The shaping of Southern social standards for Southern markets: the case of Trustea

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Abstract

Under processes of globalisation, the regulation and governance of social standards has increasingly been instigated by private, as well as public actors. The multi-stakeholder initiative (MSI) has emerged as a prominent model through which social standards are governed. Long established in the global North, MSIs governing social standards are emerging within the global South. The primary aim of this thesis is to understand the ways in which multi-stakeholder initiatives (MSIs) governing Southern social standards for Southern markets have been shaped in the context of the Indian tea industry.

MSIs are institutions in which lead firms and civil society organisations (CSOs) cooperate in an effort to improve the social conditions of workers and producers in global production networks (GPNs). The vast majority of MSIs have been developed in order to govern social standards for workers and producers based in the global South who supply firms in the global North. Thus, our current understanding has tended to focus on an analysis of how ‘global’ and ‘local’ interests intersect, contradict or complement each other on a North/South axis.

The emergence of Southern social standards in recent years raises new questions regarding the drivers behind the development of MSIs in emerging markets. In particular, it raises key questions concerning the changing balance of power between actors from the North and South as Southern MSIs emerging in the global South interlink with those in the global North. Given that these standards are developing under a significant growth in South-South trade, this thesis seeks to understand the ways in which broader shifts in global trade are affecting the development of standards. As such, this thesis addresses the following research question: ‘How are Southern social standards being shaped for Southern markets?’

The launch of Trustea in 2013 as a domestic market standard regulating social standards in the Indian tea industry is a fitting case study in which to explore this research agenda. The concept of polycentric trade is used to place the development of Southern standards within ever more complex global trade flows. Polycentric trade refers to the fact that production increasingly overlaps and intersects between global, regional and domestic production networks (Horner & Nadvi, forthcoming).

The thesis argues that the primary actors involved in developing Trustea cannot be categorised as simply ‘Northern’ or ‘Southern’ organisations but in fact represent organisations that operate across North-South territorial boundaries. This is a response to the increasingly polycentric character of global trade which has prompted firms, state-based and civil society organisations to expand their organisational boundaries in order to benefit from the opportunities provided through the existence of overlapping production networks. Specifically, the findings bring about the notion of ‘blurred boundaries’ when it comes to the categorisation of organisations who seek to shape and develop multi-stakeholder initiatives within a Southern context.

Overall, the research presented in this thesis finds that in an era of polycentric trade, it is no longer possible to discuss the development of social standards governing Southern markets solely in terms of ‘global’ and ‘local’ actors and interests. Instead, it is necessary to illustrate the ways in which firms, state and civil society actors transcend the spatial boundaries of different end markets in response to broader transformations within trade in the 21st century.
Declaration

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This thesis is dedicated to Nanny, who I miss dearly. I remain your Álainn mo chroí.
Chapter 1: Introduction

1.1 Introduction

The primary aim of this thesis is to understand the ways in which multi-stakeholder initiatives (MSIs) governing Southern social standards for Southern markets are being shaped and developed under evolving processes of globalisation. This objective is explored through the context of the Indian tea industry and the emergence of a new multi-stakeholder initiative developed to govern social standards in the context of the Indian tea industry. The case study selected is a standard known as Trustea, which was launched in 2013 and seeks to govern the social conditions of production for both waged labour and livelihoods in the Indian tea sector. Trustea is a multi-stakeholder initiative developed by a confluence of actors; firms, civil society organisations and governmental actors. What distinguishes Trustea from other social standards prevailing in the Indian tea sector is that it is geared solely for tea produced for consumption within India (rather than for export markets).

The thesis uses the global production network (GPN) framework to understand and interrogate how three distinct sets of actors (firms, civil society, and state actors) have sought to shape the development of social standards geared towards Southern end markets. The development of private standards governing labour and livelihoods in Southern markets follows an earlier proliferation of standards governing production for Northern markets. Thus, the thesis situates the development of Trustea as a Southern social standard within a broader historical context of governance within the Indian tea industry. Social standards are defined as private forms of governance focusing on multi-stakeholder addressing rights and conditions of wage labour and smallholder livelihoods (Pickles, Barrientos and Knorr, 2016, p. 6). The term ‘Southern social standard’ therefore refers to the development of social standards designed to govern markets in the global South. Southern markets are defined in the context of this research as markets for goods and services which are geographically located in the global South. Given that South-South trade constitutes an increasingly higher percentage of total global trade flows, the emergence of Southern social standards governing Southern markets is an important empirical and analytical research gap within the current literature.

Under processes of globalisation, the regulation and governance of social standards has increasingly been instigated by private as well as public actors (Pattberg, 2005; Bartley, 2007). The proliferation of MSIs governing social standards within global production networks (GPNs) is often assumed to be
an outcome of a ‘global governance gap’ as state actors fail to adequately enforce labour and social standards of producers in the global South (Mayer and Pickles, 2010). Global lead firms have exercised increased control of their global supply chains through the outsourcing of low value adding and often labour intensive, production to producers in the global South. Civil society and media exposés of inadequate and exploitative conditions within these supply chains has prompted the development of a raft of different governance forms in order to protect firms’ reputation and market position. In response to these pressures, lead firms have increasingly cooperated with civil society organisations (CSOs) in order to improve the social conditions of workers and producers embedded in the global supply chains of these firms. They do so through their participation in multi-stakeholder initiatives (MSIs). These MSIs can be thought of as private institutions of governance through which codes of conduct are created in order to govern the social standards of production within globalised networks of production.

Whilst the majority of studies have analysed the shaping of MSIs in the context of Northern markets (Dingwerth, 2008; Fransen & Kolk, 2007; O’Rourke, 2006; Turcotte, Reinecke, & den Hond, 2014) the growth of South-South trade and the recognition that global production is increasingly oriented towards Southern as well as Northern end markets (Horner and Nadvi, forthcoming; Horner 2016) problematises their exclusive focus on Northern markets. Whilst some scholars have argued that the growth of emerging economies and their markets may result in a “race to the bottom” in terms of the protection of labourers and producers (Kaplinsky and Farooki, 2010), there is evidence to suggest that these markets are increasingly governed by a range of different standards (Schouten and Bitzer, 2015; Pickles, Barrientos and Knorringa, 2016). Indeed, a handful of recent studies have noted and studied the emergence of multi-stakeholder initiatives governing standards within the global South. However, there remain significant empirical gaps in our understanding of how and why these standards have emerged (Hospes, 2014; Schouten and Bitzer, 2015). This raises new questions regarding the ways in which these institutions are shaped, the actors and drivers behind their development, and how the development of multi-stakeholder initiatives within new Southern markets affects the ways in which multi-stakeholder initiatives are designed, developed and implemented.

1.2 Research gap and research sub questions

Understanding the ways in which Southern social standards are shaped and legitimated in a Southern market context is vital in order to explain how the multi-scalar governance of social standards under processes of globalisation is evolving. The question of whether Southern social
standards imitate or differ from the previous generation of Northern market standards can help to elucidate the extent to which there is a shift in the ways in which Southern MSIs may seek to govern social standards developed in the global South. As such, this thesis seeks to address a core research gap within the literature related to the ways in which these Southern social standards are shaped. Related to this, is the question of how such institutions are legitimated in a Southern context. As such, this thesis seeks to address the following central research question: ‘How are Southern social standards being shaped for Southern markets?’

Related to this, are a number of specific sub research questions which will be addressed within this thesis:

- **To what extent does the GPN framework and institutional approaches help to conceptualise the development of Southern social standards?**

- **How do recent transformations in the geographies of end markets for Indian tea production affect pre-existing governance and regulation of social standards in the Indian tea industry?**

- **How does the development of Southern social standards link to the pre-existing regulatory environment, both within the global production and the domestic production network?**

- **How do different sets of actors (lead firms, governmental and civil society) seek to shape the development of Trustea at the global and local scales?**

- **How does the case of the Indian tea industry contribute to our understanding of how polycentric trade helps to shape the development of Southern social standards for Southern end markets?**

This thesis employs the global production network (GPN) framework in order to analyse the shaping of Southern social standards within a broader context of dynamic commercial and institutional pressures occurring at the local and global scales of production (Henderson et al., 2002; Coe, Dicken and Hess, 2008b). Combined with institutional theory, drawing in particular on the neoinstitutional and political approaches (Bartley, 2007; Bernstein, 2011; Fransen & Burgoon, 2012), these literatures may better inform an analysis of how Southern social standards may develop within an era of increasingly complex trading patterns. This is particularly important to understand given that Southern social standards are being developed in a different institutional context to standards designed to govern Northern end markets.
Multi-stakeholder initiatives have become a prevalent model of governing GPNs over the past two decades. The majority of these initiatives have been aimed at generating social standards for workers and producers based in the global South who supply lead firms based in Northern markets. Studies of social standards have tended to focus on the intersection between actors in the global North who develop standards through multi-stakeholder collaboration and those stakeholders in the global South who experience the impact of such standards (Seidmann, 2007; De Neve, 2008). As a result, our current understanding has tended to focus on the analysis of how ‘global’ and ‘local’ interests intersect, contradict or complement each other in the development and implementation of privately-governed standards. The global production network framework has represented a useful framework for analysing these global-local tensions through its emphasis on the notion of societal embeddedness; wherein each node of production is governed by various groups of actors who are embedded within particular norms, values, customs and beliefs in relation to the shaping of social standards (Henderson et al., 2002; Yeung and Coe, 2015). Given that GPNs span different nodes across different institutional environments, the framework examines contestation through the notion of competing norms which lead to different interpretations and ways of governing standards.

Although recent studies on the development of Southern social standards have tended not to apply a GPN framework explicitly; there remains a discussion over global versus local tensions in the development of these standards (Hospes, 2014; Schouten and Bitzer, 2015). For example, Schouten & Bitzer (2015) examine the creation of standards in the global South as a reflection of different norms guiding new legitimation processes. The reason that such standards have developed in this particular study was linked to an idea that global and local tensions have resulted in ‘reactive’ standards emanating from actors in the global South who are seeking to challenge the hegemony of Northern markets (Schouten & Bitzer 2015). While this may represent an accurate portrayal of why some standards in the global South have developed, I argue that the analytical construct of ‘global’ and ‘local’ standards and actors should be further problematised. The reason for this argument stems from the fact that trade is increasingly polycentric. For while the majority of GPN and institutional studies of multi-stakeholder initiatives have adopted an implicit position that global trade ‘is based on North-South flows (whereby the initial stages of production take place in the global South before being consumed in end markets in the global North) there is an emergent literature which illustrates the increased importance of South-South trade as part of a broader increase in polycentric trade (Horner & Nadvi, 2017; Horner, 2016).

The concept of polycentric trade is based on the recognition that production overlaps and intersects between global, regional and domestic production networks (Horner & Nadvi, 2017). These
increasingly divergent patterns of trade are in part driven by the emergence of the ‘Rising Powers’ of China, India and Brazil (amongst others). The growth of these Southern economies is not only leading to changes in the geographies of production but also the geographies of consumption due to the growth of the domestic middle classes in these countries (Guarin & Knorringa, 2013; Knorringa & Guarin, 2015; Sinkovics, Yamin, Nadvi, & Zhang, 2014). Given that production geared towards Southern markets may in fact overlap with production geared towards Northern markets, there should be more attention paid to the ways in which both commercial and institutional actors involved in governing North-facing GPNs may also play a role in governing South-facing GPNs. In short, the rise of polycentric trade raises the possibility that firm and non-firm actors involved in governing North-facing GPNs could perhaps play a role in governing South-facing GPNs. If this is indeed the case, then the presumption that Southern social standards are influenced by local norms and constrained by the pre-existing institutional environment within which Southern markets are embedded may be called into question (Schouten and Bitzer, 2015). The growth in South-South trade and the emergence of polycentric trade represents an empirical and analytical challenge to these previous literatures which have tended to discuss social standards in terms of North-South trade or indeed global-local relations.

1.3 Selection of Case Study

Trustea is a multi-stakeholder initiative designed to govern social standards for Indian tea workers and producers. Trustea is designed to govern and regulate social standards for India’s domestic standard, and therefore can be termed a ‘Southern’ social standard. Launched in 2013, Trustea is a standard designed to govern the social conditions of wage labour and livelihoods of tea workers and producers supplying the domestic market (Trustea, 2013). Its creation challenges the assumption that the growth of Southern markets would inevitably lead to a “race to the bottom” for social standards within global production.

The Indian tea industry has been governed by a number of different social standards which have been introduced via the global production network. This has taken place since the late 1990s as lead firms responded to societal pressures to ensure decent working and living conditions in their global supply chains. However, the case of the Indian tea industry also revealed that there had also been a number of local-led efforts to develop social standards in the context of the domestic production network.

The effectiveness of pre-existing efforts to govern and regulate the tea sector are partially dependent on the direction of trade flows and shifting demand for Indian tea within global and local
markets. India has been identified as a ‘Rising Power’ (Guarín and Knorringa, 2013; Nadvi, 2014; Sinkovics et al., 2014; Knorringa and Nadvi, 2016) and the concurrent shift is the growth of domestic demand within the Indian market. The data shows that domestic consumption of Indian tea has been increasing rapidly in recent years and is projected to continue rising. At the same time, there is evidence of a decline in demand for Indian tea within EU and OECD markets. Therefore, the tea industry represents an interesting example of polycentric trade, wherein producers are supplying global, regional and local markets (with demand in Southern markets increasing in recent decades).

1.4 Contribution of the thesis

This thesis makes a number of empirical and theoretical contributions to the existing literature on global production and the governance of social standards by organisational actors.

It contributes to a growing body of research that has investigated the actors and processes shaping the development of Southern social standards for Southern markets. Using the GPN framework, the organisational structure of firms, NGOs and state actors who constitute the membership of Trustea is explored. Using the case study of Trustea as a Southern social standard regulating tea produced for the domestic market, this thesis illustrates the ways in which Trustea was shaped in a Southern context. It extends analysis beyond a handful of studies which have examined the development of Southern standards in Southern markets (Hospes, 2014; Schouten and Bitzer, 2015) and sheds light on the development of a new standard which has not been widely researched thus far.

The research presented within this thesis illustrates the fact that the development of Southern social standards may be influenced by a confluence of different interests on the part of firms, civil society organisations and state actors who may seek to govern the global production network of Indian tea as well as the domestic production network of Indian tea. As such, it expands the analytical possibilities of how we conceptualise the role of firm and non-firm actors in shaping the governance of social standards in an era of polycentric trade. Specifically, these findings bring about the notion of ‘blurred boundaries’ when it comes to the categorisation of organisations who seek to shape and develop multi-stakeholder initiatives within a Southern context. I argue it is problematic to continue to classify the members of Trustea as being either ‘Northern’ or ‘Southern’ actors; but are in fact actors who appear to transcend the territorial boundaries previously constructed within the analytical literatures on globalisation. This is partially an organisational response to the increased importance of South-South trade, within which they use their position and influence within overlapping production networks to shape the governance of social standards across North-South and South-South production networks.
The ‘blurred boundaries’ which have come to define the organisational structure of lead firms and NGOs challenge the typical conceptualisation of governance under globalisation as occurring between multiple scales of the GPN. These ‘blurred boundaries’ may themselves be an outcome of changing institutional pressures and incentives which create new opportunities for organisations to expand within the global South. Noting this, this thesis interrogates the significance of these spatial and institutional boundaries apparent within the membership of Trustea in order to understand the ways in which actors and interests can intersect across Northern and Southern markets. Previous studies (Seidmann, 2007; De Neve, 2008) have found that actors involved in shaping the governance of social standards at multiple scales tend to come into conflict due to their embeddedness within different institutional environments. However, the case of Trustea challenges the usefulness of applying a scalar approach which seeks to separate the interests of actors and the drivers of standard creation at the ‘global’ or ‘local’ scale. Instead, a more nuanced approach to the ways in which organisations approach the governance of social standards across different scales (avoiding a northern versus Southern dichotomisation) should be used. The fact that commercial and institutional pressures occurring at the global scale were partly responsible for the development of Trustea at the local scale is a surprising empirical finding; and one which questions the notion that Southern social standards are being created as an alternative, localised response to the hegemony of Northern social standards (Schouten and Bitzer, 2015).

By examining the broader trends in the Indian tea industry, it is possible to see that the polycentric nature of tea production is driving a new agenda of standard provision within Southern markets. For example, the thesis clearly illustrates that the relative importance of the global production network versus the domestic production network is in a state of flux for lead firms. There is a clear sense that the rise of middle class consumption in India is driving firms to increase governance of domestic production for domestic consumption, and that export markets in the global North are undergoing a decline in demand for Indian tea. Whilst the concept of polycentric trade conceptualises the existence of overlapping production networks, this thesis advances the literature further, by illustrating that commercial, state-based and civil society organisations appear to all use the existence of overlapping networks across blurred boundaries, and their ability to adapt to a changing environment, in order to reassert their power within a Southern context.

1.5 Structure of the thesis

The thesis is structured as follows:
Chapter 2 address the second sub-question of the thesis: **To what extent does the GPN framework and institutional theory help to conceptualise the development of Southern social standards?**

The discussion here draws upon the global production framework alongside institutional theories in order to explore the ways in which these literatures have sought to conceptualise the development of social standards within global supply chains. Whilst this chapter recognises the advantages of these frameworks, in the sense that they help to locate the development of institutions within the international political economy of production, it illustrates that the vast majority of studies have tended to approach the governance of social standards through an underlying assumption that trade is organised from North-South. Given that South-South trade constitutes a significant percentage of global production, and that the geographies of consumption are shifting to the global South, there needs to be a more thorough conceptualisation of the trajectory of globalisation in the 21st century, and how this affects the ways in which the typical actors involved in governing social standards (lead firms, governmental, civil society) respond to these transformations.

Chapter 3 details the methodology employed in order to conduct the field work undertaken on the shaping of Southern social standards for Southern markets.

This chapter begins by providing an introduction to the broader methodological approach chosen for this research; illustrating the rationale for combining a global and domestic production network (GPN/DPN) mapping in conjunction with a detailed case study of the emergence of a Southern social standard in the Indian context. Given that the research focuses on polycentric trade, it expands on the methodology of the GPN mapping, by also utilising a mapping of the domestic production network in order to locate the existence of multiple, overlapping production networks in the context of the Indian tea industry. It continues with a discussion of the various phases of the field research. It demonstrates how a systematic GPN/DPN mapping can reveal the key actors and drivers at the global, national and local scales of production and regulation. At the global scale (the first phase of research), the pre-existing social standards and the actors involved are mapped. At the national scale (the second phase of research) the national public governance of social standards and the governance by local CSOs of labour and social conditions is investigated. The third and final phase of research utilises the case-study research into the development of the Trustea standard within this broader institutional framework which is emphasised within the GPN framework. The methods of data collection and participant selection are explored within the discussion of these various research phases. This is followed by a detailed outline of the methods of data analysis and interpretation before exploring the challenges, limitations and ethical issues faced during the research process.
Chapter 4 addresses the second sub-research question of this thesis: **How do recent transformations in the geographies of end markets of Indian tea production affect pre-existing governance and regulation of social standards in the Indian tea industry?**

This chapter charts the key commercial and institutional transformations which have taken place in the context of the global and Indian tea industry. These changes include the rapid growth of smallholder production within India since the late 1990s, as well as the broader global shifts within the geographies of consumption; meaning that the Indian and other Southern standards have grown significantly in relation to Northern markets. The discussion here illustrates that there has been a significant shift in the geographies of Indian tea consumption in recent years. In particular, the growth of India’s local tea market and the decline of tea consumption in Western Europe has led to possible challenges as well as opportunities for lead firms, CSOs and governmental actors to shape social standards to govern Indian tea production. It also illustrates that producers are increasingly supplying tea to multiple end markets, and that the shift in markets to the global South leads to the creation of overlapping production networks.

Chapter 5 addresses the third sub-question of this thesis: **How does the development of Southern social standards link to the pre-existing regulatory environment, both within the global production and the domestic production network?**

This chapter provides a descriptive overview on standards and regulatory measures in relation to the Indian tea industry. This section includes an introduction to the types of standards seen within Northern end markets (Rainforest Alliance, Utz Certified and Fair Trade) and their core focus before examining the role of public regulation in India (Plantation Labour Act). This second part concludes by examining the emergence of three different standards focused on governing social standards within the local market for Indian tea (JustTEA, EqualiTEA and Trustea). It illustrates how they have evolved, and the strong interconnectivity between all three standards.

