Graduate School of Development Studies

CHALLENGING NEOLIBERALISM:
A value chain perspective on the struggle over governing agriculture in a globalised world

A Research Paper presented by:

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(Canada)

in partial fulfillment of the requirements for obtaining the degree of
MASTERS OF ARTS IN DEVELOPMENT STUDIES

Specialisation:

Independent Study Programme
(ISP)

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The Hague, The Netherlands
November 12, 2008

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Acknowledgements

I would like to thank first and foremost my supervisor Dr. Peter Knorringa for his level-headed support and, yes, his patience during what has been for me a long and often confusing process. Peter gave me remarkable freedom, encouraging me to pursue my wildest academic hunches and never openly disagreeing, yet he has been guiding me throughout with a subtle approach and a steady hand. I would also like to thank Dr. João Guimaraes who played a complementary role by calling bullshit when he saw it. My last-minute editor for style and coherence, my wonderful mum, also deserves mention.

I would also like to thank four fellow students, who know who they are, for the comments and feedback they have given me through the many stages of writing this baby. However, I would like to thank them especially for our many, er, enlightened and enlightening discussions that have contributed more to this paper than anything else. To the four of you: "I got a hand, so I got a fist, so I got a plan, it's the best that I can do, now we'll say it's in god's hands but god doesn't always have best goddamn plans does he?" Here's to seeing you all again someday.

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AoA	Agreement on Agriculture (WTO agreement)
ATO	Alternative Trading Organisation
CLAC	Coordinadora Latinoamericana y del Caribe de Pequeños Produtores de Comercio Justo
ECLA	Economic Commission for Latin America
EFTA	European Fair Trade Association
FAO	Food and Agriculture Organisation
FINE	FLO – IFAT – NEWS – EFTA
FLO	Fairtrade Labelling Organisation
FTN	Fair trade network
GVC	Global value chain
ICO	International Coffee Organisation
IFAT	International Fairtrade Organisation
IMF	International Monetary Fund
MLAR	Market-led agrarian reform
NEWS	Network of European World Shops
NTAX	Non-traditional agricultural exports
OECD	Organisation for Economic Cooperation and Development
SAP	Structural adjustment programme
SMI	Supplier-managed inventory
SPS	Sanitary and Phytosanitary Standards (WTO agreement)
STABEX	Export Earnings Stabilisation System
TBT	Technical Barriers to Trade (WTO agreement)
UCIRI	Unión de Communidades Indígenas de la Región del Istmo
UDT	Underdevelopment and dependency theory
UNCTAD	United Nations Conference on Trade and Development
WHO	World Health Organisation
WST	World Systems Theory
WTO	World Trade Organisation

Abstract

This paper uses a global value chain framework to analyse the globalised struggle over the embeddedness of agriculture between neoliberalism as a system and the fair trade network. The neoliberal model of governance is discussed in terms of its effects on value chain dynamics and power relationships. Neoliberal governance promotes the pursuit of individual gain at the expense of social considerations, i.e. a Polanyian disembedded economy. It is argued that the three crucial aspects of neoliberal governance are that it forces economic actors with *unequal access to resources* into a system of *global competition*, resulting in a *loss of local control* over the development process. Together, these characteristics drive the process of global and local *unequalisation*. The fair trade network in contrast is considered here as an attempt to re-embed the agricultural economy by creating a sense of producer-consumer solidarity and building an alternative consumer-driven value chain governance model with the aim of enhancing producer livelihoods. Based on a discussion of power and space in the governance of global agricultural value chains, it is argued that fair trade's ability to counter the disembedding effects of neoliberalism – unequal access to resources, competition, and delocalisation – has been and will likely continue to be limited. It is argued that the fair trade consumer-driven model might benefit from forging alliances with other civic groups who can challenge the neoliberal model directly in the spaces of governance in which it is dominant.

Relevance to Development Studies

A restrictive view of value chains that only considers the economic actors, or participants, that are directly part of the chain may lead to ineffective or erroneous development strategies. The analysis provided here gives a more holistic picture of value chains as being embedded in the neoliberal paradigm and describes the various material and discursive powers that support it. A holistic understanding of power in the governance structure of commodity chains can empower development organisations, social movements, and activists in general to mount more coherent and effective challenges against systems that reproduce poverty and underdevelopment. As such, the paper hopes to contribute to enhancing strategic thinking for civic agency and development.

Keywords

Agriculture, neoliberalism, fair trade, global value chains, Polanyi, power, space, countermovement, civic agency

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1 INTRODUCTION

In *Globalisation: a critical introduction*, Jan Aart Scholte (2000) identifies three major aspects of globalisation. First, states reformulated their role. Domestically, they re-conceptualised welfare provision in the terms of free-market populism and accordingly adjusted the organisation and nature of the delivery of social protections. On the international level, they were reoriented "to serve global as well as national constituencies" (Ibid. : 222), thus becoming active in a growing number of inter-state networks. Second, regulation of political and economic life has become subject to a diffuse and complex global regulatory framework that includes networks of sub-national authorities, supra-national regional alliances, empowered 'public' (i.e. nominally state-driven) global regulatory agencies, and a growing number of private non-statutory regulatory schemes.

Third, there has been a growth of "organised citizen activism on global issues" (Ibid. : 222) no longer necessarily targeted at the nation state but also at the various regulatory frameworks mentioned above. Indeed, Scholte himself has chronicled elsewhere (*see* Scholte 2002) what he perceives as successful citizen lobbying at the World Bank, International Monetary Fund (IMF), and the World Trade Organisation (WTO) while authors like Naomi Klein (2000) have praised activists' direct engagement with the private companies that have achieved immense power through neoliberal globalisation. However, both Scholte and Klein's accounts of citizen activism in a globalised world are emblematic of the difficulty in determining where power lies in the global political system and thus deciding to whom to take claims, where, and how.

While globalisation has indeed brought a sea change in the roles of economic, political, and social actors around the world, I argue that it is more relevant to examine the changes in the relative importance of these actors at all levels governance. This paper posits that the neoliberal ideology that has guided globalisation over the past three decades has promoted corporate control of the economy under the guise of blind pluralism. The pluralisation of governance at local and global levels alike combined with blatant disregard for unequal access to resources creates a power imbalance that systematically favours the powerful actors (e.g. corporations) who have little interest in promoting development or fulfilling the needs of social communities deemed to exist outside these actors' direct sphere of responsibility (e.g. everyone except the shareholders). The result is a global economy disembedded, in the Polanyian sense, from the social fabric – the consequences of which include but are not limited to inequality, marginalisation, and the unsustainable use of resources.

This tendency has become increasingly evident in the agricultural sector. The attempt to subject agriculture to the 'natural law of economics' is a relatively recent and ongoing process – starting at the Uruguay round of the General Agreement on Tariffs and Trade (GATT) negotiations in 1986 and still incomplete after the collapse of the Doha round of the World Trade Organisation negotiations in the summer of 2008 – and has elicited a strong and well-organised reaction from civil society groups, ranging from peasant-based movements such as La Vía Campesina or the Movimento dos Trabalhadores Rurais Sem Terra to consumer-based movements like the anti-GMO and Slow Food campaigns. What unites these groups is that they each try, in their own way and with their own priorities, to insert considerations other than profit in the organisation of food production.

These and other groups however have had to scramble to establish a new working relationship with states and economic actors within a globalised reality. Two diametrically opposed accounts of citizen engagement have emerged. New social movement (NSM) theorists emphasise the emancipatory and empowering role that the formation of new identities and construction of new meanings can play (Tarrow 1998). Critical theorists on the other hand have argued that by removing the burden of social protection from the state citizen groups are facilitating and legitimising the neoliberal governance model (Lipshutz 2004,Petras 1997), that identity-driven politics neglect the structural causes of poverty and underdevelopment (Jaeger 2007), or that certain identities, particularly consumer identities, are reinforcing neoliberal models of social interaction (Roff 2007). While one group may be overtly optimistic and the other overtly pessimistic, the question both camps are trying to answer is how can citizens best engage with the pluralized and multi-layered governance structure of the globalised economy.

In an attempt to grapple with this complexity, "commodity frameworks and their vocabularies are commonly used to describe the perils of the mainstream agro-food system, identify points of potential transformation, and herald the potential benefits of alternative systems" (Raynolds 2002: 405). Evolving out of world systems theory (WST), these 'commodity frameworks', also known as global value chain (GVC) analysis, allow for a dynamic analysis of actors and agency in the global economy and have for this reason become a popular tool of analysis and strategising among activists and development organisations.

Fair trade, a consumer-driven movement aiming to enhance the livelihoods of disadvantaged farmers through a product labelling strategy, exemplifies the application of GVC analysis. Raynolds explicitly frames fair trade in terms of Polanyian re-embedding: "the overall goal of alternative trade is to counter the organisation of production and trade around abstract market principles that devalue and exploit disadvantaged peoples and the environment" (2000: 298). This puts Fair Trade in direct contradiction with the reading of neoliberalism as a drive to subjugate all social relations to market principles.

This paper aims to re-examine the neoliberal drive to disembed the economy and the popular mobilisations aimed at re-embedding it through the lens of GVC analysis. First, the paper looks at how neoliberal governance at global and local levels alike has been applied and how it has affected the structure and power relationships within agricultural global value chains. Second, the the paper examines the fair trade network's attempt to transform value chain governance such that it is more responsive to human needs and, by contrasting fair trade's approach to the almost universal application of neoliberalism, highlights some of its limitations. The overall purpose then is to provide new insights into how civic organisations such as the fair trade network might improve the efficacy of their challenge to neoliberalism.

2 THEORETICAL FRAMEWORK

This paper is first and foremost conceptual. It is based on a literature review of various theoretical traditions and a lengthy period of reflection on the author's part. Conceptualising globalisation is always difficult given the multiplicity of both actors and spaces. One popular perception among alter-globalist activists is that neoliberal globalisation as war of the market versus humanity itself (Marcos 1999). What is worrying is the ease with which market logic has spread throughout the world, starting with the 'third world debt crisis' and accelerating after the demise of the Soviet Union.

Promoted by and internalised in the discourses of states, intergovernmental institutions, the media, academia, and even some non-governmental organisations, it is tempting to conceive of neoliberalism in terms of Gramscian hegemony (Gramsci et al. 1971). Indeed, early versions of this paper relied on Gramscian theory and attempted to analyse how Fair Trade has been co-opted by the neoliberal hegemonic discourse. In this kind of analysis, the global value chain framework becomes but a mere entry point for analysing how neoliberal hegemony has permeated all levels of global governance. However, if such research is to lead to practical recommendations, it must be coupled with an empowering analysis of power that can lead to formulating strategies to challenge and transform this power. John Gaventa's (2005) 'power cube' approach provides such a framework but while it may be useful in an activist setting, describing global commodity chains in terms of intersecting and interacting spaces and forms of power proved to be too burdensome given the lack of additional insights it can provide on a macro level.

By the end my research had come full circle. A careful re-reading of the GVC literature, particularly the work of Raphael Kaplinsky (1998,2000a,2000b), led me to conclude that the struggle between the market and humanity, framed below in Polanyi's embedded/disembedded terminology, can be seen as a struggle for the control of global commodity chains. Kaplinsky's version of GVC analysis also allows for the identification of specific disembedding consequences of the application of neoliberal models of governance to global value chains, which in turn can be used to gauge the effectiveness of aspiring challenges to neoliberalism. This is the framework presented here, although elements of Gramscian philosophy and Gaventa's three-dimensional power analysis are preserved because of their contribution to the understanding of what a Polanyian countermovement might look like.

2.1 Embeddedness and the market economy

In *The Great Transformation* (1944), Karl Polanyi states:

> "The market pattern [...] being related to a peculiar motive of its own, the motive of truck or barter, is capable of creating a specific institution, namely, the market. Ultimately, that is why the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system. For once the economic system is organised in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society." (Polanyi 1944: 57)

The main insight here is that the political institutions that support market relations are "'economic' in the distinctive sense [that they are based] on a motive never before raised to the level of justification of action and behaviour in everyday life, namely individual gain" (Polanyi Levitt 2005: 171). Polanyi thus makes a distinction between the economy in the classical sense, that is, the manner in which societies organise themselves to satisfy their material needs, and the "disembedded economy [which] is governed by laws of its own [...] and is motivated by fear of hunger and hope of gain" (Polanyi 1968 in Polanyi Levitt 2005: 175). Latham puts it very bluntly: "disembedded markets make societies conform to the logic of commercialisation; embedded markets or economies, in contrast, would conform to the needs of societies" (1997: 55).

Polanyi argued that the market society – that is, one where individual gain is not only legitimate but encouraged and valued as the primary organising principle behind social interaction – is a product of 19th century liberalism and new to most human cultures. However, Polanyi also argued that the existing non-market social institutions will spontaneously attempt to counter the alienating effects of this new form of social organisation, citing the anti-liberal policies in late nineteenth century Western Europe as an example (1944: 145-150). It must be understood that this 'double movement' – liberalism and the spontaneous countermovement – is "not a self-correcting mechanism to moderate the excesses of market fundamentalism but an existential contradiction between the requirement of a capitalist market economy for unlimited expansion, and the requirements of people to live in mutually-supportive relations in society" (Polanyi Levitt 2005: 172).

