If "all [consumers] care about is the cup of coffee" why increase labor rights quality?

A case-study of the Panamanian specialty coffee sector and the factors affecting social upgrading opportunities

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List of Acronyms

BA	Business association
BoP	Best of Panama
COONAPIP	National Coordinator of the Indigenous Peoples of Panama
CS	Certification schemes
CSR	Corporate social responsibility
GPN	Global production network
GVC	Global value chain
ICA	International Coffee Agreement
ILO	International Labour Organisation
NGO	Non-governmental organization
SCAP	Specialty Coffee Association of Panama
UFCO	United Fruit Company
VSS	Voluntary sustainability standards

Glossary and semantic guide

Ngäbe	Pronunciation: ['ŋɔbe] or simplified, "No-bay"
Comarca	Administrative region for indigenous groups in Panama, equivalent to a province
Terroir	French term used to describe the different characteristics of an environment that influence a crop's flavor, appearance, growth
Latino	Non-indigenous Panamanian
Lata	Measurement for coffee cherry recollection. One *lata* is equal to 30 pounds of ripe cherries

Abstract

This paper looks at the possibility of increasing labor rights quality in Panama specialty coffee. Improvements in labor rights conditions are pushed by the main actor governing the network, business associations, considering State ambiguity. The paper uses a global production network and labor geography approach to first locate power within the specialty coffee sector, and then to analyse the active role of Ngäbe workers in the processes of social upgrading. Additionally, it attempts to understand the relationship between labor rights quality and product quality, as well as the role of the State as a guarantor of labor rights.

Based on qualitative interview data and secondary sources, this study revealed a mixed outcome in labor rights conditions fuelled by internal heterogeneity in the specialty coffee business association. While many producers choose to improve better conditions for workers, based on personal narratives or a drive towards better products, not all producers have the same motivations and desires to improve labor rights conditions. Moreover, this study looked at workers as active agents, and how they have managed to socially upgrade and acquire skills within the sector.

The paper concludes that conditions might improve in certain scenarios, due to personal motivations of producers but change does not happen at a wider-scale or how it should be happening. Moreover, based on this, three possible scenarios of change given, as well as avenues of future research.

Relevance in Development Studies

Globally there has been a trend towards the precarization of workers. Labor rights and conditions are consistently lowering in quality, and workers are suffering the consequences. This negatively impacts people's livelihoods for subsistence, particularly in coffee-producing countries. This paper aims to locate betterment of labor rights quality in the coffee sector in Panama, that affect the development of indigenous peoples', the main workers in the sector.

Keywords

Specialty coffee, Panama, governance, direct trade, labor rights quality, social upgrading

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1.0. Introduction

Every day, we as consumers become more aware of the reality of the production networks of the things we consume. From toilet paper to a chocolate bar, often we see a little stamp or symbol that reflects some type of moral value, such as sustainable sourcing or improved livelihoods for those who are at the beginning of the production chain. With coffee, this is also the case. As one of the most popularly consumed beverages worldwide, coffee has adapted and evolved as a commodity to fit the pressure for transparency and less exploitative conditions for workers around the world. Yet, we cannot ignore the historic exploitation that has occurred in the name of this commodity. Nowadays, a variety of actors is involved in promoting better labor conditions, namely trade unions, the State, non-governmental organizations (NGOs), as well as global buyers who respond to consumer pressures. However, what happens if we do not have these actors present? Is labor still gaining in these circumstances? This research paper looks at a possible outlier case study: Panama's specialty coffee industry.

Panamanian coffee is not as well-known as the coffee from its neighboring countries, Costa Rica and Colombia, but it has managed to enter the world of high-end specialty coffee, making a name for itself. More concretely, Panama is known for its variety of Geisha coffee, which is unique in flavor and limited in supply. In 2020, Geisha coffee auctioned off at $1,300 per pound compared to the average price of commodity coffee, $4.43 per pound (US Inflation Calculator, 2021), and in 2021 the best-priced coffee topped it off with a surprising $2,500 per pound, breaking every year the world records. Nevertheless, at the bottom of the production chain, we find the Ngäbe, one of the 7 indigenous groups in the country and among the poorest. Moreover, unlike other coffee-producing countries, crucial actors such as trade unions and NGOs, as well as certification schemes, are missing. This leaves a gap in the representation and understanding of labor conditions in the specialty coffee markets. Instead, Panama's case includes types of governance structures different from the 'average' coffee governance, where the producers (or firms) have the most power, while the State is rendered as an ambiguous and almost absent actor. This thesis uses a global production network and labor geography framework to analyze the governance structure, the role of the various actors, and the factors that have led this network to be an outlier in the coffee industry. The labor geography and agency approach will, furthermore, be used to analyze the active role of indigenous workers in the betterment of the labor rights quality and social upgrading within estates. For this, my methodology is based on a content analysis of fifteen interviews with producers, roasters, workers, and intermediaries.

To unravel this story, this research paper is structured in the following way: in Chapter 1, the background of coffee and the research questions and objectives are presented; in Chapter 2, the theoretical framework sets the foundation for the analysis by exploring various concepts as well as actors like the State and business associations; and in Chapter 3, the methodology, as well as limitations and originality of the research are detailed. In the analysis section, Chapter 4 introduces the business association that leads the governance processes in Panama's specialty coffee and explores its internal heterogeneity and direct trade; Chapter 5, on the other hand, looks at the Ngäbe and highlights the different ways in which actors have allowed or hindered social upgrading or betterment in labor rights quality. Finally, Chapter 6 provides a look into producer narratives for change for workers, as well as scenarios of a future change or shift in the coffee industry in Panama and improvement for workers (Cárcamo-Díaz, 2019)

1.1 Background on the coffee industry

Coffee is one of the most important agricultural commodities, both in terms of production and consumption. Around 80 countries around Latin America, Africa and Oceania are involved in the coffee industry, which impacts more than 125 million people, from farmers to processors (Martin *et al.*, 2019). The coffee industry has always been characterized by its labor-intensive nature, where workers, often smallholders, depend on the yield to have a source of livelihood. Nevertheless, despite the popularity of coffee and attempts at improving labor conditions, international prices for green coffee (the unroasted and unprocessed bean) have been very low due to the 1989 coffee crisis which led to market liberalization and oversupply of the good (Ponte, 2002; Martin *et al.*, 2019). Therefore, coffee is an important element for the subsistence of many in the Global South, but price fluctuations have harmed the livelihoods of smallholders and workers.

Within the last decades, the global coffee market has experienced significant changes. The coffee industry has had three 'waves' in terms of its relation to the quality, value, and other information regarding the origin of the beans (Borrella, Mataix, and Carrasco-Gallego, 2015). The first wave was characterized by mass production and consumption of cheap coffee. During this wave, there was no understanding of coffee's origins, beans were mixed from different batches and quality was low. It was during this period that coffee became widely available and consumed in Global North countries such as the United States. A few decades later new consumption patterns emerged and increased the popularity of coffee as a beverage and as an experience. Coffee bars, such as Starbucks, have focused their marketing on selling "an ambiance and a social positioning" rather than just coffee (Ponte, 2002). Likewise, greater awareness is given to consumer choices, as well as sustainability, origins of the coffee, and quality demands (Borrella, Mataix, and

Carrasco-Gallego, 2015). Regarding consumer choices, people can now 'customize' the beverage they consumed. Starbucks, one of the key actors in this wave, helped 'revitalize' interest in coffee in American society by creating new experiences of drinking it. The latter outcomes were due to the desire for accountability and sustainability considered to be demanded more by consumers in the Global North. Moreover, for a coffee estate to validate its commitment to labor or human rights, as well as sustainability, they have two options: first, voluntary standards or certifications, representing 'hands-off' governance; and second, direct trade, which is 'hands-on governance'.

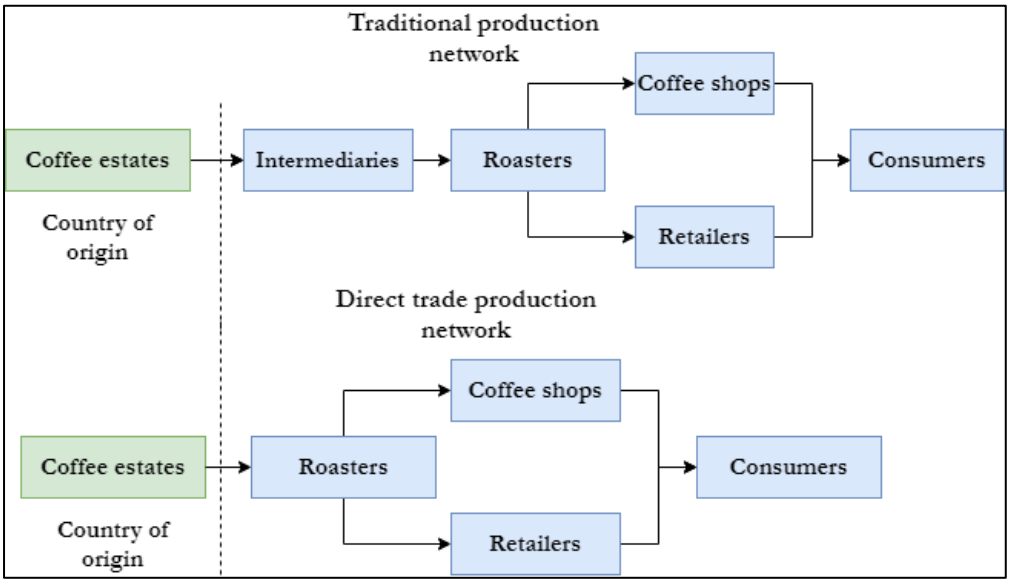
Due to the labor-intensive nature of coffee production, certification schemes (CS) perform a regulatory function within global chains and ensure that the estate or producers are complying with safety and working conditions for workers (Dietz, Grabs, and Chong, 2019). CS and voluntary sustainability standards (VSS) emerged in the 1990s on par with the demand for accountability for mainstream (and niche) markets. It is estimated that 26% of the coffee currently is certified by different standards (Bitzer and Steijn, 2019). More recently, however, other forms of 'certifications' that are more informal have appeared. The branding or idea of 'Direct trade' is based on "building direct and transparent relationships" between the coffee producers and the roasters (Borrella, Mataix and Carrasco-Gallego, 2015). Direct trade is not in itself a certification because there are no parameters met to qualify, and anyone can define it based on their context, however it serves as an "insurance" mechanism for buyers to ensure that sustainability or other criteria are respected by the producers. Direct trade developed when roasters or retailers created "their own internal sustainable purchase programs", with principles similar to Fairtrade or to shorten the supply chain (removing intermediaries) and go beyond already pre-determined schemes (Guimarães *et al.*, 2020). Moreover, roasters were unhappy with the issue of lack of traceability and transparency in the coffee industry – as these are factors that distinguish specialty coffee from its commodity[1] counterpart (Watts, 2013). Nevertheless, direct trade is not scalable and remains more as a marketing tool rather than an all-around alternative to CS for producers. There is extensive literature that looks at the impact of certifications, yet direct trade is left understudied.

The collapse of the International Coffee Agreement (ICA) in 1989, served as an opportunity for the third wave of coffee to emerge to create higher value-added to the commodity, through the rise of specialty and niche markets (Wollni and Zeller, 2007; Borrella, Mataix and Carrasco-Gallego, 2015), and through direct trade. Specialty coffee refers to higher quality, single-origin blends (in contrast to prior waves where coffee was mixed), and "unconventional coffees

[1] Commodity Coffee refers to the mainstream, commercial coffee that is low in quality, cost and is often not from a specific lot. A lot of commercial coffee comes from multiple estates or farms, and the coffee is mixed, giving an 'un-pure' representation of a particular micro-climate's beans flavor palette. In this way, it is not possible to trace *who* and under which conditions the coffee has been produced. See more in (Thurston, Morris and Steiman, 2013)

[…] with an unusual background or story behind them" (Borrella, Mataix, and Carrasco-Gallego, 2015). With direct trade, the regulatory function of certifications is not needed because trust is an essential component. Roasters have a direct line of communication with the coffee producers and receive the necessary information regarding quality (Donnet, Weatherspoon, and Hoehn, 2007). This information is mostly about the quality of the product, and the extent to which the conditions of workers are discussed or taken into consideration is unknown. According to one coffee estate owner, few of her buyers have an interest in worker conditions or ask questions regarding their welfare (Haworth, 2016). In specialty markets, direct trade is done in two ways: first, roasters may find potential partners at coffee events, for instance a Cup of Excellence competition or through other intermediaries that link the different actors (Borrella, Mataix and Carrasco-Gallego, 2015). The latter, however, is more common in sectors where there is a large presence of smallholders and cooperatives.

Figure 1: A visualization of the two types of value chains for Panama's specialty coffee, the first one shows the traditional value chain, which includes an intermediary between the sellers (producers) and Global North buyers; the second one shows the 'direct trade' movement.



Source: author's visuals

Note: Annex 2 explains each one of the actors mentioned in these charts.