Chapter 6 introduces the first set of empirical findings by addressing the first part of the fourth sub-question: **How do lead firms seek to shape the development of Trustea as a Southern social standard at the global and local scales?**

The empirical findings outlined in this chapter illustrate that the development of Trustea by firms cannot so easily be categorised into the role of distinctly ‘global’ versus ‘local’ actors. The construct of the global production network (GPN) and domestic production network (DPN) are utilised to
analytically illustrate the ways in which firms are increasingly seeking to coordinate and govern multiple, overlapping production networks in an era of polycentric trade. The linkages between Hindustan Unilever and Unilever are explored, and the extent to which the commercial and institutional dynamics of the GPN are influencing the introduction of social standards in the DPN is examined. The chapter highlights the strong degree of interdependency occurring across overlapping production networks facing Northern and Southern markets. However, institutional differences present within the structure of a DPN versus the GPN meant that convergence of social standards across the GPN and the DPN was not possible. Instead, pressures to create a new institution in the form of Trustea materialised.

Chapter 7 introduces the second set of empirical findings by addressing the second part of the fourth sub-question: **How do state-based actors seek to shape the development of Trustea as a Southern social standard at the global and local scales?**

This chapter seeks to illustrate the various ways in which governmental actors sought to influence the development of Trustea from their institutional position within the global production network and domestic production network. It uses the concept of polycentric trade in order to illustrate the high degree of connectivity between the ways in which governments simultaneously respond to transformations occurring within the GPN and the DPN. The chapter begins by introducing the key governmental actors shaping the development of Trustea at the global scale (i.e. from their position within the global production network). Here, the role of the Netherlands Ministry of Foreign Affairs and their support of the Dutch Sustainable Trade Initiative (IDH) is examined as part the Netherlands Government broader policy integration between trade and development cooperation. It explores how IDH’s convening role within public-private partnerships supported the development of Trustea by bringing Unilever and Tata to cooperate in terms of a ‘pre-competitive’ environment. The chapter continues by then introducing the key governmental actors shaping the development of Trustea at the local scale (i.e. from their position within the domestic production network). Here, the role of the Tea Board of India in championing the Trustea initiative is explored in detail.

Chapter 8 introduces the third set of empirical findings by addressing the fourth sub-question: **How do civil society actors seek to shape the development of Trustea as a Southern social standard at the global and local scales?**

This chapter uses the framework of the global production and the domestic production network (GPN/DPN) in order to map the varied commercial and institutional pressures occurring at these two scales; and uses the notion of polycentric trade in order to understand the degree of connectivity between the ways in which NGOs simultaneously sought to develop Trustea within the GPN and the
DPN. It begins by illustrating the role that NGOs played in shaping Trustea within the broader institutional context of Dutch civil society. This chapter highlights the ways in which NGOs had sought to use the global production network geared towards Northern end markets as a means to push lead firms towards more sustainable practices. The chapter continues by illustrating the role that NGOs played in shaping Trustea within the broader institutional context of Indian civil society. The transformation of Solidaridad into a decentralised network was an interesting example of various institutional and developmental pressures converging across the GPN and the DPN.

Chapter 9 revisits the core analytical framework which has shaped the thesis and answers the following sub-research question: **How does the case of the Indian tea industry contribute to our understanding of how Southern social standards are being shaped in Southern markets?**

This chapter identifies the ways in which the empirical findings have resulted in implications for both the global production network (GPN) framework; in particular the concept of polycentric trade. It illustrates that the multi-scalar dimensions of the GPN framework need to be revisited and to become more nuanced in relation to our understanding of how actors at different scales may seek to govern social standards in GPNs and in regional and domestic production networks. The current assumptions in the GPN and global governance literatures tend to adapt the notion of global and local (or Northern and Southern) dimensions to the structuring of MSIs governing social conditions of global production. This is proven to be a limitation when it comes to conceptualising the development of Southern social standards for Southern markets. As organisations appear to be simultaneously positioned at the global and local scales, it becomes increasingly problematic to argue that firms, state-based and civil society actors are merely representative of ‘Northern’ versus ‘Southern’ interests as they seek to shape standards for Southern markets. Therefore, the adoption of a multi-scalar analysis (whereby the interests and actions of actors is framed along the demarcated boundaries of global versus local) may fail to capture the increasingly ‘blurred’ organisational boundaries of firms, civil society and state-based actors in an era of polycentric trade. This thesis therefore argues that such a bifurcated understanding of global governance is overly-simplistic when applied to the case of Trustea’s development.

Chapter 10 concludes the thesis by illustrating the core analytical and empirical contributions presented through the research findings and analysis. This concluding chapter also illustrates some of the key policy implications arising from the research findings as well as identifying the key areas for further research. It highlights the key analytical and empirical contributions of the thesis. Analytically, the key contribution of this thesis is the recognition that the shaping of Southern social
standards requires a framework which accounts for the commercial and institutional environment of overlapping production networks. A conceptual framework which accounted for actors and dynamics within the global and domestic production networks of Indian tea improved on the typical focus of global governance on North-South trade flows in order to examine how multiple, overlapping production networks can more readily explain the ways in which firms, state-based and civil society organisations shaped the development of Trustea. Empirically, the key contribution is to the literature is the finding that each set of actors involved in shaping Trustea (firms, civil society and state-based actors) has sought to shape the development of the MSI through their co-location across the global and domestic production networks.
Chapter 2: Conceptualising the shaping of social standards in an era of polycentric trade

2.1 Introduction

This chapter introduces the analytical framework used to conceptualise the development of Southern social standards in an era of polycentric trade. The primary purpose of this chapter is therefore to ground the empirical data within a coherent, overarching conceptual framework through which we can better capture and understand the development of MSIs in the global South. The chapter examines the ways in which the concept of polycentric trade affects the core assumptions which underpin the key literatures used to understand the commercial and institutional transformations that have taken place under processes of globalisation. Specifically, it looks at the implications of polycentric trade for the ways in which the governance of social standards is examined within the global production network (GPN) and institutional literatures. This leads to the development of a new conceptual framework through which the shaping of Southern social standards in an era of polycentric trade can be examined.

The concept of polycentric trade refers to the ways in which producers increasingly supply goods and services through multiple, overlapping production networks feeding global, regional and domestic markets (Horner & Nadvi, 2017). The existence of these overlapping networks also has implications for the ways in which we understand governance under globalisation, whereby those actors who seek to shape social standards within production networks (firms, civil society, and state actors) may themselves be capable of shaping governance across intersecting networks. This presents an empirical challenge to the ways in which we might understand the emergence of Southern social standards under globalisation within the twenty-first century and raises questions regarding the ways in which firms, civil society and governmental actors seek to govern social standards in an era of polycentric trade.

This chapter therefore addresses the following sub-question: **To what extent does the GPN framework and institutional approaches help to conceptualise the development of Southern social standards?**

The GPN approach brings an international political economy perspective to the development of social standards. The GPN framework has been used to map the governance of global production at
multiple nodes of the production network. It specifically seeks to incorporate the role of institutional actors in shaping the governance of global supply chains whilst still accounting for the material power of corporate actors and their relationships with supplier firms (Henderson et al., 2002; Coe, Hess and Yeung, 2004; Coe, Dicken and Hess, 2008b). The GPN framework uses the concept of embeddedness to illuminate the societal, cultural, political and economic dimensions of end markets in which standards are developed. From this perspective, the question over the shaping of Southern social standards centres around the extent to which economic and social processes combine to influence their development at particular moments in time and within particular localities. Given that trade is increasingly characterised by South-South as well as North-South trade, this framework can be used to examine how these broader changes under globalisation (i.e. polycentric trade) may affect the development of social standards as they develop in order to govern South-South production networks.

While social conditions of production can be governed by a number of different private (as well as public) standards, the multi-stakeholder initiative (MSI) has emerged as a prominent institutional design through which social standards within global production are governed. Institutionalist approaches to the study of MSIs help us to understand the different ways in which various actors seek to shape the governance of social standards within global production. As such, they focus on the interests and incentives for firms, civil society and governmental actors to participate within these institutions. Institutional approaches to the study of governance complement the GPN framework by examining the development of multi-stakeholder initiatives as forms of collaboration and contestation between firms, civil society and governmental actors both within the MSI as well as within the broader institutional environments through which new standards develop (Bernstein, 2011; Fransen, 2013; Fransen and Burgoon, 2014). However, the importance of spatial and temporal shifts occurring under economic globalisation is sometimes underplayed within these frameworks, which instead focus on processes of cooperation and contestation within a particular territory (i.e. Northern end markets). This is problematic given the fact that evolving global trade flows may affect the opportunities for actors to shape standards based on their position within overlapping production networks.

Early studies speculated that the growth in Southern markets would lead to a ‘race to the bottom’ for the social conditions of production. This assertion was predicated on the fact that the typical pressures (from civil society and state actors) for the introduction of regulation and governance would be less visible due to their weaker bargaining position (Kaplinsky and Farooki, 2010). A
number of recent studies have challenged this assumption by illustrating that Southern standards have in fact been developed across a number of different sectors (Hospes, 2014; Schouten and Bitzer, 2015; Giessen et al., 2017). Thus, the debate has moved on from questions of whether Southern markets will be governed by social standards to questions regarding the ways in which these standards are shaped and implemented. Overall, the growth of South-South trade and the emergence of standards within these South-South production networks create analytical and empirical gaps in terms of understanding the degree to which the governance of these production networks interlink and intersect. Related to this are important questions regarding the extent to which such standards have developed in relation to pre-existing standards governing production for Northern markets (Schouten & Bitzer 2015). These studies have still tended to ignore the growing importance of South-South trade as a potentially significant factor within the shaping of Southern standards. I argue that the existence of polycentric trade must be examined within the design of Southern social standards. This recognition builds on the fact that South-South trade is redefining many of the key assumptions contained within the predominant literature examining the global governance of production through social standards. The case of shifting end markets in the context of the Indian tea industry raises questions regarding: (a) the ways in which firms, civil society actors and governmental actors shaping standards in Northern markets respond in the face of shifting influence as governors of globalised production (b) the ways in which firms, civil society actors and governmental actors shape standards in the domestic market and (c) the degree of intersection between these two processes.

The conceptual framework developed in this chapter is applied to the empirical evidence presented within Chapters 6, 7 and 8 of the thesis. Given the recognition that multiple, overlapping production networks exist the framework will be used to examine the extent to which the development of Southern social standards is influenced by broader spatial and temporal transformations catalysed by the growth of Southern markets. It will also be used in the empirical chapters (Chapters 6, 7 and 8) to analyse how the ‘typical’ actors involved in creating social standards through multi-stakeholder initiatives (i.e. firms, civil society, state) have responded to these shifts in the geographies of consumption, and how this constrains and/or enables them to influence Southern social standards in Southern markets.

Overall, the chapter is structured as follows:
Section 2.2 introduces the key literatures used to conceptualise the governance of global production under processes of globalisation. The global value chain (GVC) and global production network (GPN) frameworks are explained, particularly in terms of how they explore governance within global production.

Section 2.3 expands on the particular forms of governance which have come to regulate globally fragmented production networks before turning to discuss the role that standards play within these global governance efforts.

Section 2.4 discusses a specific type of standard known as a multi-stakeholder initiative which has been developed to govern a number of social and environmental conditions of global production. It illustrates the core explanation as to why multi-stakeholder initiatives have become a key feature of North-South production networks.

Section 2.5 illustrates the ways in which the neoinstitutional and political institutional literatures can aid our understanding of how various groups of actors choose to collaborate in order to create institutions via their participation within multi-stakeholder initiatives. Whilst an economic institutional approach can help to illuminate the reasons why firms choose to engage within multi-stakeholder initiatives, the political institutional approach allows for a more thorough understanding of how these various groups of actors may contest, as well as collaborate, within their involvement in MSIs.

Section 2.6 develops the conceptual framework used in this thesis. It illustrates how the development of Southern social standards may be better conceptualised using the notion of polycentric trade to explore how firms, civil society and state actors may seek to influence the development of standards through their embeddedness within multiple, overlapping production networks. The notion of polycentric trade questions the notion that Southern social standards may develop in isolation from commercial and institutional dynamics within North-South production networks. The concept allows for a more nuanced focus on how multiple, overlapping networks of production shape opportunities for actors at multiple scales to shape the governance of social standards through their participation in multi-stakeholder initiatives. This is significant because it will illustrate the degree to which polycentric trade is now influencing the ways through which actors drive the shaping of standards within South-facing production networks.
The following section (2.2) begins by illustrating the ways in which globalisation has led scholars to develop new conceptual tools and frameworks in order to capture the emergence of complex global supply chains. Understanding the ways through which these supply chains operate has been key to understanding the ways through which MSIs have since evolved to govern social conditions of production. Therefore, it is essential to understand how concepts such as the global value chain (GVC) and global production network (GPN) framework have allowed a more thorough understanding of the ways through which global production is organised.

2.2 Conceptualising global production in an era of polycentric trade

It is now widely acknowledged that globalisation has led to the emergence and proliferation of increasingly complex global supply chains which transcend national borders (Dicken, 2003). These chains are coordinated by multinational corporations (MNCs) who have increasingly outsourced low value and labour intensive parts of production to developing countries in the global South (Knorringa & Pegler 2006; Barrientos et al. 2011; Barrientos 2008). Whilst national and global public institutions remain key actors in the regulation of labour, the dominance of MNCs has arguably led to the creation of a global governance deficit in terms of the regulation of social standards (Mayer and Pickles, 2010). This gap has occurred as markets become global, while the institutions needed to support and regulate them remain largely national (Mayer et al., 2010; Rodrik, 2016). The transnational coordination of production creates a global division of labour that transcends state boundaries rendering national forms of public regulation less effective (Moran and Ghoshal, 1999; Blackett, 2001; Bair, 2005). Evidence of a regulatory gap comes from the documentation of highly exploitative social conditions within the value chains of major corporations around the globe. This challenges claims that the economic processes of globalisation alone have the ability to rapidly facilitate development in the Global South (Rodrik, 2007).

These transformations within the global economy have meant that state institutions are no longer the only set of actors involved in the regulation and governance of social standards (Weber, 1978; Giddens, 1984; Sewell, 1992; Bourdieu, Wacquant and Farage, 1994). A raft of new forms of governance have emerged which seek to regulate social conditions across global supply chains. Given that the governance of social standards in production can no longer be understood through a narrow state-centric analysis of regulation, it has been argued that the ways in which firms, civil society and state-based actors govern production processes requires a multi-scalar understanding of both national public regulations and global private governance (Henderson et al., 2002). Instead, it is necessary to apply a multi-scalar and multi-polar framework in which global and local, public and
private forms of regulation and governance are conceptualised. The following section illustrates the ways in which the predominant frameworks used to understand governance within globalised production has evolved to further account for these complex commercial and institutional dynamics. In particular, the global value chain (GVC) and global production network (GPN) frameworks are introduced as two separate, yet interlinked frameworks for capturing both the commercial and institutional processes and actors which characterise globalised production in its contemporary form.

2.2.1 The global value chain (GVC) framework

The global value chain (GVC) framework can be seen as one analytical response to the shifts in globalisation which have occurred in the latter decades of the twentieth century. The global value chain approach can be utilised to demonstrate that trade is no longer confined to arm’s length market transactions but is increasingly coordinated by large corporations who maintain ties with a diverse and dispersed set of suppliers (Gereffi and Korzeniewicz, 1994; Gereffi, 1999; Kaplinsky, 2000; Gereffi, Humphrey and Sturgeon, 2005). The GVC framework uses the concept of the ‘lead firm’ in order to illustrate the ways in which multinational enterprises (MNEs) have become increasingly powerful actors in the global economy through their creation and coordination of complex, interlinked but geographically fragmented global supply chains (Gereffi 1994; Gereffi 1999; Gereffi et al. 2005). Its origins lie within a broader development of ‘chain studies’ influenced by World Systems theory. For example Hopkins and Wallerstein (1977) concept of ‘commodity chains’ was used to understand dependencies endemic within sites of production in core versus peripheral economies (Bush et al., 2015). It was from this literature that the global commodity chain (GCC) framework (the predecessor of the GVC framework) emerged and extended ‘beyond the structural political economy of World Systems theory...by focusing on how lead firms construct and manage international production’ (Bush et al., 2015, p. 9).

The GVC advances on the GCC framework through the incorporation of transaction cost economics and the development of a specific inter-firm governance typology (Bair, 2009, p. 12). The GVC framework demonstrates that lead firms drove the development of value chains through processes of outsourcing whereby the labour intensive elements of their production ‘chain’ are coordinated via the establishment of relationships with supplier firms located in low-cost locations (Gereffi & Korzeniewicz 1994; Gereffi et al. 2005). In order to achieve this, firms and their suppliers have developed networked relationships to facilitate economic efficiency in their transactions. This is conceptualised in a typology of the different relationships found between markets versus hierarchy, defined as ‘modular, relational and captive networks’ (Gereffi et al. 2005). These categories differ in
the degree of coordination exercised by lead firms as well as the degree of power asymmetry present in the inter-firm linkages. The major differences between these governance types are outlined in Figure 1.

**Figure 1 Network typology of the GVC framework**

(Source: Gereffi et al 2005: 89)

The notion of modular, relational and captive networks illustrated in Figure 1 builds upon the initial market and hierarchy categories established within the transaction cost literature (Coase, 1937; Williamson, 1975; North, 1987) in order to illustrate the various inter-firm linkages which exist between arms-length market based interactions and vertical integration. The GVC framework focuses upon the governance of commercial interactions between global lead firms, national supplier firms and locally organised producers, and has focused specifically upon the nature of inter-firm linkages found in their relations across the global value chain (Gereffi, Humphrey, & Kaplinsky, 2001; Gereffi et al., 2005). However, these linkages at the micro level do not account for a number of other variables which impact on the governance of global production, most importantly the broader institutional environment that mediates these inter-firm relations. For example, the role of standards within the GVC is focused on the creation of higher levels of economic efficiency, as opposed to examine the various standards and laws created by actors who constitute the broader institutional environments within which each node of production is embedded:

‘Standards simplify interactions...Linkages based on codified knowledge provide many of the benefits of arms-length market linkages- speed, flexibility and access to low-input inputs – but are not the same as classic market exchanges based on price’ (Gereffi, Humphrey and Sturgeon, 2005, p. 86).

The power to set standards within the GVC framework stems from a realist conception of power as an ‘inscribed capacity of institutions’ (i.e. power is possessed by them) (Hess, 2008). In such a sense, lead firms (who are deemed to be the dominating actors) are able to force standards upon
producers within the value chain. This notion of power conforms to the GVC literature more generally, in which chains are constituted by both “winners and losers” as value is appropriated by those who have power over them (Allen, 2004; Coe, Dicken and Hess, 2008b). This conceptualisation of power is influenced by neoinstitutional economics, which emphasises the fact that rational choice is a key driver in institutional development (Gardner, Ostrom and Walker, 1990). Section 2.5.1 demonstrates how a neoinstitutional approach tends to frame firm engagement with standards as part of overcoming a collective action problem within the market.

Studies within the GVC framework have illuminated the ways in which the purchasing practices of lead firms (as moulded by the power asymmetries present within inter-firm linkages) has allowed them to extract significant value to the detriment of other actors within the chain (Barrientos & Smith 2007; Barrientos 2008; Barrientos & Kritzinger 2004; Johnston 2007). Locally based producers have responded in ways which impact upon social development through the creation of flexible labour forces which are able to meet the demands of “just-in-time” production (Smith and Barrientos, 2005; Hughes, 2006). Whilst corporate power is depicted in the GVC framework as a zero-sum game (in which lead firms have a monopoly on corporate power) it is important to recognise that supplier firms may also utilise power (Henderson et al. 2002). A shift in end markets may alter the balance of power seen in the inter-firm relationships which constitute the GVC. For example, domestic supplier firms to global firms may in fact be lead firms within regional or domestic markets. The growth of large domestic markets in the global South may alter their positionality in relation to lead firm power.