This contradiction between the market economy, promoted by a broad coalition sailing under the neoliberal banner, and what Polanyi saw as fundamental human values forms the basic premise behind this paper. The analysis of the Fair Trade movement asks precisely whether it can contribute, at least partially, to the success of such a countermovement.

2.2 Neoliberalism as disembedding

The ascendancy of neoliberalism in the 1970s can be interpreted as a renewed attempt to disembed the economy and subject social relations to market principles. Reacting to "declining productivity and profits, low or negative interest rates favouring debtors, and a wave of political radicalism in the South" (Polanyi Levitt 2005: 172), the capitalist class has "reversed the pendulum [and] once again unleashed capital from regulation – now on a global scale" (Ibid.: 172-173).

Harvey (1989) argues that the conditions described above, starting in the late 1960s, created a 'crisis of capitalism', a crisis that, like the cyclical crises before it, could only be solved by a renewed quest for capitalist expansion, which is exactly what neoliberalism provided. Capitalist expansion appeared in the form of a renewed interest in financial markets as well as what Harvey calls 'flexible accumulation.' Flexible accumulation rests on "flexibility with respect to labour processes, labour markets, products, and patterns of consumption" (Ibid.: 147). The system is marked by new uses of existing technologies and organizational forms of production that emphasise instantaneity in both production – vertical disintegration marked by just-in-time delivery – and consumption – convenient, processed, pre-packaged, and disposable items, ever-changing fashions to accelerate the pace of consumption and, frequent consumption of services and entertainment (Ibid.: 284-6).

Standing in the way, argues Harvey, were social structures such as labour unions and the welfare state that empowered labourers and consumers to defend their interests. The disempowerment of these groups was thus a necessary condition for the survival of the capitalist system. A new model of economic and social management, variously called advanced liberalism, disembedded liberalism, and now neoliberalism, emerged.

Intellectually, neoliberalism is rooted in the free-market ideology inherited from classical and neo-classical economics and Chicago School monetarism. It is also a set of policies associated with the Thatcher and Reagan governments, Structural Adjustment Programmes (SAPs) of the IMF and World Bank and with the Washington and Post-Washington Consensuses on what constitutes 'good governance'. Despite variations in policy implementation and discourse, Gamble (2006) argues that the common element is the discursive support for free market ideals and, in practical terms, a drive to enhance the ability of private economic actors to pursue their interests.

In the context of globalisation, this resonates with the rise of what Messner calls private global governance, whereby economic "structures and decisions are defined by lead firms of global value chains." (2004: 39). Messner however disassociates neoliberalism from the noted privatisation of governance, claiming that private governance contradicts the neoliberal discourse about the efficiency of free market allocation. But as Gamble (2006) notes, neoliberalism in practice is less about the textbook version of the free market and more about freedom to pursue individual gain, i.e. Polanyi's disembedded market.

As liberalism before it, neoliberalism's great contradiction is that for all its claims that it is the spontaneous expression of visceral freedom, it requires the construction of a market state (Robison 2006) that will, in Polanyian fashion, "regulate, stabilize, and legitimate market outcomes" (Rodrik 1998 in Polanyi Levitt 2005: 174) in order to prevent the rise of a spontaneous countermovement. Based on the Friednmanite mantra – capitalism *is* freedom – the market state portray market outcomes as a rational, free, just, and democratic interaction between equal individuals. At the extreme, pure neoliberals like John Dorn of the Cato Institute believe that traditionally-defined "democratic government is no substitute for the free market" (1993: 601 in Robison 2006: 3).

Neoliberal governance thus has to simultaneously limit the expression of democratic will while at the same time justifying its own existence to the population at large. The neoliberal discourse:

> "sees the state itself, or state personnel individually, as self-interested households, firms, trades unions and so on. […] The thesis remains of a captured state, whose policy decisions are determined, not by autonomous rational calculations of how to advance the public interest, but by a configuration of conflicting interest-group pressures" (Toye 1994: 24).

Neoliberals thus conclude that "a free economy requires a strong state […] to overcome the obstacles and resistance to the institutions of a free economy, which constantly recur" (Gamble 2006: 22).

Gill (1998) has called this attempt to insulate economic governance from the democratic process 'new constitutionalism' – a set of rules that legally restrain government agency over economic matters and codify neoliberal reforms. The same process has been noted at the international level whereby international economic institutions such as the World Bank, IMF, and WTO, business-sponsored lobby groups, and right-wing think tanks attempt to convince developing nations to adopt neoliberal policies (Harmes 2006). The World Bank and the International Monetary Fund (IMF) can, through policy-based lending, add weight to their normative arguments with concrete carrots and sticks. The World Trade Organization (WTO), being a binding agreement complete with provisions for punitive action in case of breach, can 'lock-in' these policies in the long run.

A second method for reducing state agency is what Kamat (2004) calls the 'pluralisation of the public sphere.' The pluralist paradigm equates states, inter-governmental institutions, NGOs, citizen movements, corporations, and global capital markets as equally legitimate sources of democratic governance. In the words of Giovannuci and Ponte (2005: 284):

> "In the former age of national capitalism, the achievement of market fairness was embedded in a normative framework generated by government, labor unions, and perhaps religious authority. In the current age of global capitalism, new actors such as NGOs, industry associations and public–private partnerships provide the normative framework that corporations use for social legitimacy."

The pluralist stance has been at the heart of the discourse for public-private partnerships at the national level, the Washington and post-Washington consensuses, and the Good Governance development paradigm – all promoted normatively and materially by the World Bank and IMF. The discourse has been useful as it is compatible with the democratic ideals of participation and freedom of expression. However, "within the neoliberal framework, democracy is re-defined as the free and full expression of each specific constituency, with little regard for the uneven relations of power that characterize the different interest groups" (Ibid.: 170). Like market outcomes, decisions emanating from public institutions, however unjust they may seem, are portrayed as the result of free and willing interactions between equally legitimate and equally powerful actors.

From the point of view of development, the essential feature of neoliberalism at the global level is that just like social relations at the local level, "their geographical corollary – interlocal relations – were also being remade in competitive, commodified, and monetized terms" (Peck and Tickell 2002: 385). Smaller economies and regional governments are being told that the only way to develop is to attract transnational capital by de-regulating the economy and liberalising finance and trade. Neoliberalism thus induces "localities to compete by cutting social and environmental regulatory standards and eroding the political and institutional collectivities upon which more progressive settlements had been constructed in the past" (Ibid.2002: 385). This competitive deregulation allows transnational capital to play off weaker states and sub-state authorities against each other. But it is the very act of de-regulation that has created this 'structural' power of capital

(Gill and Law 1993). As Yeates puts it, "the corollary of capital's enhanced bargaining power is that states are locked in competition with one another to offer incentives to the next corporate factory or call/service centre looking to locate or relocate its operations" (2002: 72). All of this only serves "to facilitate, encourage, and even publicly subsidize the accelerated mobility of circulating capital" (Peck and Tickell 2002: 385).

In summary, the main feature of neoliberalism is that "social relations [are] reconstituted in the image of a brutal reading of competitive-market imperatives" (Ibid.: 385). Whether in the market or in the public sphere, competition for the purpose of individual gain thus becomes the norm – this is the very essence of a Polanyian disembedded market. By denying that the 'free' market is marked by differential access to resources – which, if we substituted resources for means of production, is the defining feature of capitalism in classical Marxism – neoliberalism justifies the unequal income distributions inherent in the market. Moreover, it does so rather disingenuously by using democratic discourse to de-legitimise and dismantle collectivist sources of power (trade unions, state enterprises and welfare programmes) and promote the expression of what it deems to be the only democratically legitimate source of power: the market. This is why Rodan argues that the main objective of neoliberalism "is a reshaping of power relations" (2006: 197).

2.3 Re-embedding the market: civic agency as a countermovement

The sheer numbers of the mass mobilisations that have occurred around the global summits that are at the centre of neoliberal governance have raised hopes that 'civil society' will be the source of a challenge to neoliberal governance. The problem with such claims is that 'civil society' has been used as a catch-all residual term to designate anything and anyone that does not fit the label of 'state' or 'market.' Thus 'civil society' organisations have been praised by some for being the oil that greases the wheels of market democracy (Salamon 1994), derided by others for being the oil that greases the wheels of market democracy (Petras 1997), criticised for being a bunch of directionless malcontent radicals (Friedman 1999), or lauded as the harbingers of a new utopian age (Waterman 2005).

Howell and Pearce (2001) distinguish between two broad yet internally diverse conceptual approaches to 'civil society'. The 'mainstream' approach, steeped in the liberal tradition (Montesquieu, Durkheim, Habermas) tends to emphasise civil society's conciliatory nature, its ability to resolve systemic contradictions and ensure the social peace. The 'alternative' approach is more disjointed but it generally emphasises conflict and sees civil society as a source of popular power that will resist or challenge existing social orders should it choose to do so.

Though Howell and Pearce locate Antonio Gramsci's (1971) work within the 'alternative' group, his views on civil society actually span both traditions. Gramsci saw civil society "as constituting an arena in which hegemonic ideas concerning the organization of economic and social life are both established and contested, [he] perceived state and civil society to be mutually constitutive rather than separate, autonomous entities, with both formed in relation to historical and structural forces" (Mitlin et al. 2007: 1702). In contrast to Howell and Pearce's dichotomized account which explains the seemingly contradictory views regarding civil society expressed in the paragraph above as springing from one 'tradition' or the other, a Gramscian understanding of civil society makes them all equally valid.

Of what use then is the concept of civil society in the discussion of neoliberalism and market embeddedness? Very little. Polanyi in fact used very normative definitions of the embedded 'social' and the disembedded 'economic.' He saw the 'social' as an expression of solidarity and mutual aid, something he felt were primordial human values. The 'economic' in contrast, was the product of behaviour motivated by individual gain, something that only became a legitimate and widely accepted basis for social organisation with the relatively recent ascent of liberalism.

Polanyi was thus making a claim that the economic rationale was somehow the product of a false consciousness. Regardless of whether one agrees with the concept of false consciousness (I do not), it nevertheless remains that the question of disembedded versus embedded is essentially normative. One either agrees that social organisation should be governed by the pursuit of individual gain, or one does not. That is why sectoral definitions of civil society in opposition to the state and the market are not of much use.

The Gramscian constitutive concept in contrast implies that civil society will be composed of people who agree and others who disagree with such normative statements. What is needed then, is a concept that defines a particular group within civil society as the one that is going to contest the ideological advances of neoliberalism, together with its disembedding effects, and redefine the "purpose of institutions and activities that shape material life [such that they] provide communities with goods, services, and other values necessary to sustain community or group life, free of deprivation" (Latham 1997: 58).

The concept of 'citizen' and 'civic agency' as outlined in Fowler and Biekart (2008) suits this purpose well. 'Civic agency' is defined as "a normative pro-social value-based human predisposition […] based on respect for differences between people and a concern for society and its environment as a whole" (Ibid.: 23). Expressions of civic agency include political engagement (agitation, lobbying, voting) and civil resistance (protests, boycotts, strikes) directed towards public goals such as defending public goods, encouraging public debate, social problem-solving, community-building, and solidarity (Fowler 2008). All of these are contrary to the market logic espoused by neoliberalism.

With respect to the discussion of neoliberalism above, it can be said that by encouraging competition and ignoring unequal power relations, neoliberal governance structures inhibit civic agency by simultaneously dismantling collectivist institutions and empowering profit-driven ones. A movement to re-embed the economy would thus have to be one that institutionally facilitates or directly encourages civic agency. While the quest for a proper terminology may seem pedantic at this point, the value of the 'civic' concept shall be made clear in the discussion of power and space below.

2.4 Global value chains

The GVC literature envisages the global economy as an amalgamation of individual value chains. A value chain is defined as a "network of labour and production processes whose result is a finished commodity" (Hopkins and Wallerstein 1986: 159). GVC analysis has however varied widely over the years. Gibbon et al. point out that "the unevenness and theoretical eclecticism of the GVC literature to date, particularly but not only with regard to the understanding of governance, poses the question of whether it is possible to reconcile the different approaches within a unified paradigm" (Gibbon et al. 2008: 315). This paper in no way attempts to adopt a unified GVC framework. Doing so would be next to impossible given that particular versions of GVC analysis have resembled everything on the spectrum between critical political economy (Talbot 2002) and transaction cost economics (Gereffi et al. 2005).

Instead, I opt for the analytical framework developed by Raphael Kaplinsky (2000a). This particular version of GVC analysis "can be used both to chart the growing disjuncture between global economic activity and global income distribution and to provide causal explanations for this outcome" (Ibid.: 118). It can also make significant contributions to the discussion of embeddedness because it is primarily concerned with who controls the value chain and how. In this framework, there are three key elements to value chain analysis: governance, rent, and systemic efficiency. Together they can explain the pattern of unequal globalisation experienced thus far.