Direct trade and its impacts on the livelihoods of farmers are part of the emerging literature on alternative schemes. One study on high-value niche cocoa market in Ecuador found that the use of direct trade enhanced smallholders' capacity to capture more gains, and have improved access to technology, agricultural training, and social networks (Middendorp *et al.*, 2020). Other

studies have shown how participation in niche markets where direct trade is present may have positive impacts on the livelihoods of farmers (Hernandez-Aguilera *et al.*, 2018; Rosenberg, Swilling, and Vermeulen, 2018).

1.1.1. Standardization of the coffee market: trends and prospects

Betterment of labor rights quality in the coffee sector have often been acknowledged as an effect of private VSS and CS. These private sustainability standards have as a goal to guarantee "specific quality and/or safety attributes of food, and specific ethical and/or environmental aspects of food production and trade" (Akoyi and Maertens, 2018). In the coffee industry, these certifications have had governance functions. Some effects of the certifications have been positive ecological effects, where the aim is to create a more sustainable product that has added value (Auld, 2010). Furthermore, certification has had also broader effects such as increased "public awareness, shifting practices among mainstream companies, continual innovation" and finally, intergovernmental process (Auld, 2010). Governance in the certification schemes is also institutionalized. Institutionalization is achieved when market actors "share a normative agreement that it is their responsibility to ensure products" follow or fulfill "specific socio-economic and environmental requirements" and these norms are placed into the standard procedures of an organization (Grabs, 2020). Despite certification effects and their governance, there are niche markets that use direct forms of communication as a way of selling their products. Specialty coffee markets, specifically, are based on building transparent relationships between producers and buyers (Borrella, Mataix, and Carrasco-Gallego, 2015). While this is different from the 'mainstream' certifications, governance and institutionalization are missing from this form of trade due to the different priorities or aims. Nevertheless, as niche markets expand, new forms of accountability and proof of authenticity will emerge as new certifications. This latter point is particularly relevant in the case of Geisha market in Panama. Currently, the markets are driven through direct trade and communication, yet with this market gaining more popularity and power within the coffee industry, soon enough a shift may occur in which niche specialty coffee is held in the same regard as commodity coffee and may need to show its commitment to sustainability and social issues of production.

1.2. Research Objective

- To understand the processes which have led to the current governance structures and the preference for direct trade and analyze future outcomes.

1.3. Research questions

The main question for this research paper is: Does the governance of direct trade in high-quality niche markets hinder or help the evolution of quality labor rights? Are improved labor rights an inevitable part of the process?

Sub-questions

- How does the entrepreneurial class frame the suggested connection between product quality and labor rights quality?
- How is the state able to reconcile the competing objectives of promoting capital accumulation as well as responsibility in social policy regarding labor rights?

2.0. Theoretical framework

To understand how governance of production networks may have an impact on quality of labor rights and conditions it is crucial to understand what governance entails. I have chosen to look at governance using a global production network (GPN) analysis, which integrates the key concept of social upgrading, closely related to the economic upgrading literature within global value chains (GVC). The literature on GPNs acknowledges and analyzes the interactions between actors including, but not limited to, firms, suppliers, trade unions, NGOs, the state, and workers. These actors have the potential to shape and influence GPNs (Barrientos, Gereffi, and Rossi, 2011). Therefore, the types of governance may vary depending on where the power is centered. While these actors might be the 'usual suspects' in an average GPN, Panama's coffee network shows an absence of many of these. The coffee sector is relatively new, and labor concerns are missing from the national level leading to an absence of NGOs and trade unions from the equation. In this GPN, the present actors are the State and firms, the latter conceptualized here through the business associations framework.

This theoretical framework, moreover, tries to bring labor to the forefront using a labor geography and agency analysis. Doing so counteracts the weaknesses that the GPN and social upgrading concept might have – particularly viewing labor as a passive factor, instead of an active one. The next section addresses the GPN framework, as well as the main concept of social upgrading in depth.

2.1. Global Production Networks (GPN), social upgrading and labor

The GPN literature is the starting point for this research. With globalization's growth and spread, one focus of research became understanding the actors within global chains. For instance, GVC literature deals with "product-based threads of activity" that make up a production network (Sturgeon, 2001). One aspect of GVC's is their emphasis on value acquisition, which has been referred to as 'upgrading'. There are four types of economic upgrading, meant to increase value-added to a product. These types are process, product, functional, and chain upgrading (Barrientos, Gereffi and Rossi, 2011; Rossi, 2011). This typology is important for recognizing how firms might diversify to gain access to higher value, nevertheless, it invisibilizes labor. In contrast, GPN literature not only highlights the interactions between the producers and the buyers but also "the web of social [and] economic actors that define and uphold commodity relations" (Raynolds, 2009). In other words, GPN literature recognizes that the governance of chains is based on the social context in which they operate. For this reason, GPN analysis has two key perspectives when analyzing labor. First, it sees labor as a productive factor; secondly, it understands labor as socially

embedded: Workers are social agents with livelihoods and entitlements that go way beyond their productive function (Barrientos, Gereffi and Rossi, 2011). This latter perspective is crucial for this research paper.

Based on the emphasis on labor, a new category of upgrading emerged. Social upgrading is defined as "the process of improvements in rights and entitlements of workers as social actors by enhancing the quality of their employment" (Rossi, 2011: 61). The concept, which stems from the International Labour Organisation's (ILO) Decent Work Agenda, not only includes an improvement in job opportunities, rather it includes improves also "working conditions, protection and rights". Improving the "well-being of workers" can also have a positive impact on their family and community (Barrientos, Gereffi and Rossi, 2011). Within social upgrading, there are two types of rights: measurable standards and enabling rights. The former refers to observable and quantifiable aspects, such as wages or social protection; while the latter refer to less quantifiable elements, such as collective bargaining or not being discriminated against, and having a voice (Rossi, 2011). Thus, social upgrading reflects on previously invisibilized elements within production, such as labor, and provides a new analysis based on the social role of workers and how production networks might impact them.

Moreover, actors along the production networks and at various levels have a differentiated impact on creating opportunities for social upgrading and an increase in labor conditions. For instance, Knorringa and Pegler (2006) developed working hypotheses on the likelihood of labor conditions improvements at different levels. These types of hypotheses are also relevant in terms of understanding different actors' power to create opportunities for social upgrading and better conditions[2].

[2] This will be further explored in Chapter 6

Table 1. Working hypothesis on the likelihood of firm upgrading and improvements in labor conditions

Hypotheses	Firm upgrading is more likely . . .	Improvements in labour conditions are more likely . . .
Firm level	When management has a longer-term commitment to the business and a stronger mix of technological and marketing expertise.	When activities require more skills and higher levels of tacit knowledge; when management offers more opportunities for representation and learning.
Value chain	When the value chain is more quality-driven and/or brand sensitive.	When chain responsibility is more mainstreamed as part of ethical sourcing.
Country	With a more active and sector-specific innovation and R&D policy; when a country is already on the 'radar screen' of global buyers.	When sector-specific labour markets are tighter; unions are more representative and inclusive; when political representation is more effective.
Global	Increasing importance of standards and codes of conduct will lead to increasingly selective upgrading in major branded global value chains.	With a stronger unifying role of global union bodies in co-determining global standards.

Source: (Knorringa and Pegler, 2006)

Within the GPN literature, there are gaps and diverse interpretations on the role of labor. As a way to further expand the literature, Carswell and De Neve, building on Nielson and Pritchard's (2010) 'vertical' approach to the analysis of GPNs to add a 'horizontal' approach that takes into account local factors that may influence GPNs, such as age, gender, migration and more (Carswell and De Neve, 2013). Using a horizontal approach reveals how labor agency is not only shaped by production networks but also by "social relations and livelihood strategies that are themselves embedded in a wider regional economy and cultural environment" (Carswell and De Neve, 2013).

Finally, criticisms have emerged regarding GPN analysis and social upgrading, especially its true potential and outcomes. Some authors argue that GPN analysis, despite being more nuanced about labor than GVC analysis, still treats labor passively, often being overlooked (Cumbers, Nativel and Routledge, 2008). Cumbers *et al* (2008) stress that labor is not usually acknowledged until there is some "overt labour action" like strikes. In line with Marxist thought, they argue that labor is at the root of value, and thus cannot be taken for granted. Furthermore, Selwyn (2013) highlights analytical and political weaknesses with the concept of social upgrading. Its analytical weakness stems from its "inability to comprehend the nature of capitalist exploitation and indecent work"; while its political weakness comes from the fact that improvement of worker conditions are to be delivered and considered by elites, firms states, and international organizations, making it a 'top-down' process (Selwyn, 2013, p. 76). Thus, outcomes of social

upgrading can be assumed to be through a trickle-down movement. In addition, Selwyn argues that the ILO's Decent Work Agenda has three fundamental problems: first, it can be co-opted by elites, states, and firms; second, it does not provide analysis for "causes of indecent work" or what can be done to improve conditions of workers; and finally, class relations are weakly conceptualized, thus it is hard to pinpoint the processes of exploitation (Selwyn, 2013). Finally, others argue that social upgrading may ultimately serve as "neoliberal knowledge production", by naturalizing market domination and claiming expertise (Fridell and Walker, 2019).

These authors are skeptical about the potential 'win-win scenario' that social upgrading seems to have. Nevertheless, the concept does inherently include rights to collective bargaining or freedom of association, which has some potential for change in worker livelihoods (Rossi, 2019). Social upgrading may also provide an ideological frame for individuals in the navigation of the deeply rooted psychological tensions "embedded in the contradictions, inequalities, and injustices of the global economy" (Fridell and Walker, 2019). Ultimately, these authors suggest a reframing of the analysis to include workers less passively, for instance through a labor geography and agency analysis, as suggested by Cumbers *et al* (2008). This shows that social upgrading is seen along a 'spectrum', with one end focusing on measurable and enabling rights, or more 'immediate' and visible improvements, while the other side also analyzes the concept concerning the global economic system and its deep-seated inequalities. To counteract these potential issues of top-down analysis, and just look at visible improvements I will employ a labor geography analysis within the GPN framework. This will also allow me to understand a deeper level of social upgrading, that is when it is intersected with other aspects such as migration and family issues. These theoretical implications will be seen at the end of the chapter.

The next subsection introduces the concept of governance within GPNs, as well as the issue of trust-based governance and some case study examples.

2.2. Governance in GPNs

Governance is one of the focuses in the GVC and GPN analysis (Gereffi, 2001; Gereffi and Lee, 2016). Governance refers to the actors along with the network that determines divisions of labor and shape capacities of individuals to "upgrade their activities" within a firm (Gereffi, 2001). Governance structures are deeply complex, as these include power asymmetries and a range of actors, from the state to the individual. These structures have a major impact on firm-upgrading prospects, as well as the potential for regional development and its opportunities (Coe, Dicken and Hess, 2008). Governance can be characterized by different features: first, *horizontal* or *vertical governance*. The former introduces the local-based coordination of cluster relations (both economic

and social), as well as those that go beyond it; the latter operates on the value-chain level, where different actors are linked, ultimately adding value to a commodity (Gereffi and Lee, 2016). Governance can also be seen in terms of the actors, leading to private, public, and social governance. Private governance highlights the relations within business groups or clusters and is based on "trust and mutual dependence" among members of a group through repeated interaction, integrating close ties between actors (Gereffi and Lee, 2016). Ultimately, its goal is to achieve collective efficiency.

Chain governance can also be understood through Gereffi (1999) typology of producer or buyer-driven chains. Buyer-driven commodity chains are characterized as "industries in which large retailers, marketers, and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries" often located in developing countries (Gereffi, 1999: 1). One sector that is often described as a buyer-driven chain is coffee. In this form of coffee chain, the power is located outside of the production in actors such as roasters and multinational traders. These big actors have the power to influence producer's business decisions (like acquiring certification schemes), and also have the power to cut them off at the expense of the producer, in the end leaving them with "a worthless certification, sunk investment costs and a cautionary tale of blindly following marketing trends" (Grabs and Ponte, 2019: 820). On the other hand, producer-driven chain is described as a chain "in which large, usually transnational, manufacturers play the central roles in coordinating production networks (including their backward and forward linkages) (Gereffi, 1999: 1). These chains are often industries that are capital and technology-intensive, like computers, heavy mac hinery, etc. In the field of agriculture, producer-driven chains are those that have a focus on quality and are providing a niche or high-end product for consumers. Often, producer-driven chains in agriculture are determined by product quality that is attributed to private standards, certifications, or specialty labels. Moreover, some claim that this increase in quality standards also gives rise to a differentiation between producers, between estates (who cooperate with prominent global buyers), and smallholders outside the chains (Lee, Gereffi and Beauvais, 2012).