Although the GVC framework alludes to the importance of institutions, it has largely focused on the vertical dimensions of global production through its analysis of the governance of inter-firm relations. As such, it fails to account for the fact that lead firms operate within complex social, cultural and political contexts, as well as the fact that these same lead firms can also shape these institutional contexts (Levy, 2008, p. 8). Whilst the GVC framework presents a powerful typology of the relationships between firms within each node of the value chain, the significance of the broader institutional environment as an important factor in determining the nature of those inter-firm relations is largely unrealised. Recognising this analytical weakness, other frameworks have emerged which attempt to capture the broader institutional dynamics through which global production is embedded within. Section 2.2.2 introduces the global production network (GPN) framework as an approach which expands on the analytical weaknesses of the GVC framework.
2.2.2 The global production network (GPN) framework

The global production network (GPN) framework has emerged as a heuristic approach for understanding the commercial and institutional processes which form the characteristics of the global economy (Henderson et al. 2002; Coe et al. 2004; Coe et al. 2008a; Coe et al. 2008b; Henderson & Nadvi 2011). As such, the object of focus within the GPN framework is on ‘the globally organised nexus of interconnected functions and operations by firms and non-firm institutions through which goods and services are produced and distributed’ (Coe, Hess and Yeung, 2004, p. 41). Heavily influenced by the earlier GVC framework, the GPN framework further conceptualises the role of institutional actors (i.e. non-firm actors) within the governance of global production; described as the shift in focus from the ‘governance of chains’ to ‘governance through chains’ (Bush et al., 2015). The GPN framework identifies a number of key actors who are capable of exercising governance within global production, such as civil society and state actors (Coe, Dicken and Hess, 2008b; Yeung and Coe, 2015). The network-centred GPN framework stresses the relational processes through which various groups of actors can advance their interests by expanding the focus from the vertical dimensions of production (i.e. the commercial structure of inter-firm and intra-firm relationships) towards a more multi-scalar and multi-actor comprehension of how these commercial structures are themselves enveloped in broader institutional frameworks (Henderson et al., 2002; Hess, 2004; Coe, Dicken and Hess, 2008a; Henderson and Nadvi, 2011). Conceptually, the role of non-firm actors (who constitute the institutional framework) is incorporated by moving the analytical framing of global production away from the ‘chains’ of inter-firm linkages to the wider ‘networks’ of actors who influence the ways in which production and consumption takes place. This implies that ‘multiple relational forms and directions’ are possible within the GPN framework (Levy, 2008, p. 2).

The GPN framework conceptualises the role of the institutional environment in shaping governance through the suggestion that markets are embedded within broader social and political institutions (Granovetter, 1985; Lounsbury and Ventresca, 2002). Embeddedness signifies the social attributes which have evolved within different cultures over hundreds of years. Such factors profoundly influence the institutional environment in which firms operate. Embeddedness refers to the social, political and cultural dimensions of economic activity and represents a distinctly sociological approach to our understanding of the economy (Polanyi and Maclver, 1957; Granovetter, 1985; Hess and Yeung, 2006). Karl Polanyi was the first to theorise the idea of embeddedness in relation to the rise of capitalism within society. Under feudalism, Polanyi argued that economic activity was primarily embedded within social forces. However, industrialisation led to the dis-embedding of the
economic from the social, which in turn led to attempts by non-market actors to re-embed economic activity through political forces. Granovetter’s (1985) reworking of Polanyi’s original proposition presents embeddedness as recognition of the fact that economic relationships are never fully commoditised, but in fact depend upon complex forms of interplay between the economic and social spheres (Granovetter, 1985).

 Whilst embeddedness has generally been understood as a means of illuminating the ways in which the local institutional environment impact on lead firms, the GPN framework creates a multi-scalar understanding of embeddedness; illustrating that globalised networks of production can be influenced by institutions at each particular node of the GPN (Henderson et al., 2002; Hess, 2004). Therefore, GPNs do not only connect firms functionally and territorially but also through the ‘social and spatial arrangements’ in which those firms are embedded (Henderson et al., 2002, p. 451). Moreover, there are different types of embeddedness within global production. In the GPN framework, embeddedness has three distinct forms; societal embeddedness, territorial embeddedness and network embeddedness (Hess, 2004; Neilson & Pritchard, 2011). Societal embeddedness refers to the implicit norms, customs and values and rules followed by firm and non-firm actors as determined by the social and institutional contexts from which they originate (or in which they are based) and how this influences their behaviour within GPNs (Hess, 2004; Hughes, Wrigley and Buttle, 2008, p. 348). This is referred to as the ‘cultural imprint’ of actors which comes to influence their behaviour ‘at home as well as abroad’ (Hess, 2004, p. 177). Network embeddedness refers to degree of connectivity within the global production network in relation to different actors, be they commercial (firms) or social (non-firm actors). ¹ Importantly, it also refers to the ‘stability of its agents’ relations’ as well as the degree of importance of the network for the participants involved (Henderson et al., 2002). Territorial embeddedness refers to the anchoring of economic activity of firms within different places, from the nation-state to the local scale (Henderson et al., 2002). Understanding the local context may facilitate analysis of ‘diverse influences that can affect production as a socially embedded process’ (Barrientos and Smith, 2007, p. 717). However, given the increased connectivity between disparate locations enabled through the proliferation of GPNs, it is likely that the local context will inevitably be affected by economic, institutional and political processes that are taking place elsewhere across the production network.

¹The dualistic notion of the economic and social builds upon Karl Polanyi’s notion of embeddedness as connoting the extent to which economic activity may come to be embedded or disembedded from the social construction of society.
For Neilson & Pritchard (2011) it is through the inter-linking of these various aspects of embeddedness through a multi-scalar perspective that creates a holistic perspective of embeddedness ‘in its most complete Polanyian sense’ (Neilson and Pritchard, 2011, p. 54). Under a dynamic network of global production, it is possible to see that firm and non-firm actors may be influenced and shaped by different forms of embeddedness. Spatial and temporal shifts in the organisation of production globally may also lead to institutional shifts, as social actors attempt to re-embed market forces of the economy within specific norms and structures. Within the GPN framework, there is a sense of co-production as commercial and institutional pressures are simultaneously influenced by the other in what can be conceived as ‘perpetual dynamic transformation’ (Neilson and Pritchard, 2011, p. 56). Global production networks constitute and are re-constituted by the economic, social and political arrangements of the places they inhabit (Henderson et al., 2002).

By examining governance arrangements encompassing the chain (Bush et al., 2015), the GPN framework allows a broader perspective than the GVC framework in terms of examining the form, function and impact of wider governance arrangements (beyond inter-firm coordination) such as multi-stakeholder initiatives (MSIs) and voluntary certification schemes. It also relates to questions raised by a growing number of scholars (Fransen and Kolk, 2007; Bartley, 2010; Mayer et al., 2010) on the limits of private governance, by contrasting ‘incremental change of sustainable products and production processes in conventional chains, with systemic transformation of activities surrounding those chains’ (Bush et al., 2015, p. 14). There are three key concepts which the GPN framework applies in order to advance our understanding of how firms and non-firm actors shape the governance of global production; embeddedness, power relations and value. The incorporation of these key ideas primarily originate from the field of economic sociology, and together they produce a ‘dynamic process that is characterized by scalar interdependencies’ (Hess and Yeung, 2006, p. 1199) within networked relationships.

While the network conception of embeddedness is suggestive of ‘cooperative action by individuals and institutions on a more or less equal footing’ (Hess, 2008, p. 453) the GPN framework’s incorporation of power relations implies that there is an intersection between embeddedness and power which must be carefully understood within these wider networks. Whereas the GVC framework conceptualised power as being centred around the role of the firm, the GPN framework differentiates between corporate (realist), institutional (political and social) and collective (networked) power which may be utilised by firm and/or non-firm actors within the GPN
(Henderson et al., 2002; Coe, Dicken and Hess, 2008b; Levy, 2008). Levy (2008) brings in the role of agency to build a more distinct political approach to our understanding of GPNs. Here, the agency of various actors is analysed in terms of their mobilisation and deployment of resources, the forging of alliances, the shaping of regulatory structures and the framing of issues (Levy, 2008). This moves the GPN framework away from the tendency within the literature to discuss governance from a perspective of economic coordination to one of political contestation. It is argued that the political sustainability of GPNs is dependent upon the geographical fragmentation of production which creates an ‘insulating effect of distance between conditions of production and consumption’ (Levy, 2008, p. 31).

Within the field of GVC/GPN studies, the concept of multipolar governance was coined by Ponte & Sturgeon (2014) in order to move beyond the unipolar notion of governance as originally developed within the GVC framework. The authors seek to develop a framework which recognises different forms of governance through a differentiation between unipolar, bipolar and multipolar governance wherein a range of different firm and non-firm actors can influence governance across micro, meso and macro scales of the value chain (Ponte and Sturgeon, 2014). Moving beyond the GCC notion of governance as driving (buyer versus producer driven chains), and the GVC notion of governance as linking (modular, relational, captive), the multipolar notion of governance illustrates the normalisation of practices across the value chain as various sets of actors (NGOs, consumers, governmental) are seen as capable of influencing the governance of chains from their position within particular nodes (Ponte and Sturgeon, 2014; Pickles, Barrientos and Knorringa, 2016). Normalising here refers to ‘realigning a given practice to be compatible with a standard or norm’ (Ponte and Sturgeon, 2014, p. 206). Although this conception of governance builds on some of the obvious limitations of the GVC framework by more fully incorporating the agency of non-firm actors across different scales (the micro, meso and macro scales) it fails to explicitly discuss the different geographical orientations a chain can have. As trade patterns within the global economy are continuing to shift, there are obvious implications for the notion of multipolar governance. For example, the shift to the South could affect the power dynamics between different actors (firms, state-based and civil society organisations) who attempt to govern social standards within global production.

Although Ponte & Sturgeon (2014) help to elucidate further the notion that actors can govern from multiple nodes of the chain, the analysis doesn’t explicitly focus on how shifting end markets may impact on the extent to which a production network is driven by unipolar, bipolar or multipolar governance. Instead, it continues to depict the influence of other actors (civil society, consumers,
governmental) to be affected by the level of ‘drivenness’ seen in the chain (drivenness referring to the extent to which lead firms are able to exert a high degree of power): ‘we expect the level of drivenness to be higher for unipolar chains, where power is concentrated, than for multipolar chains, where power is more dispersed’ (Ponte and Sturgeon, 2014, p. 215). Therefore, although the multipolar framework helps to illustrate the existence of different forms of governance between different nodes in a chain it does not account for the existence of overlapping production networks (Horner & Nadvi, 2017: 13-14). Nevertheless, the notion of multi-polar governance has been applied to the development of standards within regional production networks, because it allows the identification of the key actors (firms and non-firm actors) involved within global and regional value chains and assesses the commercial strategies employed within each chain (Pickles, Barrientos and Knorringa, 2016, p. 28).

Focusing on the proliferation of overlapping private standards occurring within Southern markets, the case of Kenyan retail illustrates normalisation and convergence between Northern standards; thus challenging the bifurcated conception of ‘standards’ demands, governance and practices between the North and the South (Pickles, Barrientos and Knorringa, 2016, p. 6). In terms of coordination of governance, the paper reveals that social standards implemented by lead firms within Southern markets may occur in spite of the absence of direct NGO or consumer pressures. In terms of the normalisation of governance, the paper finds that standard setting by supermarkets in the global South runs behind those in the global North (Pickles, Barrientos and Knorringa, 2016).

The GVC versus GPN conceptualisations of governance enable researchers to analyse different sets of issues that occur within the governance of social standards within globalised production networks. For example, the GVC framework, which overwhelmingly focuses upon the internal governance of chains, examines private governance in terms of certification and chain coordination; an important part of analysing the ways in which social standards (developed by firm and non-firm actors) are utilised by firms to coordinate inter-firm linkages. In contrast, the GPN framework, which looks at governance of production through external actors (as well as firms) extends an understanding of how social standards are shaped by non-firm actors who exist outside of the boundaries of direct commercial activity (Bush et al., 2015).

Although there are important distinctions to be made between the GVC and the GPN frameworks (for example the focus on inter-firm governance versus governance by firm and non-firm actors), it is clear that there is justification for using them in conjunction in order to account for the commercial and institutional dynamics which shape global production. The primary aim of this research is to
understand how firm and non-firm actors seek to shape the governance of social standards in an era of polycentric trade. The ontological roots of the GVC/GPN frameworks can help to conceptualise these processes within a broader context of shifting patterns of global trade. Yet, in order for these frameworks to do so, there must be a more nuanced engagement with the growth of South-South trade and the emergence of polycentric trade. This thesis attempts to bridge this gap through an analytical and empirical illustration of how various actors shaping standards are influenced by global shifts in the geographies of trade and consumption in the 21st century. The following section explores the implications of polycentric trade for both the GVC and GPN frameworks.

2.2.3 Implications of polycentric trade for GVC/GPN frameworks

The emphasis on the ‘global’ scale as implied within the GVC and GPN frameworks has long been questioned by scholars owing to the fact that a considerable amount of trade in large economies is domestic or regional (Bush et al., 2015). In addition, the tendency of these frameworks to largely focus on flows from Southern producers to Northern consumers (rather than the other way around) has also been a subject of criticism within the field of economic geography (Murphy, 2008). The growth in South-South trade in recent years has reinforced the argument to look beyond the ‘global’ and to examine different geographies of production, trade and consumption (Bush et al., 2015). Recent studies within the GVC literature have begun to look at the growing significance of South-South trade which has been linked to a number of broader transformations taking place under economic globalisation (Kaplinsky and Farooki, 2010; Gereffi, 2014). These studies attempt to outline some key implications of the growth in Southern trade for these existing frameworks. They also identify some distinctive emerging patterns in the ways through which lead firms (within the global North and increasingly within the global South) organise global production under changing geographies of trade. Within this literature, several factors emerge which have contributed to the growth of South-South trade within global trade flows. These factors include the global financial crisis initiated in 2008, continued economic stagnation within EU and OECD markets and the shifts in end markets to the global South (Gereffi, 2014; Neilson et al., 2014; Staritz, Gereffi, & Cattaneo, 2011). The rise of emerging economies such as India, China and Brazil is arguably the most significant of all these transformations, given the implications for the corresponding changes within the geographies of corporate and geopolitical power (Neilson, Pritchard and Yeung, 2014). It is in this context that a number of new studies have emerged which seek to understand the shifting patterns of governance under these broader sets of transformations (Nadvi, 2014; Sinkovics et al., 2014; Knorringa and Nadvi, 2016).
Some studies have argued that lead firms from emerging economies may not outsource production to the same extent that ‘Northern’ lead firms have done. Furthermore, lead firm engagement within South-South trade may be characterised by different forms of coordination between lead and supplier firms (Gereffi, 2014). The use of product and process standards may be less prevalent within South-South value chains. This could present new opportunities for local firms to upgrade without the costs associated with entering export markets (for example, conformance to stringent standards within European markets) (Horner, 2016). If this is the case, it could aid the participation of developing country firms within value chains; allowing them to engage in high value adding activities which would have been difficult to achieve in global value chains geared towards Northern markets (Gereffi, 2014). However, it could also ‘lock suppliers into slimmer margins and cut-throat competition’ (Gereffi, 2014, p. 23). The existence of different standards and requirements within North-South versus South-South production networks may have implications for strategic diversification; in which firms may engage in selective production networks due to the existence of different requirements. Lead firms coordinating value chains appear to increasingly favour the consolidation of their supplier base; owing in part to shifting patterns of consumption from North to South and the need to depend upon large suppliers who are strategically located close to Southern markets (Gereffi, 2014). This in turn is capable of lowering the degree of power asymmetry between lead firms and their suppliers given that these larger suppliers have often ‘moved up the value chain to incorporate key input suppliers, as well as pre-production and post-production services’ (Gereffi, 2014, p. 15). In South-South trade, it is argued that supplier firms for Northern lead firms are increasingly graduating to the position of lead firms within Southern markets (Appelbaum, 2008; Azmeh and Nadvi, 2014). Overall, these findings imply that the commercial structure of production networks under shifting global trade flows may differ; both in terms of which actors are coordinating production, as well as the differences in inter-firm relations which may materialise as a result.

The concept of polycentric trade helps to further elucidate the ways in which changing patterns of global trade can affect the ways in which value chains and production networks are governed (Horner & Nadvi, 2017). Polycentric trade presents a nuanced view of the linkages between South-South and North-South GPNs as markets in the global South continue to rapidly grow (Horner & Nadvi, 2017). In this new epoch, the governance of various production networks oriented towards different end markets may not be independent, with the possibility of overlapping networks and interrelationships occurring between the lead firms and actors shaping standards in different chains (Horner & Nadvi, 2017 p.18). Therefore, the concept of polycentric trade means that North-South/South-South GPNs aren’t necessarily operating within separate commercial and institutional
vacuums, but are often interconnected through the fact that production networks increasingly overlap (Horner & Nadvi, 2017):

‘Rather than a singular chain focus where a firm is either “lead” or “supplier”, when considering multiple chains it is possible that the same firm may simultaneously play a different role in trade serving different end markets’ (Horner & Nadvi, 2017 p.14).

Within the overarching theme of polycentric trade, a clear definition of global, regional and domestic production networks is presented (Table 1) (Horner & Nadvi, 2017). As global, regional and domestic production networks increasingly overlap the extent to which governance patterns within different networks may converge or diverge can be attributed to the characteristics of networks oriented towards different end markets. Table 1 below illustrates the key characteristics of global, regional and domestic production networks as well as the ‘flow’ of trade within each network. This represents a useful heuristic framework for mapping how the geographies of markets may affect the ways in which producers are governed.

Table 1 Types of value chain/production network

<table>
<thead>
<tr>
<th>Type of production network</th>
<th>Definition and Characteristics</th>
<th>Direction/Flow of trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global production network</td>
<td>Global production networks are ones where lead firms source from and supply to international markets that cross substantial geographical boundaries. Here, the term ‘global’ doesn’t necessitate the presence of the network within every country or continent to meet the definition, but instead can refer to activities that are at least integrated across two or more countries.</td>
<td>Trade could be North-North, North-South or South-South</td>
</tr>
<tr>
<td>Regional production network</td>
<td>Regional production networks represent a situation whereby lead firms are supplying markets in neighbouring and regional economies as well as sourcing from, and sub-contracting to, regional suppliers. The term ‘region’ here applies to established regional markets as defined by (a) markets which function under common regulatory regimes (EU) (b) preferential trading rules for their regional members (ASEAN) (c) notional regional identity</td>
<td>Trade could be North-North, North-South or South-South</td>
</tr>
<tr>
<td>Domestic production network</td>
<td>Domestic value chains are ones as the network is contained within</td>
<td>As the network is contained within</td>
</tr>
</tbody>
</table>
that are organised and led by local lead firms, source from national suppliers and feed demand in domestic end markets. a local setting, the authors don’t depict a direction of trade flow. However, the ways in which the domestic production network is itself is connected to shifting trade flows occurring within regional and global trade flows, it is important to understand how the local market relates to these flows. For example, the fact that trade patterns may move from North-South to domestic production networks in the global South could arguably be seen as a broader movement from North-South to South-South trade.

Source: adapted from Horner and Nadvi, 2017: p.20

Polycentric trade can be used to conceptualise the ways in which firms and non-firm actors (civil society, governmental) shape the governance of social standards from their position within multiple, overlapping production networks (flowing from North-North, North-South and/or South-South). To date, studies on the role of actors in shaping Southern social standards are situated outside of this framework, instead focusing on global-local, private-public tensions within the development of these standards. This research uses the case study of the Indian tea industry, in which there is a clear sense of polycentric trade in order to illustrate that the development of social standards by firm and non-firm actors can in fact be influenced by broader shifts in globalisation in the twenty-first century. By examining the degree to which interlinkages are evident between the key actors coordinating overlapping production networks, the concept of polycentric trade will be used to shed light on how various actors (CSOs, firms, state) may be enabled and/or constrained to shape the governance of social standards in Southern markets.

Earlier work examining the implications of shifting end markets argued that Southern firms will be less incentivised to participate in MSIs due to the fact that civil society and state actors in the global South may apply less pressure for such standards, due to their weaker bargaining position (Kaplinsky and Farooki, 2010). However, there is an emerging literature which illustrates the development of social standards in Southern markets; thus challenging these broader assumptions (Hospes, 2014; Schouten and Bitzer, 2015; Pickles, Barrientos and Knorringa, 2016). States and CSOs may also experience shifts in the possibilities for them to shape governance of social standards in production networks. This raises the possibility that the organisations involved in shaping governance in GPNs
may be able to influence the development of standards across Northern and Southern markets due to pre-existing relations with firms which continue to exist even as markets shift to the global South. This presumption that South-South trade will typically be characterised by fewer standards may have neglected the adaptive spatial influence of institutional as well as economic actors. This thesis will explore will question these assumptions by seeking to illustrate the extent to which firms, state-based and civil society actors may utilise the existence of overlapping production networks to influence the development of Southern standards.