Governance

Value chain 'governors' are the "key actors in the chain who take responsibility for the inter-firm division of labour, and for the capacities of particular participants to upgrade their activities" (Ibid.: 124). Kaplinsky distinguishes between three forms of governance: legislative, judicial, and executive. Legislative governance refers to setting "basic rules which define the conditions for participation in the chain" (Ibid.: 124). Judicial governors "audit performance and check compliance with these rules" (Ibid.: 124). Finally, the executive governor "provides assistance to value chain participants in meeting these operating rules" (Ibid.: 124). Importantly, it is entirely possible and in fact probable that "different parties engage in different forms of governance in the same chain" (Ibid.: 124), whether these parties are located within the chain itself, such as a lead firm (i.e. the most economically powerful firm in the chain), or outside it, such as a regulatory body, or a mixture of the two, such as a multi-stakeholder initiative.

In the context of neoliberalism, governments have reduced their role in value chain governance by abandoning development goals and policies and deregulating economic activity (judicial and legislative governance) and rolling back state-run producer-support agencies (executive governance). Where complete deregulation and roll-back did not occur, industry interests were often given a direct role in spaces of governance in the form of public-private partnerships under the pretext of economic efficiency. While such arrangements undoubtedly do contribute to economic efficiency, social and environmental concerns, formerly formulated through the state, tend to get sidelined.

Rent

Kaplinsky (1998) argues that the primary concern of firms involved in any value chain is to pursue economic rent. Rent "arises in the case of differential productivity of factors (including entrepreneurship) *and* barriers to entry (that is, scarcity)" (Kaplinsky 2000a: 122, emphasis in original). In essence, rent is the competitive edge that arises when one economic actor has access to a certain resource and the other does not. Rents can be derived from activities within the firm itself, such as technological innovation, or from the political or social environment, such as access to credit based on personal trust.

When able to do so, firms will seek-out rents in any way they can, using "whatever political or economic means they have at their disposal in order to improve their positions" (Talbot 2002: 707). Under neoliberlism's pluralisation of the public sphere, the political means by which resourceful firms can seek rents have been multiplied, while smaller, less well-connected firms and relatively resourceless citizen groups have seen their rent-seeking opportunities decrease. It is important to note that the benefits of rents tend to feed into each other. For example, a firm with significant market share will tend to have more say with public regulatory bodies. Any regulatory change in its favour a firm receives as a result of its influence may very likely lead to that firm gaining extra bargaining power in the market, thus becoming able to extract more economic rents from firms which are not otherwise affected by said regulatory change.

Systemic efficiency

Kaplinsky argues that the organisation of the value chain as a whole can be a source of rent, thus making value chains themselves "repositories of rent" (2000a: 122). Rents can be accrued at individual nodes of the chain through internal re-organisation, but also through reorganising the chain as a whole. Those who have the bargaining power to do so will try to improve systemic efficiency, and appropriate the systemic rent, sometimes to the detriment of point efficiency at other nodes where the actors have less bargaining power.

Daviron and Ponte (2005: 93-94) provide a good example. Because holding large inventories results in poor quotes from financial analysts, publicly-traded coffee roasters such as Nestlé saw their stock prices falter as a result of the large inventories of green coffee they were holding in the mid 1990s. Due to their purchasing power on the market, roasters were able to persuade smaller suppliers to hold the inventories themselves. Whichever firm was able to switch to supplier-managed inventory (SMI) first obtained a competitive edge over other roasters but did so by forcing weaker suppliers to take on the risk inherent in holding large inventories, which was highly inefficient from the traders' point of view.

This is not a perfect example as systemic efficiency in this case did not improve. However, it does highlight how lead firms can and will induce reorganisation along the chain to improve efficiency from their point of vies. What this means on a global scale is that the key decisions that determine income distribution are made in distant places, often with little concern regarding what happens in any given locality. The shift to private global governance in the presence of unequal power relations results in a delocalisation of the development process.

The example of the adoption of SMI provides a further illustration. Because inventories held by traders (as opposed to roasters) is counted on commodity exchanges as readily-available supply, the mass adoption of SMI resulted in a massive increase in the supply of green coffee on commodity markets. This depressed world coffee prices even though producer supply and consumer demand had not changed at all. Thus, Colombian coffee producers suffered as a result of a completely unrelated decision made in Nestlé's headquarters in Vevey, Switzerland, to appease financial analysts in Zurich and New York.

This example also illustrates how "rent is dynamic in nature, eroded by the force of competition" (Kaplinsky 2000a: 123). It is only the mass adoption of SMI by the lead firm's competitors that caused the fall in global green coffee prices. The erosion of competitive advantage only launches a new round of rent-seeking.

Globalisation and unequalisation

Kaplinsky argues that these three analytical characteristics of value chains can explain the unequalisation of global income distribution:

> "[Global competition] induces participants throughout the chain to search for new forms of rent. In achieving this, the more powerful actors in the chain are increasingly required to induce (and assist) their suppliers to change their own operating procedures. At the same time, they continually search for new suppliers (systematically striving to lower barriers to entry in other links in the chain) and customers." (2000a: 126-127).

Thus, global competition has differential effects on value chain actors. The more powerful seek rents at the expense of others while the less powerful who cannot appropriate rents from others are forced to compete among themselves, eating into each other's profits.

To summarise, what we can conclude thus far is that the three crucial aspects of neoliberal governance of value chains are that it forces economic actors with *unequal access to resources* into a system of *global competition*, resulting in a *loss of local control* over the development process, leading to unequalisation.

2.5 Governing the value chain: power and space

The final piece to the puzzle is understanding how neoliberalism has transformed the spaces of value chain governance, whether legislative, judicial, or executive. As Latham argues:

> "the construction of new social spaces – markets or otherwise – is never innocent and without power implications […] That very construction requires that powerful boundaries – ideological or otherwise – be placed around the action and capacities of states to interfere in those spaces" (1997: 55-56).

If we think of value chain governance in terms of spaces, "power must be understood in relation to how spaces for engagement are created, the levels of power (from local to global), as well as different forms of power across them" (Gaventa 2005: 6).

The forms of power referred to here are visible, hidden, and invisible. Visible power refers to "the formal rules, structures, authorities, institutions, and procedures of decisionmaking" (Ibid.: 15). Hidden power is discussed in terms of "who gets to the decisionmaking table and what gets on the agenda" (Ibid.: 15). Invisible power is what sets the "ideological boundaries of participation" (Ibid.: 15) through discourse and knowledge creation. The visible-hidden-invisible framework has been helpful in conceiving ways to transform power relations within a space (see Appendix I).

But when all three forms of power coincide within a group of intersecting spaces, "power is seen in its most concentrated and hegemonic forms" (Gaventa 2005: 23). Because of neoliberalism's remarkable ability to include and favour the already powerful in decision-making spaces (hidden power) that establish new-constitutionalist rules and regulations that empower capital (visible power) and legitimise the outcomes through the use of a consistent and well-defined discourse (invisible power), it is helpful to consider neoliberal governance in terms of Gramscian hegemony.

Gramsci defines hegemony as the "'spontaneous' consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group" backed up by the "coercive power of the state which 'legally' enforces discipline on those groups who do not 'consent'" (Gramsci et al. 1971: 12). Neoliberalism indeed meets these criteria. First, "discourses of neoliberalism are 'strong discourses' in part by virtue of this self-actualizing nature and in part because of their self-evident alignment with the primary contours of contemporary political-economic power" (Peck and Tickell 2002: 382). Second, these discourses can be enforced by the lending power of neoliberal institutions such as the World Bank and IMF, the punitive provisions in the WTO charter, as well as by structural power of capital – that is, the threat of capital flight at the first sign of straying from the neoliberal model (Gill and Law 1993).

In the face of hegemonic power, what form should resistance to neoliberalism take? Mitlin et al. argue that a Gramscian reading of hegemony and a Gramscian understanding of civil society as a constitutive sphere suggests "that the agency required to underpin counter-hegemonic alternatives is highly likely to require actors from outside the state as well as within it" (2007: 1711). Because any attempt to promote a hegemonic culture becomes a site of resistance, producing "possibilities for subversion, appropriation, and reconstruction," meaning that "spaces produced by hegemonic authorities can be filled with those with alternative visions, whose involvement transforms their possibilities" (Cornwall 2004: 81). This is what Foucault calls 'strategic reversibility' (Foucault et al. 1991). Transforming power relations in the spaces used by neoliberal agents to govern value chains requires forming wide-ranging networks of allied institutions and individuals capable of reaching all these spaces. Ultimately, "success depends largely on the capacity of these perennially metamorphosing networks to enrol other strategically situated actors into common 'translations' and visions, including their capacity to defeat alternative visions or translations" (Gouveia and Juska 2002: 374).

The normative as opposed to sectoral concept of civic agency now gains renewed importance:

> "civic agency is not located within one institutional sector or realm. Both civic and uncivic or undemocratic agencies can be found in all walks of life and the social structures that people create. […] Civic-driven change does occur and can be further developed in all of them" (Fowler and Biekart 2008: 23-24).

As such, one can begin to conceive of a civic-driven anti-neoliberal countermovement as a network composed of actors involved in all the spaces of value chain governance.

2.6 Challenging neoliberalism

The various economic and political actors who have contributed to the neoliberalisation of governance are not part of an organised network with established goals and aims. Rather it is a loose social network that has through ideological-discursive and coercive means enrolled other actors into common interpretations of reality as it is or as it should be – in this case the 'brutal reading of competitive market imperatives.' If social movements are to reform the global food regime, they must rake into account neoliberalism's strong discourse as well as its global presence. In other words, isolated and localised civic interventions in the global agri-food system will do little to halt the process towards privatised and anti-developmental governance when all other forces are pushing in that direction. Attacking various spaces is a must and it should be done with a holistic understanding of power within each spaces and it must be done with the help of strategic allies enrolled into common alternative 'translations' who can exercise their civic agency in each space. The Gramscian reading of hegemony suggests that these allies should be both inside and outside the governance system itself.

While enrolling new actors into networks of common alternate 'translations' is important at all levels if invisible power is to be challenged, the global new-constituionalist set-up means that some spaces are more important than others. If power in the spaces that are at the source of the new-constitutionalist rules and regulations that restrict civic agency is not challenged, then the success in other spaces is likely to be limited. This of course does not imply that the neoliberal governance model can come down like a house of cards should the right space be converted to a space of civic agency. It would definitely result in a power shift in subordinate space, but these rules are by no means the only source of power for neoliberal agents.

In summary, challenging neoliberal hegemony would require 1) understanding and transforming all three forms of power in individual spaces, 2) strategically focusing on transforming the spaces where new-constitutionalist rule regimes constrain civic agency, and 3) enrolling strategic allies into alternative and civic visions of social organisation. A civic-driven transformation of power relations in the spaces of value chain governance will ideally lead to a different outcome, namely the re-embedding of agriculture. If neoliberal disembedding was the product of differential access to resources, competition, and systemic efficiency, one would hope that the alternative would promote equal access to resources, cooperation, and empowerment of the local.

3 AGRICULTURAL VALUE CHAINS UNDER NEOLIBERAL GOVERNANCE

3.1 Transforming the global food regime

Peck and Tickell argue that it is important to not think of neoliberalism *per se* as a stable order but of the neoliberal *ascendancy* as a *process* (2002: 383). The neo-liberal project, as an attempt to resole the crisis of capitalism must build a system of flexible accumulation in agriculture where other systems previously existed. Setting up the new regime required on the one hand the roll-back of state agency in agricultural governance and on the other the implementation of policies to empower the already powerful to pursue rents.

The concept of 'global food regime' found in the critical political economy literature provides some insights into this shift. A 'global food regime' is defined as the "historically specific geopolitical-economic organizational agricultural and food relations" (McMichael 2004: 57). In the aftermath of World War II and in the context of the Cold War, global grain trade patterns were established according to the United States' geo-strategic use of surplus production as Food Aid (Friedmann 1982). US Food Aid sold at concessional rates (i.e. dumping) denominated in the recipient country's currency. The US achieved its foreign policy objectives by spending this money locally on military bases and procurement while recipient countries found a quick fix to foreign exchange constraints and the growing demand for cheap food caused by rapid urbanisation.

This regime profoundly shaped the way global agriculture is organised is two ways. First, the availability of cheap grain changed urban diets in recipient countries, supplanting demand for local grains and in many cases destroying the rural economic base (which would only accelerate urbanisation and increase the urban demand for cheap grain). Domestic agriculture then shifted towards either capital-intensive and livestock-oriented agriculture based on cheap grain as animal feed (Friedmann 1990) or towards intensive cash-crop production to meet foreign exchange needs (McMichael 2004), creating a new international agricultural division of labour.