Lastly, since governance is a complex process it can be shaped by a multitude of actors, beyond the previous typology. Actors, based on the sector or industry, shape their relations along the GPN to better suit their interests and needs. Trust is one way in which actors cut costs from intermediaries by directly selling to others. For instance, South African fruit producers have adopted a direct sell approach in their GPN, for supermarkets in Europe. In other words, producers set 'contracts' with European supermarkets through a coordinated trade based on trust (Barrientos and Visser, 2013; Alford and Phillips, 2018). Nevertheless, due to the trust-based

system, these relations are built upon, supermarkets have been able to extract more rents from weaker fruit producers (Barrientos and Visser, 2013). Moreover, with an increase in global pressures towards better production standards, South African fruit producers have gotten the short end of the stick as they are forced into private codes or standards, added costs from fertilizer to packaging materials (Alford and Phillips, 2018). Another example comes from the luxury market for diamonds. The diamond industry uses trust-based relationships between different actors along its GPN. Trust and cooperation had as a center-piece prospect of supranormal returns and benefits, however, with the decline of the industry, irregularities, and conflict has erupted along the chain harming the relationships between producers and other actors (Richman, 2017). This type of luxury market shows a domino effect on solely depending on trust for market interactions. Because these types of commodities are not subjected to private standards or regulations, issues of this nature may arise. Thus, trust is a fundamental part of governance, but it also has its weaknesses if the chain is highly dependent on these interactions for its survival.

Trust is also a key factor in the emergence of successful organizations, such as business associations. This next subsection summarizes the theoretical knowledge on business associations, as they are one of the few actors involved in the GPN of Panama's coffee and have the potential for promoting social upgrading.

2.2.1. Business associations: their role in local economy and governance

The literature on business associations has increased in the last 20 years, and a lot of it has moved from seeing them as rent-seeking institutions, towards "more proactive institutions that collaborate with the government" and other actors, and have the potential to develop themselves and the members from within (Ndyetabula, Sørensen and Temu, 2016: 521). Fundamentally, a business association (BA) can be defined as a collective that answers to the interests of its members. These associations can take any form and cater to a variety of actors, from small and medium enterprises, multinational companies, to commodity industries of fruits, garments, or even coffee (Ndyetabula, Sørensen and Temu, 2016). Traditionally, the role of a BA is a social one, providing a reference for a group of entrepreneurs (Helmsing, 2001). BAs also have three main purposes: first, to represent and advocate a sector/group to outsiders, such as the government; second, to provide organizing training or spreading information; and thirdly, as a networking space for members to "meet and exchange experiences or form alliances" (Ndyetabula, Sørensen and Temu, 2016). Having these purposes allows the association to better equip itself within a particular market. The presence of BAs, moreover, in a local setting are often indicative of the potential for having private governance within a sector, as local producers can create their own "local production practices, norms and standards" to achieve collective efficiency (Helmsing, 2001, p.

68). This will often include issues such as quality control. BAs may also play a role in the chain governance of a commodity, by contributing to the spread of knowledge to local producers (Helmsing, 2001).

When broadening this literature on trust, GVCs and governance, we find the related issue of cluster studies. Clusters are defined as "geographical concentrations of interconnected economic agents" that include suppliers, NGOs, local governments, and business associations (Puppim de Oliveira and de Oliveira Cerqueira Fortes, 2014). Cluster studies have focused on the issues of social upgrading[3] within the local frameworks. However, this topic has not spread to the BA literature, opening a gap in the research. Instead, the literature on business association discusses issues of corporate social responsibility (CSR). However, social upgrading reflects a more complete picture of changing the livelihoods of workers, thus CSR will not be dealt with in length in this research paper. Instead, I attempt to understand what the implications of labor rights and social upgrading are using the existing literature on the role and functions of business associations.

The second essential actor in Panama's chain governance is the State. The State serves as the guiding post for working conditions and rights through a policy perspective, thus it deserves to be studied in this case study. The next subsection defines and describes the State and its functions in development and governance.

2.3. The State as a developmental force?

Three elements define a State: first, its demarcated territory; second, it is a "politically organized coercive, administrate and symbolic apparatus" that exercises different powers; and third, it has a permanent population that regards' the state's political authority and decisions as binding (Jessop, no date). The latter represents a complex construction of state policy that spans through time, space, and political regimes. Moreover, regarding the territoriality of the state, this involves a series of technologies and practices that naturalize territory as a place where political power can be exercised (Jones and Jessop, 2010). Within these spatial boundaries, the State can choose to govern its individuals through identity-based divisions, that lead to a process of inclusion or exclusion (Jessop, no date). Additionally, there are many groups of actors within it, with different political projects and demands seeking power. State power, conversely, is the articulation of some of these groups' influence (usually a dominant societal organization, like economic or political elites) both institutionally and discursively. Ultimately this may affect the overall interests within a state apparatus (Jessop, 2010). Thus, the State is an arena of competing and contradictory interests,

[3] For literature on clusters and social upgrading see for example Gereffi and Lee (2016) and Lund-Thomsen and Nadvi (2010).

pushed by different segments of society, that hold opposing or similar goals (Brand, 2013). In this arena, some actors may hold power for periods, making the state "polyvalent [and] polymorphous" (Jessop, 2010). Finally, the State may exercise control over social issues and may hinder "alternative ways of addressing and processing them" (Brand, 2013).

In development studies, the State used to be a key actor in local development conditions until the 1990s. State agencies defined what should be produced or not and who should do it based on providing inputs like seeds and fertilizer, but also based on price setting (Helmsing, 2001). However, with market liberalization, central government forces lost their capacity as the main organizing agency – leading to an increase of an unregulated business environment (Ibid.). This has led to a transition of governance and power within economic development, particularly within GVCs and GPNs. In Alford and Phillips (2018), the authors highlight the increasing tensions that the State faces with regards to the different types of governance at hand. This relates to the competing interests and groups in society that make up the social and political fabric of the State. Thus, the State is a fundamental actor in the GPN analysis, as it can determine types of governance and the directions that the state and its desire for capital accumulation will turn to. It also may have an impact on the potential for social upgrading at the firm level. Workers are affected, beyond the workplace, by policies and social protection networks provided by governments (Barrientos, Gereffi, and Rossi, 2011), which may also affect the capacity of employers to socially upgrade their employees.

Finally, based on the critiques made by Selwyn (2013) and Cumbers *et al* (2008), this research paper employs a labor geography and agency perspective, which makes up the final and pivotal part of this chapter's theoretical lens.

2.4. Labor geography and agency

The Labor geography literature has been tied deeply into the GPN literature itself. Labor geography "argues that workers are not just historical agents but are also geographical ones [and] that workers' lives are spatially embedded in the landscapes in which they live", consequently this embeddedness might enable and/or constraint the worker's social praxis, moving them towards trying to change the geographical structures and relationships within their lives (Herod, 2003). By doing so, workers will attempt to restructure the geographies of capitalism (the spatial processes of production), yet workers are still not present or have power in the "map-making" of their own positioning (Coe and Jordhus-Lier, 2011). Therefore, while workers may attempt to change the conditions they currently face, the maps of production of capitalism remain intact and in the control of the owners of the means of production. In this way, it is important to understand the

role of labor agency. Labor agency is a heavily discussed concept among labor geographers for its 'hollowness', yet it is concerned with the "grounded processes of reworking and resistance which are unavoidably manifested in (intersecting) social and cultural relationships and with institutional forms" like global production networks or the state (Coe and Jordhus-Lier, 2011). On the GPN side, labor agency can help to identify the potential agency has in diverse sectors of the production network and the geographies of capitalism. For instance, some workers might be in a 'higher' place along with the network, thus they have a different experience in terms of agency in contrast to other workers who work in a sector with lower value-added (Ibid.). This is particularly useful in the context of the present research as the indigenous workers have different roles along the production network, with some being seasonal harvest workers, while others stay all year long to tend the estates as foremen. Moreover, the State side remains unexplored. As Castree argued "the state constitutes a […] blind-spot in many labour geography analyses" (Castree 2008, as cited in Coe and Jordhus-Lier, 2011). The State is often the actor that shapes who is a worker, through legislation and ideology, as well as what it "means to be a worker" for different groups in society (Coe and Jordhus-Lier, 2011).

In essence, the labor geography and agency literature are a key framework that integrates both the role of labor and workers in changing and resisting in their environments for this paper. It also has been re-embedded into the GPN framework to capture the dynamism of both labor and networks in the geographies of capitalism.

3.0. Methodology and case-study background

The following chapter is divided into two sections. The first details and explains the methodology used for the research, starting from the point of *why* we should look at Panama. It also goes into depth about the interviews, their context, and my experiences in fieldwork – both in limitations and original contributions. The second part of the chapter introduces the case-study background by giving a brief past and present look at the Ngäbe and their participation in the coffee sector.

3.1. *Why study Panama?*

There are three reasons why I think Panama is an interesting case study. Firstly, the commodity itself: Panama's position as a coffee producer country was always minimal in contrast to its neighbors Costa Rica and Colombia. Nonetheless, with the emergence of the third wave of quality of coffee, and the re-discovery of the Geisha variety, it has managed to situate itself as one of the top producers of premium quality coffee. As an author wrote, "Geisha is the reigning rock start of the specialty coffee world" (Koehler, 2017). The high-quality coffee of Geisha and its relatively small quantities has served as a strategic move towards positioning Geisha producers "as the tastemakers who define coffees of distinction" (Smith, 2009). Additionally, although other countries have managed to grow Geisha, its quality and its *terroir*[4] have not been comparable to the Panamanian (Koehler, 2017). Secondly, the existence of an organized coffee estate force that works collaboratively instead of against each other creates an interesting dynamic that has altered the market and the power of key players along the value chain, and this is often not seen in the coffee market. Finally, no studies or reports have been made detailing the experiences and working conditions of the Ngäbe in coffee estates and plantations, except in issues of child labor.

3.2. *Research methodology*

For this research, I employed semi-structured qualitative interviews. Semi-structured interviews allowed me to understand the perceptions and opinions of the respondents while being able to actively compare them to other respondents due to the standardization of the questions. In total, I held fifteen interviews with a wide range of actors. Producers and workers were the main targets, and these were seven and five interviews respectively. The remaining three were with a Dutch coffee roaster, and two Dutch intermediary or buyers (see Table 1).

[4] *Terroir* is a French term used to describe the different characteristics of an environment that influence a crop's flavor, appearance, growth, etc.

Table 2. Summary of interviewees

Interviewee Type	Producer	Worker	Intermediary	Roaster
# of Interviews	**7**	**5**	**2**	**1**

The most important actors for this research are workers and producers. Producers or estate owners are the first lines of communication between the international intermediaries and the product: they set up the standard and can determine the quality of their product, as well as devise a narrative of the product that may include themes of labor rights quality, environmental or sustainability standards. Additionally, from creating the narrative, producers determine labor conditions in the production network within the estate for the workers. Thus, they are a key actor regarding 'paradigm' changes for labor rights quality. Secondly, the workers are fundamental actors, as they are the main labor force and do the time-intensive procedures of picking, processing, and milling the coffee cherries to then taste and sell abroad. Workers are the first node within the production networks and are, arguably, the most important. Thus, in a specialty coffee network, workers *should* see a difference in conditions and access to upgrading opportunities.

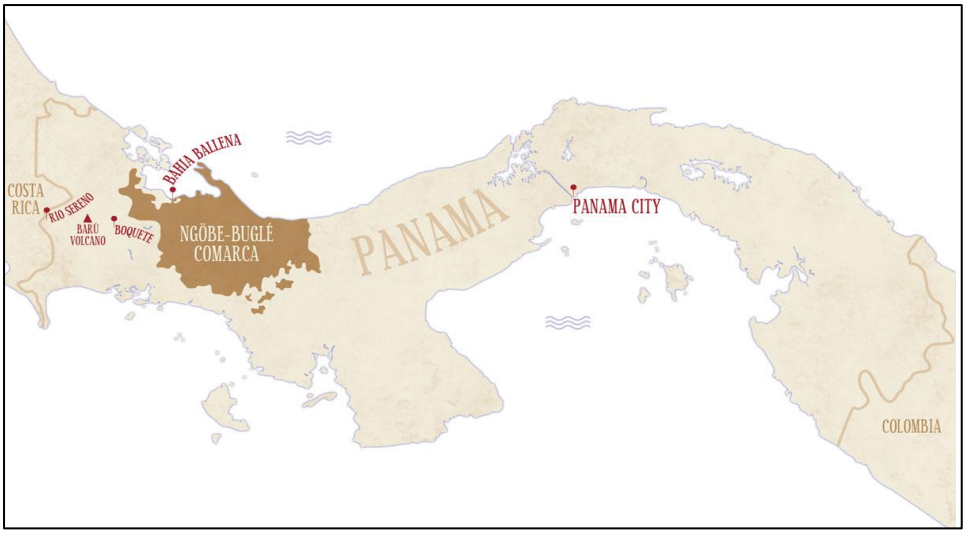
The interviews for all actors, except workers, lasted on average 45 minutes and were divided into different topics. For producers, questions ranged from roles of the state and producers, environmental and social responsibility, CS in specialty coffee markets, and working experiences with the Ngäbe. Finally, the worker interviews focused on their own experience working in the coffee sector (see Annex 1 for full interview questions).

