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In the Market But Not of It: Fair Trade Coffee and Forest Stewardship Council Certification as Market-Based Social Change

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Summary. — This paper discusses two well-known market-based social change initiatives, Fair Trade coffee and Forest Stewardship Council certification, which harness market forces to pursue social and environmental objectives. A serious challenge for both is to operate in the conventional market without undermining their original objectives. A global commodity chain analysis approach is combined with insights from economic sociology embeddedness theory to explore the social, cultural and organizational factors shaping the initiatives' governance structures. Both initiatives are seen to move along opposite organizational trajectories, but face similar pressures from conventional market logics, practices and dominant actors. A preliminary framework is proposed for comparative assessment, focusing on distribution of benefits, how conventional market institutions may be questioned, and how internal governance manages diverse stakeholder interests and influence.

Key words — Latin America, Mexico, Fair Trade, FSC, coffee, community forestry

1. INTRODUCTION

Certification and labeling initiatives worldwide gain growing attention as promising market-based instruments which harness globalization's own mechanisms to address the very social injustice and environmental degradation globalization fosters. Initiatives such as Fair Trade and Forest Stewardship Council (FSC) certification are being hailed as innovative "win–win" responses to seemingly intractable economic and environmental struggles (WWF, 2001b). Certification and labeling today are particularly interesting because, to paraphrase Bass, Markopoulos, and Grah, they operate at the boundary between globalization processes which put market interests first, and localization commitments which prioritize people and development. They lie, therefore, "at the heart of many of today's greatest economic, social, environmental and political challenges, which involve getting the tradeoffs right for sustainable development" (Bass, Markopoulos, & Grah, 2001, p. xi).

This paper looks at two highly successful [1] initiatives, Fair Trade coffee and FSC certification and labeling. It proposes a preliminary framework for assessing market-based instruments' capacity to ameliorate the market's own negative social and environmental impacts. The paper's comparative focus emerged from my participation in collaborative research on the Fair Trade coffee initiative (Murray, Raynolds, & Taylor, 2003) and my involvement in the FSC scheme as a member of interdisciplinary certification teams evaluating the management of community-owned Mexican forests. Several authors have observed that Fair

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Trade's roots lie in an Alternative Trade movement committed to operating both "in and against the market," aiming to use the market to transform the market (Brown, 1993; Raynolds, 2000; Renard, 2003; Shreck, in press). Yet one of the most serious challenges of certification and labeling initiatives today is actually to be "in the market but not of it," that is, to be able to pursue alternative values and objectives such as social justice and environmental sustainability without being captured by the market's conventional logic, practices and dominant actors. For Fair Trade coffee and FSC certification, this dilemma stems not so much from an oppositional strategy as from their significant success in the market.

A comparative analysis of Fair Trade coffee and FSC certification can generate fruitful insights into certification and labeling's capacity to effect change in the market. [2] Both schemes have discovered that they must operate in the mainstream market to effectively pursue their objectives. Yet the two initiatives may be said to be moving in opposite directions. Primarily a socially oriented scheme, Fair Trade coffee explicitly aims to modify existing trade relations in the global agro-food sector. Yet to increase its impact, the Fair Trade coffee initiative has begun moving away from alternative trade niche markets to place certified coffee in mainstream retail outlets. By contrast, FSC is primarily an environmentally oriented scheme which has self-consciously worked within the mainstream wood products sector. With the vast majority of its certified forests now located in the global North and under state or corporate control, FSC currently seeks to improve access to certification by small-scale, low-intensity and community-operated forests in the global South. These two initiatives' diverse trajectories highlight the often subtle process by which operation in the global market can lead a movement away from original objectives.

2. GLOBAL COMMODITY CHAIN ANALYSIS AND THE SOCIAL EMBEDDEDNESS OF GOVERNANCE

This paper's comparison of the coffee and wood products sectors draws on global commodity chain (GCC) approaches (Gellert, 2003; Kaplinsky & Morris, 2002; Ponte, 2002; Raynolds, 2002; Talbot, 1997). Originally introduced by world systems theorists Hopkins and Wallerstein (1986), a commodity chain refers to "sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy" (Gereffi, Korzeniewicz, & Korzeniewicz, 1994, p. 2). A key contribution of the GCC framework has been to point out that surplus or profits accrue at the pivotal points or nodes of the labor and production process rather than at the level of national economies (Applebaum, Smith, & Christerson, 1994, p. 188).

To explain the allocation and flow of financial, material and human resources along a commodity chain, Gary Gereffi has focused attention on chain governance (1994, p. 96). Governance refers to patterns of authority and power relations which structure the parameters under which actors operate, including what is produced, how and when it is produced, how much is produced and at what price (Humphrey & Schmitz, 2001, p. 4). Gereffi distinguished between governance in producer-driven versus buyer-driven chains. Producer-driven chains are exemplified by automobile, aircraft and other capital and technology intensive industries in which transnational corporations (TNCs) and other large integrated enterprises play a central role in controlling the production system. In buyer-driven commodity chains, large retailers, brand-name merchandisers and other trading companies organize decentralized production networks in exporting countries, typically in the global South (Gereffi, 1994). Agrarian commodities such as coffee and wood products in many ways represent buyer-driven commodity chains (see Ponte, 2002, p. 1101). The governance structures of these two sectors locate the lions' share of power over commodity chain organization, including the distribution of benefits, in the hands of actors based in consuming countries in the industrialized North.

Gereffi's seminal work on GCCs has influenced related theories of the globalization of production and trade, most prominently the global value chain (GVC) framework originally developed by Michael Porter (1990). Though the GCC and GVC frameworks are sometimes treated as identical (see Ponte, 2002, p. 1099), GVC analysis focuses on social networks which emerge to coordinate highly diversified and internationally dispersed industrial manufacturing. Governance patterns can be largely accounted for by the way firms manage three variables: the complexity of information and