Having outlined two of the predominant ways in which the commercial and institutional dynamics of globalised production processes have been captured within the GVC/GPN literature (and the implications of polycentric trade for these frameworks) the following section seeks to develop further the ways in which governance of these production networks has been conceptualised in the literature. Governance of global production is a central facet of this research topic, given that the focus is on the development of new social standards designed to govern production in Southern markets. Understanding the ways through which MSIs (as private standards) intersect with pre-existing institutions (public and private standards governing social conditions of production) may serve as an important explanatory factor regarding the ways through which MSIs are constructed within a pre-existing regulatory field. Therefore, unpacking the key findings from the contemporary literature on private-public governance interactions is essential in order to examine the shaping of Southern social standards for Southern end markets. The following section begins by exploring the concept of governance within global production before turning to examine the ways through which various standards have developed in order to govern global production networks over the past few decades.

2.3 Governance of global production

While the social conditions of production had traditionally been regulated through public institutions (Jessop, 1997; Schneiberg and Bartley, 2008), the proliferation of global supply chains has necessitated a shift in the ways in which governance and regulation is developed in the context of rapid globalisation. Governance can be defined as ‘the framework and institutional structures by which rules (which include laws at one extreme and norms at the other) are set and implemented’ (Nadvi, 2008, p. 324). As such, governance includes not only the national scale of public regulation and international agreements, but also the governance of global production through inter-firm relations and the proliferation of private social standards via codes of conduct (Levy 2008: 2). Therefore, governance involves complex intersections and interactions between public and private regulators at multiple scales of the global production network.
Broadly speaking, public regulation can be defined as the governmental institutions which enable and constrain the broad range of economic activities both at the national as well as the global scale (through government participation in global institutions such as the International Labour Organisation). In contrast, private governance can be defined as the ‘non-governmental institutions that govern- that is they enable and constrain- a broad range of economic activities in the world economy’ and ‘serve functions that have historically been the task of governments, most notably that of regulating the negative externalities of economic activity’ (Mayer & Gereffi, 2010, p.1). To summarise, regulation and governance in an era of increased globalisation may be instigated by a myriad of private, state and civil society actors at multiple scales (global, national and local scales) of the global production network.

2.3.1 The role of standards in governing production

One common way in which actors can govern global production is through the use of standards. Under processes of liberalisation and deregulation, standards have played a significant role in governing the global economy (Messner 2004; Gibbon & Ponte 2005; Nadvi & Wältring 2004; Ponte & Cheyns 2013) and can be understood as norms which operate as ‘tools of simplification, unification and specification which address technical, metrological and compatibility issues’ (Ponte & Cheyns 2013: 461). Crucially, such standards are set in line with norms, conventions and customs which are revisable and negotiable, as opposed to absolute (Ponte and Cheyns, 2013, p. 461). The role of standards in global production in shaping the governance of global production is central to debates on the institutional structures present within economic globalisation. As such, it has been a significant area of research in both the GVC/GPN frameworks (Nadvi 2008; Nadvi 2011). Standards can include private, industry-wide and multi-stakeholder standards and labels (Ponte & Cheyns 2013). This thesis focuses on the development of social standards for Southern markets. Social standards are defined as ‘private forms of governance rather than public regulations, specifically focusing on multi-stakeholder and fair trade initiatives addressing rights and conditions of wage labour and smallholder livelihoods’ (Pickles, Barrientos and Knorringa, 2016, p. 6). Southern markets are defined as markets for goods and services which are geographically located in the global South. There is an important distinction to be made between social standards governing Northern versus Southern markets, given that social standards are a prevalent mode of governance in Northern markets, and yet are largely absent (as yet) in Southern markets. Given that South-South trade is an increasingly significant percentage of global trade flows, and that consumption in Southern markets is rapidly increasing, the emergence of Southern social standards governing Southern markets is a key empirical and analytical focus of this research.
Table 2 demonstrates the multi-scalar dimension of standards involved in regulating production within the GPN. Private, public and civil society actors are capable of influencing governance through the use of standards at each node of production (local, national and global).

Table 2 Types of actors engaged in defining and implementing standards

<table>
<thead>
<tr>
<th>Types of actors</th>
<th>Local/national</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>Private (business)</td>
<td>Local or national firms, trade associations and certification firms</td>
<td>TNCs, global trade associations, global certification firms</td>
</tr>
<tr>
<td>Civil Society (not for profit)</td>
<td>Local or national NGOs, consumer groups and trade unions</td>
<td>Global NGOs, international trade union federations</td>
</tr>
<tr>
<td>Public</td>
<td>Local and national government and standards organisation</td>
<td>International and regional organisations</td>
</tr>
</tbody>
</table>

(Source: Nadvi & Waltring 2004: 59)

Table 2 illustrates that standards may be governed by public or private actors, and therefore may be embedded in regulation by the state or may be considered voluntary in the sense that they are not subject to state sanctioning in cases of non-compliance (Ponte & Cheyns 2013). However, the differentiation between private and public standards is far from clear-cut; as voluntary standards can be embedded within regulation, and state actors may also participate in private forms of governance implicitly or explicitly (i.e. through funding or through direct participation) (Ponte & Cheyns 2013). It has been argued that global standards may weaken national standards ‘because national standards must increasingly comply with international norms or risk becoming irrelevant’ (Nadvi and Wältring, 2004, p. 55). Unlike national standards which have tended to be public, global standards tend to be privately governed (including through public-private partnerships), leading to ‘new institutional arrangements and complex local-global networks of public and private actors’ (Nadvi and Wältring, 2004, p. 55).

Discussions over the intersection and relationships between private and public standards can be seen as part of a wider debate on the advance of ‘private authority’ within the global economy (Sasser et al., 2006; Dingwerth, 2008; Pattberg and Stripple, 2008). The literature on private authority seeks to identify emerging structures and sources of international political and rule-making authority. Authority purports to exist when an individual or organisation has decision-making power over particular issues and is regarded as exercising that power legitimately (Cutler, Haufler and Porter, 1999, p. 5). There are continued debates within academic literature as to the extent to which the introduction of private standards is part of ‘the retreat of the state’ or representative of a more
complex reconfiguration of the roles that private versus public standards can play in governing processes of production (Pattberg and Stripple, 2008). For example, whilst it is recognised that private standards are proliferating, such standards may in fact be applied to processes of production that the state does not conventionally regulate (Ponte and Cheyns, 2013, p. 464). For example, private standards can regulate parts of production which occur in the informal sector of the economy, although the difficulties which smallholders have faced in complying with export standards has been well documented (Reardon et al., 1999; Gibbon, 2003; Henson and Humphrey, 2010; Schuster and Maertens, 2013). The contribution of public resources within the development of private standards further blurs the distinctions (Foley, 2012). Recent literature within political science discusses the notion of co-regulation between public and private actors, and has often suggested a formal role for state agencies within certification itself (Cashore, Auld and Newsom, 2004; Bartley, 2014). State interest in promoting standards may be attributed to a wider agenda of development cooperation (Fransen, 2013; Messner, 2004).

Given that private authority often intersects with public authority, scholars from the field of development studies seek to understand the ways in which these standards may complement or conflict with one another as they ‘land’ within sites of production (Nadvi, 2008). Furthermore, public and private standards often intersect, with private standards governing production from a transnational scale via the commercial GPN, and public regulation often regulating the same production processes at the national scale (Pattberg, 2006; Bush et al., 2015). Gereffi & Lee (2016) discuss the potential role for ‘synergistic governance’ in which they argue that lead firms are under increasing pressure to link economic and social upgrading into more integrated forms of corporate social responsibility; leading to a confluence of different governance pressures. They argue that these governance pressures can be differentiated between private governance (corporate codes of conduct and monitoring), social governance (civil society pressure on business from labour organisations and non-governmental organisations) and public governance (government policies to support gains by labour groups and environmental activists) (Gereffi and Lee, 2016).

Within private standards, there are important distinctions to be drawn between the roles of product versus process standards within GPNs. Whilst product standards focus on the characteristics of a product, are technical in nature and formulated by private business, industry-wide organisations as well as by governments, process standards address specific conditions within the production process (Nadvi & Wältring 2004; Nadvi 2008). Whereas product standards are technical and easily codified, process standards governing social, ethical or environmental standards may be subject to
contention, as the values contained within the standard may not be universally held (Nadvi and Wältring, 2004, p. 57). These standards ‘go beyond’ what is produced and focus on how it is produced and delivered (Nadvi and Wältring, 2004, p. 55). Therefore, it is essential to differentiate between the types of standards being used. Table 3 below illustrates some of the ways in which global standards can be differentiated.

Table 3 Typologies for Global Standards

<table>
<thead>
<tr>
<th>Field of Application</th>
<th>Form</th>
<th>Coverage</th>
<th>Key Drivers</th>
<th>Certification process</th>
<th>Regulatory implication</th>
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<tr>
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<tr>
<td>Quality assurance</td>
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<td>Environmental</td>
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<td>Labour</td>
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<td>Social</td>
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<tr>
<td>Ethical</td>
<td>Codes of conduct</td>
<td>Firm/Value chain specific</td>
<td>International business</td>
<td>First party</td>
<td>Legally mandatory</td>
</tr>
<tr>
<td></td>
<td>Label</td>
<td>Sector specific</td>
<td>International NGOs</td>
<td>Second party</td>
<td>Market competition Requirement</td>
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<tr>
<td></td>
<td>Standard</td>
<td>Generic</td>
<td>International trade unions</td>
<td>Third party</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>International organisations</td>
<td>Private sector auditors</td>
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<td>NGOs</td>
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<td>Governments</td>
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(Source: Nadvi & Waltring 2004: 59)

One important point illustrated within the above table is that various forms of certification exist within private standards. The terms first, second and third-party certification each have different implications for the ways in which compliance is monitored, with secondary implications for the legitimacy of the standard (i.e. how it is received by external audiences). First party certification means that standards are ‘self-monitoring’. This is associated with the lowest levels of credibility. Second party certification ‘shifts monitoring to the user of the product or services’ or else monitoring is conducted by trade bodies who monitor on behalf of their members. Here, there still exist possibilities for conflict of interest to occur. Third party certification transfers monitoring to neutral and independent auditors. Therefore, there can be said to be different levels of legitimacy present within standards (Nadvi and Wältring, 2004, p. 58). The credibility of the certification is directly linked to the credibility of the auditor. Auditors can include accredited firms who provide market-based certification schemes or NGOs and civil society groups who uphold the values associated with the specific standard’ (Nadvi and Wältring, 2004, p. 58). Within standards, there are a number of sub-categories which overlap. One such example is the distinction between standards, labels and codes. Labels and codes should be viewed as sub-categories of standards (Nadvi and Wältring, 2004, p. 57). Labels exist as a way to provide information to consumers regarding either product characteristics or about conditions of production. As such, they tend to be sector specific and thematic. In contrast to labels, codes of conduct are firm specific and in the case of global production networks operate as codified information transmitted to supplier firms (Nadvi and Wältring, 2004, p. 57). Although various forms of certification exist, the multi-stakeholder initiative
has become a key institutional form through which standards are governed. The following section discusses multi-stakeholder initiatives governing social standards in more detail.

2.4 Multi-stakeholder initiatives

This thesis examines the development of social standards in an era of polycentric trade. Social standards in this thesis are defined as ‘private forms of governance rather than public regulations, specifically focusing on multi-stakeholder and fair trade initiatives addressing rights and conditions of wage labour and smallholder livelihoods’ (Pickles, Barrientos and Knorringa, 2016, p. 6).

Social standards within GPNs are primarily driven through multi-stakeholder initiatives (MSIs). In MSIs, CSOs and lead firms co-operate in order to develop codes of conduct (CoC). These codes of conduct are designed to govern the social conditions of production within GPNs. Key examples of multi-stakeholder initiatives include the Roundtables on Sustainable Palm Oil and Soya as well as the Forest Stewardship Council (FSC) (Bartley, 2003; Pattberg, 2005). These initiatives tend to be shaped at the global level but often develop regional interpretations of the standard. Such standards may use labelling in order to communicate information to the consumer regarding the social attributes of that particular standard.

Many studies have emphasised the significant impact of “naming and shaming” campaigns (backed by media exposure) against corporations as the stimulus for the creation of MSIs. The growth of civil society pressure can be explained by a shift in the focus of NGO efforts to alleviate poverty in the global South. Targeting firms, who had increasingly strong links with producers in the global South through processes of outsourcing was seen by some NGOs and trade unions as both a more effective and more visible strategy for improving the social conditions of production (as opposed to lobbying public institutions) (Knorringa, 2014). By exposing the existence of exploitative conditions within the global supply chains of lead firms in the global North (Bartley 2007; Turcotte et al. 2014; Locke et al. 2013; Seidmann 2007) civil society organisations attempted to galvanise action on the part of firms. Some NGOs have chosen to cooperate with firms in order to create MSIs through which production could be governed. However, other civil society actors in the global North and South have operated outside of these initiatives, and continued to pressurise firms whilst remaining independent of privately-led efforts to govern GPNs. Typologies of civil society actors have since emerged which illustrate these differences in approach. One form of categorisation used lists NGOs as being either developmental or CSR NGOs (Fransen 2012).
As private institutions of regulatory governance, MSIs exist within a broader set of public regulations within which the governance of social standards is also set. Within GPNs for example, MSIs intersect with public regulation present at each node of the production network. Likewise, MSIs also interact with public regulation at the global scale, for example International Labour Organisation (ILO) conventions with respect to labour standards (Nadvi, 2008). Often MSIs reference the ILO conventions and/or national labour law within their own code of conduct. Thus, there are interesting intersections between private versus public efforts to govern social standards within GPNs. The extent to which these different forms of governance complement or conflict in their efforts to govern the rights and conditions of wage labour and livelihoods has been a topic of debate for many scholars interested in private-public interactions within the governance of social standards (Locke, Rissing and Pal, 2013; Amengual and Chirot, 2016).

Multi-stakeholder initiatives are seen as having a higher degree of legitimacy in relation to private governance (i.e. firm or industry based initiatives). This is due to the fact that they incorporate other stakeholders within the institutional design, typically with both firms and societal stakeholder groups present both within the board and at the advisory group level (Fransen, 2012). This allows for an ‘equal voice for non-profit and for-profit categories of members’ (Fransen, 2012, p. 166). Each set of organisations provide specific expertise within the development of the standard. NGOs can play an important role in defining the criteria through which compliance is measured, thus enhancing the standard’s legitimacy (as compared to standards which are developed by businesses independently). At the same time, NGOs need businesses to implement standards in order to achieve their objectives (Nadvi and Wältring, 2004).

Comparative research demonstrates that MSIs tend to vary in terms of which actors (NGOs, trade unions, corporations) exercise control. This in turn affects the mechanisms through which governance is exercised, the content of the codes of conduct and the overall credibility of the initiative in question (Bartley, 2003; O’Rourke, 2006). Increasing the participation of stakeholders can be critical in terms of building legitimacy and credibility for the institution. A political institutional analysis of multi-stakeholder initiatives focuses on how power relations and agency interact within the internal structure of the institution (Fransen and Burgoon, 2012). There are four key ways in which control (power) can be measured within the formalised structure of an MSI, known as the four fields of regulatory design (Fransen and Burgoon, 2012). Table 4 illustrates these different forms of control.
Within multi-stakeholder initiatives, the degree to which stakeholders are included can vary substantially (Ponte and Cheyns, 2013). However, there are emerging trends which blur these distinctions, as business driven initiatives seek to claim multi-stakeholder governance in order to advance their legitimacy claims (Fransen and Burgoon, 2012).

Viewed through the lens of a GPN framework, there are questions as to how inclusive such standards are of ‘local’ stakeholders at the sites of production (Fransen and Kolk, 2007; Ponte and Cheyns, 2013). Given that MSIs have predominately been shaped in North-South GPNs, and reflect the norms and values of ‘Northern’ actors, there is a large body of literature which criticises the ways in which MSIs as standards have sought to govern social standards from their position within different cultural, institutional and political environments (Seidmann, 2007; De Neve, 2008).

As standards shape the formal rules which shape the ways in which social standards are governed, they can be conceptualised through an institutionalist approach. Many different bodies of literature within institutional studies have examined the ways in which MSIs are shaped as standards governing the social conditions of production, including disciplines from sociology, political science and development studies. For the purposes for this research, which focuses on how various actors (firms, civil society and governmental) shape the governance of social standards within an era of polycentric trade, the combination of neoinstitutional and political institutional approaches have been selected to further conceptualise the development of Southern social standards.

A neoinstitutional approach offers a transactional perspective on how MSIs are shaped in the interests of economic actors (in this case lead firms governing production networks). Here, standards are understood as a means to overcome collective action problems faced by firms as they seek to maintain and advance their competitive position under evolving commercial and institutional pressures faced in end markets. A neoinstitutional perspective ontologically links to the GVC framework, which as discussed in section 2.2.1 has conceptualised governance within production

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**Table 4 Control in Multi-stakeholder Initiatives**

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<tr>
<th>Fields of regulatory design in multi-stakeholder initiatives</th>
<th>Decision making and governance within the organisation</th>
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<td></td>
<td>Monitoring and performance at field level</td>
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<td>Review and revision eg. Of complaints</td>
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<td>Information dissemination- performance at field and</td>
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<td>corporate level</td>
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(Source: Nadvi & Waltring 2004: 59)
networks through transaction cost economics. A political institutional approach moves beyond the interest of lead firms in shaping MSIs, and brings in power relations to understand how MSIs are formed by the interactions of numerous different organisations, including NGOs and governmental actors (Bartley, 2007). By examining processes of contestation (as well as cooperation) it can illuminate the interests of numerous actors in choosing to participate in MSIs.

Section 2.6 will demonstrate how these two approaches can be combined alongside the GVC/GPN frameworks to illuminate how the broader power asymmetries present across multiple scales of a production network influence the internal dynamics within MSIs. It is argued that the combination of these frameworks leads to the development of a conceptual framework in which the international political economy through which MSIs develop is accounted for. The recently developed concept of polycentric trade developed within the GVC/GPN framework (Horner & Nadvi, 2017) can capture the extent to which the shaping of Southern social standards may be shaped by complex global trade flows. This perspective facilitates a more comprehensive understanding of how Southern social standards may be developed within the evolving restructuring of global, regional and domestic production networks. The following section outlines the key ways in which institutional approaches have conceptualised the development of MSIs.

2.5 Institutional approaches to the study of MSIs

Although a number of different approaches exist within the conceptualisation of MSIs, the neoinstitutional and political institutional approaches are selected in order to develop a more nuanced understanding of how and why different actors (firms, civil society, governmental) seek to shape the governance of social standards through their participation in MSIs. While the neoinstitutional and political institutional approaches are ontologically premised upon different theoretical assumptions about why institutions emerge and replicate, they can be used in conjunction in order to explain the rationale for different sets of actors' interests in developing multi-institutional initiatives in order to govern social standards. Therefore, while this section outlines the important differences between the two approaches (and their theoretical origins), it also builds the argument that these two approaches can be complementary when conceptualising the development of private standards via multi-stakeholder initiatives. Section 2.5.1 and section 2.5.2 outline these two approaches and illustrate the ways in which they seek to conceptualise the role of different actors in shaping social standards within global production.
2.5.1 Neoinstitutional approach to the development of MSIs

As discussed in section 2.2.1, the GVC framework has approached governance from within the chain itself, focusing on how inter-firm relationships are governed through the concept of ‘linkages’ (Ponte and Sturgeon, 2014). Standards within the GVC framework are created to simplify coordination of production and/or to reduce costs for firms (Henson and Humphrey, 2010). Standards operate as tools through which codified information is sent to suppliers in relation to specific product or process requirements. Utilising standards can allow new forms of coordination to emerge and to alter the nature of inter-firm relations from hierarchical forms to increasingly modular, or even market-based interactions (Gereffi et al. 2005).