3.2.1. Data collection and original contribution

Due to the COVID-19 pandemic, most interviews were carried out through an online platform. This process began in June 2021 and ended in August 2021. Online interviews allowed me to gather more information from respondents living in different countries whom otherwise I would have not been able to talk to in person. Moreover, the online platform also allowed me to prevent and minimize the risks of contagion. Those interviews that could not be done through an online platform were done in person during August in the towns of Boquete, Palmira, and Volcán of Panama's highland region. During this time, I interviewed five different coffee estate workers that ranged from the heads of operation to the everyday maintenance of the estate. Of these workers four were Ngäbe and one was a *Latino*[5].

[5] Term used to describe a non-indigenous Panamanian

Map 1: Map of Panama, highlighted the Ngäbe-Buglé reservation and the coffee-growing areas



Source: (Northrop, 2014)

Interviewing different actors across the network allowed me to better understand the local dynamics of the Panamanian coffee sector. Despite being a source of excellent coffee and high prices, and the contradicting nature of the commodity itself, no research has been done on this topic. Studies on coffee labor conditions in Costa Rica often include the Ngäbe, who have migrated between the two countries during harvest season, but the circumstances and dynamics are different in each country. Moreover, not many efforts have been made to understand the labor rights situation through which the Ngäbe face.

While my work has some limitations, I am hopeful it can help as a starting point for subsequent research or policy intervention. The coffee sector is expanding every year, and this is no reason why labor conditions and worker rights should fall behind.

3.2.2. Limitations of data collection and positionality

Talking to the Ngäbe workers was a major challenge. For instance, in an estate, I was supposed to meet four workers but only three agreed to talk to me when I finally arrived. The last person felt nervous and uncomfortable and decided not to participate. Moreover, when the interviews began none of the interviewed workers agreed to my request to record them. While I assured the workers the questions were not sensitive, they were still extremely reluctant to talk. While this was, at the time, frustrating, I understood why they responded and acted like that. As a white, *Latina* from Panama, I am an outsider to the Ngäbe people. Due to the neglect and past negative experiences indigenous peoples have faced, many workers are apprehensive and uncomfortable with discussing with strangers, such as me. As a stranger, they do not know where the information is going to be

used, and despite the interviews being anonymous and showing my university credentials, the lack of trust was evident. However, part of the research experience and data gathering is done through understanding the visual and body cues of the interviewee, which is very valuable information as well.

One other limitation was due to timing. The harvest periods, when hundreds of migrant workers from the *comarca* come down to pick the cherries, are from January to April. Since I did my fieldwork in August, I did not have the opportunity to speak to any seasonal worker, and instead talked to permanent workers who do reside on the estate throughout the year.

In the next section, the history of the Ngäbe will be introduced. As it will be seen, the Ngäbe have a rich history that is interlocked with migration and agricultural labor – particularly in coffee. Furthermore, this context is important for understanding the horizontal dimension of this research. This section will also deal with the State-Ngäbe relations.

3.3. *Case study background: A brief story of past and present of the Ngäbe*

In Panama, there is a total of seven recognized and acknowledged indigenous groups, one of them being the Ngäbe. This group is also known as the Ngäbe-Buglé, due to the name *comarca* in which they are settled along with the smaller indigenous group, the Buglé. Despite being different indigenous groups, these two share common ground through their combined efforts in the legal battle for land recognition (Sanchez Arias, 2018). Legislated in 1997, Ngäbe-Buglé is the largest and most populated of the five *comarcas* the Panamanian government created. Historically, the Ngäbe were spread around the Western provinces of Panama, Bocas del Toro, Chiriquí, and Veraguas. Nowadays, the *comarca* is located within those three territories but has less land and is legally a semi-autonomous region of the country. Moreover, the Ngäbe have settlements on the Costa Rican side of the border. There are five territories for the Ngäbe minority in the country, however, these are not as the Panamanian *comarca*s, but rather "Indian reserves" (Sanchez Arias, 2018). There are located in the Southern part of Costa Rica (Morales Gamboa and Lobo Montoya, 2013).

Like other present-day Latin American societies, the Ngäbe were touched by colonization. The first mention of the Ngäbe is recounted by Ferdinand Columbus during his father's fourth trip to the New World in the year 1502 (Young, 1970). Columbus described the Ngäbe as *tribus feroces* (fierce tribes), but due to lack of documentation, knowledge on the history in the immediate following colonization remains unknown (Young, 1970). Nevertheless, it is known that due to the

contact, in the 16th century the Ngäbe's distribution along Western Panama decreased and they were made to retreat into "less hospitable mountainous areas, which they now refer to as their homelands" (Oonk, 2011). The conditions of these regions, as well as the absence of gold and precious metals, allowed the Ngäbe to avoid conquest and decimation by the Spaniards (Marín Araya, 2004). In turn, this lead to an "acephalous political culture" that allowed the group to live in peace for at least 300 years (Wickstrom, 2003).

In the period between the 1930s and 60s, the group was faced with critical land and resource issues. External influences – such as demographic changes, the presence of outsiders (Panamanians *Latinos* and others), agroecological pressures, and more – led to a shift in Ngäbe's "productive activities and social relations" (Wickstrom, 2003). At a national level, General Omar Torrijos' *coup d'etat* in 1968 introduced major themes of land reform and policies that would help landless peasants – actors that were often forgotten by national policy (Gjording, 1991). Torrijos' goal was to unify Panamanians against the struggles of American imperialism, in the form of the presence of the United Fruit Company (UFCO) and the Americans with the Canal. Torrijos also pushed for the open discussion of policies regarding the indigenous groups in the country (Sanchez Arias, 2018). In 1989, with the United States invasion of Panama, the National Coordinator of the Indigenous Peoples of Panama (COONAPIP) was born. The COONAPIP had an instrumental role in the legislation of indigenous territories, as well as the ratification of the ILO 169 convention on Indigenous and Tribal People (Acción Cultural Ngóbe, 2011).

Despite the efforts made by Torrijos and of the COONAPIP, the undermining of indigenous sovereignties and livelihoods still permeates Panamanian law and policymaking. In the *comarca* Ngäbe-Buglé this was most evident. In 2010, the government attempted to change the Organic Administrative Charter of the *comarca* to allow Panamanian agencies in the local Ngäbe elections and ultimately deregulate mining laws in the region (Sanchez Arias, 2018).

In essence, the Ngäbe have been a resilient group that has fought for their place within Panamanian society with its wins and losses. With Torrijos, new currents of indigenous thought flourished and allowed for the creation of organizations that oversaw indigenous rights, particularly with the creation of semi-autonomous regions, the *comarca*s. Nevertheless, with the Panamanian government's liberalization, attempts have been made to undermine Ngäbe rights within their territory due to the interest in mining. In turn, this has shown that "the government is not interested in consolidating an intercultural State[6]" (Acción Cultural Ngóbe, 2011: 44).

[6] Translations are the author's own.

3.3.1. The Ngäbe and the coffee sector

While there have been studies on the Ngäbe participation in the banana sector, it is not possible to say the same about the coffee sector. The Ngäbe are considered by many producers among the "best harvesters in the world" due to their skills to identify and pick the coffee cherries correctly. A Ngäbe *cacique*, Celestino Gallardo, a key indigenous authority described his people as "the most disciplined group regarding the rules of harvesting coffee" (Interview of C. Gallardo, 2019). These skills and future capture become important in the issue of social upgrading and improved labor rights quality discussed later in the paper.

The Ngäbe's participation in the coffee sector goes beyond Panamanian borders, as they make up around half the population of harvesters in Costa Rica. The migrations to Costa Rica have their origin in the banana sector, around the 1950s, but the Ngäbe quickly entered the coffee market when it began to expand[7]. Likewise, with the expansion of the coffee markets, Costa Rican studies show three different forms of migration of Ngäbe workers to the country: permanent, seasonal, and pendular (a daily or weekly back and forth from housing places to work place) (Morales Gamboa and Lobo Montoya, 2013). A similar dynamic is found in Panama, where during the harvest season, many Ngäbe migrates from the *comarca* into the Chiriquí Highlands and then return to the *comarca* or continue their path into the Costa Rican plantations.

In these two countries, the Ngäbe labor force represents skilled labor, a necessary skill in the production of coffee, and later of specialty coffee. In Panama, the need for labor in the coffee sector began in the 70s and 80s when the production of this commodity boomed. Before the boom, the labor force in the coffee plantations was mostly local and non-intensive, but with the increase in production this was no longer sustainable, and more workers were needed to meet the demand. The migration of the Ngäbe was such, that one producer recounts the story of the town of Palmira. In the 70s, the local population left in search of opportunities in the big cities like David[8] and Panama City, and the town's school was on the verge of closing. The school's population went from 200 to 15 to 20 children. With the arrival of the Ngäbe, the area was re-populated to around 250 kids, around 85 to 95% being indigenous[9]. Despite large waves of permanent migration in the early coffee boom, most of the workers nowadays migrate from the *comarca*.

[7] Interview notes with producer 7
[8] Third biggest city in Panama located in the Western province of Chiriquí, where most of the coffee production is centered.
[9] Interview notes with producer 4

The Ngäbe that migrate between Costa Rica and Panama, or the Chiriquí highlands and the *comarca*, to work in the harvest spend around 6 to 8 months away from the *comarca* and return with the cash which will last them for the rest of the year or until the next harvest[10]. For many Ngäbe, the income made from the harvest season is the sole income they earn and due to the levels of poverty in the *comarca*, it has allowed them to subsist year by year. In the harvest, income is based on the *lata*[11]. In the 1980s, due to the international coffee prices, the price per *lata* was very low for harvesters. Furthermore, the collapse of the ICA was catastrophic for growers and harvesters in the world, as the coffee market became extremely volatile – where the price would plummet and the next month it would drastically increase. During this time, some harvesters benefited from the increase in prices, while others did not so much. Moreover, nowadays wages have increased yet these vary from estate to estate, as the wages are not regulated by any national organism. In general, the earnings from the coffee harvest have helped the Ngäbe enter the national economy and to subsist, but its impacts have not rippled through the *comarca*. Still, a small population of Ngäbe workers manages to become permanent workers and seek better education and opportunities for their children (Interview of C. Gallardo, 2019).

Considering concepts such as social upgrading, labor agency, governance, and BAs, the next two chapters aim to observe the particularities of this case study. Chapter 4 will present Panama as a coffee-market anomaly, due to its unique governance structure. This will serve as a base before delving into Chapter 5, which provides a detailed analysis of labor and how it can be understood more dynamically. Chapter 5 is dedicated to understanding the labor agency of the Ngäbe workers has been inhibited or enabled within the coffee industry.

[10] Interview notes with Producer 7

[11] Definition is found in the glossary

4.0. The Business Association as the chain driver in the midst of an ambiguous state

Panama's specialty coffee success story is a story not only of the commodity but of the market and governance of its production networks. This chapter tells the story of Panama's rise to coffee's 'stardom' and the factors that have allowed this market to flourish. Panama is an anomaly because the coffee sector is a producer-driven chain (unlike other coffee countries where it is buyer-driven), as producers can set rules of trade and prices. This has allowed producers to retain control over the governance of the chain and its structures. Related to this governance form - certification schemes (CS), direct trade, the heterogeneity of producer's priorities and the ambiguity of the state's role are discussed below.

4.1. *An unexpected breakthrough*

Panama has never been known as a 'coffee country'. In the 1990s, with the coffee price crisis, Panama was producing around 24,000 pounds of coffee, a minimal amount in contrast to its neighboring countries' production (Instituto Nacional de Estadística y Censo, 1990). Despite limited production, Panamanian producers knew the potential and quality that their coffee had, they just did not know how to break through in the market. Panamanian coffee is special due to the unique micro-climates of the country[12]. Moreover, in addition to the *terroir* in the coffee-growing region, the rediscovery of an heirloom variety of coffee -Geisha- sealed the deal for Panama's reputation worldwide.

The Geisha variety, also known as Gesha, originates from the Gori Gesha Forest of Ethiopia. In the 1930s, samples were taken from various coffee trees in the country by the British Consul for the Bench Maji region, Captain Richard Whalley, and were sent to a research center Tanzania (Hacienda Esmeralda, 2019). For a few decades, the samples travelled and reached Costa Rica's Institute for Tropical Agricultural Research (CATIE) (Caffe Luxxe, 2021). In the 1960s, the plant traveled to Panama through an employee of the Ministry of Agriculture, who was searching for disease-resistant coffee varieties. The plants were scattered throughout different estates, but the resulting trees were considered a failure, due to their "low yield and mediocre taste" (Weissman, 2008). From then on, Geisha was mostly abandoned. However, after the devastation of many

[12] Unlike in the rest of Central America, Panama's geography "runs from east to west, not north to south" and in the coffee region, there are two valleys that bring together winds from the Pacific and Atlantic oceans, providing moisture to the soil. Finally, the region is home to many extinct volcanoes that provide an incredibly rich variety of minerals in the soil (D&G Productions, 2020).

farms by *Ojo de Gallo*[13], Daniel Peterson of *Hacienda La Esmeralda* noticed that certain trees had not been nearly as badly impacted as others, leading him to plant more at higher altitudes, above 1650 meters (Hacienda Esmeralda, 2019). In 2004, Peterson discovered the variety's unique flavor while systematically cupping and studying all the plantation's trees on their estate, Jaramillo Farm (Weissman, 2008). That same year, the Peterson's submitted the coffee to the Best of Panama competition (BoP). The coffee broke all records, and the ball started to roll. One judge in the 2006 BoP, even described the coffee as having seen "the face of God in the cup" (Ibid).

