

1 Introduction

The phenomenon of regional differences in development can be recognized in the whole world: differences between countries on a global basis, between federal states on a country basis or between local economies. This phenomenon is influenced by various factors of political, economic or cultural kind. It is important to discuss these issues publicly trying to find solutions, as the marginalized economies often suffer from poverty lacking access to basic services and lacking opportunities in order to improve their situation. Some people argue that international trade causes regional imbalances and discrepancies in development. However, there exist concepts that support trade, if it occurs under fair conditions for all the involved parties. The concept of Fair Trade believes that trade under fair circumstance can contribute to a more equitable distribution of income. Fair Trade values the work of the producers and offers them fair prices. It often applies for underdeveloped economies, such as Mexico, where artisanal and agricultural production play an important role in terms of occupation.

This work will present the difficult situation of the local economy Taxco de Alarcón in Mexico, focusing on its most important industry, the silversmith handiwork. Being part of the small Fair Trade startup pakilia that works with silver artisans from Taxco the author developed a special interest in this topic. When this industry once was a profitable business, today Taxco's silversmiths face a difficult economic situation. This resulted from development strategies that have benefitted certain regions in Mexico, while others were prejudiced. In addition, a series of economic, political and socio-cultural factors led to a decline in the artisanal silversmith industry. This work will explore the history of this traditional industry and identify the factors that contributed to its decline. Thereby, it will identify the current problems of the silversmiths in Taxco by the implementation of an empirical study. Furthermore, the concept of Fair Trade will be discussed as an answer to the difficult living circumstances of the silversmiths.

1.1 Problem definition

This work analyses the economic situation of a local economy, Taxco de Alarcón. By analyzing the traditional silversmith industry in that town, the work demonstrates how local economies are influenced by political, economic and socio-cultural factors. During its boom

years, such factors created favorable market conditions for the industry and made it the basis of Taxco's economy. However, several abrupt changes in the business environment culminated in a downturn of the industry and a difficult economic situation for the artisans. Amongst other factors, lack of planning in political decisions, changes in target markets and the macroeconomic environment, as well as various external and global factors led to this development. While some regions and sectors could turn these changes in opportunities, others failed to explore the opportunities and were rather affected by the negative consequences. Especially the economic opening of Mexico in the 90s led to high regional discrepancies in development. Some regions or sectors have profited, because of their better capacity of addressing the needs of the international markets, accounting for better resources and infrastructure, as well as human and institutional capital (Moreno, 2008). Instead, some regions and its people have not known how to react to such changes and politics have failed to address arising problems in time. This work shows how the socio-cultural context and a dynamic environment of political and economic changes can degrade an established local economy and how badly people are affected if they are left alone with the negative consequences. The thesis presents an exemplary case for other marginalized economies in Mexico that face similar problems. Finally, the thesis aims to identify a solution that could address the problems faced in the concrete case of the silversmith industry in Taxco, by making use of the Fair Trade concept that could improve the situation of the silversmiths, while politics fail to take actions.

1.2 Objectives

1.2.1 General objective

The general objective of this thesis is to analyze the problems faced by the traditional silversmith industry in the town Taxco de Alarcón. The work is destined to explain the development of that industry from its beginnings to its downturn that culminated in a difficult economic situation for the silversmiths today. Referring to that, the thesis aims to determine the factors that have influenced the development of this industry historically in order to present an analysis of the current situation that is based on an empirical study. Once, the current situation and influential factors are defined the work wants to discuss the Fair Trade concept as a possible solution to help the silversmiths to improve their economic situation

again. Even if the work does not present specific actions for the implementation of any kind of solution, it aims at creating awareness for the topic, stimulating further discussion.