The conceptualisation of standards found within the GVC framework is directly influenced by its ontological roots within transaction cost economics (Coase, 1937; Williamson, 1975; North, 1987). A transaction cost approach illustrates the ways in which firms can use standards for a variety of reasons which benefit them economically. Standards through this neoinstitutional perspective exist purely as a facilitator of more efficient transactions between lead firms and their supplier firms. Standards reduce uncertainty through the creation of order and the facilitation of exchange which would otherwise have been unattainable through individual action alone (Coase, 1937; Williamson, 1975). Whilst the transaction cost economics approach certainly explains the emergence of product and process standards as a means to efficiently coordinate production across the geographically disparate parts of the value chain, it doesn’t necessarily explain why firms would choose to use standards which go beyond economic coordination (such as social standards) within their global production networks. This is where the notion of collective action can help in facilitating a better understanding of why firms might choose to collaborate with CSOs and governmental actors in order to create new institutions which effectively constrain their own actions as market actors (Bartley, 2007). Collective action can be defined as the action taken by a group (either directly or on its behalf through an organisation) in pursuit of members’ perceived shared interests (Marshall, 1998).

In terms of the development of multi-stakeholder initiatives, the collective action problem was created through a market failure in which CSOs, media and consumer groups (primarily located in end markets in the global North) exposed inadequate and exploitative social and environmental conditions within sites of production within the global South (Bartley, 2003; O’Rourke, 2003; Bartley, 2007). Such exposures represented an economic threat to firms, particularly firms who were dependent upon their brand names as a significant (albeit intangible) asset (Bartley, 2005; Barrientos, 2013). Participation in MSIs helps to bolster the reputation of firms, and to protect
against potential exposure by adversarial NGOs (Bartley, 2005; Sasser et al., 2006; Barrientos, 2013; Knorringa, 2014). As such, lead firms were galvanised to better govern their supply chains beyond the usual product and process standards and to now ensure that social, ethical and environmental conditions were also included in their contracts with suppliers. Whilst firms initially developed internal codes, the legitimacy challenges associated with self-verification soon led to the development of what are seen as more robust institutions to govern social conditions of production. Today, MSIs have become the dominant institutional design which these private standards have developed.

The extent to which civil society and consumer pressure has continued to influence firms to engage within MSIs continues to be a subject of debate. Research and marketing reports continue to find that consumer intent to purchase goods and services that are responsibly produced don’t always correlate to the actual purchasing practices of consumers. This demonstrates a critical difference between willingness to pay (intention/attitude) and consumer’s actual purchasing practices (Barcellos and Saab, 2011). If ethical consumers constitute only a fraction of the total market (Knorringa, 2014) this does not necessarily explain why uptake of such standards by lead firms has become so commonplace. A neoinstitutional approach can help to illustrate the other reasons why firm engagement within MSIs can further facilitate the pursuit of economic interest of lead firms in several distinct ways. Many of these reasons relate to the fact that MSIs are examples of private governance which operate within the logic of the market. The use of standards can lead to a number of advantages for lead firms; including market differentiation, competitive advantages and the tighter coordination of production within production networks.

Lead firm engagement within MSIs may be used to differentiate the firm from its major competitors. By joining a multi-stakeholder initiative in which the standard is communicated to consumers through the use of a label, the firm can gain enhanced credibility within the marketplace. As these labels provide information to consumers through audit and certification processes, they create consumer confidence, which can in turn boost the reputation of the firm within the market (Messner, 2004). In the literature this has been termed ‘first-mover advantage’ and refers to a situation in which ‘a single firm is the first to produce a new product, use a new process or enter a new market’ (Kerin et al., 1992, p. 33). Yet, this first-mover advantage is not guaranteed, and some argue that it depends on a number of other factors including whether the use of CSR standards is central to a firm’s mission, whether the firms engagement in such measures will provide firm-
specific benefits and on whether the standard adopted will be made visible to external audiences (Sirsly and Lamertz, 2008).

The engagement of consumers isn’t the only driver of firm engagement with standards as a means of protect reputation. In addition, the prevailing corporate model of shareholder governance has seen an increased value placed on intangible assets. The importance placed on higher-adding value activities such as branding has seen an increased emphasis placed on brand protection. Reputational concerns are therefore paramount to a number of brand-owners and retailers with high visibility within end markets not only due to consumers, but also due to the changing institutional environment. This has meant that lead firms are now subject to a range of broader institutions which ‘constitute the social value of brands’ (Levy, 2008, p. 35). In addition, the protection of intangible assets such as branding has become ever more important under processes of financialisation within a global market system (Doh and Guay, 2006; Levy, 2008; Neilson and Pritchard, 2011). It is apparent that lead firms are therefore utilising standards in order to ‘exert control over the transmission of knowledge, information, product and finance to and from suppliers’, to differentiate their brands from their competitors, to protect brand integrity and to transmit information to consumers (Mohan, 2016, p. 53).

Whilst firms may initially engage in MSIs to establish market differentiation between themselves and their competitors, there are also contradictory logics at play in which the same firms may also seek the wider establishment of these measures across industry. The need to compensate for any competitive disadvantages they might face from other (non-compliant) firms could be perceived as ‘free-riding’ given the fact that they have not also paid the costs involved in enacting certification (Messner, 2004). From this perspective, it is argued that firms who choose to engage in higher standards also have an interest in imposing similar costs on their major competitors (Bartley, 2007, p. 308). Once standards have reached a critical threshold (i.e. of lead firm uptake), they may be transformed further in order to create market differentiation for leading brands (Henson & Humphrey 2008; Nadvi 2008). However, this paints a rather rosy portrayal of firm engagement in these initiatives, reflecting the view that there is likely to be a ‘ratcheting’ of standards as firms compete to become leaders in social and environmental sustainability (Sabel, O’Rourke and Fung, 2000). Standards have not only become a strategic instrument of competition for lead firms in differentiated product markets but they have also become a necessary pre-condition for producers if they wish to participate in GPNs, therefore potentially gaining access to lucrative markets in the Global North (Reardon et al., 1999; Mutersbaugh, 2005; Neilson and Pritchard, 2011).
MSIs can also play an important role in allowing lead firms to exercise increased control and coordination with the production network (Messner, 2004; Pickles, Barrientos and Knorringa, 2016). This need not only relates to the social or environmental conditions of production but also broader process standards (such as quality standards which may also be present within the code of conduct). For example, MSIs as standards can reduce control costs for firms and reduce the search costs which may be entailed in the search for new suppliers, moving the inter-firm linkages described within the GVC framework closer to the formation of modular networks (Messner, 2004). Security of supply is a paramount concern to lead firms, especially those who are dependent on the sourcing of agro products (Bright and Seville, 2010). This is due to the existence of low prices for producers and increased environmental stress in recent years. The difficulties encountered by producers and the perception of increased economic opportunities elsewhere (for example in urban areas) is creating risk for lead firms in terms of supply. In these situations, the use of social standards may help to stem the risk of farm abandonment, which is a risk in smallholder tea production.

Within the transactional approach, the growth in South-South trade and the shifting geographies of consumption to the global South raises important questions regarding the degree to which there are economic incentives for firms to participate in similar multi-stakeholder initiatives shaping social standards in emerging economies. This will naturally depend on the ways in which lead firms in the global North may seek to converge practices as they govern production for Southern markets. Equally, it depends on how lead firms in the global South may seek to engage in similar levels of outsourcing as seen in North-South GVCs. Initial studies appear to show that in South-South trade there is increased competition but lower entry barriers due to the fact that there are fewer standards at present (Gereffi, 2014; Horner, 2016). However, lead firms who have operated in Northern markets and have utilised various standards within their value chains, may also seek to converge such practices in the context of Southern markets.

In the case of social standards, section 2.4 illustrated the role of civil society and consumers in pushing lead firms towards the development of such standards. While some have argued that civil society and consumer pressure within Southern markets is not likely to materialise given the existence of weak institutions (Kaplinsky and Farooki, 2010) a number of studies have since noted the development of social standards within Southern markets. If consumer and civil society pressure is in fact not a driver of these developments, then a transactional approach may reveal other firm-based incentives to develop such standards. Questions remain over whether firms are engaging in the development of social standards for other strategic reasons aside from consumer pressure, such as market differentiation or coordination problems. One possible driver of social standards could
reflect lead firm interest in better coordinating production within local and regional markets, which may be characterised predominately by the informal sector. Here coordination problems for lead firms could be more difficult than for export markets. The notion that standards are also the result of localised pressures within particular markets has been questioned by a recent paper exploring the emergence of social standards in Kenyan retail. Here, the introduction of standards was primarily related to lead firm processes of normalisation and convergence across Northern and Southern markets (Pickles, Barrientos and Knorringa, 2016, p. 6).

Firm’s interest in multi-stakeholder initiatives appear somewhat paradoxical in the sense that they are developing institutions of governance which act to constrain their own activities (Bartley, 2007). This leads to a number of firm-based incentives within the multi-stakeholder initiative. For example, for firms the requirements set out in the code of conduct cannot be so stringent that member firms would be put at a competitive disadvantage to their major competitors. However, the requirements cannot be so low that they don’t in fact address the social and/or environmental problems they claim to address (Bartley, 2007). The latter could result in the standard produced through the MSI being so low that it is not socially accepted within the market in which the firm is operating (Bernstein and Cashore, 2004). A neoinstitutional approach therefore helps to analyse the aims of the firm when seeking to engage in a collaborative process with other members of the MSI (such as CSOs). This may also be why such standards are often criticised for failing to tackle some of the endemic social problems seen in GPNs, because these problems would require a significant shift in the overall commercial structure and redistribution of value and/or power. For example, several studies have shown how the intrinsic commercial dynamics and power asymmetries present within inter-firm linkages (such as just-in-time production) can undermine the codes of conduct (in relation to social standards) stipulated by lead firms (Smith and Barrientos, 2005; Hughes, 2006; Locke, Rissing and Pal, 2013).

Given that there are a range of private and public standards available, the market-based approach does not explain why it was private and not public regulation that emerged, nor does it explain why such standards have continued to proliferate as they could have been a short-lived or temporary response (Bartley, 2007). Studies which focus solely upon the firm-based incentives for participation within MSIs largely ignore the fact that this is a multi-stakeholder process, and that the internal processes of development are driven and developed by other actors aside from firms through processes of negotiation, collaboration and contestation. To summarise, the neoinstitutional framework represents a functionalist approach to the shaping of social standards which focuses on the idea that lead firms often use certification as a means of solving collective action problems in the
market (Bartley, 2007). As such, it tends to ignore the role and position (i.e. power) of other actors within a multi-stakeholder initiative, both internal and external to the standard.

As MSIs represent processes of collaboration, negotiation and contestation, section 2.5.2 will expand on how these processes are conceptualised within the GPN and political science approaches to the study of MSIs. This is important because these approaches emphasise the power relations between firms, state-based and civil society actors throughout the shaping of social standards. Therefore, the following section will help to develop further the argument that the neoinstitutional approach to the development of standards can be utilised alongside different, albeit complementary approaches to the study of institutions; including the political institutional approach.

2.5.2 Political institutional approach

Multi-stakeholder initiatives (MSIs) are institutions comprised of firms, CSOs and governmental actors (Barrientos et al., 2011; Turcotte, Reinecke and den Hond, 2014). Given that MSIs are inter-organisational domains (Hardy and Phillips, 1998), understanding and identifying the organisational logics which influence the strategies of the different types of organisations (firms, CSOs, governments) within a multi-stakeholder initiative can help to theorise the interests when it comes to why such actors choose to cooperate. A political institutional approach emphasises the importance of looking not only at how the “finished product” of an MSI operates, but also how the processes of institutional emergence occurs through contestation as well as cooperation. Specifically, a political institutional approach to the development of multi-stakeholder initiatives emphasises the interests of various actors who may in fact have rival interests and perspectives and organisational agendas when it comes to the shaping of standards within GPNs (Bartley 2007; Fransen 2012). It moves beyond the idea of a collective action problem as the only impetus for institutional formation. Here, multi-stakeholder initiatives are ‘not reducible to corporate strategies but rather reflect the negotiated settlements ...that arise out of conflicts involving states, NGOs (non-governmental organisations) and other non-market actors, as well as firms’ (Bartley, 2007: 299).

A political institutional approach moves beyond the material conception of power found in the economic institutional approach (and GVC approach) as stemming primarily from the self-interest of firms. As such, the approach has the potential to be integrated within the GPN approach, in which the interests of multiple sets of actors in governing production networks are explored. Yet the political institutional approach also moves beyond the confines of the GPN approach in the sense that it approaches a more dynamic conceptualisation of institutions, looking at their emergence,
rather than assuming their existence as stable and rational phenomena. The approach is situated within a broader literature examining the reasons why new institutions emerge and the degree to which they tend to mimic pre-existing institutional arrangements (or not). This is important because it recognises the importance of path dependency in influencing the development of new standards.

The recognition that each set of actors involved embodies their own organisational interests as well as the mutual interest in bringing about the development of an MSI as an institution is an important element of research within the political institutional approach. These fundamental differences between each set of actors means that the reasons for the development of multi-stakeholders cannot be reduced to accounts of corporate strategies (as seen in the neoinstitutional literature). Instead, a political science perspective argues that the study of these institutions should occur on the presumption that MSIs are in fact created from contestation, negotiation and compromise between the various sets of actors involved. This approach moves beyond the material conception of power found in the neoinstitutional literature in which firms are the central foci of the analysis. However, it is important to note that the material power of firms as found in the neoinstitutional approach should not be neglected, but combined with a political institutional approach in order to further elucidate the ways in which firms and non-firm actors seek to collaborate within the development of multi-stakeholder initiatives. In this sense, both approaches although different, can be complementary when it comes to a conceptual understanding of how multi-stakeholder initiatives can be developed by a variety of different actors and stakeholders.

The fact that an MSI is an inter-organisational domain (Hardy and Phillips, 1998) raises the question of how internal members of the institution view and respond to external pressures from audiences within the organisational field. The fact that CSOs and firms within the MSI are themselves organisations with strategic interests may mean that they have differing agendas and perspectives which affect the legitimacy of the institution. In the context of MSIs, CSOs and lead firms can be conceptualised as organisational actors who are both legitimacy seeking but are also embedded in multiple organisational fields and therefore weigh different kinds of organisational pressure against each other at any given point in time (Fransen and Burgoon, 2012). Identifying the organisational interests of the membership of the MSI can help to develop an analysis of how and why the institution in question has a particular design. By identifying which actors within the MSI are able to control both the implementation and enforcement of the code (decision making, delegation of tasks, performing of activities and who gets what information) it is possible to identify ‘a set of approaches in the division of tasks between social and business actors in a code effort as well as the extent to which one or the other type of actor controls the process as a whole’ (Fransen, 2011).
An institutional field is a concept used to argue that the behaviour of objects under study is explained ‘not by their internal attributes but by their location in some physically or socially defined space’ (Scott, 2013, p. 220). A field is a social space encompassing ‘those organisations that, in the aggregate, constitute a recognised area of institutional life’ (DiMaggio and Powell, 1983, p. 148). As such, a field can be defined as those actors who appear to relate to and be influenced by one another; it is a relational construct which positions the behaviour of organisations within interrelated networks (Levy, 2008, p. 4). The networked concept of a field allows the mapping of organisations within a particular ‘space’ which can span multiple geographical territories (Scott, 2013). The field concept can be used to understand the ways in which particular actors (firms, CSOs, governmental) seek to develop new institutions within the pre-existing dimensions of the institutional field. As such, it can examine the ways in which these actors seek to develop social standards within Southern markets through a relational perspective. The study of power relations is a central feature of field studies, influenced by Bourdieu’s (1984) work in which fields are not stable or placid social spaces, but arenas of conflict ‘in which all players seek to advance their interests and some are able, for longer or shorter periods, to impose their conception of the “rules of the game” upon others’ (Scott 2012: 221).

In this research, the global production network is used to set the boundaries of an institutional field in which multi-stakeholder initiatives are developed. Each institutional field as a distinct governance system is ‘composed of a combination of public and private actors employing a combination of regulatory and normative controls over activities and actors within the field’ (Scott, 2013, p. 231). This in turn influences the extent to which particular actors (firms, CSOs, governmental) can influence the development of new social standards within the confines of the field. The use of a conceptual framework (in this case the GPN) to draw the field boundaries is an example of a nominalist approach being utilised (Laumann, Marsden and Prensky, 1983). In the context of this research, the field approach allows an illustration of the development of new institutions as an outcome of broader interactions between field members of a production network. Thus, the relations between the core members of the institution (i.e. the MSI) are mediated themselves by the broader dynamics present within the field of the production network. The significance of using the GPN in conjunction with a field approach is that it helps to account for the material power of commercial actors within the field itself. As noted by Levy (2008, p.27);

‘While scholarship on institutional theory and politically contested fields has paid considerable attention to the embeddedness of markets and technologies in social and discursive structures, it has neglected the role of the material realm in structuring the social. GPN analysis has brought attention to the importance of market power in the distribution of rents and governance but has neglected discursive dimensions and the wider structures of power’
The GPN framework therefore represents a succinct way of setting the boundaries of an institutional field and for conceptualising the shaping of social standards within this field. Social standards are developed by actors within a distinct governance system in which public and private actors are seeking to govern the production network from their position within particular geographical nodes of the GPN. In global production networks spanning North-South geographies, these fields now consist of many different social standards which act as institutions which themselves draw on the particular dynamics of the field.

One key advantage to using the field concept is that it allows a more thorough conceptualisation of the relationship between structure and agency in the construction of new institutional forms. Giddens (1984) created the term structuration in order to convey the dialectic tensions occurring between structure and agency within institutional fields: ‘structuration...refers to the recursive interdependence of social structures and activities...structures only exist to the extent that actors engaged in ongoing activities to produce or reproduce them’ (Scott, 2013, p. 235).

Structuration can be seen as a concept which attempts to bridge the oppositional perspectives on why and how new institutions develop within a set of pre-existing institutional arrangements. Within institutional theory, a large body of work had historically analysed institutions as largely isomorphic; meaning that overtime institutions increasingly tended to mimic one another in structure and overall design. In contrast to this, others have emphasised the role of change agents in order to explain the emergence of new institutions. The concept of the ‘institutional entrepreneur’ supports this line of argument by presenting the idea that particular agents hold the necessary capabilities to effect change within institutional fields in spite of isomorphic pressures discussed in relation to institutional stability and replication (Greenwood and Suddaby, 2006; Garud, Hardy and Maguire, 2007; Khan, Munir and Willmott, 2007). Levy (2008) argues that ‘challenging field structures and practices and attempting to construct new institutional forms is a political project led by institutional entrepreneurs’ (Levy, 2008, p. 23). However, this literature on institutional entrepreneurship has been critiqued on the ground that it focused on ‘a few champions and neglects the wider social fabric in which they are embedded’ (Clegg, 2010, p. 5). Thus, the literature regarding institutional emergence must more clearly define its focus between the notions of transformation and disruption through agency versus the structuring effects of institutions. Some authors have chosen to occupy a ‘middle ground’ between such divergent approaches which on the one hand overemphasise the structuring effects of institutions versus the institutional entrepreneurship literature which overemphasises the capacity for agency in spite of institutional pressure (Fransen, 2012, p. 172) thus
attempting to straddle a balance between the dangers of methodological individualism versus methodological holism.

The concept of embedded bargaining refers to the fact that ongoing negotiations between firms, CSOs and governmental actors are themselves mediated by the wider institutional environment in which these actors are embedded (Bartley, 2007). In the specific context of multi-stakeholder initiatives, there are a range of different ways in which governments have supported their development; illustrating a number of ways in which public policy creates an enabling institutional environment. Governmental support for private standards can be seen as one outcome of broader intergovernmental failure to create standards within existing trading arrangements. Resistance to the incorporation of a social clause within the World Trade Organisation (WTO) agreements has limited the public policy space to influence development through intergovernmental institutions. It is within this wider environment that members of the MSI must evaluate what is legitimate and feasible.