The market for Geisha coffee is particular in many ways. On the one hand, a cup of Geisha is not the 'average' cup of coffee anyone would consume at an establishment like Starbucks, or your local café. Due to its high prices and low supply, it is mostly found in select shops for a hefty price. On the other, a vast majority of the buyers of Geisha are in the East Asian market, with countries like China, Taiwan, and Japan taking the lead in its purchase and consumption[14] Therefore, it is not a coffee that is consumed so much in Europe and North America, where traditionally more coffee is imported and consumed.

4.2. The Association: Competition, collaboration, and innovation

The success of Geisha and Panamanian specialty coffee cannot be attributed to just the commodity itself. The Specialty Coffee Association of Panama (SCAP) is by far the most important actor in the marketing and shaping of the coffee market nationally. SCAP was founded in 1996, and only two years later, the association launched its first BoP competition, to bring more international experts and buyers into this emerging coffee market. Following the success of the BoP, SCAP opened an online auction (or e-auctions) to 'shorten' the distances between possible clients at the worldwide specialty coffee market (D&G Productions, 2020). E-auctions offer a low-cost alternative for potential buyers and the producers, as well as decreasing information asymmetries across participants revealing the "market value and other transaction costs" to all actors involved in the process (Donnet, Weatherspoon and Hoehn, 2007). In the specialty coffee industry, e-auctions are a twofold event: first, there is the cupping competition, where a select group of coffee lots is picked, cupped, and then rated with a special coffee 100-point scale[15]. The winner of the

[13] *Ojo de Gallo* is a fungus ghat can harm the coffee plant, as it makes its leaves fall and the cherries rot. Many coffee varieties are susceptible to diseases such as Ojo de Gallo (Union Coffee, 2012)

[14] Interview notes. The interest of East Asian markets for Geisha for me was extremely noticeable when I attended the 2021 Best of Panama competition through Zoom. The judges were from a range of backgrounds, but the most common nationalities were American, Korean, Japanese and Taiwanese. These nationalities are also the main buyers, which can be seen by looking through this year's auction results:
https://auction.bestofpanama.org/en/lots/auction/best-of-panama-2021

[15] In the coffee rating system, there are 9 main components: aroma, flavor, aftertaste, acidity, body, balance, uniformity, clean cup, and sweetness. These categories are rated with a 0 (low) to 10 (high) scale, where a 9+ is considered outstanding. Moreover, judges also write 'descriptors' and notes in their scoring of the coffee.

competition and the scores of all competing coffees are then released to the public, with information on the lots, altitude of production, among other details. These help international buyers to pick from the diverse features of specialty coffees, as well as leading to a "multiplying effect" where buyers might buy outside of auctions from estates that have features they find desirable (Donnet, Weatherspoon and Hoehn, 2007).

Additional to the e-auctions, Panamanian producers were eager to be known abroad. In one story by Producer 4, he describes how a handful of producers went to a big coffee fair and made the point of speaking at every seminar at the event, always mentioning they came from Panama. According to the interviewee, this had an impact on people's perception of Panama as a coffee-producing country and led many buyers and experts to try Panamanian coffee. In time, SCAP's entrepreneurial mindset paid off: while other countries were experiencing extremely low prices due to the collapse of the ICA, Panama's producers were thriving. This was due to product differentiation and SCAPs role in marketing their high-quality coffee, thus leading to a high price floor.

SCAP's success as a BA stem from key factors that are unique to the Panamanian coffee sector. First, it is worth highlighting that unlike in the rest of Central America, where coffee is vastly produced by smallholder cooperatives and some estates, in Panama it is mostly estates. These differences have an impact the dynamics within coffee production networks between intermediaries and producers[16]. Additionally, the levels of education of the heads of the estates are not the same. One intermediary, who works with Central American coffee, highlighted that while the head of a smallholder or estate in Central America might have a college degree, in Panama it is normal to find one with a master's or a doctorate[17]. Many of them are engineers or biologists, who have had a change of career in their lives towards agriculture and applied their knowledge towards their operations. Secondly, the specialty coffee sector is small and is centralized along the Boquete area, so much that many of the producers grew up together and went to school together. Having this form of relationship structure, coupled with the main functions of a BA, has led to a 'collaborative competitive' scene, where producers help each other out, so much so that one interviewee mentioned how one producer drops potential customers at other people's farms for them to try their product as well. Within this "collaborative competition", there is the added value of trust. Since many of the producers know each other for a long time, networks of trust have allowed them to compete while also being able to perform collaboratively towards the betterment

[16] Interview notes with Intermediary 1
[17] Interview notes with Intermediary 2

of the association and the product. Furthermore, this "collaborative competition" has allowed SCAP, as an organization to gain power at local and international levels. Due to a close relationship between producers, price setting becomes a standard and allows them to ask for higher prices than it would normally happen in other coffee-producing countries. Intermediary 2 explained it very well: In a coffee-producing country with a lot of uncoordinated smallholder competition, prices for coffee may be very low so that their product is more appealing to the global buyer. Producers may lack communication about price setting and volatility, leading to an exploitative, "race to the bottom" of prices and profits. However, in SCAP, due to communication and commodity 'authenticity', producers in Panama can set prices together, setting a standard and avoiding lower profits[18]. This is because the main role of local business organizations is to represent the collective interests of the group, and also to regulate local competition and promote cooperation among members of the association (Nadvi, 1999).

BAs also have the potential to promote innovation and horizontal coordination between members, through enforcing new product standards and providing technical training (Nadvi, 1999). For instance, in 2007, three producers and coffee experts brought an Ethiopian form of processing to Panama. Natural processing is an older form of processing[19], and its counterpart, washed processing of coffee, is the most popular form in Latin American production (D&G Productions, 2020). Bringing natural processing added an extra layer of uniqueness to the already unique Panamanian Geisha. While it was met with resistance from judges, and issues occurred in the processes, natural processed coffees have now become among the highest priced in the BoP and internationally. In 2019, the Lamastus estate sold Natural processed Geisha for $1,029 per pound, breaking the competitions' and the world record (Dabov Specialty Coffee, 2019). This shows that among SCAP producers there is an internal desire to innovate and bring about new forms of standards and products into the coffee market.

4.3. Regulation and certification: who sets behaviors in the production system?

Perhaps the most important factor that allows specialty coffee organizations to innovate is the lack of regulating or behavior-changing organizations, or standards. At the national level, this means there is no central organization that regulates the coffee market. Most countries that have a large coffee sector also have an organization that seeks to protect worker interests through regulating

[18] Interview notes, Intermediary 2

[19] Processing is a step in coffee production where the cherry has its skin, pulp and mucilage removed to expose just the raw green bean. This process can be done in three ways: natural, washed and honey. Before the introduction of the natural processing, Panamanian coffee was washed processed.

the prices and labor standards in the plantations[20]. In contrast, Panama has never had an organization that functions in this way. According to some producers interviewed, not having a central organization such as that is a blessing: for them, that would only inhibit potential innovation in the coffee sector. Secondly, not being regulated allows for a culture of the 'free market' in the sector, where they can set wages and prices based on what they deem important. The lack of a regulatory agency at the national level may be explained by two factors: first, Panama's coffee sector is small and does not generate large revenue, in contrast to neighboring countries; secondly, the character of neoliberal State reforms in the 1990s cemented the idea of eliminating any distortions in the market by removing the state from the equation (Beluche, 2009).

Furthermore, Panamanian producers, for the most part, are not affiliated to any CS or VSS that guides their behavior and production for the betterment of labor conditions, or other such issues. Schemes like Fairtrade "are rooted in a moral emphasis on alleviating poverty and labor exploitation among producers" as well as having a sustainable outlook on production, while also aiming to regulate commodity exchanges by bypassing the local regulatory mechanisms set by governments (Milgram, 2021). Two groups of answers were found to this among the interviewees: First, CS for specialty coffee are seen as unnecessary because the value-added that certifications might add is already there in the authenticity of the product. It is not based on pre-set parameters. A few respondents argued that buyers, whether they are roasters or intermediaries, only "care about […] the coffee", therefore any standard that is attached to it is meaningless[21]. Instead, they believe that standards like these should be set for commodity coffee, and not on its high-value counterpart, specialty coffee. Additionally, the issue of who designs and sets the standards is a problem for many producers. As many certifications are made in Europe or the United States, producers feel that these will not accurately represent local conditions and are more idealistic than anything. Secondly, certification schemes have become increasingly more bureaucratic and costly, leading producers to have little faith in the mission and values these certifications portray. Producer 4 was associated with Rainforest Alliance for many years expressed his discontent with the system:

> "Before we stumbled onto Geisha, we never did get a real premium for Rainforest Alliance. […] in fact, in most of the [certification programs], except for Fairtrade, there's no automatic premium. Even with shade-grown […], You can usually negotiate for maybe 5 to 10% more, but it rarely helps […] there's a lot of funny business".

[20]. For instance, this would be the Coffee Institute of Costa Rica or the National Federation of Coffee Growers in Colombia. These organizations are present to control the governance structures and prevent exploitation of workers within smallholder farms or cooperatives.

[21] Interview notes, Producer 4, Producer 2 and Roaster 1

Another reasoning behind losing faith in the system comes from the fact that anyone can take advantage of a certification label even when not being morally committed to the mission of the label. The commitment to be certified might be guided by wanting to add more value to the product without any change. Many interviewees think that these labels do not bring change, perpetuating cycles of poverty, with just a 'narrative' change attached to the name. Therefore, certifications are often met with skepticism by producers and other actors along the production network. With direct-trade, however, there is a spectrum of opinions, that vary according the type of producer. Some producers are skeptical of direct trade's effects as a certification alternative, and rather view it as a marketing tool. On the other hand, other producers do think direct-trade is a better alternative for CS and use it as a quasi-certification (see Table 2). Regardless of being seen as a marketing tool or an alternative certification, direct trade only refers to a direct line of communication of producers and buyers, and relationships built on trust. Despite trust ensuring that quality is high, and that the underlying systems of labor in the production are at a high standard, in the end there is no real accountability mechanism for checking and proving a producer is not engaging with exploitative practices (Guimarães *et al.*, 2020).

Due to not having any of these two sources of regulation or standards for determining how producers set conditions for their workers (among other things), the responsibility is left to the individual producer. Producers may have different personal motivations for why and how they set labor conditions at their estates, which may be related to a religious belief, a sense of community or cultural beliefs. These will be explored more in Chapter 6. Regardless of the reasoning, the conditions set for environmental sustainability and working conditions are always tied to overall product quality – the number one priority of the producers.

Table 3: Typology of producers based on social upgrading and direct-trade motivations

Types of producers	**Social-change oriented**	**Complacency-oriented**	**Free-market oriented**
Description	Believe that betterment of working conditions comes from producers themselves, having some form of additional motivation for social upgrading (see Chapter 6) View direct-trade as a marketing strategy, not as a certification-scheme alternative	Believe that betterment in working conditions comes from the producers but does not go beyond the standard improvements in labor conditions (for instance, wages) Views direct-trade as a good alternative for CSs	Believe betterment of working conditions because of the free market and does not show substantial interest in social upgrading for employees. Views direct-trade as preferred alternative for CSs.