The current neoliberal regime gradually coalesced during the 1970s, shaped by the Cold War détente[1] on the one hand and the almost universal (if not uniform) application of neoliberal policies, often under the rubric of the IMF and World Bank's structural adjustment programmes, on the other. Friedmann (1990) describes this current regime as a 'commercialisation' of the previous one. Twenty years of cheap grain having transformed global agricultural and trade patterns, the end of Food Aid merely transferred control over this new system from the US State Department to the now-global corporations the Food Aid system had helped create through its support for domestic agro-exporters[2]. The agricultural division of labour – where a few regions in the OECD countries still serve as subsidised breadbaskets – had merely come under corporate control.

The current regime fits all of the characteristics of neoliberal governance. First, there is a clear attempt to impose a neo-constitutionalist framework on agricultural policies around the globe through the rules and regulations agreed upon at the WTO. Second, there has been a pluralisation of the public sphere as, through de-regulation and the application (sometimes forced) of Good Governance paradigms, NGOs and industry associations have taken on more roles and responsibilities in regulatory spaces (Marsden et al. 2000). Third, the near universal application of deregulation and trade and financial liberalisation through the World Bank and IMF's structural adjustment programmes has fostered global competition marked by powerful transnational corporations vastly outnumbering weak suppliers (Figure 1)

McMichael (2004) argues that this neoliberal order pivots around the conflict between the re-branded concept of 'food security' and the newer concept of 'food sovereignty.' Food security was once a state-centred concept and has in the past been a driver of developmentalist policies such as the Green Revolution and self-sufficiency. However, "as the development era has metamorphosed into the era of corporate globalization, food security has been redefined, and institutionalized, in the WTO as an inter-nationally managed market relation" (Ibid.: 57). The new version of food security now posits that the best system of food provision is a well-functioning market, which will increase small-holder productivity as well as the purchasing power of the poorer segments of the population (Watkins 1995: 58-9). The neoliberal model of governance, concerned with the promotion of free market ideals of competition and minimum state intervention, has indeed been promoting this free-market version of food security.

Food sovereignty, on the other hand, proposes four very different principles: 1) the recognition of food access as a human right, 2) widening access to productive resources, 3) the promotion of agro-ecological (as opposed to the dominant agro-industrial) models of production, 4) establishing equal trade relations such as to promote the provision of local markets (Windfuhr et al.

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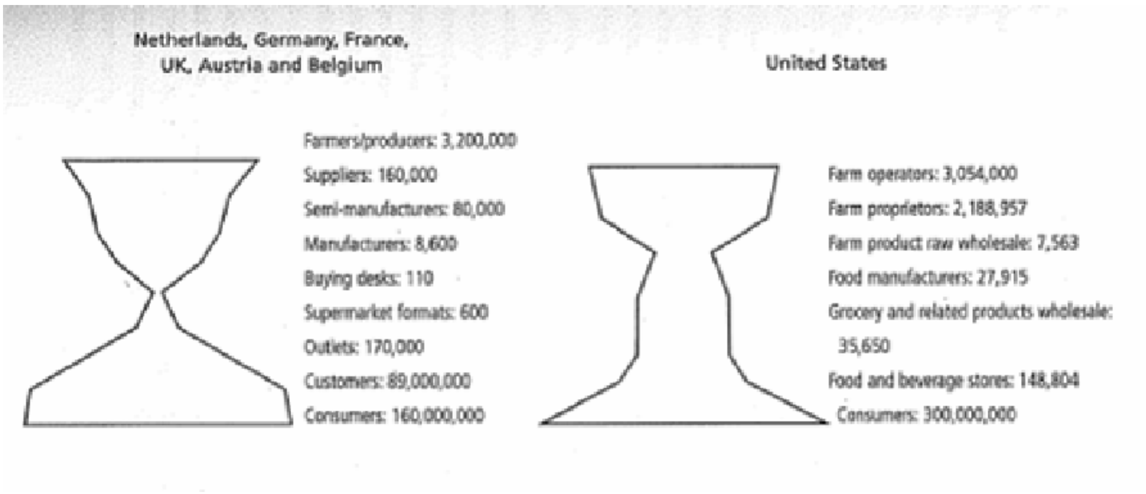
[1] The 1972 Soviet-American grain deals allowed the export of grain to the large Soviet market, thus depleting US grain surplus stocks and reducing the need for dumping through Food Aid.

[2] For example, from 1958 to 1968, Cargill earned $76 million in direct in indirect subsidies as a result of involvement in the US food aid programme (Bertrand and Kalafatides 2002: 69).

Figure 1 – The Hourglasses: the concentration of power and players in the food system



Source: Patel (2007: 13)

2005-5). The concept of food sovereignty has evolved from the grassroots (most notably in the Via Campesina peasant-based activist network) as a response to the food insecurity brought by neoliberal globalisation. Thus the neoliberal food regime, and the resistance to it, in a way represents the conflict over a disembedded agriculture (food security) and an embedded agriculture (food sovereignty).

3.2 Neoliberal outcomes in the spaces of governance

Like all things neoliberal, the current food regime is the product of a complex governance system designed to facilitate the pursuit of private gain. Specifically referring to agriculture, Friedmann has indeed argued that "the choice is not between 'regulation' or 'free trade', therefore, but between new forms of implicit or explicit regulation" (1993: 29). These implicit and explicit regulations are decided upon in various spaces of governance.

The analysis of the neoliberalisation of these spaces provided here is by no means exhaustive. On the contrary, it merely scratches the surface. Policy spaces are here grouped together under five broad headings: land policy, agricultural policy, trade policy, financial policy, and retail policy. Here the discussion of each set of policy spaces instead focuses on overall dominant trends in the outcomes, i.e. decisions made, in each.

Land policy

Market-led agrarian reform (MLAR) was the policy instrument used to create a class of land-owning farmers, big and small (depending on the particular form of MLAR implemented and other local social and political factors), ready to engage with the capitalist market. Briefly, the aim of MLAR is to enshrine private property rights over land and, if distribution is deemed necessary, to employ a willing-seller/willing-buyer method to remedy structural inequalities. Because it is based on market logic, as opposed to expropriation, MLAR is said to be more economically efficient than state-led agrarian reform. MLAR can easily be criticised for ineffective distribution to the poor and inefficient use of resources. For example, state-led agrarian reform in the Philippines transferred over 350 million hectares of land per year while less than two hundred hectares per year were sold to smallholders through MLAR and at approximately seven times the cost per hectare (Borras et al. 2007: 1565).

With only small fractions of land changing hands, the effective result of MLAR schemes was a legal codification of existing land distribution, as in the Philippines (Borras et al. 2007), or the effective privatisation of communal resources, as in El Salvador (De Bremond 2007). All this has done, in essence, is to commodity land and enshrine the property rights that would eventually facilitate insertion into global markets. Land titles effectively act as collateral for corporate credit schemes that interlock land, credit, and output markets.

Agricultural policy

Neoliberal domestic agricultural policies:

> "liberalise international trade in food and agricultural products, deregulate the operation of domestic agricultural markets, privatise rural parastatals, and formalise the ownership and control of property that had been held in public, in common or, in some cases, privately but monopolistically" (Akram-Lodhi 2007: 1438).

Since the 1970's, the dismantling of once-common marketing boards and parastatals resulted in one of three outcomes: 1) free competition between private exporters culminating after a few years in private re-concentration; 2) the formation of geographical monopolies under the control of foreign TNCs; or 3) the direct transfer of the state monopoly into private hands (Gibbon 2001: 64). Subsidised credit, extension services, and other institutionalised support functions common before the 1990s have been taken on by private agents, particularly through contract farming schemes that interlock credit, input, and output markets (Ibid. : 65).

Additionally, in pursuit of macroeconomic stability and foreign exchange to service debts, countries undergoing structural adjustment actively target the agricultural sector to achieve export-led growth" (Gwynne 1999: 211). With subsidized grain from the world's advanced economies still being dumped on developing country markets, agricultural exports in developing countries took the form of either increased cultivation of the 'old' commodities such as coffee, sugar, groundnuts, cocoa, and cotton or a shift to the 'non-traditional' agricultural exports (NTAX) such as flowers, fresh fruits, and vegetables. Structural adjustment thus re-enforced the international agricultural division of labour set up during the previous global food regime.

Trade policy

Trade policy in general is increasingly determined at the inter-governmental level at the WTO. The creation of the WTO "with its more effective and potent dispute settlement mechanism, and its agreements on Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT)" (Smythe 2008: 5) and the Agreement on Agriculture (AoA) effectivy sets both 'binding' (under threat of economic sanctions subject to the WTO's internal dispite mechanism) constraints and 'semi-binding' guidelines (recommendations that can nevertheless be brought to WTO courts under special circumstaces) on domestic trade *and* agricultural policies.

The AoA operates with a coloured 'box' categorisation system (*see* Murphy 2003). All agricultural support policies automatically fall into the 'amber box' unless they are specifically accounted for by the 'blue' and 'green' boxes. Non-tariff amber box supports should undergo a process called 'tariffication' – that is, their dollar value, calculated according to econometric methods set by the WTO, should be turned into a tariff of the equivalent value – and then must be frozen at their current level and then reduced. Although developing countries (in the WTO's internal categorization system) are committed to making smaller reductions and have a longer grace period to implement them, the baseline period used to calculate the required reductions is 1986-1988, the start of the Uruguay round, which incidentally a period of extremely high subsidies in OECD

(Organisation for Economic Cooperation and Development) countries and extremely low subsidies in the many countries that had just undergone or were still undergoing IMF-mandated SAPs.

Blue box policies are not subject to reductions and consist of payments meant to limit production, such as programmes for soil erosion prevention, forest conservation, and the like. Though the US abandoned all such policies with the 'freedom to farm' bill in 1996, the EU and several other advanced economies continue to use them. Finally, the green box policies are not subject to any restrictions and include all 'non-trade distorting' direct payments (i.e. income support for farmers based on their income levels, not on production), infrastructure investments, agricultural research and development, and integrated pest management.

Complementary to the WTO, the Codex Alimentarius, a joint effort of the Food and Agriculture Organisation (FAO) and the World Health Organisation (WHO), is an inter-governmental non-binding standard-setting agency whose standards and protocols affect everything from health standards to labelling laws. While these stardards are still nominally non-binding, the TBT and SPS agreements of the WTO specifically refer to the Codex as an international benchmark that should be followed unless WTO members have a 'legitimate' (as defined by the WTO) reason for not using it (Smythe 2008).

Financial policy

Financial liberalisation has given companies with access to international capital markets an added advantage by allowing them to keep capital mobile, increase their leverage in negotiations, particularly with respect to producers without access to these credit markets, and weather adverse price shocks (Hendrickson and Heffernan 2002). Financial liberalisation tends to lead to a differential access to credit where small producers in developing countries face a credit crunch while companies with access to global markets (because they have a presence in other jurisdictions) or with an international stature that makes them credit-worthy do not. Thus, local exporters are left "seeking alliance with MNCs through ownership or finance contracts" in order to "get easier and cheaper access to working capital […] and easier access to the more sophisticated risk management and marketing tools" required (Daviron and Ponte 2005: 103-104).

Retail policy

Since the 1970s, the food retail sector has witnessed two major trends: the increase of 'functional foods' (ready to eat meals, fast food, pre-mixed salads, etc.) and the simultaneous and almost paradoxical re-valorisation of fresh and healthy foods, driven by the emergence of 'post-industrial' lifestyles that emphasize public health and nutrition (Wilkinson 2002). Wilkinson interprets this paradox as the result of a battle between food manufacturers and retailers for market power. While food manufacturers compete amongst themselves for increased product differentiation (Henson and Reardon 2005), the "reintroduction of the agricultural product as final food […] forcefully strengthens the hand of retail which can now short-circuit the food industry" (Wilkinson 2002: 332).

These two developments are underpinned by deregulation policies first tried in Thatcherite Britain and soon replicated in the EU and eventually most OECD countries. Mardsen et al. (2000) document how this model evolved from simple industry consultation to an ever increasing role for industry in setting, implementing, and monitoring standards, guided by the motto that any benefits regulation may have for consumers should not be outweighed by costs to industry.

WTO rules allow for minimal regulation of trade in goods based on the qualities of the end product itself (such as safety standards) but forbids similar action based on the production process (such as environmental carelessness or human rights abuses) (Hudson and Hudson 2003). Voluntary regulation based on production processes, however, has not been affected.

3.3 Power in the spaces of governance

Each of the spaces discussed above is governed by a subset of spaces each of which is worthy of detailed 'power cube' analysis. For example, agricultural policy is debated in the legislature, within agriculture or development ministries, within local development agencies, in participatory consultations, in PRSP draft-writing sessions, etc. Analysing each of these spaces in detail, i.e. identifying not only the nature of power within each space but also profiling the actors involved, is far beyond the scope of this paper. This type of work should be addressed by more specific research or by activists wishing to use it as an advocacy tool. Here, the discussion instead focuses on broad trends in the formulation of neoliberal power.