The extent to which MSIs can acquire external support from key audiences within the organisational field can be seen as the ‘operational legitimacy’ of the institution (Fransen, 2012 p.184). Acceptance by key external audiences would lead to the standard’s acceptance as an ‘authoritative norm in the issue field’ (Schouten and Bitzer, 2015, p. 176). However, legitimacy exists as a subjective as opposed to objective state within the organisational field (Hardy and Phillips, 1998). Legitimacy has no universal definition (Suchman, 1995; Schouten and Bitzer, 2015). This means that while some audiences may grant an institution legitimacy; others may continue to contest it. When lead firms and civil society organisations collaborate to produce a multi-stakeholder initiative, both parties are incentivised to produce a standard which is accepted by external audiences in order to legitimate the institution (Fransen, 2012). Thus, the negotiations which take place between firms and NGOs with regards to the institutional objectives of the MSI do not take place in a vacuum. Instead, they are subject to the type of pressures all institutions seek in order to be successful and accepted by key audiences. The extent to which organisational actors (firms and civil society organisations) choose to respond to the norms and expectations of external audiences must presumably be influenced by the relative power of such audiences to successfully de-legitimize a standard should they wish to do so. In cases where audiences aren’t sufficiently powerful to persuade the organisational actors that they have legitimacy-granting power, it becomes necessary to determine the extent to which stakeholders themselves can push to be included. Consequently, individuals and organisations ‘require sufficient power to demonstrate that they have a legitimate right to participate’ (Hardy and Phillips, 1998, p. 220). However, the ability of external audiences and
stakeholders themselves to push for an inclusive standard is not the only determining factor when it comes to the internal governance structures of an MSI.

The following section introduces the conceptual framework developed in order to investigate the shaping of Southern social standards for Southern markets. Drawing on the GPN framework, the recent concept of polycentric trade and the outlined institutional approaches (neoinstitutional and political institutional), a framework is created which accounts for the various actors and pressures which can drive forward the development of new MSIs.

2.6 A framework for analysing the shaping of Southern social standards in an era of polycentric trade

This chapter has discussed relevant literatures which can be used to develop a suitable analytical approach in which to empirically investigate the development of Southern social standards in an era of polycentric trade. A GPN approach is the central conceptual framework used in this study, in which governance in global production is mediated by a variety of different actors, who seek to develop social standards from their position within specific the commercial and institutional environments of end markets. In addition, important insights from the institutional literatures which conceptualise the emergence of MSIs as a form of global governance can help to identify the interests of firms, civil society organisations and governmental actors in shaping the development of social standards within global production.

Recognising the potential analytical importance of polycentric trade, this section presents a conceptual framework through which the shaping of Southern social standards in a world of complex trade flows can be better illustrated. As discussed in Chapter 1, Indian tea production is increasingly characterised by shifting patterns of trade as the local market grows and exports to Northern markets decline. The emergence of Trustea as a new social standard governing the local market raises the important empirical question of whether its development is partially conditioned by broader shifts in trade to Southern (including domestic) markets, and the extent to which its development can be linked to pre-existing social standards which have governed the exports of Indian tea production into global markets for several decades.

Drawing on the concept of polycentric trade, the framework utilises the GPN and domestic production network (DPN) as two distinct fields within which Indian production is embedded. The global production network is used to map the key actors shaping the governance of social standards
for Northern (in this case study European) markets. The domestic production network is used to map the key actors shaping the governance of social standards (e.g. Trustea, but also previous initiatives) in India’s national tea market.

The framework begins by mapping the structure of multiple production networks through which the commercial and institutional dynamics of the global and domestic Indian tea industries can be explored. The global and domestic production networks represent two distinct ‘fields’ through which firms, CSOs and governmental actors may seek to shape the development of Southern social standards. Given that there appear to be important organisational linkages occurring within the core membership of Trustea, the dual construct of overlapping G/DPNs allows the analytical possibility of further exploring possible linkages within the commercial and institutional governance of these production networks. Specifically, the degree to which each set of actors is able to shape the development of Southern social standards from their position within the GPN and/or the DPN will illustrate the degree to which: (a) organisations are exploiting new opportunities opened up by polycentric trade and (b) organisations are reshaping the boundaries through which they operate in order to strategically embed themselves within Southern markets.

Figure 2 illustrates an example of two potentially overlapping production networks. As we do not yet know the degree of interconnectivity between the two networks, they are presented separately. One key analytical purpose of this research is to explore the strength of the linkages between the two networks. This will be examined in the empirical chapters by exploring the ways through which lead firms, state-based actors and civil society organisations shape the development of Trustea from their positions within the GPN and the DPN.

Figure 2 Production networks as fields
Figure 2 illustrates that the GPN and DPN are to be used within this research as a conceptual framework to set the boundaries of institutional fields in which multi-stakeholder initiatives are developed. As discussed in Section 2.5.2, the field approach illustrates the development of new institutions as an outcome of broader interactions between field members of a production network.

Without an explicit recognition of polycentric trade, relations between the members of a multi-stakeholder initiative are mediated by the commercial and institutional dynamics present within a singular institutional field. However, this framework incorporates the concept of polycentric trade to explore the possibility of linkages and interconnectivity between these two “separate” institutional fields (i.e. the GPN/DPN). The discovery of commercial and/or institutional interconnections between the two fields could in turn challenge the tendency within governance and global production literatures to discuss the role of ‘global’ versus ‘local’ actors in shaping social standards. This framework therefore situates the development of Southern social standards within Southern markets with broader questions of how polycentric trade influences the institutional development of standards.

Figure 3 further illustrates how the possibilities of linkages between the two production networks can be examined. This thesis will uncover the type of linkages which can be created by the various sets of actors (firms, civil society, governmental) in order to exercise cross-governance of overlapping production networks. Therefore, it offers a clear analytical contribution to the recent notion of polycentric trade advanced within the GVC/GPN literatures by developing a framework which can capture the existence of multi-polar trade flows. This is important because the growth of Southern markets may shape opportunities for actors in the global North and the global South to contribute to the development of Southern standards for Southern markets.

Figure 3 Production Networks and Polycentric Trade
The conceptual framework opens up the possibility that the development of Southern social standards may indeed be influenced by more complex interlinkages within global trade than previously explored. By doing so, it also avoids the pitfall of studying Trusteea from the bifurcated perspective of ‘global’ and ‘local’ influences. For whilst the GPN and DPN frameworks can artificially set these global-local boundaries, the central point of this framework is to overcome these tensions by viewing production networks as overlapping and interlinked.

There is a tendency in the contemporary literature to analyse the development of social standards through a global-local/North-South lens. This is due to three primary reasons. Firstly, that the majority of studies exploring governance within global production have tended to analyse these processes under the assumption that trade flows are North-South, and have ignored the increasing divergence in the flows of global trade and the development of regional and domestic production networks. Secondly, the recent recognition that South-South trade is rapidly increasing has led to a continuation of bifurcated assumptions (North-South) when it comes to questions over the governance of social standards. For example, early discussions over the possibility of social standards developing in Southern markets tended to look at these production networks in isolation from what was taking place within North-South production networks. As such, it was possible to argue that the development of Southern social standards was entirely dependent upon the capacity of local actors to push for their creation (Kaplinsky and Farooki, 2010). The perception therefore was that a lack of power from Southern CSOs and low interest on the part of consumers would mean that Southern social standards were not likely to proliferate. Thirdly, a more recent set of studies have noted and studied the recent emergence of Southern standards. Interestingly, these studies focus on how Southern actors have sought to create such standards as a reaction to the hegemony of Northern standards (Schouten and Bitzer, 2015). This espouses the same assumptions endemic in all three
examples of the literature in which North-South relations are the defining measure of how and why standards develop. Therefore, governance in different production networks remains within its own commercial and institutional vacuum. Through a political science perspective, the focus is predominately on the relationships between public and private actors and their ‘rule-making authority’ (Giessen et al., 2017, p. 72). It challenges the tendency within the GVC/GPN and global governance literature to ‘overstate the influence of private actors and institutions have in relation to state actors’ (Giessen et al., 2017, p.72). However, many of these studies largely analyse the development of such standards within a local institutional environment and with little to no reference to broader market dynamics, such as shifts in the location of end markets.

While there are clear linkages between the different approaches, there are several ways in which the combination of these varied approaches can mutually improve their conceptualisation regarding the shaping of multi-stakeholder initiatives governing social standards. For example, the multi-scalar approach found within the GPN literature can help to conceptualise the role of actors in shaping social standards through MSIs at different geographical scales of the production network. Thus, power relations and political negotiation as examined in the institutional literature can occur between global and local and/or public and private actors across multiple scales rather than be assumed to take place within one specific market/institutional setting. By using the concept of polycentric trade, it is possible firstly to advance further the linkages which are now emerging between overlapping production networks. By examining a domestic production network in conjunction to the frequently analysed global production network framework, it is possible to draw new analytical insights within the GVC literature regarding the degree to which inter-firm governance with differently oriented production networks may be influenced by a degree of overlap. The conceptual framework also adds a new layer of complexity to GPN analysis; moving it from purely a multi-scalar and multi-actor framework to the existence of overlapping networks.

2.7 Conclusion

This chapter illustrated the ways in which the GVC/GPN framework and institutional theory have conceptualised the role of privately-governed social standards operating within Northern markets, and the ways in which this literature navigates the inherent tensions between diverse actors in their collaboration and contestation of standards. It illustrated the main actors driving the creation of standards as well as the overall consequences for the governance of social standards. Drawing on this literature, this chapter presented a framework which could account for the emergence of overlapping production networks in which various actors (firms, civil society and governmental) could shape the governance of social standards in Southern markets.
The following chapter draws further upon this conceptual framework in order to outline the most appropriate methodological approach to utilise these theoretical concepts within field research. In particular, it highlights the fact that the global/domestic production network framework not only functions as a theoretical framework but also as a methodological tool which enables the researcher to create the appropriate spatial boundaries within which the emergence of new institutions can be understood.
Chapter 3: Research Methodology

3.1 Introduction

This chapter discusses the methods used to collect and analyse the data needed to answer the following research question: *How are social standards being shaped for Southern markets?* Addressing this research question required an approach consisting of a detailed mapping of the global and domestic production networks combined with a case study analysis of a new Southern social standard developed to govern tea produced for India’s domestic market. The case study involved extensive fieldwork in the UK, Netherlands and India involving semi-structured interviews with a variety of different actors (firms, state-based and civil society actors) in order to gain a valid and cohesive understanding of the ways in which Trustea was shaped as a Southern social standard governing Southern markets. Within a qualitative framework, a GPN/DPN mapping exercise (Coe et al., 2008b; Gereffi & Fernandez-Stark, 2011) was used to identify the key institutional and commercial actors who influence the governance of social standards within Indian tea production, both for exports and for the domestic market. The selected case study helped to develop an in-depth understanding of how Southern social standards are shaped within the domestic market and the resulting implications for the governance of social standards within the Indian and global tea industries.

Qualitative research was the most appropriate methodology to use due to the complex inter-organisational relationships present within the setting of standards. The analysis focuses on the experiences of various actors within multi-stakeholder negotiations (Yin, 2009; Robson and McCartan, 2016). This particular study follows an inductive analytical approach with regards to theorising. An inductive approach to research can be defined as one in which theories are generated or applied following the collection of data and information related to the phenomena under investigation. It therefore differs from a deductive logic, in which the researcher has a clear set of hypotheses they wish to test in the field or laboratory. However, while choosing to use an inductive approach, existing theory was utilised in order to formulate the research questions and research objectives. This helped to guide the initial direction of research, before engaging in more exploratory research using qualitative methods (as discussed in more detail throughout this chapter). The GPN/DPN framework was utilised in order to draw heuristic boundaries through which an institutional field could be constructed. It is within this conceptual framework that key methodological decisions with regards to which stakeholders should be interviewed were made, and it was within this framework through which I sought to examine the ways through which actors
sought to shape the governance of social standards in overlapping production networks. Through inductive processes of data collection, a series of patterns emerged which facilitated a closer theoretical understanding of how the shaping of Southern social standards can be conceptualised using the GPN/DPN framework. While this inductive approach didn’t result in the generation of new theories, the data collected came to illustrate a strong empirical case of how governance processes are being shaped by the emergence of polycentric trade and complex commercial and institutional processes within overlapping production networks.

The shaping of Southern social standards is an inherently social process which could not easily be captured using quantitative methods. A total of 59 interviews with key stakeholders were conducted during the course of this research. These stakeholders were selected owing to their presence as significant commercial and institutional actors involved in shaping the governance of social standards within the Indian tea industry. These actors were identified using the global production network and domestic production network (GPN/DPN) framework.

Section 3.2 provides an introduction to the broader methodological approach chosen for this research. It outlines the rationale for using a global and domestic production network (GPN/DPN) mapping in conjunction with a detailed case study of the emergence of a Southern social standard in the Indian context.

Section 3.3 illustrates how the conceptual framework was used as a methodological approach through which the commercial and institutional dynamics of the global and local tea industries could be examined. It demonstrates how the GPN/DPN framework can be used to identify the key actors and processes which constitute the governance of Indian tea production for Northern and Southern markets.

Section 3.4 discusses the rationale for utilising a case study methodology and introduces the case study selected to empirically examine the central research question. The reasons why the case of Trustea was chosen are outlined.

Section 3.5 details the field research strategy, outlining the nature of data collection, the locations within which field research was carried out and the limitations encountered within this process. The methods of data collection and participant selection are explored within the discussion of these various research phases.

Section 3.6 discusses the ways through which the data was analysed and interpreted in order to develop the analytical and empirical arguments presented within this thesis.
Section 3.7 covers the challenges, limitations and ethical issues faced during the research process.

3.2 Methodological Approach

The decision was taken to combine a global and domestic production network mapping alongside a case study approach. This is due to the fact that the impetus for the development of new standards is dependent upon a number of complex commercial and institutional pressures occurring within global and domestic production networks. Shifting commercial and institutional dynamics can alter the effectiveness of pre-existing institutions of regulatory governance. Examining the ways in which various groups of actors seek to respond to these opportunities and challenges can help to explain why Southern social standards are being developed for the domestic market.

As discussed in Chapter 2, the GPN/DPN frameworks provide a conceptual mapping which can account for the role and power of various firm and non-firm actors as they seek to govern social standards. Combining these overlapping production networks, the GPN/DPN framework facilitates the analytical space to uncover not only the multi-scalar dimensions through which actors seek to shape governance processes but also the increasingly multi-polar nature of global trade which also influences the development of Southern social standards. The relationship between commercial and institutional networks is a core tenet of GPN research (Henderson et al., 2002; Coe, Dicken and Hess, 2008a, 2008b). Accounting for these dynamics while maintaining a central focus on a specific case study helps to develop an understanding of how global and local actors shape the standard based on their embeddedness within overlapping production networks. It illustrates the ways in which a systematic GPN/DPN mapping can reveal the key actors and drivers impacting on the governance of social standards at the global and local scales of production. At the global scale (the first phase of research), the pre-existing social standards and the actors involved are identified within the GPN. At the local scale (the second phase of research) the national public institutions which regulate the social conditions of production and the various social standards within the tea industry are identified. The third and final phase of research utilises the case-study of the development of the Trustea standard within this broader framework of the global and domestic production networks.

The ontological position of this research is that of critical realism; phenomena (including social phenomena) ‘exist not only in the mind but also in the objective world- and that some lawful and reasonably stable relationships are to be found among them’ (Robson & McCartan 2016, p.44). The idea behind such research is not simply to account for events but to look for social processes, mechanisms and structures which can be captured and documented in order to provide a causal description of the forces at work in the shaping of Southern social standards (Robson and McCartan,
In this sense, qualitative data can often go further than a simple causal analysis, and can unpack the temporal dimension to studies through its sensitivity to observation or retrospection (Miles and Huberman, 1994, p. 147). Indeed, in order to understand the complexities involved in shaping Southern social standards and the various interests of actors in doing so, data must be able to account for complex motivations, norms, values and power relations between and within the organisations involved (firms, civil society and state-based actors). Therefore, a reliance solely on quantifiable indicators would have limited the scale and scope of the research findings. The analytical ambition of this thesis is therefore to search for causal relationships while also engaging in descriptive research. In essence, it is to search for indicators as to why Southern social standards are being developed (for example, to what extent is the advent of polycentric trade contributing to their development) but also recognising that is likely there are a variety of other factors, indicators and drivers of the development of MSIs for Southern markets.

3.3 Mapping overlapping production networks

As stated in Chapter 2, the GPN/DPN framework corresponds to the concept of an organisational field from the political institutional literature. Using the GPN/DPN to define the spatial boundaries through which the emergence of social standards takes place is an example of a nominalist approach (Laumann, Marsden and Prensky, 1983). A nominalist approach refers to the imposition of a conceptual framework in order to serve an analytical purpose. This differs from a realist approach to the construction of spatial boundaries in which ‘the vantage point of the actors themselves’ defines the boundaries of the system (Scott et al 2013: 232). The GPN/DPN frameworks played a critical role in ensuring that data reduction was in place by providing the commercial and institutional framework through which the relevant groups of actors could be identified. Data reduction refers to the ways in which the amount of data is kept to a manageable level (Robson and McCartan, 2016).

Given that the private governance of social standards has been implemented across global supply chains spanning multiple territories, the GPN/DPN approach is a key guiding methodology to further understand the development of Southern market standards. This is because the GPN/DPN framework is sensitive to both the commercial and institutional dynamics within production networks oriented towards different end markets. The framework encompasses the societal and institutional environment in which these production networks are embedded. The GPN framework is a cognate framework to the global value chain (GVC) approach. Therefore the commercial mapping of these production networks is partially reflective of the methodology of mappings carried out under global value chain research (Backer & Miroudot, 2014; Gereffi & Fernandez-Stark, 2011;
Kaplinsky & Morris, 2001). Mapping production networks involves the utilisation of secondary data to determine the structure of the commercial networks of production. This identifies both the lead and supplier firms and the type of inter-firm relationships which exist at each node of the production network (Barrientos 2002). This mapping was aided by the study of key types of secondary data including trade, company and government reports in which the changing political economy of tea production in India was documented. A key objective of GPN focused research is to move beyond the analysis of commercial interactions (as typically illustrated within the GVC framework) and to investigate the ways in which actors involved in shaping social standards intersect with one another in order to create new institutions to govern wage labour and livelihoods in Southern end markets. This includes the degree to which their activities are influenced by pre-existing institutions of regulation and governance within the Indian tea industry. This may relate to the extent to which the shaping of Southern social standards imitates or interacts with privately-driven standards and/or with public regulations. The following section outlines how the mapping was carried out at the various scales of the global and domestic production networks.

The initial phase of desk-based research involved mapping the commercial and institutional configurations of the global and domestic production networks of Indian tea production; differentiating (in the case of the GPN) the multiple scales through which firms, state-based and civil society organisations are able to influence the governance arrangements which define these overlapping production networks. This approach draws heavily on the original GVC approach which has been used in the majority of studies examining governance in global production (Kaplinsky and Morris, 2001). However, it seeks to go beyond the vertical governance structures defining relations between commercial and actors and to also uncover the complex institutional and political environment which influences the governance of production networks. The commercial structure of the GPN/DPN and tea producers’ integration into markets in the global North and the global South was examined by accessing key trade statistics from online databases such as UN Comtrade and the Food and Agricultural Organisation. These datasets helped to determine the significance of particular markets for Indian producers as well as the key global buyers of Indian tea who act as lead firms controlling the GPN/DPN through their inter-firm relationships with suppliers and producers.

3.3.1 Mapping the global production network

3.3.1.1 Global Commercial Dynamics of the GPN

The global competitiveness of Indian tea production was compared and contrasted with other large tea producing countries globally. Using marketing reports and trade statistics, secondary data
further elucidated the changing significance of these global markets in the global North and the
global South in terms of demand. A range of data sources (marketing data, NGO reports, commercial
forecasting) allowed a mapping of the dominant global buyers of tea, and their respective market
shares. This allowed an understanding of the degree to which the GPN of Indian tea was subject to
control and coordination by lead firms who are selling tea in global markets. This in turn led to an
increased comprehension of the extent to which power asymmetries mediate these relationships
between lead firms and their Indian suppliers. The following section illustrates further the ways in
which the collated data was used to reveal the commercial and institutional dynamics occurring at
multiple scales of the GPN and the DPN. Comparative data from intergovernmental organisations
and NGO reports regarding the institutional arrangements regulating workers and producers in India
was compared and contrasted with other major producing nations (Kadavil, 2007; FAO, 2015). This is
important to understand given that comparative advantages may exist within different producing
countries due to the differences within commercial and institutional structures. This adds
explanatory value when discussing the ways in which social standards are developed in the Indian
context, and contributes to understanding the ways in which the commercial (re)structuring of the
domestic production network within India itself affected by wider shifts within global markets. The
data was also used to examine the global market concentration of the lead firms, and revealed that
the global tea market is dominated by a handful of powerful companies who buy and sell Indian tea
across Northern and Southern markets.