Source: Author's interview notes

4.3.1. Heterogeneity: direct trade and practices

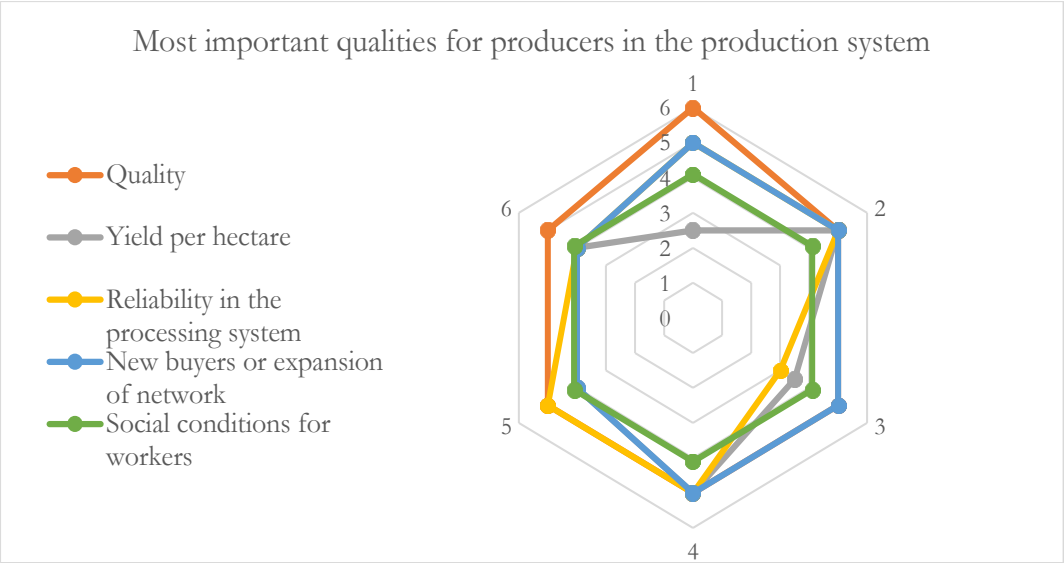
While producers may be in agreeance that existing certification schemes are not useful at the level of specialty coffee, the direct trade alternative lacks transformative potential to bring about meaningful change in working rights. This is due to its personalistic and subjective nature, where roasters and producers assign value to what they care for. This means picking and choosing from environmental and social issues to best fit what they can 'afford' to change or based on personal preference. Furthermore, it also reflects lack of transparency, since there are no institutionalized guarantees, but instead labor standards are up to the goodwill of producers without holding anyone accountable for "indecent" conditions. These issues tarnish the potential that direct trade has in returning greater profits to workers, who in general receive the short end of the stick. An intermediary reflected on these limitations, and argued that direct trade is becoming greenwashed, ultimately "diluting what […] sustainable trade is" about[22]. Roaster 1 also mentioned that despite being the preferred method of trading in the specialty coffee industry, it all remains "grey and muddled". Another study found that roasters were also faced with the potential threat that direct trade may be coopted by "free riders", or those who use it for greater profits without transforming their practices (Gerard, Lopez and McCright, 2019). Therefore, any possible transformative powers of direct trade, which would include having better wages for workers and giving back more to the farmers, as well as environmental and social impacts, is deeply impacted by its lack of transparency and standardization. So, if direct trade is so flawed, what are the options? With more producers entering, the association faces issues of possible free-riders, as well as an overall increase in competition and emergence of fake-Geisha products. If so, there will be pressure on present profit levels (price differentials) and the BA would be expected to respond [23].

The current understanding within the association is that all members have the same understanding of quality and coffee production, painting a homogeneous picture of producers' interests and production processes. However, the reality is far from homogeneous. While quality is by far the most important quality in production to coffee growers, with the most similar answers, other qualities such as yield per hectare or replicability/reliability of the processing system are not equal (see Figure 2). These differences may be related to the scale of operation or ones newness to the market and size. For instance, a small estate owner cares more about yield per hectare than another grower who has a 500-hectare farm. Likewise, in the processing system, some producers

[22] Interview notes with Intermediary 2
[23] These will be explored further in Chapter 6.

still must get a name for themselves and cannot risk having a lower-quality product in contrast to a well-established producer who looks for innovation and different ways to better their product[24].

Figure 2: Most important qualities for producers in the production system



Source: author's interviews

Furthermore, heterogeneity is also reflected in the current conditions and treatment that workers receive in the estates. Due to the governance structures of this producer-driven chain, producers are not so bound by internal or national regulations to better conditions for workers, leading to stark differences between labor conditions at the sector level. Interviewees highlighted these differences, explaining that while some provided benefits or better income for workers, many continued to turn a blind eye towards the poverty in which many of their workers lived. These conditions will be further explored in Chapter 5.

This BA heterogeneity has two implications: first, SCAP and its members are not standardized in their production systems which also leads to different understandings of what it means to improve labor conditions for workers, among other factors. Second, it might lead to issues of different interests within the group, ultimately affecting the cohesion and legitimacy of the association. For example, a key issue of this is the discussion on child labor[25]. Alongside the lack of standardization, this might present a problem of mistrust in quality and collective betterment of the product in the future.

[24] Interview notes with Producer 5
[25] This will be discussed in more detail in Chapter 5.

4.4. *Concluding remarks: Reconsidering governance in the coffee sector*

Considering the differences between the 'average' coffee sector in Central America with the Panamanian one, it is crucial to re-evaluate the type of governance used. At the most basic level, the Panama's specialty coffee GNP is an example of private governance, as the coffee sector is small and operates on trust and mutual dependence. Moreover, studies on GVCs and GPNs tend to agree that coffee is a buyer-driven commodity (Grabs and Ponte, 2019). While this might be the average setup of coffee chains for many countries, at least for the moment, the case of Panama is an outlier. Due to it being both, producer driven and not driven by formal private standards as Lee, Gereffi and Beauvais (2012) suggest should be the case. For now, Panamanian specialty producers are mostly not certified and do not intend to, as was explained earlier. The quality aspect that producer-driven chains follow is a key aspect of the coffee sector, however, it does not rely on external standards to do so – instead, it is defined by the structures of the market and the business association. The producers, through the association and collaborative efforts, set prices based on quality and authenticity allowing them to have power over other actors, such as intermediaries and roasters in the production network. Therefore, power is mostly located at the country of origin, unlike in other coffee networks where it is dispersed outside developing, coffee-producing countries.

Panama's high-end coffee market presents an outlier in the research, and this may also be due to the role (or lack of) by the state. Unlike other coffee-producing countries where the State plays a regulatory role, in our case the ones who hold the power in setting prices and a 'standard' are the BA in sector, particularly SCAP. The production of high-end coffee counteracts the need to have a standard in the market that may inform the consumer and buyers about sustainable or social practices that a firm is doing – as many producers have said, these issues are not of interest to buyers because it is implicitly assumed that conditions are better. Moreover, Panama's coffee sector is characterized as a producer-driven chain, thus the producers hold more power than other actors in the production network. These latter points lead the producers to be 'exempt' from having to invest or enter a CS or VSS. Nevertheless, with the supranormal returns that high-end coffees like Geisha provide, more firms will enter the market and freeriding, and lower quality products are bound to appear. This is an issue that direct trade as a quasi-certification cannot deal with as it may lack the potential to be scalable. This is further reinforced by the heterogeneity within the association in terms of individual producers' preferences, as well as differential treatment of workers that can impede future homogeneity processes.

As noted in Chapter 4, the business association, SCAP, holds the most power in the GPN of specialty coffee in Panama. The chapter suggested that its position as a producer-driven chain has allowed producers to have control over prices and not be subjected to standardization in the form of CS or internal parameters for production, including working conditions. The following chapter looks at the other side of this picture: workers and their agency within the coffee sector, as well as the current State-employer labor relations.

5.0. The Politics of Bringing Labor Back in: The Ngäbe as workers and the dynamics of State-Employer Labor Relations

The Ngäbe are essential to the coffee production in Panama. They make up the largest population in coffee production, with 90% of workers being from this ethnic group, yet their impact and role are undermined and invisible to the rest of the Panamanian population, as well as to other actors along the production network of coffee. The following chapter reflects on Ngäbe as workers and their migration, as well as the State-employer relations. The latter subsection seeks to explore the dynamics of ambiguous politics of production, exemplified by issues of child labor and lack of social protection. If social upgrading is to have transformative potential, these issues need to be addressed. This is because material conditions -such as access to social security- affect workers opportunities for social upgrading.

5.1. *The Ngäbe as a moving labor force*

The Ngäbe's emergence as a 'moving' labor force is related to the type of wage labor they provide. Historically, labor in the horticulture and agricultural sector was carried out by the *Latinos*, but because of the increase in job opportunities, many left the fields to work in cities. With a vacuum of work, the Ngäbe began to migrate towards the lowlands and highlands of Western Panama in search of wage labor. This was partly due to being pushed from more fertile lands towards the mountainous and less arable lands, and the growing need for the indigenous peoples to acquire cash income to subsist in the *comarca*.

Currently, in the Panamanian agricultural sector, most of the workers are of indigenous background. Of these, the largest percentage of participation is from the Ngäbe-Buglé *comarca*. Moreover, most of the workers (85%) in the agricultural sector are considered "independent", meaning that they do not have access to social security due to the status of their employment (Pérez, 2010). Issues with employment and mobility are some of the key barriers that the Ngäbe, and other indigenous groups, face daily. Due to their temporality in the fields and unstable conditions of workplaces, indigenous people often face exploitative conditions and unfair working standards. Nevertheless, these issues date back to the first immersion of the Ngäbe into the Western labor force.

In the early 1950s, the Ngäbe (as well as other indigenous communities) entered the UFCO banana plantations' workforce (Bourgois, 1988). The UFCO initially did not want to hire indigenous populations as they were "monolingual, illiterate and inexperienced". Yet in the

following decade, the Ngäbe became one of the largest groups in the labor force (Bourgois, 1988: 322). Integration into the Western wage labor system was difficult, as the Ngäbe lacked "proletarian skills" (referring to the implicit norms of wage labor – a strict schedule, cash transactions, etc), which made it difficult for managers to supervise. More importantly, however, the lack of "proletarian skills" also included issues of organization and mediating. When issues emerged at the plantations, "no indigenous institutions emerged to mediate the profoundly dislocating process of labor migration to the plantation" (Bourgois, 1988: 333). In many cases, Ngäbe workers were subjugated to the forces of plantation management, with many being left without the money they earned, food, or shelter (Ibid).

4.1.1. Conditions in the coffee sector

The income of coffee pickers is traditionally based on the *lata* of coffee cherries. However, the price of the *lata* is not what is paid to workers – instead, they are paid around 30% of the price of it. If in a year the price of the *lata* is set to $10, then the pickers will get $3 of this. In general, an experienced picker can harvest 6 to 8 *latas* per day (Haworth, 2012, 2016). The remaining cost goes towards maintenance of operations, such as fertilizing, pruning, disease treating, among other tasks. Haworth (2016), a producer based in Boquete, mentions that maintenance costs are around 60% of the total cost per *lata* and that the "profit" for the producer is 10%. In the specialty coffee industry, picking comes with conditions and with a better focus on quality[26], thus, in this case, quality goes before quantity. As Producer 2 described:

> "[As a producer] You no longer pay for quantity; you pay for the day. And if the [worker] goes and harvests one *lata* […], you are not worried about it being a small amount. Before, a worker could pick 10 *latas* on average because they were being paid for quantity, but now they are focused on quality"

Thus, in some estates, producers do not use *latas* as income-measures but rather daily rates. This is the same for permanent workers. Nevertheless, in estates where *latas* are still used, one worker described that despite being a permanent worker, he does work in the harvesting period, since "everybody needs to help".

Additionally, some producers choose to provide other benefits outside of income. From the producers talked to, a few had special programs for their workers and their families, but it is not a common occurrence. One well-known producer asserted: "I don't think I need all five fingers on one hand to name the number of farmers who are concerned about [improving workers

[26] For instance, conditions include only picking red-ripe cherries instead of all the different colors on the bush. It also may involve a certain way of picking the cherries so that they are not handled to roughly or destroyed.

livelihoods]". He followed up by saying, in his family's estate they have a policy of granting scholarships for all kids from the moment they are in kindergarten to high school and even university: "… anybody who can get into any university, or be at Harvard, or be it whoever, we will pay the full thing"[27]. Another producer has a similar program, started by his grandfather, and another built a school on the estate for worker's children. However, other producers who are 'newer' to the market in Panama argue that despite high market prices, some producers "still don't have the sufficient demand at the right price to truly convert their operations into better ecological, social innovation entities"[28]. Thus, even though the specialty market is currently experiencing supranormal returns, the returns are not enough to transform entire operations into sustainable ventures. This is partly due to the restricted demand for specialty products, due it being unaffordable to many due to their high prices.

With the increase in quality of the product and a more specialized production network, many producers have taken action to make sure the quality of work is kept to the maximum. By offering competitive wages and additional elements to the wellbeing of the worker and their families, producers can have some insurance that the cherries are being harvested properly and in the right conditions. Nevertheless, as mentioned before, not all producers provide benefits to their workers – thus, exploitation and minimum wages continue to permeate across the sector. Other improvements in the livelihoods of the Ngäbe come due to skill enhancement, done informally or formally, through experience or active teaching on the estates. These have allowed many to move from harvesters to controlling machinery, or other things, despite the worker's low level of formal education.

The different types of roles within coffee production by worker status

Non-permanent workers: This type of worker is on a seasonal contract that can be extended during the harvesting months (from January to April). They are employed exclusively for harvesting cherries.

Permanent workers: Are often harvesters who were selected to stay at an estate and get a fixed contract. These workers participate in everything from harvesting to maintenance of the estate, to working with the machinery in drying, milling, packaging the coffee. In contrast to the non-permanent these workers live year-round on the estate.