Visible

Policies are all nominally set by governments. Often, ministries and governmental bodies are closed spaces, not open to debate or official participation from special interest groups. The most extreme of these cases is perhaps Pinochet's Chile, where neoliberal reforms were backed up by the coercive power of the military (Bellisario 2007, Klein 2007). In other cases, they were carried out after popular votes, as in Menem's Argentina. However, Peck and Tickell warn against being "inadequately attentive to the substantial connections and necessary characteristics of neoliberalism as an extralocal project" (2002: 382). The most important visible power behind both the roll-back of the state on the local scale and the promotion of agricultural exports have been the IMF and World Bank's structural adjustment programmes, implemented through policy-based lending.

Hidden

Given that neoliberal governance is characterised by a pluralisation of the public sphere, hidden power plays an important role in terms of who is given access to and has influence in policy-making spaces.

Borras et al.'s (2007: 1566-7) account of MLAR in the Philippines describes how local elites submitting false claims of land ownership during the land-titling phase of an MLAR programme, effectively usurping the usufruct rights of resident farmers. Ernest Feder's (1977) account of 'strawberry imperialism' in Mexico provides a detailed illustration of how the Mexican national government came together with representatives from Mexican exporters and US fresh fruit growers and importers to decide on a policy that would subjugate the local peasantry to corporate interests. These policies have deepened Mexican dependency by entrenching the international division of labour (in this case, subsidized US corn being traded for labour-intensive Mexican fresh strawberries) that had emerged in the previous decades.

At the level of the WTO, hidden power is manifest in two ways. First, there has been a systematic attempt to shield GATT and WTO negotiations from public scrutiny. The AoA negotiations were scheduled to start on January 15th 1991, the day of the US deadline for Iraqi forces to withdraw from Kuwait, when public attention was understandably focused on the impending war (Bertrand and Kalafatides 2002: 64). The shroud of secrecy continued until the 1999 ministerial conference in Seattle where frustrated civic groups that had been denied access to the WTO organised massive protests that were met by tear gas and police in riot gear. Though civic groups were promised more access for the next ministerial conference, it was held in Doha, Qatar, effectively putting it out of reach for many cash-strapped groups (Jawara and Kwa 2003). Corporate lobbyists, on the other hand, are often represented as part of national delegations or granted special observer status. In one extreme case, it was representatives from the US pharmaceutical industry who drafted a proposed agreement on intellectual property rights (Ibid.).

Second, while the WTO is nominally a consensus-based and member-driven organisation where each member state has equal say, negotiations are in practice organised in such a way as to ratify and legitimise the favoured outcomes of the EU, USA, Canada, and Japan (Ibid.) – collectively referred to as 'the Quad.' Outside the biannual ministerial meetings, the methods used by the Quad include: a) having the WTO secretariat, always headed by someone friendly to the Quad, write draft agreements before the ministerial meetings; b) assigning friendly chairpersons to key sub-committees who can direct the committee's work through all the powers normally afforded to the chair (delegating tasks, deciding on who gets to speak, when, and how long) as well as personal influence; and c) holding mini-ministerial conferences where the G7 or OECD countries agree on the content of draft agreements and/or invite key opponents (such as India and Brazil) just to put them on the spot and compromise their positions hoping that other weaker countries will follow suit at the subsequent plenary meetings.

During the ministerial meetings, the Quad's methods get even more disingenuous: d) holding 'green room' meetings, which serve the same purpose as the mini-ministerials except that they occur in invitation-only sessions during full ministerial meetings; e) scheduling key sub-committee meetings at the same time as plenary sessions so that countries with small delegations cannot attend; f) scheduling all-night sessions in order to wear out small delegations who do not have enough personnel to work in shifts; and even g) clapping louder at voting sessions in order to form the illusion of consensus.

The interesting question here is whose interests does the Quad promote? Smythe (2008) argues that Canadian and US policy makers have for so long been bringing industry into policy and regulation debates that the interest of the nation and those of its corporations are confounded.

Much like the WTO, the work of the Codex Alimentarius Committee is restricted to member states and those organisation granted official observer status. While observer status allows interest groups access to official documents and permits them participate in meetings (without the right to vote), observers must also commit to supporting and promoting the use of the Codex (Joint FAO/WHO Food Standards Programme 2007). Civic groups are in any case vastly outnumbered by food industry representatives who often manage to attend committee meetings as part of official national delegations (Smythe 2008).

It is perhaps at this point that the hidden and invisible powers that make the World Bank and IMF, the driving force behind neoliberal SAPs, so "committed to the same broad neo-liberal ideology and to the same notion of what constitutes broad economic research" (Wade 2002: 219). The institutionalised commitment to neoliberal ideology is carried down to staff, including researchers, through various institutional mechanisms, of which dismissal is but the most severe. By sending signals to researchers regarding what discourses are more desirable if one wishes to climb the institutional ladder, top management – appointed by the US (World Bank) and EU (IMF) – can encourage a sort of self-censorship (Ibid. : 219). Top management can also influence "what research is being done and by whom, what evidence is accepted, what conclusions are drawn, how much and how long the results are scrutinised internally before being published, how the conclusions are advertised […] and what is done to inject the finding into operational work" (Ibid. : 206). Additionally, while both institutions employ a large number of professionals from various backgrounds, much of their staff has received at least post-graduate training in the USA where neoclassical economics are the norm (Ibid. : 204).

Invisible

The World Bank's ever-growing body of original research (it has tried recently, in fact, to re-invent itself as a 'knowledge bank'), the IMFs Data Dissemination Systems, and the WTOs technical assistance programme for negotiating teams from the Least Developed Countries (defined by the WTO's internal categorisation system) are some of the tools used to manipulate information and knowledge and bias decision-makers in favour of neoliberal policy. Through its hands-on involvement in local development projects (PRSP's chief among them) and policy monitoring, the World Bank is involved in the production of "highly normative" material for use by policy makers, bilateral agencies, and local NGOs (Brock and Mcgee 2004: 18). In Borras et al.'s (2007) account of MLAR in the Philippines, the World Bank was not only involved in lobbying governmental institutions for MLAR and providing policy advice (hidden power), it also generated the post-hoc assessment that hailed the Philippine programme as a success despite evidence to the contrary. The Bank's own reports usually present Bank-backed programmes as successful and make a case for programme expansion and replication, generating the normative knowledge (invisible power) to be used in future projects. The Bank's most infamous attempt at reaching pre-conceived conclusions is its East Asian 'miracle' report (World Bank 1994), which concluded that the Washington Consensus was the right path to follow, used leading questions to make pre-formulated conclusions without testing alternatives (Lall 1994).

The WTO secretariat, World Bank, and IMF produce the policy documents and data used by national delegations at the WTO (Brock and Mcgee 2004: 17). The Ricardian theory of comparative advantage, based on dubious assumptions (Patnaik 2005), forms the back-bone of WTO trade rules and the intellectual support they get from the World Bank and IMF. The comparative advantage doctrine encourages developing countries to stop competing with subsidised OECD exports and specialise in the production of labour-intensive and/or seasonal goods. The information produced is particularly powerful in shaping national delegations' positions when when their domestic capacity to produce research is low. At the WTO negotiation tables, this amounts to a "locking out, in which alternative approaches to trade are given no quarter" (Ibid. : 16). Furthermore, the Bank's involvement in knowledge production at the local level, e.g. in the promotion of MLAR or SAPs, means that neoliberal biases are produced even before negotiators get to the table.

Such ideological foundations are also backed up by more subtle discursive shifts. For example, it is during the expansion of contract farming under trade liberalisation and structural adjustment policies in the 80s that the term 'smallholder' became common currency in the development lexicon (Bryceson 2000b). In contrast to the negative (irrational, 'backward', etc.) connotations associated with the term 'peasant', the term 'smallholder' reconceptualised Southern farmers as rational businesspeople eager for market opportunities. In effect, this shifted the mainstream academic discourse in the field of agrarian studies away from critical political economy and towards more market-friendly notions. This was no accident. The idea of the smallholder as an economic partner for international agribusiness was actively promoted by USAID together with the US agribusiness lobby and World Bank policy documents at a time when Northern businesses were undergoing changes towards flexible production.

3.4 Disembedding agriculture

We saw in section 2.4 that neoliberal governance generally forces economic actors with unequal access to resources into a system of global competition, resulting in a loss of local control over the development process, thus further contributing to global unequalisation. In the agricultural sector, this has been experienced as a rise in 'semi-flexible' vertical integration, i.e. stable contractual relationships with the understanding that the more powerful actor could go elsewhere if needed.

Contract farming spread to developing countries in the 1980s, spurred by SAPs, promotion of non-traditional export crops, and the re-conceptualisation of the peasant as businessperson. The contract sector competes with (and mostly replaces) the pre-existing capitalist plantation economy while simultaneously absorbing independent, subsistence, or pioneer farmers (Watts 1990). The roll-back of agricultural support systems, by depriving farmers of credit, extension services, access to technology and knowledge, and collective marketing systems, shifted the balance of power in the direction of global buyers. Farmers' dependency on their buyers increased the incidence of interlocked markets.

Murray's (2006) account of peasant grape farmers in Chile's central valley is a worst-case scenario: desperate for credit to buy the equipment required to enter the lucrative fresh grape export market, peasants entered into contracts that interlocked the credit, output, input, insurance, and even land markets. Unable to bear the risks inherent in participating in the global economy, many peasants lost their land, which further contributed to rural income differentiation. This is a textbook case of how powerful buyers can pass off the risks of production to their weaker suppliers in the pursuit of systemic efficiency with little concern for the welfare of others along the chain. The local economy has since stabilised as larger capitalist farmers bought off the lands of bankrupt peasants. Buyers now deal with the large farm sector, which can bear, barely, the risks imposed by the buyers. However, the damage has already been done as large segments of the peasant class who have been dispossessed now form the local proletariat, working as wage-labourers on the surviving farms. Global competition marked by unequal access to resources vertically along the chain unleashed a fierce process of horizontal differentiation.

While buyers tend to provide the know-how to their suppliers in interlocked markets, there have been isolated cases of otherwise weak producers acquiring the know-how on their own or through collaboration with non-profits and forming collective marketing organisations, thus becoming able to enter market-type value chains and capture some value added from flexible buyers looking for additional suppliers and more than happy to avoid the transaction costs incurred in capacitating and monitoring new suppliers (Helmsing 2008,Instituto De Estudios De Cajamar 2004). However, the dominant strategy among successful firms in the new flexible economy involves "cultivating the art of taking short-term gains wherever they are to be had" (Harvey 1989: 287). The buyers' global span and embrace of flexible production means that suppliers in market relationships are the most vulnerable to footloose capital and will be the first to go in case of changes in demand or the emergence of new competitors.

Unequalisation along the chain is also common: "trade and industry in the consuming countries gained considerable power to the detriment of producing-country governments, farmers, and local traders" (Kolk 2005: 228). Accordingly, the visible outcome of this power shift was a drastic unequalisation in the distribution of value added. In the case of coffee, producing countries would earn one third of the final retail value in the early 1990s (right after the collapse of the international coffee agreement) while a decade later this figure was at less than 10% (Kolk 2005: 228-9). That means that despite a doubling of the retail value of coffee (from USD30bn up to USD70bn) over this same period, producing countries now earn half as much as they used to (from USD10-12bn down to USD5.5bn).

This unequalisation was driven first by roasters' and retailers' ability to create and move into rent-rich symbolic transformation of coffee (branding, packaging, consumption environment) while forcing their suppliers to compete amongst themselves, lowering farm gate prices (Daviron and Ponte 2005: 204). A second cause is that because of the increase in private governance after SAPs, "national governments are unable to control or predict crop quality or availability […which] undermine[s] the effectiveness of attempts by producing countries to revive international commodity agreements" (Gibbon 2001: 64) or other forms of state-led management. Thus the 1994 renewal of the ICO's International Coffee Agreement was moot and unable to influence global prices.

One underlying theme that must be emphasised is the loss of control over the value chains. With neoliberal globalisation, the 'peasant negotiating complex', defined as the "configuration of specific agents, their resource base, asset holdings, bargaining positions, objectives, investment stakes and fall back-options" (Bryceson 2000a: 300), has undergone a significant shifts. Bryceson argues that:

> "the instability of the peasantry relates to their involvement in continual negotiations over: access to productive resources, i.e. land, labour, and capital; external extractive claims on their labour product; the terms and conditions of productions, notably the level of externally

> provisioned social and productive service infrastructure; the amount of production risk they shoulder" (Ibid.: 299).

In the years following World War II, peasants often found alliances with urban élites who, having come to power promising 'modernisation' and 'development', were also opposed to the colonial-era rural élites. Through this alliance, "rural élites' grip on land resources [was] loosened, [giving them] less recourse to interlocking land and labour contracts with peasants in the form of sharecropping and land tenancy" (Ibid.: 302). While the state-led land reform, marketing boards, and Green Revolution that came during this period had their drawbacks, this was nevertheless "the period when nation-states seriously endeavoured to create conditions for peasants to access credit and improved productive inputs" (Ibid.: 302).