3.3.1.2 Local Commercial Dynamics of the GPN

The commercial structure and inter-firm dynamics of the GPN at the local scale were mapped
through primary interviews and the utilisation of secondary data. The focus at the local scale was on
the characteristics of key suppliers to global markets. These were the producers who were impacted
by the commercial and institutional dynamics present within the GPN (tea being exported into
Northern markets). Reports and interviews revealed the extent to which these suppliers to global
markets were themselves responsive to changing institutional and commercial dynamics in the GPN.
Government and NGO reports (as well as interviews with supplier firms) were used to account for
the degree to which the Indian tea industry is vulnerable to fluctuations in the global price of tea.

3.3.1.3 Global Institutional dynamics of the GPN

Having completed a commercial mapping of the GPN, the institutional structures which constrain
and/or enable the commercial dynamics of these networks were examined. This institutional
mapping is a vital component of GPN research; moving from the relatively vertical GVC conception of a chain to the more horizontal conception of networks of actors who govern at each node of production (Henderson et al., 2002; Neilson and Pritchard, 2011; Ponte and Sturgeon, 2014). An institutional mapping was conducted through the use of secondary data as well as through primary interviews with various stakeholders (NGOs, trade unions, state-based actors, and smallholder representatives et cetera). The evidence revealed that over time, a number of NGOs based in the global North had come to influence the governance of the GPN through “naming and shaming” campaigns. In addition, some NGOs have chosen to participate with firms through multi-stakeholder initiatives and public-private partnerships which address sustainability concerns within global supply chains. Company reports (annual and CSR reports of major tea buyers) and marketing reports (such as those provided by Mintel and Ornica) illustrated which social standards commercial actors had chosen to implement within their supply chains. A timeline was constructed in relation to the role that transnational social standards had played in regulating the Indian tea industry. This longitudinal mapping demonstrated that UK and Dutch civil society organisations (CSOs) had often played a key role in developing and supporting such standards (such as Solidaridad). However, a number of other NGOs (including SOMO, India Committee of the Netherlands) have continued to critique such MSIs for being ineffective or corporate greenwashing. While transnational social standards have governed the GPN of Indian tea for Northern end markets, this wasn’t a consistent feature of all Indian tea exports. Outside of EU/OECD markets, there was no evidence to suggest that social standards were also governing other export markets. Furthermore, the shifting demands for tea in Northern versus Southern markets means that the extent to which ‘global’ standards could influence the governance of social standards in the Indian tea industry was subject to flux.

3.3.1.4 Local Institutional Dynamics of the GPN

The institutional structure of the GPN at the local scale consisted of a number of different public institutions which have regulated and governed production in the Indian tea industry at the local scale. This particular phase of mapping examined the recent history of social standard provision for tea workers and producers by utilising a range of secondary sources such as NGO and trade union reports. These reports illustrated how price volatility in the global tea market has affected the provision of social standards; even contributing to the economic collapse of plantation estates in some regions during times of low prices. In addition, it examined the public regulation of social standards by analysing government and NGO reports (Tea Board of India, Ministry of Labour

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2 Section 3.5 contains more detailed information on participant selection
Government of India, Centre for Education and Communication) in relation to the provision of relevant legislation and the challenges of regulating the sector through various laws. In particular, it illuminated the ways in which public institutions had developed labour standards applicable to the plantation segment as well as numerous regulations applicable to the smallholder sector.

A local scale mapping (using primary and secondary data) captured the various public institutions involved in shaping social standards (laws and regulations) pertaining to the commercial production of Indian tea. It also sought to capture the activities of local NGOs and trade unions who are involved in shaping social standards for the Indian tea industry. Unpacking the different institutions responsible for regulating production in the formal (plantation estates) and informal (smallholder production) sectors is important in terms of understanding the ways in which civil society organisations and lead firms are seeking to shape standards in response to, or regardless of, state-led efforts to govern the sector. Indeed, as Chapters 4 and 5 will illustrate, the commercial shifts in production create new constellations of actors and interests in terms of governing social standards. This relationship is one of perpetual transformation (Neilson and Pritchard, 2011).

Overall, mapping the commercial and institutional characteristics of the Indian tea industry (through the GPN) revealed the key actors and processes which impacted on the governance of production of Indian tea for export markets. Through the use of secondary data and primary interviews the key trade flows, markets and competing countries, value chain dynamics and lead-firm behaviour in the tea industry were highlighted. Secondary data sources (NGO reports, website researches, CSR reports) revealed that the social conditions of labourers and producers in the Indian tea industry are governed in part by intergovernmental agencies, private social standards and by various firm-level commitments to sustainable business practices. As will be discussed in later empirical chapters, it is clear that the growth of Southern social standards now questions the discourse of such efforts being truly ‘global’ and demonstrates that there are indeed multi-scalar tensions apparent between competing institutional forms.

3.3.2 Mapping the domestic production network of Indian tea production

3.3.2.1 Domestic Commercial and Institutional Dynamics of the Indian tea industry

The commercial mapping of the DPN was significant given the fact that the thesis is focused on the development of Southern social standards for the domestic market. As such, this phase of research also used a range of secondary materials (government and NGO reports, academic papers) to further understand how the commercial dynamics of production for the local market differ when compared
to production for export markets (i.e. within the GPN). These data sets were combined with primary
interviews with local actors to detail the specific ways in which actors responded to increased local
demand for tea. Unlike the GPN, the DPN is not a multi-scalar network of production in the sense
that the nodes of production are all contained within one geographical (within India only) location.
Therefore, the following section discusses the role of actors and the broader processes shaping the
production of Indian tea at the local scale.

Mapping the DPN facilitated an exploration of the changing dynamics of the political economy of
Indian tea production in the context of the domestic market. It utilised government reports (Ministry
of Labour, Tea Board of India) and data available from interview respondents in order to examine
how the production models were affected by continual commercial and institutional transformation.
It also illustrated variations in wages and productivity within the North-Eastern and Southern Indian
tea growing regions. Using secondary reports, a database of information was created which
illustrated how institutions sought to influence the shaping of social standards at the local scale. This
provided important contextual information on the ways in which Southern social standards respond
to the specific commercial and institutional dynamics of the domestic market. Extensive reading on
the structure of public institutions related to the regulation of labour (and social) standards
identified the various relevant Government Ministries and their scale of regulatory influence (state-
wide versus national) within the federal government. Academic and NGO reports were utilised to
determine the effectiveness of such policies, regulations and laws. In addition, this phase of research
examined secondary material documenting the role of civil society organisations in shaping the
governance of social standards through their interactions with public and private actors (CEC, 2007).
It also focused on the domestic consumption of tea, and looked at the segmentation of the domestic
market through analysis of key reports which measured consumer trends (by market analysts such
as Ornica and NGOs such as Partners in Change) in order to identify consumer receptiveness and
interest in social standards. At the local scale, it was important to capture the multiple ‘chains’ of
commercial production, given the fact that actors at the local scale may have been shaping social
standards for the domestic as well as/instead of export markets.

Having completed a mapping of the domestic production network, it became clear that many of the
key domestic trends in tea production were in fact driven by the global dynamics of the tea industry.
This further justified using the dual GPN/DPN approach, given the fact that actors governing tea
production at multiple scales appeared to be influenced by (as well as influencing) local dynamics
within the DPN. A comprehensive literature review of NGO and trade union reports on the Indian tea
industry helped to further situate the institutional context. It also allowed an identification of the key social issues facing the industry as well as the processes and drivers behind the creation of these standards.

Mapping both the GPN and DPN of Indian tea production was critical for this research agenda because the literature understands that the private governance of social standards arises from constellations of various actors (firms, state-based and civil society) who are themselves societally embedded within different norms at the various geographical nodes of production. By incorporating polycentric trade into the conceptual framework, I was able to expand on the limitations of the GPN methodology (which tends to only examine a singular production network) in order to map commercial and institutional dynamics occurring within multiple, overlapping production networks. Combining the GPN and the DPN mappings revealed that it was not only actors in the GPN who were seeking to shape the development of social standards in the Indian tea industry. In fact, various actors positioned within the DPN of Indian tea production had also attempted to push domestic lead firms to participate in the development of social standards for the domestic market for a number of years. The GPN/DPN framework also facilitated the mapping of the transnational linkages and tensions between CSOs located at different nodes of production within these multi-scalar processes.

At the global scale, primary interviews with lead and supplier firms allowed a more thorough understanding of how lead firms control production through inter-firm relationships not only in India, but in all key producer countries. In addition, the commercial mapping of the DPN demonstrated the significance of the domestic market in terms of consumption. This first phase of research drew on a wealth of information and studies which guided the development of interview questions for field research; particularly as a number of possible indicators of why Southern social standards have developed were evident. Table 5 below provides a multi-scalar typology of the private, public and civil society organisations involved in the governance of commercial interactions and/or governance of social standards (both ‘Northern’ and ‘Southern’)

<table>
<thead>
<tr>
<th>Table 5 Multi-scalar governance of the Indian tea industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>GLOBAL</td>
</tr>
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</table>
3.4 Case Study Methodology and Selection

The central aim of this research was to address the following question; ‘How are social standards being shaped for Southern markets?’ It was therefore essential to select a Southern social standard governing production for Southern markets in order to study its formation and development. This limited the options for the empirical study site(s), given the fact that such standards were not commonplace at the time of the research, and continue to be limited to just a handful of examples (see Schouten & Bitzer 2015; Hospes 2014). The Indian tea industry represented the most appropriate case study for this research agenda. This is due to a number of interesting contextual factors which are outlined below.

The central criterion for case study selection was to find a sector and market where Southern social standards for Southern markets were being developed. The launch of Trustea in 2013 represented an interesting example of a new social standard designed to govern the social conditions of wage labour and livelihoods of tea workers and producers supplying the domestic production network (Trustea, 2013). However, there are a number of additional reasons for the case study selection. The pre-existing governance structures shaping social standards were important to consider. The Indian tea industry has been governed by a number of different social standards which have been introduced via the global production network. This has taken place since the late 1990s as lead firms responded to societal pressures to ensure decent working and living conditions in their global supply chains. However, the case of the Indian tea industry also revealed that there had also been a number of local-led efforts to develop social standards in the context of the domestic production network. Whether the creation of Trustea in 2013 was in any way related to these previous attempts (at the global and local scales) was an important aspect of this case study. These global and local dynamics present within the pre-existing governance structures built an interesting context in which the case of Trustea is situated. Whether or not there was a governance gap which needed to be addressed through the development of new standards was a key question in terms of understanding why Trustea emerged in this time period.
The effectiveness of pre-existing efforts to govern and regulate the tea sector are partially dependent on the direction of trade flows and shifting demand for Indian tea within global and local markets. India has been identified as a ‘Rising Power’ (Guarin and Knorringa, 2013; Nadvi, 2014; Sinkovics et al., 2014; Knorringa and Nadvi, 2016) meaning that the rapid growth of its economy may be capable of generating increased geopolitical power and influence on the world stage. One outcome of this shift is the growth of domestic demand within the Indian market for goods and services. The data shows that domestic consumption of Indian tea has been increasing rapidly in recent years and is projected to continue increasing. Concurrently, there is evidence of a decline in demand for Indian tea within EU and OECD markets. This potentially alters the effectiveness of social standards governing the GPN and raises questions regarding how Indian consumers (with increased wealth and education) may alter domestic demand for social standards in the DPN.

By combining a case study approach with a GPN mapping a research methodology was employed which allowed for the intensive investigation of a particular phenomenon (the shaping of social standards) whilst accounting for the wider commercial and institutional pressures which impact on these efforts to shape social standards.

3.4.1 Linking GPN and Case Study Methodology

The GPN/DPN and case study methodologies were combined to provide a micro, meso and macro level perspective on the ways in which Southern social standards are shaped by actors and processes occurring at multiple scales. The GPN/DPN mappings allowed a detailed analysis of how commercial and institutional dynamics could affect the engagement of firms, civil society and state-based actors in shaping new standards for Southern markets. Using a case study approach in conjunction with the GPN/DPN mapping created a flexible approach to research design; allowing a ‘holistic, comprehensive and contextualised’ understanding of how Southern social standards are shaped (Ritchie et al., 2013, p. 52). A case study approach necessitated the utilisation of interviews to collect the necessary empirical material needed (Sinkovics, Penz and Ghauri, 2008). While a case study alone would have represented a localised phenomenon, the GPN/DPN mapping allowed the case study to become nested within important dynamics of global trade, production and consumption.

Using a case study approach, it was intended that the insights generated would allow a degree of generalisation in the sense of offering new knowledge which could be utilised by other researchers and stakeholders. As this is a qualitative methodology, the term ‘naturalised generalisations’ is preferred, which connotes not the objectivity which positivists seek but the recognition of ‘the similarities of objects and issues in and out of context’ and a sense of the ‘natural covariations of
happenings’ (Stake 1978: 6). As the internal actors within Trustea are also global players in the field of standard setting, the documentation of the ways in which they sought to shape Southern social standards through the GPN and DPN (and explaining their motivations for doing so) creates valuable analysis of the intersection between global and local, public and private actors within the development of Southern market standards within overlapping production networks. Having said this, case studies themselves are rooted within a particular place and time and are therefore highly contextual (Miles and Huberman, 1994). Despite hopes of generalisation, there were many unique features of the standard which have not typically been observed among other recent studies of Southern standards. However, there are also key points of commonality between this study and other recent publications (Hughes, McEwan and Bek, 2013; Hospes, 2014; Schouten and Bitzer, 2015) which are explored further in Chapter 9 of this thesis.

3.5 Developing a field research strategy

Following the case study approach, this research examined and analytically interrogated different perspectives from a range of primary and secondary data which in turn enabled the triangulation of sources. Interviews were held with civil society organisations (both NGOs and trade unions) lead firms, first-tier supplier firms, small scale producers and state-based actors who were seen as key actors shaping (and in turn being shaped by) the commercial and institutional dynamics of the global and domestic production networks. The next stages of research consisted of semi-structured interviews with a broad range of actors who were either internally involved in the development of Trustea (i.e. the member organisations), or were important external stakeholders identified through a mapping of the overlapping production networks (i.e. the GPN/DPN).

Semi-structured interviews were the chosen format for data collection because they offered flexibility in terms of asking the most appropriate questions in response to a participant’s answers. Whilst this approach does include the creation of pre-determined questions, the sequence of questioning was altered in line with my perceptions of what seemed to be the most appropriate order within the interview itself. Within this format, unnecessary or irrelevant questions were omitted, whereas additional ones were included if needed (Robson and McCartan, 2016). I found such an approach to be particularly helpful in the initial interviews as I became increasingly focused as a researcher on what the key challenges were in terms of the shaping of standards in the context of the case study. This resulted in the creation of focused sets of research questions going forward. However, whilst this was a flexible interview design, it was also important to broadly adhere to pre-determined questions. Ensuring that the same questions are continually asked to respondents from
different organisations with different perspectives aids the triangulation of data. As stated earlier, corroboration is an essential part of robust research within a qualitative research study.

Semi-structured interviews were arranged via email or via telephone. Interviews were either held in the offices of respondents or else in more informal environments, such as restaurants or cafes. If possible, I stated a preference for an office environment as I was using recording equipment. However, I was aware of the need to be polite and accommodating to the needs of my respondents. The majority of these interviews were documented through audio recordings (~45). Interviews that were not recorded were deliberately not done so for a variety of reasons. These included the following reasons: (a) the respondent declined to be recorded; (b) the respondent appeared uncomfortable at the prospect of being on record (c) the surrounding environment was not suitable.

In addition to the primary and secondary data collected, a field diary was kept which reflected on how the interviews proceeded as well as my own personal thoughts and experiences whilst on research. In the following stages of data analysis, this field diary became a very useful tool because it provided detailed notes regarding the overall experience of the interview, the tone of the respondents and their demeanour, key questions which had remained unanswered as well as new information which could be used to further refine the research agenda.

The use of semi-structured interviews allowed the freedom to explore respondent answers further whilst still being able to triangulate the results due to adherence to a set of pre-determined questions which were created prior to the interview taking place (Schmidt, 2004). Whilst triangulation is important for improving validity of the data, we need to recognise the ontological and epistemological challenges tied in with assumptions of “total” validity. For example, an ontological challenge to this position would be the fact that there is no single reality to conceptualise. An epistemological challenge would be that all methods have a specificity in terms of the type of the data they yield and are ‘unlikely to generate perfectly concordant evidence’ (Ritchie et al., 2013, p. 44). Nevertheless, triangulation can certainly extend an understanding of particular phenomena and add both breadth and depth of research. A highly contextualised understanding of the development of Southern social standards in relation to pre-existing standards was sought throughout the data collection process. This meant that retrospective questioning was also used as part of the sample design. However, there were limits to what was feasible. For example, some of the key members of staff within organisations involved in shaping social standards for ‘Northern’ markets had left their positions within the organisation in question. Other limitations in understanding the historical context of standard-setting relate to the fact that there may be problems with recall, distortion and post-event rationalisation (Ritchie et al., 2013).
3.5.1 Locations and dates of field research

As this research utilises a GPN/DPN approach, there were multiple (geographical) scales at which the interviews took place, at sites of production and sites of consumption (both global and local markets). This multi-scalar and multi-polar approach meant that fieldwork was carried out in the UK, Netherlands and India. These locations reflect the geographical spread of actors influencing the production and governance of tea within the GPN and the DPN. A total of sixty-nine interviews were held across two years (2015-2017). The purpose of integrating the data collected was to better understand the actors involved in shaping social standards in the global South. This included the actors and processes that shaped the institutional design of the standard, the legitimation of the standard in a Southern context as well as the broader implications of how we conceptualise the development of social standards in GPNs given the emergence of this new generation of standards.

The majority of interviews took place during the second year of study (February-August 2015). Follow-up interviews were conducted whenever necessary. Attendance at workshops and conferences during this later period (late 2015-2017) enabled me to reconnect with respondents in India. An additional trip to the Netherlands in March 2017 resulted in further follow-up interviews. The distribution of interviews over a two-year period contributed to an improved understanding of how temporal shifts have affected the development of Trustea since its formation in 2013. It has also served to highlight the unstable characteristics of institutional formation as highlighted within previous studies. The following section outlines more specific information related to the conduct of fieldwork in these three countries.

(a) European-level field research

At the global level, the primary focus was upon the shaping and contestation of social standards, with particular regards to the development of Southern social standards.

Exploratory interviews were conducted in the first stage of the fieldwork in order to understand the existing framework of private governance of social standards governing the export of Indian tea that had become commonplace. This involved interviews with NGOs in European markets, where social standards have become commonplace in markets for tea. Varying interview guidelines were developed to account for the organisational differences between firms, state-based actors and civil society organisations. This allowed the creation of relevant interview questions for each group of respondents.
The primary aim of these initial interviews was to understand the organisations involved in shaping MSIs in ‘Northern’ markets, how such standards had developed and how these actors interacted with Southern organisations and institutions. In addition to this research, interviews were also carried out with organisations that had critiqued such MSIs in order to understand their viewpoint as well as their own engagement on social issues in the global and Indian tea industries. These interviews allowed me to gather useful information and contacts for fieldwork in India and also allowed a further refinement of the primary research questions ahead of travel. Important insights were gained as to how actors in the global North viewed the development of Southern social standards, their participation and interactions with these standards, as well as their perspectives on what the growth of Southern markets signified to their own organisational interests. Figure 4 provides a map showing the three core locations of field research within the European Union. The cities of London, Amsterdam and Utrecht were the appropriate locations due to the fact that the key firms, state-based, civil society and standard setters were based at those locations.

Figure 4 Location (by city) of Fieldwork Sites in Europe

Following these initial interviews, a detailed fieldwork report was compiled. The research questions were refined and a list of contacts for the India component of the fieldwork was developed.

(b) Indian-level field research

Field work in India was concentrated in three central locations; Kolkata (West Bengal), Bangalore (Karnataka) and New Delhi. These cities were chosen because the main offices of lead firms, civil society organisations and government officials were located in these areas. The major tea growing regions are in the North-East and Southern parts of India. Kolkata was the nodal point for all organisations involved in regulating North-Eastern tea production whereas Bangalore contained
many of the organisations connected to South Indian tea production. Several visits were also made to provincial locations where local organisations supporting the production and regulation of tea were based. These locations included Jalpaiguri in Northern West Bengal and Coonoor in Tamil Nadu. Figure 5 below illustrates the geographical location of these regions.