[27] Interview with Producer 4
[28] Interview notes from Producer 3

4.2. Paths towards social upgrading and exercising labor agency

Despite the hardships and exploitation, the Ngäbe cannot be viewed as a passive actor in their development and within the geographical structures of the coffee industry. While they may not have the power to change the maps of capitalism, as workers the Ngäbe hold power through their labor agency. Producer 1 argued that, because the Ngäbe is the preferred skilled workers in the fields, they have unique bargaining power where they set the standard for how much they want to be paid and how the harvesting must be done. This producer recounts how all the workers walked out from an estate after harvesting disputes with the owner, who wanted to pick cherries differently from how the workers would do it. Similarly, many do not accept lower wages and will simply walk out of estates, leaving the producer with a shortage of harvesters. Because of these conditions, producers often opt for offering higher wages to some workers[29]

4.2.1. Learning through experience

At the national level, the Ngäbe-Buglé *comarca* has a medium-to-low percentage of schooling for children of the ages 15-17. Reasons behind this include lack of infrastructure, low institutionalization of local education centers, socioeconomic barriers, disinterest of families, and child labor. (UNICEF, 2019). Despite the barriers to formal education, many of the Ngäbe have used the opportunities of working in specialty coffee estates as a way of acquiring knowledge and skills that otherwise would have not been possible at the formal education level. Producer 4 highlighted how cultural differences in language and worldview made it very complicated to train Ngäbe managers and supervisors. However, by turning the experience into a learning process, the producer said the workers became invested and receptive. Moreover, culturally the newer generations of Ngäbe are more motivated to acquire skills that go beyond harvesting, especially regarding machinery and technology. Lack of education, however, is a real barrier that Ngäbe workers face when trying to improve their livelihoods. One producer mentioned one of his young workers, who is the only one capable of running a computer-operated green bean-sorting system, and that many see his potential as a roaster but he "lacks education". Additionally, while in the past many Ngäbe were monolingual, working in coffee estates has allowed them to learn Spanish, and sometimes English – the latter making them able to also pursue roles in tourism and helping in tours of the estates.

Opportunities for social upgrading are accompanied by moving up the ladder in the production system. Due to the highly specialized processes and focus on quality, many Ngäbe have risen through the ranks from temporary harvesters to permanently working with the different

[29] Interview notes with Producer 1

machinery and technology on the estates. From the interviewed workers, all of them had gone through this period and they showed great pride in their position. Many workers look up to other Ngäbe who have managed to reach greater heights in the estate. One example is Josue[30]. Josue's experience is an exceptional case in which one producer chose to change labor conditions for a few workers, however, this is not the norm. Many Ngäbe have had to work hard for better positions within estates, but the bulk of the labor force only harvests and then migrates. Thus, social upgrading is seen through the differentiated conditions or positions of workers.

Image 1: Ngäbe worker in the drying area. In the back, the housing of the workers is shown.

Source: Author's photo

[30] His real name has been changed due to privacy, and anonymity. Josue started working as a migrant harvester at the age of 22. He had finished high school and had just dropped out of the local university. During his first years, the entire processing system (milling, drying, etc) was done by foreigners who would come to the estate once a year. From the different workers, Josue was picked for a test trial to see if he were to be able to operate the humidity control machines. He was eager to learn and was successful at operating it. After that, he got a raise and was taken from the harvesting to work exclusively on the machines. Josue's work did not go unnoticed, and he was chosen to do other logistical tasks, including an inventory. Josue met the estate owner, who introduced him to the world of processing and cupping coffee. The producer noticed Josue's trajectory and alongside making him the Director of Operations of the entire estate, he taught him how to prepare coffee – a job that is often with roasters. Moreover, Josue's position in the estate has served as an inspiration for many others. As the head of operations, he has 7 Ngäbe foremen (out 8) who have also learned to manage and supervise other workers and mentions others in other estates are following his footsteps into reaching other positions within the production system.
Josue's rise has not been received well by some, particularly Latino Panamanians. He mentions been undermined due to his lack of formal education and 'inexperience', despite being able to have learned everything within a couple of years. This reflects the racist attitudes towards indigenous peoples in Panama, where there are not perceived as competent, and having someone from that group in a position of status and power is not well received. Despite this, Josue has managed to exert his agency and prove to others in positions of power of his capability and accomplishments. Furthermore, Josue wants to use his position to promote more opportunities for the Ngäbe within estates, but also at the comarca level by financing specialty coffee projects that will help his community.

This section argued that Ngäbe should not be seen as a passive agent in their development, but by exploring the current conditions and opportunities, some individuals have followed social upgrading towards self-development. In this following section, however, the State-employer labor relations and ambiguous politics of production are described.

4.3. Ambiguities in the politics of production

Outside of the individual and differentiated labor conditions found in estates for Ngäbe workers, State-Employer labor relations affect the opportunities for social upgrading of workers significantly. The State currently plays an ambiguous role in the politics of production, however, to reach the full extent of social upgrading and betterment of labor conditions, there must be a change in the current socio-political environment. Two key issues here stick out: child labor and lack of social protection. First, child labor is an ongoing debate between forces outside of Panama, as well as within the State and with employers. Second, the social security system is deeply flawed and is exclusive to 'formal' permanent workers, leaving migrant and seasonal workers on the margins of social protection. Thus, these issues present real barriers to development and social upgrading by creating further obstacles workers. These two examples will be discussed in depth in the following sections.

4.3.1. The family and issues of child labor

Culturally the Ngäbe consider themselves as a family unit. When they migrate for the harvest, they often do so with their nuclear family (spouse and children) as a way of earning more income for the family. For many years, the entire Ngäbe family, including children above the age of 16, would work on micro-lots. It is estimated that around 10,000 families and their children arrive in Chiriquí for the harvest each year, and many children abandon school (Gómez and Pimentel, 2017). Nevertheless, the migration of the whole family has proven to be an issue of cultural clash with the Panamanian authorities, and one which raises many difficult debates with respect to social upgrading and social development. Under pressure from international organizations and bodies, the Panamanian State has undertaken a significantly important task in combating child labor in the agricultural sector, including coffee plantations[31]. In turn, this has led to many families opting to leave their children in the *comarca* during periods of seasonal work in the Highlands. The State's management of the issue has also had indirect negative repercussions at the *comarca* level. With families not being able to travel together, children and the youth are left unattended leading to teen pregnancies and the risk of contracting sexually transmitted diseases,

[31] The authorities have carried out large campaigns of awareness in coffee estates about the risks and consequences of hiring underage individuals. Additionally, surprise checks are done by the Ministry of Labor to ensure that producers are complying (Serracín, 2019; Vásquez, 2020)

including VIH, the third most common cause of death in the region (Samaniego, 2019). Some producers argued that the government's intervention in the family structures as negative. In terms of the reasoning behind this, one mentioned that when the father is the only one who migrates, back in the *comarca* rape and teen pregnancy can happen more often, or at the estate, the father will use his income in alcohol. Another reasoning used by producers was that separating the families would inevitably lead to the end of "their society"[32]

Despite this reasoning, Panama has gained an international reputation for its ongoing issue of child labor. The U.S Department of Labor reported that 68.6% of working children from ages 5 to 14 were involved in agricultural activities, including coffee (U.S. Department of Labor, 2020). Most of these children are from the Ngäbe Buglé *comarca*. To combat this, estates have created different 'policies': on the one hand, bigger estates provide children from working families with on-site schools (Café de Eleta, 2013), or provide an extra-curricular 'summer school' (since the harvest period is usually during summer holidays) sending them to the neighboring towns for the day[33]. On the other hand, smaller estates that cannot afford to open a school opt to tell their workers to leave their children behind in the *comarca*.

The debate and issues surrounding child labor reflect the Panamanian State's dilemma in maintaining and representing different actors' interests, presenting a dilemma regarding the consideration of social upgrading. On the one hand, the State encounters an international presence from ILO representatives, U.S government agencies, and other international organizations promoting a 'one-size-fits-all approach to the realities of child labor in the country. These institutions are not aware of the cultural differences between Western ideals, in contrast to those of the Ngäbe. On the other hand, many producers and indigenous people perceive a different reality. The producers, with their many explanations for why the families should not be separated, are fundamentally more interested in having skilled labor and more efficiency in the harvesting process, therefore increasing productivity on the field. The Ngäbe's interests are also at stake here. Because of cultural understandings of the family as a working unit, each member of the family past a certain age can generate more income that will contribute to the subsistence of the family for the following months in the *comarca*. Ultimately, however, the state plays an ambiguous role in the improvement of livelihoods for workers as it considers them a passive subject in development, instead of understanding what their sociopolitical and cultural understandings and realities are.

[32] Interview notes with Producers 1 and 5
[33] Interview notes with Producer 2

4.3.2. Access to social security: a precarious deal

Informality rates have been increasing in recent years, particularly exacerbated by the COVID-19 crisis. It is estimated that around 52.8% of the total active working population works in the informal sector (Instituto Nacional de Estadística y Censo, 2020). This has had a significant negative impact on the inclusion of workers into the social security system. For instance, the Ngäbe-Buglé *comarca* reported having 1.0% of its population actively protected with social security (Instituto Nacional de Estadística y Censo, 2019).

Access to social security is a key issue for agricultural workers, particularly those involved in seasonal sectors. The system of social security is very exclusive due to the entry criteria for workers: first, the individual must have a formal and stable job, where the employer subscribes them to the system; and second, the individual must pay a monthly percentage of their incomes into their mixed accounts. As a seasonal worker, and living on the wages made during the harvesting, it is virtually impossible to enter the system. This is enhanced by the fact that a vast majority of harvest workers migrate between Costa Rica and Panama during the harvest. Some interviewees took this matter personally, criticizing the States' lack of interest towards independent or seasonal workers. While they considered it unjust to categorize seasonal and permanent workers together, one said that redesigning the system to be more inclusive would help up to 75,000 indigenous families to get health and pension benefits[34]. From the permanent worker category, a minority in the sector, some producers estimate that around 80 to 90% of them have access to a social security account. Moreover, the Panamanian social security system, the *Caja de Seguro Social*, is facing a deep crisis. This has impacted primarily the health care and pensions systems. For the former, medication shortages and unavailability of medical facilities and experts have presented a massive issue. For those workers who are in the system, such as the permanent coffee sector workers, these issues are an everyday reality. One worker described the perils he goes through when he is sick:

> "If we are sick, we must wake up at around 3 in the morning and start walking to the health center in Boquete (a 1 and a half-hour walk), and when we get there, there is usually a big line. Once it is my turn, they tell me that there is no more medicine"[35].

In this case, the State's failure and ambiguity in the social provisioning for informal sector and indigenous workers has deeply affected the ability of many to have adequate safety and health

[34] Interview notes with producer 7

[35] Interview with Worker 3. It is also worth noting that even though they are sick, the workers must be at the Estate to start their workday by 7am.

standards. The State's absence is felt in the medicine shortage in the public health system, as well as in the discriminatory practices of many in the public health sector. Thus, some producers have had to take matters into their own hands, hiring a private nurse, dentist, or doctor to do weekly check-ups on workers during the harvest season (Thurston, 2013).

In essence, the livelihood and labor participation of the Ngäbe has been affected by the producers and the State in a range of ways. First, in terms of income and wage labor, Ngäbe's incomes have been very low due to the shares of price of the cherry *lata*. Some producers in the high-end sector have tried to go beyond these measurements of income by including other benefits, to increase the 'guarantee' of higher care and attention to the cherries being picked. In the end, producers assume that a well-compensated worker will take quality into more consideration, as opposed to in a commodity sector where quality is overshadowed by quantity. At the state level, the ambiguous politics of production have had a massive impact on the structures of estates by defining *who* is a worker and who is not. At the heart of this is the issue of child labor, followed by the nationwide crisis of the social security system. The former showcases the Panamanian's state ambiguity in trying to understand the multiple groups and their cultures, while trying to appease external influences. The latter represents a national crisis that affects migrant and seasonal workers, like the Ngäbe. As Brand (2013) argues the State is the most important actor in societal domination, thus it has complete power over social issues (and policy) and does not allow for an alternative to emerge.

This chapter dealt with the current conditions and experiences of the Ngäbe in the specialty coffee sector, from their experience as migrant workers, opportunities for social upgrading, to the ambiguous dynamics of State-employer relations. In essence, the State's absence or ambiguous role has a deep impact in the current material conditions for the Ngäbe. This last section serves as an important context for future opportunities of change in social upgrading opportunities and changes in labor conditions. These future scenarios, based on the pressures of an increasingly competitive market and the ambiguous role of the State will be formulated in Chapter 6.

6.0. Narratives and the future of change in the capital-labor relations

Based on the analysis of Panama's outlier governance structure and social upgrading of Ngäbe workers, as well as the current State-employer relations, this chapter analyzes the narratives for social upgrading and labor rights quality used by producers and suggests three scenarios for the future of capital-labor relations. The first section will look at the different narratives used by producers to improve the quality of labor rights, and the second will introduce scenarios for the specialty market.

6.1. Narratives on social upgrading

Along with the heterogeneity in different qualities of production introduced in Chapter 4, producers have different narratives of how they view the improvement of labor rights conditions, as well as issues like sustainability. Even though it was discussed that these improvements are linked to the need for greater quality in production, as seen in the typology of Chapter 4 producers may have an 'additional' or underlying motivation for doing so. This section looks back on the 'social-change' oriented producers described in Table 2. In general, there are two sets of narratives identified in my interviews with producers.

First, a 'giving back to the community' narrative. This was particularly seen among Panamanians or foreign producers who have resided for a long time in Panama. Panamanian producers have more familiarity or grew up along Ngäbe people in the Chiriquí area and understand the poverty situation in which they live. Moreover, some producers grew up in coffee estates (as children of producers) and have even worked as pickers in their youth, so they view the work from a firsthand experience. Some who may not have first-hand experience, understand the role of racism and xenophobia, as well as obstacles from the State, that the Ngäbe workers face daily and attempt to 'do their part' by providing education, healthcare, and better wages.