1.2.2 Specific objectives

The specific objectives of this thesis are:

- To give an overview over the economic context of Mexico in which the silversmith industry has operated, by presenting important facts about the economic history and tourism development, by explaining regional differences in development and by presenting important economic sectors as well as the company landscape.
- To give an overview over the socio-cultural context of Mexico by which the silversmith industry has been affected, presenting certain important cultural traits.
- To present a profile of the town Taxco, mentioning important factors such as population and location, economy, poverty and marginalization, education, the touristic profile and tradition and artisanship.
- To explain in detail the history of the silversmith industry in Taxco, referring to important factors that caused its success in former times, while it led later on to a decline of the industry and difficult economic conditions for the silversmiths.
- To explain the concept of Fair Trade as a concept of commerce where trade partners benefit from each other in a fair manner and that values the work of the producers.
- To provide an example of the Fair Trade concept applied to some silversmith families in Taxco, by presenting the social startup pakilia.
- To present the results of an empirical study in Taxco, that was based on eleven depth interviews in order to learn about the current economic situation of the silversmiths in Taxco, as well as to define current influential factors.
- To discuss if Fair Trade can be a solution to the current problems faced by Taxco's silversmiths in order to improve their living conditions, referring to different influential factors that have been analyzed throughout the work.

1.3 Scope and limitations

This work aims at presenting the problems faced by the silversmith industry in Taxco today. The factors that contribute to the silversmiths' difficult situation were identified by historical

research and interviews. However, this work claims not having found out all the influential factors. The author tried to identify the ones she considered highly important.

In addition, the research was influenced by various limitations. The author had difficulties to find all the required information in the secondary literature. This refers for example to detailed information about Taxco such as the silversmith industry, economic information, information on government programs and regulations etc. By that, the author experienced a less transparent publication of information than in other countries, such as Germany. In addition, due to the lack of information about Taxco, it appeared to the author that this topic was not given high interest on a national level.

However, this lack of information led to the achievement of this work to gather new primary information about Taxco and the silversmiths on basis of depth interviews. In addition, the author achieved to create a new comprised work on the topic, combining the limited secondary literature that was found with new gathered, recent information. Thereby, with this work a valuable source of information on the topic was created.

The work aims at creating consciousness and stimulating the debate on the topic, as well as discussing one general possible solution for the problems identified. It does not offer a concrete action plan for implementing any kind of solution.

The Fair Trade concept is discussed as a possible solution. It is demonstrated that the concept addresses many of the problems faced by the silversmiths. However, the work does neither present a concrete Fair Trade strategy, nor specific target markets for silver jewelry. This could be explored in further research.

Finally, this work stands exemplary for many marginalized and undiversified economies that focus on artisanal production and could help to create consciousness for their problems and stimulate the search for alternative solutions.

1.4 Justification

This work treats a relevant topic that affects the economy of Taxco as a whole. The silversmith industry has a large tradition in this local economy and there are almost no other employment options. Thus, the economy highly depends on the performance of that industry. The characteristics of marginalized regions and economies can be noted in different parts of Mexico. Like Taxco, they struggle with a lack of employment options, due to low diversification of their economies, often focusing on agriculture or artisanal industries.

Therefore, the marginalization of such economies is a relevant topic to discuss. However, there are no current detailed studies on the situation of the silversmith industry in Taxco and the topic seems somehow forgotten by the public. In this context, this work presents an important contribution to the understanding of the problems the silversmith profession faces today, as it provides new detailed information on influential factors and the needs and desires of the silversmiths. The information was gathered by an empirical study in Taxco. By that, it fills an informational gap in the theoretical literature. Furthermore, this thesis discusses one possible solution, the application of the Fair Trade concept, to improve the difficult situation of the silversmiths. This concept addresses the problems of marginalized producers, especially from underdeveloped countries and values their work by paying fair prices. Thus, the proposition of the Fair Trade concept in this thesis is not only viable for this special industry. It could apply for other marginalized sectors or regions that exist in underdeveloped countries all over the world.

The work paves the way for further general discussion. Furthermore, it stimulates the search for concrete solutions for the silversmiths in Taxco as it presents a detailed few on important influential factors and creates consciousness for their living circumstances.