In contrast, neoliberal globalisation in the form of SAPs has pushed peasants global markets and all the risk that may involve, without any state support in the form of inputs, extension, or infrastructure. The main point here is not that peasants got a lousy deal but that they encountered in the World Bank and IMF "a new but virtually absentee partner who acted through national governments" (Ibid.: 305). While state-led rural development had its problems, in the old negotiating complex the goals of the peasantry and the holders of power overlapped at least partially. In the neoliberal negotiating complex, peasants depend on relationships with distant institutions or corporations who have little concern for peasants' well-being.

In conclusion, the social gains (i.e. improving livelihoods, social inclusion, etc.) from global integration under neoliberalism are aleatory, unevenly distributed, probably temporary, and determined by distant actors who have no interest in furthering local development. Civic agency is systematically undermined through new-constitutionalist restrictions and the pluralisation fo the public sphere while corporate rent-seeking is encouraged. As Kydd and Doward (2001: 471) argue:

> "opportunities for small farmers to benefit from wider access to new global markets for non-traditional crops are also more limited than the [Washington Consensus on Agriculture] suggests. These markets are often characterised by increasing emphasis on quality, product differentiation and timely delivery, and require relatively high levels of capital intensity in production and detailed process supervision which is responsive to rapid shifts in requirements at the retail end. The transaction costs and risks involved in ensuring quality and timely delivery are high, and cost-reducing institutional arrangements involving economies of scale and vertically integrated supply chains, principally controlled from the large retailer/importer end (e.g. supermarkets), do not favour small-scale producers. Thus, while the production end of these supply chains may make useful contributions to the rural economy and to exports and the tax base, they are unlikely to generate the large and dispersed employment gains needed for poverty reduction. […] It is therefore important to be realistic about what can be achieved."

4 RE-EMBEDDING GLOBAL AGRICULTURE: THE CASE OF FAIR TRADE

4.1 The Fair Trade Network

The term 'Fair Trade' today elicits images of the recognisable and popular certification mark (see Figure 2). Fridell (2007) however places this current incarnation of fair trade within the wider context of the historical struggle for reforming the international trade system. Fridell uses the term fair trade *movement* to describe attempts at "radically altering the international trade and development regime in the interest of poor nations in the South" (Ibid. : 23). The fair trade movement has "no official existence, but rather is a term used to encapsulate a variety of initiatives headed by Southern governments, international organizations, and NGOs" (Ibid. : 23) and includes global institutions

Figure 2 – FLO certification marks

FLO international mark	TransFair USA and TransFair Canada

Note: The word "FAIRTRADE" in the international mark (with the top right field in blue and bottom left in green) is substituted with the name of the national initiative "MAX HAVELAAR" in the Netherlands, while both names appear in France, Belgium, Denmark, Norway, and Switzerland. The name of the German national initiative, "TRANSFAIR", also appears together with "FAIRTRADE". Only TransFair USA and TransFair Canada use an entirely different grayscale logo because it was already widely recognized in those markets before the standardisation of the international mark. The Canadian logo is bilingual (French/English) and features a white rather than grey globe in the background.

Source: FLO website (http://www.fairtrade.net/certification_mark.html)

such as the United Nations Conference on Trade and Development (UNCTAD) and the Economic Commission for Latin America (ECLA), international commodity price-stabilisation agreements such as the Export Earnings Stabilisation System (STABEX), and the International Coffee Organisation's (ICO) series of five-year agreements, NGOs such as Oxfam, and influential individuals, academics, or politicians such as Raúl Prebisch.

Intellectually, the fair trade movement is rooted in the underdevelopment and dependency theory (UDT) counter-movement (G. Fridell 2007,Raynolds and Long 2007). However, with the rise of neo-liberalism, "forces more powerful than the fair trade network have proven capable of pulling the network away from its more radical vision influenced by UDT and towards one with an increasingly neoliberal flavour" (G. Fridell 2007: 47). Many of the institutions cited by Fridell as being part of the fair trade movement have either disappeared (STABEX), lost their teeth (ICO), seen their influence wither away (UNCTAD, ECLA), or been politically discredited altogether (the idea of the developmentalist state).

The fair trade *network* on the other hand refers to the current network of NGOs and other actors who promote fair trade labelling schemes brought together under the FLO umbrella. Fridell does not restrict the network to the FLO and its associates but includes NGOs and other organisations (producer, consumer, or somewhere in between) that support in one way or another the labelling model. The subject of this case study is the current labelling-oriented fair trade network as described by Fridell and I will here adopt his terminology. All references to fair trade from here on refer to the network while the fair trade movement in the broader sense will be referred to explicitly as such.

The history of the fair trade network (hereafter abbreviated as FTN) starts with the 'suitcase trade' linking producers in developing countries directly to specialised shops in high-income countries. These small endeavours evolved into numerous 'alternative trading organisations' (ATOs) and 'world shops' such as Cafédirect in the UK or Global Exchange in the US. The FTN reached maturity with the formation of labelling initiatives in the late 1980s (Develtere and Pollet 2005). The labelling model came about when the Mexico-based producer organisation Unión de Communidades Indígenas de la Región del Istmo (UCIRI) complained to its Dutch-based partner organisation

Solidaridad about the low volumes of fair trade sales (G. Fridell 2007: 54). In response, Solidaridad attempted to negotiate with major coffee TNCs in the Netherlands and concluded that TNCs would need a price incentive if they were ever to consider changing their business practices.

The objective of the Max Havelaar initiative, which evolved out of these discussions, would be to construct a symbolic social meaning around the fair trade name (and now easily-recognisable logo) that would fetch higher prices on the market. Since 1997, the world's largest and most recognisable fair trade initiative is the Fair-trade Labelling Organizations International (FLO), formed by the pre-existing regional fair-trade labelling agencies as an umbrella group and ultimate standard-setting and certification organisation (Develtere and Pollet 2005). Any member of the FLO may propose to set new or modify old standards (FLO 2007). Each proposal is first reviewed by an 'expert' FLO panel and then subjected to extensive stakeholder consultations. The FLO is now owned by its members, including several developing country producer organisations (FLO 2007). This and other recent internal organisational restructuring is meant to re-affirm the FLO's commitment to North-South linkages which, according to some commentators (see Raynolds 2002), has been the cornerstone of fair trade.

Sales of products certified by the FLO added up to €1.61bn in 2006 (FLO 2007). Though this amounts to less then one hundredth of a percent of world trade – €8 trillion (World Trade Organisation 2006) – fair trade sales have been growing rapidly, 42% in 2006 alone (FLO 2007), making some commentators very optimistic about fair trade's potential to provide an alternative to the current international trade system. The FLO claims that 1,4 million producers have benefited directly from fair trade – this figure swells to 7,5 million if their families are included in the tally (FLO 2008b).

Though there exist extensive lists of world-wide and regionally- or product-specific fair trade criteria, the principal goals of all fair trade initiatives in the FLO system can be summarised as follows: improve livelihoods through market access, organisational support, paying better prices, and creating stable trade relationships; target the most marginalised producers; educate consumers to use their purchasing power ethically; set an example of partnership in trade through dialogue, transparency and respect as an alternative to the logic behind the conventional trade; and campaign for changes in the rules and practice of conventional trade (Develtere and Pollet 2005: 3).

The certification, consisting of an initial inspection and subsequent audits, is carried out exclusively by FLO-Cert, a German-based and administratively independent FLO subsidiary. Fair trade coffee, until recently the best-selling fair trade commodity, is usually considered a flagship product and is by far the subject of most academic studies of fair trade (see for example Daviron and Ponte 2005,G. Fridell 2007,M. Fridell et al. 2008,Kohler 2007,Kolk 2005,Milford 2004,Raynolds 2000, 2002,Raynolds et al. 2005,Ruben and Fort 2008,Taylor 2005) and has been subject to stricter standards and regulation. Only democratic producer organisations are accepted (wage-labour plantations are accepted in the case of other agricultural commodities but must adhere to strict labour standards), they must be registered in the International Coffee Producers' Register (ICR), and must be committed to social development goals including economic risk reduction (i.e. crop diversification) and sustainable environmental practices, and financing education, health, housing, and water supply for members and the community (Hudson and Hudson 2003: 420). This model rests "on the goodwill of individuals in the industrialized world to purchase products at higher than free (sic) market prices" (LeClair 2002).

4.2 The fair trade value chain

Hughes (2004) argues that "part of the promise of ethical trade has rested upon its potential to redress current imbalances of power relations embodied in global commodity chains" (Ibid.: 215). The FLO official discourse however is less politically charged:

Table 1 – Neoliberal versus Fair Trade governance

Neoliberal value chain	*Fair Trade value chain*
Unequal access to resources	Direct provision of market information, technical assistance, and credit by FTN members
Competition	Guaranteed price floors and premia means that competition cannot erode profits
	Standards guarantee stable buyer-seller relationships, reducing the danger of losing markets
Loss of local control	Producers participate in legislative governance
	New negotiating complex where producers ally with consumers and NGOs to oppose transnational capital
	Neither of these new allies can directly control the behaviour of conventional firms in the chain
Unequalisation	Standards do not stipulate trade and retail prices; roasters and retailers appropriate most of the value added by Fair Trade
	Producing country intermediaries eliminated; more value added goes to high-income importing countries
	International agricultural division of labour maintained
	Costs of certification act as barriers to entry for other producers

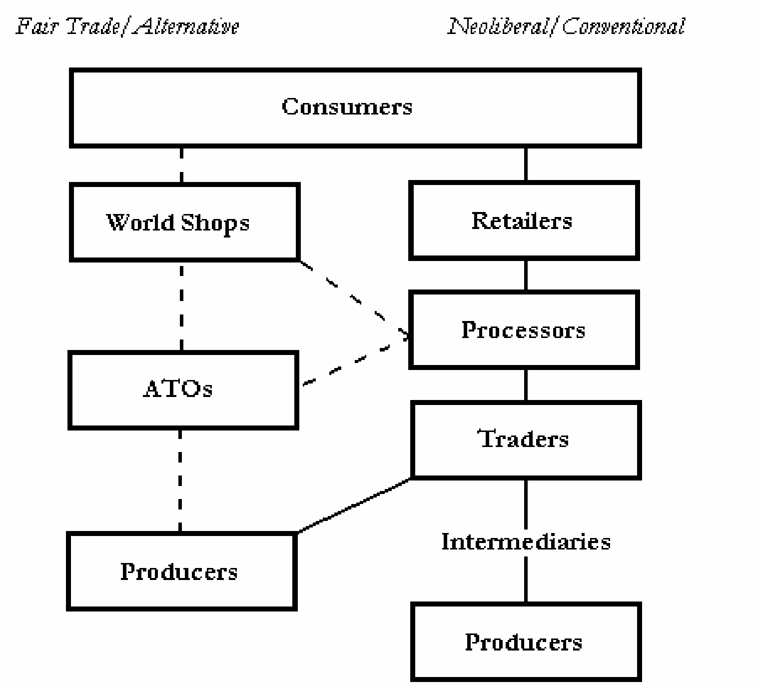
> "Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing their rights of, disadvantaged producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are actively engaged in supporting producers in awareness raising and in campaigning for changes in the rules and practices of conventional international trade." (FLO 2006a: online)

As already mentioned, Raynolds (2000) sees these goals in terms of Polanyian re-embedding, adding that:

> "by demystifying global relations of exchange and challenging market competitiveness based solely on price, the fair trade movement creates a progressive opening for bridging the widening North/South divide and for wresting control of the agro-food system away from oligopolistic transnational corporations infamous for their socially and environmentally destructive business practices" (Ibid.: 297).

Concretely, the FTN's strategy involves creating its own mode of value chain governance. The FLO standards, which are applied in addition to existing national and international rules, are a form of legislative governance while FLO-Cert inspections, monitoring, and labelling provides judicial governance. Executive governance is then carried out by a variety of NGOs and participating national or subnational development agencies (the latter tend to contribute financially rather than directly) who provide the capacity-building and other support producers (and to a lesser extent traders) need to enter the fair trade value chain.

Figure 3 – Fair Trade and Neoliberal value chains



Note: the dotted lines represent small or significantly reduced flows.