Secondly, other producers have a narrative based on a 'good Samaritan' or religion. Within this narrative producer's approach betterment of conditions in a twofold way: first, some believe environmental and social conditions are crucial to maintaining the land that God has given, and second, destroying it (or exploiting people) goes against God's intentions. More concretely, these practices use a 'love thy neighbor' rhetoric, as one producer said: "if we do not understand there is a God then there is no meaning and [no right or wrong in] how we treat each other". Surprisingly some producers who have chosen to provide better conditions for workers through an increase in

wages, are shunned by others in the industry. One worker mentioned how their boss pays two and a half times more per *lata* than other producers, consequently receiving angry messages from other producers to 'stop doing that'.

Despite some producers opting to have additional personal narratives that inform their desires for social upgrading and improvement in labor rights quality in their estates, these are neither binding nor standardized among producers. Narratives allow the producers to pick and choose which values they believe best fit their production and 'improve' accordingly – be it a small or larger change. Therefore, these narratives add more nuance to the promotion of social upgrading by showing what each producer considers to be important in the production of high-end coffee. However, these narratives alone are often not enough to promote an adequate quality of labor rights. Due to the current direction of change in the market and likely increase in number of producers, the next section looks how producers in SCAP may respond to these competitive pressures, and to possible implications of these for state policy and, most importantly, of both of these for labor rights possibilities.

6.2. Scenarios of change

Despite there not being a current mechanism of standardization of quality, product, and social and environmental parameters, with the emergence of more specialty coffee producers, new measures to ensure quality might appear. With Geisha and other high-end varieties dominating the market, and 'fake' products claiming to be these making their way into the economy, producers – and as an association – might be driven into creating a scheme or regulatory body that proves it is good quality and Geisha coffee. One producer mentioned how they had come across a fake 'Geisha' coffee that was circulating in China, reiterating that authenticity is what people are looking for when consuming this type of coffee:

> What can be assured as of now is that our members are backed by [SCAP] and that they are doing things correctly. But to be honest, the association has no total control or power over what our 75 members are doing, so any member that tries to be opportunistic cannot be caught easily. However, if they are caught then there will be consequences […]"[36]

While the producer is confident in saying that the organization's approval of the 75 members is a guarantee that they are producing Geisha, it still reflects a concern towards a freeloader or opportunistic attitude that the business association members might have. Additionally, with the growing popularity of specialty coffee production in Panama, even more members could become

[36] Interview with Producer 2

an obstacle for communication and quality insurance within the sector. There are initiatives, like genetic lab testing, that serve as a regulatory mechanism for the heads of the association to retain control over the quality and product that is being marketed and exported abroad. However, it is uncertain how much this initiative would cost or how effective it will be. Growing markets and sectors, like Panama's, will inevitably come across freeloading producers or will have a decline in quality if standardization is not considered. While it might not be through a certification scheme like Fairtrade or UTZ, an internal structure change within the business organization must be considered to ensure future success.

Considering the current state of the market, the governance structures, as well as the status of many Ngäbe as migrant and seasonal workers, and what was discussed in this section, I have identified three scenarios. Scenarios are an important part of policymaking, as they help communicate the possibilities given the current circumstances, and future driving forces that might have an impact on uncertainty and impact (Groves and Lempert, 2007). Moreover, these scenarios are influenced by Knorringa and Pegler's (2006) hypotheses on improvements in labor conditions but reflect only on the three present actors in this case-study: the business associations, the State and the workers. All the following scenarios start from the assumption that increased competition in inevitable.

Scenario #1: Following an already-drawn path

In this scenario, the BA is not affected by the increase in market competition and producers. Additionally, due to the similar conditions, the Panamanian State maintains their ambiguous status and does not respond with changes in labor policy and parameters for producers in their estates, still leaving social issues to the goodwill of each producer. Ultimately, no real change emerges regarding labor rights quality and better access to social protection for workers. Thus, this scenario has a negative effect on the betterment of conditions for workers.

Scenario #2: Differentiation and limited State intervention

This scenario follows the business associations reacting to the changes in market competition by maintaining the current overarching heterogeneity regarding production and social change. This may lead to differentiation between producers, which can negatively impact organizational cohesion. Maintaining the heterogeneity and having an increase of producers in the market may bring in the Panamanian State more in its role as a regulator of social protection. In this way, issues of child labor (the State's major focus in this sector) may become more stringent and regulated. However, other sides of labor rights quality such as access to social security, will continue to be

undermined or deemed less important. Thus, even though the State is more active and less ambiguous, the overall effects on labor rights quality are limited.

Scenario #3: Towards standardization and the State as a guarantor of rights

An increase in producers may bring about discussions on the differences, both regarding production processes and social impact, as well as discussions on organizational cohesion of SCAP, which may lead BAs to seek standardization to ensure quality, less free-riders and fake products. Thus, in this scenario, most producers choose to change. As a result, the Panamanian State may become involved and compromises to find better solutions. This may entail, for instance presenting producers with a 'common code' on labor conditions, including child labor policies. This may also lead to policy discussions on labor rights quality overall, leading the way into better protection and conditions, which could impact future discussions on social security and the inclusion of informal, seasonal, and migrant workers. In general, this scenario reflects a change in the dynamics of State-employer labor relations, ultimately having a positive impact on labor rights quality in the long run.

This chapter has looked at the narratives used by producers in the betterment of labor rights quality under their current circumstances. While many producers have a sense of community or a religious moral value that informs the heterogeneous conditions within their estates, these are often not enough to create change along the production network and to the Ngäbe workers. Therefore, the analysis led to the development of three possible scenarios using a scenario analysis of policy-making that might inform the future factors that will affect the market and capital-labor relations in the sector.

7.0. Conclusions and further research

In this research paper, I attempted to answer the question "Does the governance of direct trade in high-quality niche market hinders or help the evolution of quality labor rights? Are improved labor rights an inevitable part of the process?". Using a GPN approach and a labor geography and agency analysis, as well as looking at the key concept, governance, I was able to understand how processes of social upgrading and labor rights quality are impacted by governance structures. The study's findings are mixed and show that at macro-level, direct trade has not translated into an overall gain for workers in the coffee sector. At a micro, estate-level, there is evidence that labor rights quality has improved yet these are due to the producer's unique motivations towards providing better livelihoods to workers. This is shown through providing workers with better opportunities within the system, to additional benefits such as schooling, housing, or healthcare. Moreover, aside from individual motivations, many producers consider that quality of product is directly linked to quality of labor rights, thus in these cases, an improvement of labor is an inevitable part of the process. Nevertheless, this cannot be generalized for all producers and represents only a minority. As shown earlier, one producer argued: "I don't think I need all five fingers on one hand to name the number of farmers who are concerned about that [improving workers' livelihoods]". Therefore, as a group, producers are heterogeneous in terms of background, aspirations, interest, and experience, thus this reflects a different picture on how each one chooses to deal with the labor question. This is further reinforced by the absence of the State in topics outside of child labor. While not linked to direct trade specifically, some producers with higher commitment to social issues are taking on the role of the state as the provider of basic social and health services, such as schooling and housing.

Additionally, this study highlights the active role of workers in their social upgrading through labor agency. Despite being in a position within geographical and capitalist structures that work against them, the Ngäbe have managed to bargain their positions in the industry as the preferred laborers, and through learning additional skills. Many Ngäbe who started as harvesters, now have permanent contracts and are learning technical skills such as using machinery or even serving coffee. While this is not the norm, individuals who have managed to rise through the ranks serve as inspiration for others who follow their steps.

Moreover, given the likely increase in market competition and following Knorringa and Pegler's (2006) hypotheses on labor rights transformations, I suggested three scenarios of change within business associations, in which increased competition and producers' cohesiveness (or lack of thereof) may have diverse effects on the role of the State, and ultimately on labor rights quality.

Finally, this research has shone a light on the new specialty coffee market and its particularities, yet much more remain unexplored. There are many avenues of research that may emerge from my study, for instance exploring attitudes of social responsibility and labor rights from producers and global buyers; as well as looking at the livelihoods of the Ngäbe and understanding their perspectives even more. Other avenues include a more in-depth understanding of the State-worker relationships in Panama that lead to the absence of the state and the government in issues of indigenous worker livelihoods.

8.0. Bibliography

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9.0. Annexes:

Annex 1: Interview questions for workers and producers:

PRODUCERS (ask age and providence)

1. In which ways is a specialty coffee estate different from a commodity coffee estate in Panama?
2. What has been your experience with working with the Ngäbe?
3. To what extent do the buyers (intermediaries or roasters) ask or are aware of the labor practices in the estates?
    a. What are the attitudes towards environmental and social responsibility efforts? Who (along the chain) cares, who doesn't?
    b. Which countries are the ones that buy the most?
4. What is the role of the State in improving labor conditions and rights in the coffee sector?
5. What is the role of the producer in giving the workers, specifically the Ngäbe, a voice nationally?
    a. What is your personal motivation towards improving labor and ecological quality?
6. What is the role of certification schemes in specialty coffee markets? Is there a tendency towards certification?
    a. If not, why?
    b. Do we find the direct trade 'label' instead?
7. Is there a global trend towards transparency in the chain and how is it occurring?

Ranking questions: from 1 to 5, 1 least important to 5 most important for you in the product and production of coffee

- Quality
- Volume of product acquired/Yield
- Reliability in the processing system
- New buyers or an expansion of network
- Social conditions for workers
- Environmental conditions

TRABAJADORES (preguntar edad y de donde son):

1. ¿Cuál es su rutina de día a día en la finca? ¿Qué tanto cambia?
    a. ¿Qué tan largos son los días y cuantos trabajas?
    b. ¿Considera que es suficiente para el sustento personal?

2. ¿Cuál es tu experiencia trabajando en una finca de café especial?
    a. ¿Has trabajado en alguna otra finca, de que tipo?
3. ¿Cómo es la relación y comunicación entre tú y tus colegas con los dueños de las fincas?
    a. ¿Es fácil comunicar algún tipo de duda, pregunta, dificultad o si quieres aprender algo? ¿Cómo lo haces?
4. ¿Ha tenido problemas o algún inconveniente con el sistema de seguridad social del Estado?
5. ¿Hay algún tipo de organización que los ayudan a organizarse o si tienen problemas?

Annex 2: Description of the actors in the coffee production network in Panama

Production network node	Role/description
Workers	● Majority Ngäbe indigenous workers ● In charge of the processing of the coffee plant: from planting, to sorting, to processing until it reaches the 'raw' (green) bean. ● May also have logistic roles as foreman, managing, cupping, tasting the final product.
Producers/Estate owners	● Panamanian middle to higher class from Boquete (coffee region) or Panama City. More recently, foreigners are arriving in Panama to begin operations. ● Set the labor conditions of each estate based on personal motivation ● Manage the production operation ● Coordinate logistics of SCAP (Specialty Coffee Association of Panama) and cupping competition ● Create communication channels with potential and returning buyers from the abroad ○ Main buyers: Taiwan, China, Saudi Arabia, Singapore, Japan.
Intermediaries (importers/exporters)	● Not as common in the specialty coffee network of Panama, as these tend to deal more with smallholders ● Mediator between producer and roaster - transparency of product and quality (they are the 'eyes' for the roasters who are not on the ground). ● Buy in bulk quantities of coffee and sell to roasters or coffee shops ● Coffee they buy meets a standard that roasters or buyers would agree with.
Roasters	● Main buyers of Panamanian specialty coffee through the Best of Panama auctions.

	• Build direct trade relationships with producers on the ground in the absence of an intermediary -- this is direct trade. • Buy or acquire green beans and roast it locally - adds value. • May also sell it in roaster brand packages for individual consumption, or for coffee shops (including their own).
Retailers and coffee shops	• Selling the finished packages roasted and ready for grinding. Could be to do at home or at a shop.
Consumer	• Consume the high-quality coffee

Annex 3: Interviewee table

	Interviewee	Gender	Date of interview	Place of interview
1	Producer 1	Female	16/06/2021	Zoom platform
2	Producer 2	Male	23/06/2021	Zoom platform
3	Producer 3	Male	30/06/2021	Zoom platform
4	Producer 4	Male	04/08/2021	Palmira
5	Producer 5	Male	05/08/2021	Zoom platform
6	Producer 6	Male	12/08/2021	Boquete
7	Producer 7	Male	28/08/2021	Zoom platform
8	Roaster 1	Male	29/06/2021	Zoom platform
9	Intermediary 1	Female	08/07/2021	Phone call
10	Intermediary 2	Female	19/09/2021	Zoom platform
11	Worker 1	Male	11/08/2021	Palmira
12	Worker 2	Male	11/08/2021	Palmira
13	Worker 3	Male	11/08/2021	Palmira
14	Worker 4	Male	12/08/2021	Boquete
15	Worker 5	Male	14/08/2021	Volcán