1.5 Methodology

The interest for this topic arose from my participation in the small Fair Trade startup pakilia that was founded by students of ESB Reutlingen and UDLA Puebla in 2012. The startup exports hand-made silver jewelry from Taxco in Mexico to Germany. Participating in the activities of the startup, that take place in Mexico, such as the sales process and producer relationship management, the author had the chance to travel to Taxco several times and to be in direct contact with families living from the silversmith business. Thereby it became clear that their economic situation is difficult and that the profession does no longer ensure the coverage of their basic needs. However, the members of pakilia only had a vague idea of the influential factors that have led to this situation. Therefore, the research for this thesis was guided by the question: Why is the silversmith profession in Taxco an unrewarding profession today, while it was rewarding and of world fame in former times? A first research on the internet and the universities' databases showed that there were no studies or books available on the topic. Therefore, the author decided to look for information in the city of Taxco itself and went there for a first phase of research in order to find information sources

and in order to talk to involved people for a first diagnosis of the situation. Thereby, some interesting interviews with silversmith families and a historian, Juan de Dios Labra Labra, could be realized. In addition, two interesting books on the topic were found. Based on these books and an article, the history of the silversmith tradition was reconstructed. In that way, influential factors were defined that explained the shift from the boom to a downturn in the industry. However, the most detailed source that described the change in the development and the living conditions of the artisans was from 1985. Thus, there was the need to acquire information on the current situation empirically. Based on the factors analyzed in the historical development and on the author's experiences in Taxco an interview guide was developed (see annex 1). The author chose depth interviews as empirical research instrument for several reasons:

- First, the Mexican culture is shaped by mistrust against others, as will be explained in section 2.2. It is difficult to get people to talk about their personal situation or critical topics in front of others. Therefore, other methods like focus groups, would not provide the needed information. In addition, it was important to transmit trust and confidence before gathering the information, which had to occur on a personal basis.
- Second, Mexican culture is considered a high-context culture, which means that communication is rather indirect than direct and explicit. A lot of emphasis is put on the interpretation of gestures and moods that accompany the conversation (Reference for Business, 2014). Therefore, it was important to acquire the information in a personal face-to-face dialogue.
- Third, from a three years' experience living in Mexico the author can tell that things are being done face-to-face rather than making requests from distance. In face-to-face situations, Mexicans project higher importance to an issue and it is more likely to reach their successful cooperation. Thus, other methods such as sending questionnaires might have resulted ineffective. Furthermore, the application of questionnaires would not have given room for identifying implicit or new information or the switching of topics and making additional questions where necessary. In addition, as will be mentioned in this thesis, the educational level of many elderly people in Mexico is low. Thus, some respondents might have faced difficulties answering a questionnaire.

Eleven interviews were conducted and they took place on 27th, 28th and 29th of March 2014. Afterwards they were analyzed by the author. The results are presented in section 6.1 of this document. After that the theoretical framework was developed that would create a better understanding for the context of the silversmith industry in Taxco and its development. Thereby different types of sources were used in order to gather a variety of information. Official government pages were consulted, as well as the National Institute for Statistics and Geography (*Instituto Nacional de Estadística y Geografía* (INEGI)), international organizations such as the OECD and The World Bank, newspaper articles, analytical papers, informative brochures on the internet, webpages, teaching presentations from university professors, an audio lecture, information from museums, a documentary as well as two expert interviews. Finally, the work culminated in a final discussion of the gathered information.

1.6 Structure

After the introduction part, the work starts in section 2 with an introduction to the context of Mexico, in which the silversmith industry operates.

Section 3 aims to present a profile of Taxco, mentioning various subtopics: population and location, economy, poverty and marginalization, education, the touristic profile and tradition and artisanship. This chapter serves as an introduction to the town of Taxco de Alarcón.

In section 4 the development of the silversmith industry is analyzed since its beginnings in the 1903s until the 1980s.

Section 5 presents the concept of Fair Trade and provides an example of its implementation in Taxco by the social startup pakilia.

Section 6 displays the discussion part of this work. It starts by presenting the results of the empirical study on the current situation of the silversmith profession in Taxco. Afterwards a final discussion is carried out referring to all the information presented in this thesis. The final discussion is based on the question if the Fair Trade concept can be a solution to the problems faced by Taxco's silver artisans.