, 2002. p.8-11.
- Setem «Café Amargo: **por un comercio norte-sul mais justo**». Barcelona: Içaria Más Madera. p.103-106.
- Porter M. **Conférence sur la conscience sociale des entreprises**, organisée en avril 2005 par la Rotman School of Management de l'Université de Toronto. Disponible dans le site <http://strategis.ic.gc.ca/epic/internet/incsr-rse.nsf/fr/rs00128f.html>
- Pinedo V. **Ética e Valores nas Empresas: em direção às corporações éticas**. São Paulo
- Stiglitz, J.E. **Un autre monde: contre le fanatisme du marché**. Ed.Fayard, 2006. p.274-280
- Tansey L. (interviewé par Clayton Netz) Revue Exame. Decembre, 1995.
- Trevisan F. A. Home Page.<http://integração.fgvsp.br/editorial.htm>> Revista Integração. P. 1-6, 2003.
- Valls A. **O que é ética?** 9ª ed. São Paulo: Brasiliense, 1996.p. 13-24.