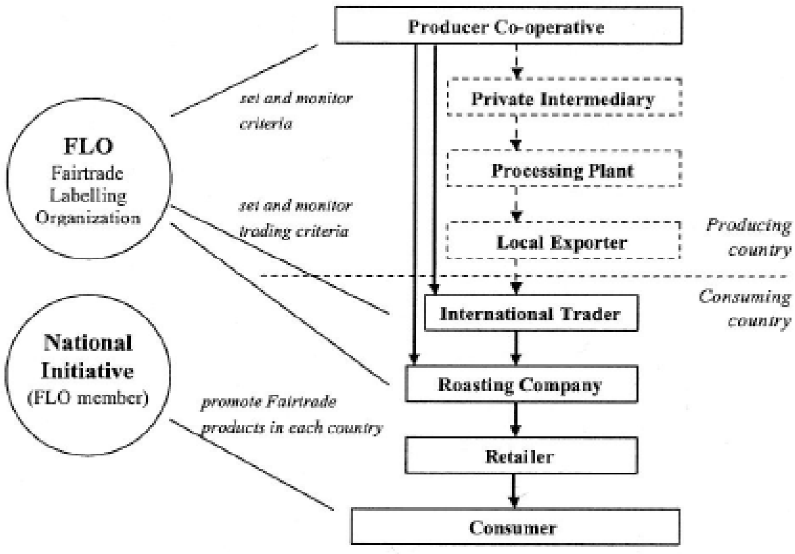
As a result of this governance system, the fair trade chain differs from the standard neoliberal chain (Table 1). In order to assess the re-embedding potential of Fair Trade governance, these differences can be discussed in terms of unequal access to resources, competition, local control, and, as the ultimate effect, global equality.

First, the Fair Trade system levels the playing field slightly by directly providing market information, technical assistance, and credit to marginalised producers (Daviron and Ponte 2005: 190-191). This effectively increases their bargaining position vis-à-vis buyers and reduces rent extraction. Furthermore, FLO standards have stipulations for advance payments and long-term purchasing contracts (FLO 2006b), thus directly preventing by legislative means the occurrence of contracts that pass risks down to suppliers.

Second, these same requirements for long-term contracts reduce the mobility of capital thereby shielding producers from the risks inherent in global competition. Furthermore, the guaranteed prices and price premia act as safeguards against the rent-deteriorating effect of inter-supplier competition induced by powerful global buyers. By that same token, buyers have no price incentive to switch between fair trade suppliers. Only non-price characteristics such as quality, flavour, geographic origin, and trust are used to differentiate between fair trade suppliers.

Third, the FTN system empowers localities directly to the extent that producer groups embedded in communities participate in the legislative governance of the value chain through the FLO's standard-setting procedure. Indirectly, communities can be empowered by the entry of new allies – consumers and international and national NGOs – into the negotiation complex. However, these new allies do not have much power to influence the opposing negotiation partners (transnational capital, the WTO, World Bank, IMF, and neoliberal states) and institutions of global

Figure 4 – Fair Trade value chain for coffee



Source: Develtere and Pollet 2005

governance). The limitations of consumer power are discussed in more detail in the following section, but for now it suffices to say that the conventional traders and retailers who participate in the

fair trade value chain are given significant leeway in their sourcing and marketing decisions. Buyers can still discriminate based on a variety of producer characteristics, particularly size, meaning that their tendering practices "may drive out traders with the most affinity to fair trade principles, and […] the more disadvantaged producers Fair Trade originally set out to support" (Barrientos and Smith 2007: 120).

Despite being more progressive on these three fronts, the Fair Trade value chain in the end does not differ that much from its conventional counterpart in terms of global unequalisation. The primary reason for this has already been alluded to: conventional traders and retailers retain much decision-making power within the Fair Trade value chain. While the Fair Trade governance structure has a strict legislative, judicial, and executive framework on the producer end, fully worthy of being called an alternative value chain, the regulatory framework further up the chain is relatively weak. In fact, since the FLO's decision to certify large non-exclusively fair trade corporations such as Nestlé, the alternative chain merges with the conventional value chain from the trader onwards, subject to the neoliberal governance framework (Figure 3). Less than one third of fair trade goods are still sold through world shops (Krier 2005 *in* Barrientos et al. 2007: 54) and less than one eight through alternative trading organisations (Raynolds and Long 2007: 20).

FTN organisers originally expected the traders, processors, and retailers to make sacrifices as they "have the highest profit margin [*Note: an Oxfam report (Gresser and Tickell 2002) estimates that Nestlé makes a 26% profit on coffee sales in the UK*] in the value chain and therefore may be able to absorb some of the costs of fair trade" (Transfair USA 2002 in Raynolds 2002: 414). The incentive for the roasters and retailers is that they can benefit from the social value that the FTN's consumer advocacy creates for Fair Trade products. The reality is, however, that the conventional traders, processors and retailers are not in any way obliged nor encouraged to do this. This elicited some disappointment in fair trade circles, as the Guardian reports:

> “"We need to do Fairtrade because it's a growing market", or "We need to make the whole of our business secure, in terms of human rights and the environment - and then we won't have to do Fairtrade", says Ian Bretman, deputy director of the Foundation. 'What I didn't expect was something in-between, saying: "We're going to tick certain products and offer these to customers with an ethical guarantee." To me, that doesn't make sense.”' (Purvis 2006)

Corporations are still in position to in position to influence, even dictate, who gets to bear the costs of fair trade, the monetary value of fair trade's social value, and how this value added is distributed. As such, the producer support and fair trade promotion amongst consumers that they, together with the many NGOs involved in the FTN, do effectively become subsidies for the powerful retailers who can appropriate the value added created by the FTN (Barrientos et al. 2007: 58). While fair trade producers do get an absolute higher price, their relative share of the value added may improve, remain the same, or actually deteriorate. In fact, Daviron and Ponte (2005: 210) find that high-end coffee blends, which most fair trade coffees are, earn less than 3,9% of the total retail[3] value while the low-end blends, though priced lower in absolute terms, earn 8,7% of the final retail price. In this way, the FTN system perpetuates and legitimises unequal value added vertical distribution along the chain.

Perhaps more worrying is that the FTN system also contributes directly to unequalisation by circumventing developing country traders and processors (Figure 2). Thus, the entirety of the value added on the producing country stays with the producer, depriving intermediaries of their livelihoods. This point is perhaps not of great concern because ideally, the intermediaries could become members or employees of fair trade producer groups as the functions they used to perform still need to be done (the coffee must get to port!). However, by moving goods directly from producers to traders, the Fair Trade system locks in the international division of labour whereby developing countries export raw primary goods, leaving rent-rich transformation activities to the high-income economies. Additionally, unless the fair trade model is applied universally, which is unlikely as the discussion in the next section will show, fair trade effectively produces barriers to entry for non-fair trade producers, effectively contributing to local differentiation.

Table 1 summarises this discussion. The FTN's legislative, judicial, and executive governance regime contains elements that counter the major disembedding effects of neoliberalism. However, even when fully carried out, the countering effect is limited, particularly in terms of asserting local control over the development process and promoting global equality. It is also worth that as long as fair trade remains a niche market, fair trade certification will remain a barrier to entry for the vast majority of producers, thus contributing to horizontal unequalisation already prevalent under the neoliberal model.

4.3 Fair Trade in the spaces of governance

Of greater concern, however, is whether or not the fair trade value chain governance model can be universally applied and thus make a serious contribution to the construction of an embedded agriculture. Re-embedding agriculture would involve mobilising visible, hidden, and invisible powers to contest neoliberal hegemony in all the spaces of global value chain governance.

Based on participatory research with community organisers and activists, VeneKlasen and Miller (2002) have a compiled suggestions of ways in which transformative civic agency can be used to confront visible, hidden, and invisible power. A handout used in various workshops summarising

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[3] The numbers here are calculated with respect to the retail value in supermarkets and other stores as opposed to cafés. The distinction is significant because cafés absorb up to two thirds of value added and tend to not differentiate between high- and low-end blends.

their findings is reproduced from Gaventa (2005) in Appendix I. We can see that some of the strategies mentioned there have been used by the FTN.

At the producer end of the chain, the FTN builds a model of an alternative and mostly embedded value chain which creates an important demonstration effect. It represents a new, more equitable negotiation complex, including legislative provisions to prevent abuse, for farmers while the direct provision of extension services, information, and credit represents an alternative model for funding development. In addition, the FTN's capacity building activities – particularly in terms of business management, negotiation skills, and networking – have been shown to improve farmers' ability to obtain better contract conditions in conventional chains (Raynolds et al. 2005), showing that even where the FLOs visible legislative power does not apply, they have challenged the hidden negotiating power of transnational capital.

The FTN as also managed to participate in some degree to mobilisation around agricultural issues. Latin American fair trade producers, including the Coordinadora Latinoamericana y del Caribe de Pequeños Produtores de Comercio Justo (CLAC), the FLO's official regional producer umbrella organisation in Latin America, singed the Cochabamba declaration on fair trade in 2005 (Anon 2005). The signatories are unambiguously opposed to neoliberal globalisation, including trade liberalisation, the dismantling of the state, and the market as a mechanism of food provision. The declaration's signatories include various producer groups who also work with La Via Campesina, a transnational peasant network dedicated to the ideals of food sovereignty.

The core organisations of the FTN (FLO, IFAT, NEWS, and EFTA, collectively known as the FINE group) also occasionally take positions on trade issues. Ahead of the 2006 WTO ministerial meeting in Hong Kong, the FINE group issued a statement denouncing anti-state trade rules and urged that trade policy be subordinated to social, cultural, and environmental imperatives (FINE 2006). The statement also urges the WTO to encourage policies that support family farming and rural development, give UNCTAD a stronger voice, promote agricultural diversification, and put an end to Northern protectionism. Though FINE takes positions on these matters it does little work to actually affect the outcomes at WTO meetings. Oxfam International, which has been active in fair trade issues since very early on, conducts more research on international trade issues (see for example the 272-page report *Rigged Rules and Double Standards* (Watkins and Fowler 2002)) and fronted the ongoing Make Trade Fair campaign[4] which produced several reports (including the one mentioned above) and attempted to raise public awareness on trade issues.

However, it is in the realm of consumption that fair trade is the most active. The success of the fair trade system rests on mobilising consumer power and using it as a bargaining chip in negotiations with conventional industry. The FTN is involved in a large public awareness campaign in high-income countries covering global poverty and inequality, unfair trade practices, and offering suggestions for action beyond ethical consumption (e.g. organising campaigns to adopt Fair Trade purchasing policies in schools, universities, workplaces, municipalities, and even regional governments).

The use of public institutions' purchasing policies to increase consumption and, perhaps more importantly, raise the profile of Fair Trade has been a cornerstone of the FTN strategy in recent years. The Fairtrade Town campaign awards an 'official' Fairtrade status to regional or municipal governments that meet certain criteria, from the use of public procurement policies to the number of shops selling FLO-certified goods. In 2007, the Douwe Egberts roasting company sued the Dutch province of Groningen on the grounds that its Fairtrade-only purchasing policy for coffee and tea violated competition laws (which are enshrined in the WTO agreement). The Groningen government successfully argued that as their policy does not discriminate between companies but rather on product quality. The ruling, and the fact that the case did not go beyond a Dutch lower

[4] See www.maketradefair.com for details.

Table 2 – The FTN and forms of power

	Visible	**Hidden**	**Invisible**
Production	Demonstration effect (alternative sources of agricultural support)	Capacity-building Mobilising around shared agendas	
Trade	Policy research (Oxfam) Demonstration effect (Alternative trade partnerships)		Education for political awareness
Consumption	Demonstration effect (Alternative consumer demand) Lobbying (public procurement)		Education for civic and consumer agency

court, was greeted as a victory by the Max Havelaar Foundation (Max Havelaar Foundation 2007). The case the campaign that surrounded it also showed that the FTN could mobilise the top echelons of a provincial government and even a federal ministry (in this case, the Minister for Development Cooperation who even helped mobilise support in the federal parliament).

4.4 Transformation or demonstration?

Table 3 summarises the FTN's use of different forms of power. First, note that of the strategies suggested in Appendix I, the FTN is using the least transformative. Its main use of visible power is a demonstration of alternative executive governance. The FTN's only attempt to change the global neoliberal legislative framework at any point in the chain was the Make Trade Fair campaign. Even the direct government lobbying regarding procurement policies attempt to harness the state's purchasing power and not its legislative power (nationally) or influence (at international negotiations). In the wake of the collapse of the Doha round of negotiations at the WTO in late July 2008, the FLO produced a rather meek statement lamenting the collapse of the talks but refusing to take sides (FLO 2008a).

What the FTN has done instead is engage directly with the corporations who drive private global governance and attempt to change their business practice. In principle, this is necessary in the Gramscian reading of hegemony as it opens opportunities for strategic reversibility in dominant spaces and could, if successful, lead to a facilitation and promotion of civic agency. But given that the FTN does not attempt to change national and international legal, judicial, and executive governance, the widespread adoption of the proposed model rests entirely on the mobilisation of consumer purchasing power.

Such strategies have however come under fire. While some commentators have praised them as part of a new emancipatory counter-culture (Klein 2000), Robin Jane Roff (2007) pejoratively calls these new tactics a 'neoliberalisation of activism'. While new social movements "foster new identities and empower individuals to act in solidarity as a means of changing the socio-cultural landscape" (Ibid. : 512). Neoliberalised activism in contrast merely gives the illusion of change while leaving neoliberal power structures intact. First, neoliberalised activism encourages people to 'vote with their money', implying that the source of social change is the market, imbued with private power, as opposed to the democratic state, a public institution. Second, neliberalised activism focuses on the individual as opposed to a larger social unit or collectivity. Discursively, the substitution of 'citizen' for 'consumer' reinforces both of these ideas, i.e. the substitution switches the space of agency from the public state (where political and economic issues can be contested) to the private market (where profit is the only concern) and identifies the agent with an individualist concept (consumer) instead of a collective one with a particular pro-social role to fill (citizen and civic agency). Third, neoliberalised activism fosters a distinct distrust for the state.

The FTN's labelling model based on consumer agency fits Roff's first two characteristics like a glove. But, surprisingly given its roots in UDT, the FTN has also taken an anti-state turn and met Roff's third criterion as well. Paul Rice, Transfair USA's CEO, states that "as a core philosophy, fair traders believe in as little market intervention as possible" (in G. Fridell 2007: 52). The Make Trade Fair campaign also failed to take a firm stance against neoliberalism. Oxfam's position on trade (see Watkins and Fowler 2002) teeters on the line between dependency theory and neo-liberalism (Ilcan and Lacey 2006). While it criticises the WTO rules for re-enforcing existing North-South power (and dependency) relations, Oxfam still advocates trade liberalisation (elimination of tariffs and export subsidies) with less prohibitions on state policy (e.g. to enforce social and environmental standards, promote family farming, etc.) and a different, pro-South intellectual property regime.

Arguing along the same lines as Roff, Lipshutz (2004) maintains that what the Fair Trade and other consumer-driven movements do amounts to a privatisation of ethics. Instead of forcing the market to conform to pro-social rules and regulations, the ethics themselves are being subjected to the supply and demand rules of the market. Kamat further ads that consumer agency, which is based on the liberal tenets of individual free choice, is fundamentally anti-democratic:

> "Liberalism promotes self-determination for the individual, protecting the individual from the state, and societal regulation, whereas democracy involves state and its people actively constructing public institutions and a public sphere that guarantees the welfare of the majority [definition based on Held 1996]. Pulled apart in their meanings, we must conclude that an active civil society based on liberalism does not equate a democratic civil society" (2004: 164-165).

Philosophical considerations aside, the effectiveness of consumer-driven strategy is bound to be limited as demand is not the only thing that determines what shape and form a value chain will take. The fact is that the Fair Trade system grants too much liberty to conventional firms to mediate the relationship between producers and consumers. Because ethical trade rests on the willingness of affluent consumers to pay more for an 'ethical' product, Hughes (2004) argues that the auditing process ethical trade relies on produces 'virtual' consumers in the sense that they can never really ascertain on their own whether their consumption is ethical and must rely on auditor's word. With mainstream corporations involved in ethical trade, "the direct influence of consumers upon the organization of the economy is being replaced by corporate strategies executed *in the name of* the virtual consumer rather than in response to 'real' consumer preferences, practices and desires" (Hughes 2004: 216). What Hughes is highlighting here is how corporations are trying to take over the function of creating social value. In value chain terminology, it is the retailers who are trying to functionally upgrade and remove the FTN from social value creation.

The tug of war with the FTN is conducted on two fronts. First, corporations have tried to discredit fair trade through a variety of public relations tactics (M. Fridell et al. 2008). Generally, the message is that there is no alternative to "the sacrosanct law of supply and demand in a market economy" (Ibid. : 16), while the oligopolistic nature of commodity markets is never mentioned. Second, several roasters have created or promoted alternative and usually less stringent 'corporate codes of conduct' in the hopes that many consumers will not be informed enough to make a distinction between the 'authentic' and 'corporate' labels (Kolk 2005). In the coffee sector, retailers such as Starbucks and trader-processors such as Sara Lee, Altria (Kraft Foods' parent company), Nestlé, and Procter & Gamble (collectively known as 'the big four') have all adopted and repeatedly updated internally designed and approved codes of conduct meant to compete with Fair Trade. At the same time, these corporations have taken to dealing in tokenistic amounts of FLO-certified products, garnering much positive media attention and further confounding their own brands with the fair trade certification mark.

Additionally, M. Fridell et al. (2008) argue that this over-reliance on conventional corporations to get fair trade goods to market has condemned fair trade, wherever product characteristics allowed, to niche market status. It is not in capitalist companies' interest to reduce barriers to entry and mainstream fair trade goods as the competition and mass marketing would risk eroding the socially-constructed value added. The only Fair Trade product to step out of niche market status is bananas (Sainsbury's, one of the UK's largest supermarket chains sells exclusively fair trade bananas). This is because bananas are sold as a fresh and final consumer product that lacks rent-rich transformation and presentation activities that can be more easily marketed to a niche. The Coffee Paradox (Daviron and Ponte 2005) of increasing demand and falling producer prices does not apply to fresh produce. Retailers have however been pushing more and more transformed goods – chocolate, juice, granola bars, even (shockingly) 'stroopwaffles' in the Netherlands, etc. – where this paradox would apply.

In summary, the objective of the FTN's labelling strategy is to construct a symbolic social meaning around the fair trade name (and now easily-recognisable logo) that would fetch higher prices on the market. From the outset of the labelling strategy, the idea was to convince some consumers to pay *more* (G. Fridell 2007: 54, citing Hans Boschler, former director of Max Havelaar Netherlands). In other words, the construction of new meanings (fairness) became a value-added activity, much like a standard branding exercise.

Labelling initiative create a new value added activity (ethical branding) whose gains will be distributed throughout the chain depending on existing power structures. By maintaining barriers to entry (the certification process on the supply side and brand identity on the demand side), the FTN manages to appropriate some of the value added. However, the traders, processors, and distributors (often the same company) as well as the retailers control the supply of the product itself and, by choosing how to price and sell it have managed to appropriate most of the value added by ethical branding. The FTN, in the end, has done nothing to address power relationship in the global trading regime. It has merely created added value to be divided according to the same old rules that reflect the same old power imbalance.

5 CONCLUSION: BUILDING ALLIANCES FOR CIVIC-DRIVEN CHANGE

The era of neoliberalism has led to the 'lost decade' of the 1980s, growing unequalisation, rural decay, food crisis, and structural irrelevance for millions of farmers. If states and markets have colluded to create this outcome, who can remedy this situation and how? This paper has sought to answer the question of how can groups civic counter the advance of neoliberalism in a globalised world by applying a GVC-inspired framework for analysing agency in the spaces of governance.

Neoliberalism has sought to mould social relations to a 'brutal reading of free-market principles' through a pluralist discourse. When actors with unequal access to resources are thrown into a global competition, the powerful will surely win. Kaplinsky's value chain framework explains very well how this allows and leaves firms no other choice but to press their advantage where they can, thereby inducing destructive competition among their suppliers. Localities lose control over the development process, the world becomes a more unequal place. This model of globalisation was built through various policy-making spaces – agriculture, land, trade, finance, and retail – where neoliberals were able to mobilise visible, hidden, and invisible powers.

The Fair Trade networks offers an alternative value chain model that is at least partially embedded in the sense that takes into account the needs of developing communities, marginalised consumer groups, workers, and reflexive consumers, among others. However, the FTN – by not attempting to alter the legislative and executive governance from the trader upwards – has left too much of this alternative value chain to operate under the standard neoliberal rules. Conventional value chain governors have by and large stuck to business-as-usual and have appropriated much of the value added by the FTN's advocacy activities, thereby furthering global inequality.

An analysis of the FTN's tactics reveals that it has appealed to people's purchasing power and to corporation's bottom line rather than civic agency. With capital still in control of most of the chain, this has resulted in the subjugation of public sphere issues to the supply and demand rules of the market and condemned fair trade to niche market status.

In the end, the FTN is just another of many private global governance initiatives, slightly better than a conventional chain, but unlikely to become a dominant model. In order for such a thing to happen, more needs to be done to address legislative and executive governance further up the chain, and more than purchasing power needs to be mobilised in order to make the required changes at the subnational (local development agencies), national (trade and finance policies), and international levels (WTO, IMF, World Bank, Codex Alimentarius). The FTN might have to start appealing to TNCs' civic agency rather than their bottom line. It will also have to engage more with the mainstream spaces of governance rather than relying solely on consumer power to convince conventional corporations to voluntarily opt for the alternative value chain.

The following recommendations can be derived from this discussion:

- Forge alliances with groups that are active in the various spaces of global governance: MST, Via Campesina, friendly governments (Brazil, India, Venzuela for their negotiating power at the WTO, almost any subnational or national entity for its public procurement), advocacy groups, think tanks, academia, media, and yes, conventional corporations for private governance and market power will never fully go away
- Agree on a coherent discourse to facilitate this alliance formation and contribute to building a true alternative 'translation'. A common agenda might include: repeal of new-constiutionalist rules, more representation of producer groups domestically and internationally, more freedom for governments to regulate based on production process rather than end product itself, restraints on capital mobility, creation of more collectivist bargaining institutions such as reformed and democratic marketing boards, etc. As it is, the FTN offers at-times contradictory discourses (CLAC stands for food sovereignty while TransFair supports trade liberalisation) that are more likely to alienate potential allies (the MST has already rejected FLO-led fair trade (Anon 2006)) than transform the business practices of transnational corporations.
- Use more transformative strategies in the spaces where it is active: policy research, shadow papers, action research, empowering knowledge formation and dissemination, popular mobilisation (with respect to more than just public procurement and laws), run for office or make alliances with political parties, etc. For example, the 'New Politics' project[5] of the Transnational Institute, an Amsterdam-based progressive think tank, aims precisely to generate analytical and strategic knowledge based on recent experiences in Latin America about how more radical civic groups can engage and work with governments, political parties, and other usually confrontational institutions.

[5] See www.tni.org for more details.

The kind of GVC-based analysis provided here can be used to analyse groups other than the FTN who are working on agricultural issues and identify commonalities and complementarites. Such analysis is could help forge new alliances and devise more transformative strategies.

In the end, the pluralisation of power isn't necessarily bad. It opens opportunities for strategic reversibility and if popular power can be properly mobilised to reach all the spaces of governance, civic-driven change might just be on the way. But if the FTN fails to lead or to join such a movement, then it will remain but a part of the neoliberal picture, a contributor to the privatisation of the public sphere.

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APPENDIX I

Handout on 'Understanding Power' from Veneklasen and Miller, Just Associates, 2002

Source: Gaventa 2005

POWER OVER

Mechanisms through which these dimensions of power operate:	Examples	Responses/Strategies	
Visible: Making & Enforcing the Rules Formal institutions & officials: President, Prime Minister, legislature, courts, ministries, police, military, etc. United Nations, IMF, World Bank; Private sector: industry, multinational corporations, chamber of commerce, businesses, etc. Instruments: Policies, laws, constitutions, budgets, regulations, conventions, implementing	Biased laws/policies (e.g. health care policies that do not address women's reproductive needs); Decisionmaking structures (parliaments, courts, IFI governance, etc.) favor the elite or powerful and are closed to certain people's voices and unrepresentative; The principle of 'equality' may exist in law, but parliaments and courts are not fairly representative of women and minorities.	• Lobbying & monitoring • Negotiation & litigation • Public education & media • Policy research, proposals • Shadow reports • Marches & demonstrations • Voting & running for office • Modeling innovations • Collaboration • Etc.	Confronting, engaging, negotiating
Hidden: Setting the Agenda Exclusion & delegitimization: Certain groups (and their issues) excluded from decisionmaking by society's unwritten rules and the political control of dominant and vested interests. They and their grievances are made invisible by intimidation, misinformation and co-optation. Often, formal institutions with visible power, also exercise hidden power.	Leaders are labeled trouble-makers or unrepresentative. Issues related to the environment are deemed elitist, impractical; domestic violence, childcare are private, individual issues not worthy of public action; labor rights are 'special' interests and not economically viable. The media does not consider these groups' issues to be mainstream or newsworthy. Crucial information is concealed or inaccessible.	• Building active constituencies around common concerns • Strengthening organizations, coalitions, movements, and accountable leaders • Mobilizing around shared agendas; demonstrating clout through direct action • Participatory research and dissemination of information that legitimizes the issues of excluded groups • Etc.	Building collective power
Invisible: Shaping Meaning, Values & What's 'Normal' Socialization & control of information: Processes, practices, cultural norms, values and customs shape people's understanding of their needs, rights, roles, possibilities and actions in ways that deter effective action for change.	Among marginal groups, socialization internalizes feelings of powerlessness, shame, anger, hostility, apathy, distrust, etc. coupled with lack of basic information/knowledge needed to participate- articulate demands. Gender, race and class are critical factors to consider – people internalize sense of rights. e.g. Poor farmers blame selves for poverty despite unequal access to global markets or decent prices or wages.	• Education for confidence, citizenship, collaboration, political awareness & analysis, using alternative media • Sharing stories, speaking out and connecting with others, affirming resistance, linking concrete problems to rights • Investigation, action research and dissemination of concealed information • Popular education tied to organizing.	Building individual and collective power

TRANSFORMING POWER