The political situation in Assam made research in the region too risky in terms of personal security. Tea plantation estates in particular have been the sight of several kidnappings in recent years. Due to the short time frame for research (May-September 2015), interviews were held in quick succession. Initial contact with respondents was made via email or via telephone, and there was a high response rate for interview requests. In India, the majority of respondents preferred me to contact them via telephone on the day we had agreed to meet. This sometimes meant that a time and place was confirmed the morning of the interview in question. This made research more challenging in terms of scheduling, as I wasn’t always able to attend more than one interview a day.

Figure 5 Fieldwork Locations in India

Table 6 lists the type and number of respondents interviewed. Interviewing a diverse range of actors across different spatial scales was not only conducive in terms of enhancing the validity of my research; it was in fact essential given the nominalist approach taken within this research methodology. The use of a conceptual framework to create the spatial boundaries of the research necessitates that respondents are selected who influence the governance of the GPN/DPN at multiple scales.

Table 6 Primary Interviews completed in UK, Netherlands and India
<table>
<thead>
<tr>
<th>Participant type</th>
<th>Interviewee type</th>
<th>Number of participants</th>
<th>Method of data collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Lead firms</td>
<td>2</td>
<td>Semi-structured interviews</td>
</tr>
<tr>
<td></td>
<td>Supplier firms</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business Associations</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>Government Officials</td>
<td>3</td>
<td>Semi-structured interviews</td>
</tr>
<tr>
<td></td>
<td>Global Institutions</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Civil society</td>
<td>National NGOs</td>
<td>23</td>
<td>Semi-structured interviews</td>
</tr>
<tr>
<td></td>
<td>Global NGOs</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade Unions</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL: 59</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition to the interviews, informal conversations took place with key actors within the industry. These occurred over lunches, coffees and at conferences, and were beneficial in terms of gaining background information. Informal events were often critical in terms of further networking and gathering suggestions for potential respondents. I also observed a number of meetings in West Bengal. Firstly, I attended a conference organised by the Self-Help Growers Association of West Bengal. Secondly, I attended a trade union workshop which was held in order to educate union members across West Bengal and Assam on the capture of value within global value chains. I also attended an ILO conference on the labour law reforms in India and presented my research at the Indian Institute for Plantation Management in Bangalore.

(i) Private

A total of ten interviews were conducted with firms and business associations during primary data collection. These respondents consisted of senior staff working for two of the largest global tea buyers and seven first-tier supplier firms (i.e. planters). It is important to note that these first-tier
supplier firms often have their own brands within the domestic market (and so these can be considered both suppliers as well as domestic lead firms). Alongside these firms, a business association representing planters across the North and North-East Indian areas of tea production was also interviewed. These firms were selected in order to provide data on the key commercial dynamics of the Indian tea industry, as well as mapping the inter-firm dynamics present between lead and supplier firms. In terms of access, I was able to speak to the Managing Directors of each of these planter firms, and in the case of the lead firms, I interviewed the Head of Sustainability at both the global and subsidiary level. This high level of access enabled me to get a strong sense of what the industry responses to wider shifts in the political economy of tea production and consumption were. It also allowed me to gather information on the strategy of the firms in question (in terms of priority markets, product specialisation et cetera).

(ii) State-based actors

A total of seven interviews were conducted with public officials at the global and local scales. These respondents were selected on the basis that they were either directly involved in the shaping of Southern social standards or were responsible for overseeing the public governance of social standards.

(iii) Civil society organisations

A total of forty-two interviews were conducted with civil society organisations during primary data collection. These actors were selected based on the fact that they were associated with working on social standards in the Indian tea industry, or were in fact the representatives of workers on plantation estates. These organisations consisted of non-government organisations (including those that operate as multi-stakeholder initiatives) and trade unions (TUs). They were identified through website searches as well as through information contained in secondary documents. As fieldwork progressed, snowballing also became a key way of identifying further relevant contacts within India’s civil society sector. Often Indian NGOs and trade unions had some linkages with European organisations so even in the early stages of fieldwork (where interviews were held in the UK and in the Netherlands) these organisations were purposefully selected on the basis that they were either directly involved in the shaping of Southern social standards, had worked with ‘Northern’ social standards (either in the past or the present) or represented labour at the plantation level.

The level of access achieved was sufficient, and the reasons for high levels of access appear to be due to the fact that many respondents appeared keen to share their experiences and engagements within the standard-setting agenda. In India, I felt welcomed by many people I met and through
making clear, formal requests via email I was able to articulate the reasons and purposes of the research project. The fact that I was able to make contact with two key gatekeepers in the early stages of research helped enormously in terms of raising my profile and credibility with potential respondents. In addition, the fact that I had already interviewed ‘equivalent’ respondents within organisations based in Europe further helped with access.

Using this wide selection of interviews aided a detailed and triangulated analysis of how different types of actors were involved in the governance and regulation of social standards within the Indian tea industry.

3.6 Data analysis and interpretation

Primary data was collected in the form of semi-structured interviews. The content of the interviews was documented in full; either through audio recording or through detailed notes written during the course of the interview (which were further annotated upon leaving the interview). All recorded interviews were transcribed and these transcriptions were undertaken by myself. Transcribing the interviews allowed a further opportunity to re-listen to the recordings and to make detailed notes in addition to the transcribed audio material. Whenever possible, such transcriptions were completed immediately after the interview.

All interviews were anonymised through the application of ciphers. Different sets of actors were categorised during the anonymisation of the material in order to ensure that the reader is aware of what type of organisation is expressing their perspective on the shaping of Southern social standards. A full set of ciphers was collated which provided more information regarding the date, location and size of the organisation. I utilised data software in order to assist with the organisation of the data into relevant categories. This facilitated a more efficient process whilst anonymising the data. The wide range of participants within this study not only helped to contextualise the development of Southern social standards but also facilitated corroboration within the data. Corroboration is an essential part of data triangulation. It is an essential means of ensuring the validity of the data within qualitative research.

Triangulation of data between the different categories of actors was crucial, and unpacking the different perceptions of actors (national versus global individuals within the same organisation, NGOs versus firms, trade unions versus NGOs et cetera) and their motivations for saying the things they did was a critical part of reaching valid research conclusions. For example, interviews with lead firms regarding the role of social standards in the Indian tea industry provided a very different
narrative to that of supplier firms. This was due to the different interests of these actors as conceptualised in the GVC/GPN framework. In addition, interviews with civil society organisations revealed starkly divergent perspectives regarding the use and/or need for social standards in the Indian tea industry (in comparison to commercial actors). Careful cross-checking of the data enabled the sufficient validation of research conclusions. This occurred alongside critical reflection regarding the positionality of respondents (i.e. what incentives might shape the attitudes and interests of respondents).

Given the varying perspectives of respondents, there was a responsibility on the part of the researcher to ensure that triangulation was achieved and that the research findings reported a broad range of opinions. As such, the structure of the semi-structured interview was based on conformance to a set of particular questions which were repeated in interviews with each organisation and respondent. The variations in respondent answers and positions was interrogated by the researcher and analysed in relation to the natural biases which occur between types of organisation (private, civil society or government). In the presentation of research findings (which occurs primarily in Chapters 6, 7 and 8), it is clearly indicated which type of organisation is being discussed through the use of sub-categorisations of the type of stakeholder (private, civil society or government). It is clearly indicated where only one type of respondent provided particular information. It is also clearly indicated where different types of respondent expressed the same view; which are acts of triangulation. A reflective approach, where the reasons and drivers behind a particular organisations viewpoint were analytically interrogated helped to reduce and/or account for biases.

All primary data was inputted into NVivo; an example of computer-assisted qualitative data analysis software (CAQDAS). NVivo provided a useful platform in terms of facilitating the organisation and coding of the data. Both descriptive and analytic coding techniques were used to determine the specific issues raised in interviews. Descriptive coding (category labels) reflected themes or patterns that were stated directly by research subjects. Analytic coding reflected the wider theme of my research proposal. The use of code-based theory building (using NVivo) allowed me to think conceptually at an early stage in the research process about the respondents’ attributes and how these attributes may contribute to building an understanding about their responses (Sinkovics, Penz and Ghauri, 2008). From the broader themes, a number of sub codes were created which enabled ever more detailed categorisation. As the empirical chapters continued to develop, these sub codes enabled the efficient location of data as required in relation to the arguments being made.
3.7 Challenges and limitations of conducting research

There were several challenges and ethical issues related to the research process. The major challenges arose in the second phase of field work (research carried out in India), as this is where the majority of the research was conducted. The following section expands upon the specific types of challenges encountered in India.

(i) Language issues

Due to the typical demographic of respondents (generally Indian nationals with high levels of education) all interviews were conducted in English with few problems with communication. However, it was clear that my regional accent was at times a little hard to understand, so I spoke clearly and often clarified my meaning through examples whilst asking a question. I did not employ a research assistant during the course of this field work and generally speaking there was no need for a translator (with the exception of my attendance at local workshops held in West Bengal).

(ii) The use of audio recording equipment

There are benefits and drawbacks of using audio recording equipment. The use of audio equipment in the interviews was generally not a problem. This was arguably due to the fact that the reasons for recording were outlined in the participant information sheet provided in advance (via email) and also provided in hard copy immediately prior to the interview commencing. However, some participants appeared hesitant when I asked to record the interview (sometimes despite them verbally agreeing in advance). On such occasions I thought it best to not record the interview as there was clearly some discomfort. There is a risk that people do not provide confidential or contentious information if being recorded.

(iii) Positionality of the researcher

At times, I felt that my age, gender, nationality and/or ethnicity contributed to particular power dynamics in interviews. As a young, white female researcher interviewing senior male respondents, it was possible that I was seen as a junior professional. This may have influenced the degree of openness exercised by respondents during the interviews (either positively or negatively). I underwent an interesting transition in terms of my interview techniques. For example, when I first arrived, I felt very confident during the interviews and I felt able to (ask to) record. However, after one particularly guarded interviewee (coupled with a PhD student warning me that recording was rude) I decided to become more informal in my interview style. However, that led to a problem in
the sense that it was more difficult to adhere to my agenda. I then decided to pursue a very formal stance in relation to the interviews, and I was much more commanding in terms of what I wanted, by providing a lot of detailed information in the emails and holding a five to ten-minute discussion on the project prior to the commencement of the interview. This worked well and I felt confident to record once again.

(iv) Local attitudes to foreign researchers

While I was generally able to achieve high levels of access during data collection, I was confronted at times by a high level of suspicion levelled against me as a researcher. This appears to be an outcome of two factors. Firstly, the subject of labour standards is a politically-sensitive subject. Secondly, foreign NGOs and researchers are increasingly portrayed in the local media as being hostile agents who represent the interests of foreign governments. Frequent media reports discussed the problem of foreign-funded NGOs and it was a clear policy objective of the Modi Government to curb the activities of these NGOs through a number of continued revisions to the Foreign Contribution Regulation Act (FRCA) (Guardian, 2016). This understandably had a psychological impact on my own position, and at times I felt concerned about asking questions that could be perceived to be part of a negative “foreign” agenda. Of course, given the research questions posed within this thesis, many of the questions I required answers to could be seen as politically-sensitive issues. Additionally, the fact I was interviewing NGOs who themselves were being directly affected by the Government restrictions also made me cautious about their safety as well as my own. I protected the identity of all interviewees by ensuring that recorded material was stored in a password protected, encrypted laptop and was deleted from the audio recorder as soon as it was uploaded. Visits to regions close to the Bangladeshi border attracted local scrutiny; particularly when the hotel I was staying at contacted the local police station to provide my passport and visa details. I was refused my passport for several hours while a number of phone calls were made without any explanation offered to me.

(v) Ethics

There were ethical issues to consider during the course of this research. These included ensuring informed consent during the interviews as well as adherence to the principles of protection, anonymity and confidentiality. I ensured that all data collected remained confidential and protected by using encryption software on my laptop and keeping any paper copies of data safely locked on University campus. Interviews were quickly coded and transcribed, so that the identity of interviewees was concealed. During interviews, respondents frequently wanted to know who I had
spoken to (prior to meeting with them) as well as who I planned to speak with in the future. This represented an ethical challenge because it is my responsibility as a researcher to ensure that respondents remain anonymous at each stage in the research process. I made it clear that I needed to protect the anonymity of my respondents and emphasised the fact that I would also be keeping their identity anonymous. Once they understood, most seemed to be happy with this arrangement and I sensed a greater level of trust emerge during the course of the interview as a result.

(vi) Practicalities of conducting research

In terms of the practicalities of doing fieldwork in India, the climate during the time of year (summer and monsoon seasons) made the research process challenging. There was a heatwave in Delhi during my stay there, so extra precautions had to be taken with regards to the extreme temperatures. Flooding in Kolkata also impeded research to an extent, making journeys more difficult across the City. Other logistical difficulties related to heavy traffic, as well as problems locating offices (which were sometimes located in the outskirts of extremely large and populous urban areas). Getting lost, even with a knowledgeable taxi driver, was sometimes an issue. However, I ensured that I accounted for this in my travel itinerary by giving myself plenty of time to reach destinations.

The pace of life varied greatly between Delhi, Bangalore and Kolkata in ways which affected my own approach when liaising with respondents. In Delhi, it was relatively more difficult for respondents to find the time to meet. Therefore, the time and place of the interview would generally be mutually decided upon at least a week in advance. However, in Bangalore and in Kolkata there appeared to be much more flexibility. Likewise, in the categories of respondents lead firms would generally need to arrange the interviews up to a month in advance whereas other organisations (NGOs) would generally be much more flexible.

On occasion, controlling the interview felt difficult. On reflection, I believe it was due to the fact that I was speaking to respondents in senior positions who had particular positions they wished to express even if it wasn’t always relevant to the questions I posed. As a junior researcher, I had to be directive and yet remain polite in order to ensure that the interview stayed on topic. The only major difficulties I had occurred during the interviews of two multinational companies in India. Here, both respondents attempted to halt the interview process completely in order to show me presentations which were based on very broad topics related to their CSR policies and did not have any direct relevance to my research questions.
As fieldwork progressed, I altered my approach as a researcher somewhat in order to try and reduce the power imbalance. I became more formal in my email and correspondence with all potential respondents, and during the interviews I maintained a very serious countenance. In the earlier interviews in India I had been informal in my mannerisms prior to the commencement of the interviews. In later interviews, I made more frequent references to my supervisors as established Professors. This worked well, and despite the initial obstacles, I was able to achieve all my objectives in terms of the numbers of interviews and I collected rich data which enabled me to adequately answer my research questions.

Many of the limitations encountered throughout this research process could not easily have been corrected. Most of the obstacles I faced related to my age and gender, or else the wider difficulties encountered in working in a harsh climate with limited time. One limitation which could possibly have been amended was the number of interviews which were conducted with government actors in India. However, as stated previously, I didn’t feel comfortable doing so given the contemporary politics with regards to government attitudes towards foreign researchers. Had I been able to gain better access to state-based actors it is possible that there would be an improvement in the level of triangulation achieved.

3.8 Conclusion

This chapter presented the rationale for combining a global and domestic production network (GPN/DPN) mapping in conjunction with a detailed case study of the emergence of a Southern social standard in the Indian context. It continued by outlining the various phases of the field research. It illustrated the ways in which a systematic GPN/DPN mapping can reveal the key actors and drivers at the global and local scales of production and consumption. The three phases of research were described and the methods of data collection and participant selection were justified. Finally, this chapter offered a detailed account of the methods of data analysis and interpretation before covering the challenges, limitations and ethical issues faced during the research process. Having discussed the methodology through which this research was conducted, Chapter 4 considers the commercial and institutional context within which the shaping of Southern social standards has taken place. It employs the global production network framework developed here in order to map the roles of various actors in shaping the governance and regulation of social standards in the Indian tea industry. Chapter 5 then introduces the case study utilised in order to empirically and analytically analyse the development of Southern social standards for Southern markets.
Chapter 4: Shifting dynamics in the Indian tea industry

4.1 Introduction

The development of new standards is often assumed to be the result of pre-existing institutional failure (Lawrence et al., 2006). This chapter considers the ways in which the commercial dynamics of the global and local markets for Indian tea may have catalysed the development of Trustea as a Southern social standard. Key commercial and geographical shifts can affect the ability for firms, civil society and state-based actors to adequately govern social standards within the tea industry. For example, shifting end markets could lead to the ‘disembedding’ of producers and workers from the institutions and standards which govern particular end markets (such as Northern end markets). Furthermore, at the local scale it is possible that commercial processes also ‘disembed’ the tea industry from pre-existing national regulations such as labour law. It is important to map and discuss key trends taking place at the global and local scales given that the tea industry is characterised by globalised competition between the major producing countries. As such, this chapter outlines the key transformations affecting both global and national tea production and consumption. It answers the following sub-research question: How do recent transformations in the geographies of end markets of Indian tea production affect pre-existing regulation and governance of social standards in the Indian tea industry?

Overall, this chapter finds that there are three distinct trends which affect the ways in which Indian tea production is organised. Firstly, the growth of tea consumption in the global South (and evidence of a decline in tea consumption in the global North) has meant that Indian tea production is increasingly geared towards Southern markets. Here, India’s domestic market is of particular significance in accounting for the growth of Southern market consumption. Although the majority of Indian tea produced has always been domestically consumed, this trend has increased in recent years. Secondly, at the local scale, the production of Indian tea is characterised by the rapid growth of smallholder based production. While plantation estates are responsible for producing a significant proportion of tea in India, the growth of smallholder based production is changing the landscape of tea production. Thirdly, the GPN and DPN of Indian tea is characterised by increased convergence as the global and local organisation of tea production has increasingly come to be coordinated by two global lead firms. It is within the context of these three identified trends that the ways in which commercial and institutional actors’ (lead firms, civil society and governmental) interests in developing Southern social standards should be understood.
The chapter is structured as follows:

Section 4.2 contextualises the position of the Indian tea industry within the global economy. It illustrates the position of India relative to its other global competitors and the coordination of tea production for global markets. It differentiates between the different sub-sectors of production and maps the global production network of Indian tea production.

Section 4.3 outlines the commercial dynamics of the Indian tea industry supplying the domestic market. It illustrates that there is a strong sense of overlap between the global and domestic tea markets. However, there are important differences in terms of how lead firms for global versus local markets source tea for these markets. While the GPN is characterised by tea supplied from India’s plantation estates, the DPN consists of smallholder produce in addition to plantation estates.

Section 4.4 outlines three important transformations occurring in the global and local tea industries. This includes the significance of shifting end markets for Indian tea production, the changing organisation of tea production in the local tea market and the growth of smallholder production in the Indian tea industry.

Section 4.5 discusses the possible implications which each identified transformation has in terms of the governance and regulation of social standards within the Indian tea industry. It shows the manifold challenges and opportunities to ‘re-embed’ tea production within its contemporary commercial and institutional dynamics.

Section 4.6 concludes this chapter by summarising the key trends noted within the contemporary and commercial and institutional structures of the Indian tea industry.

4.2 The global tea industry

4.2.1 Major producing countries

The global tea industry employs over thirteen million people worldwide. Tea is primarily produced in Asia and in Africa with China, India, Kenya, Sri Lanka and Turkey accounting for 76% of global production (Potts, Lynch, Anne Wilkings, et al., 2014). Although tea is considered to be a popular beverage in Northern and Southern markets, the majority of tea is in fact consumed locally (i.e.
within domestic markets). As Table 7 illustrates, India is the world’s second largest producer of tea and the second largest global consumer of tea, with around 80 per cent of total national tea production destined for the domestic market (Van der Wal, 2008). Whilst China is a larger producer of tea than India, the extremely high domestic consumption of Chinese tea means China is not a major competitor in the world market (FAO, 2015). Therefore, Kenya continues to remain a major export competitor in relation to India because of its large export focus.

Table 7 World Production of Tea

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (tonnes)</th>
<th>Export (kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1857105</td>
<td>46757</td>
</tr>
<tr>
<td>India</td>
<td>1171925</td>
<td>234181</td>
</tr>
<tr>
<td>Kenya</td>
<td>460900</td>
<td>442659</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>335115</td>
<td>279591</td>
</tr>
<tr>
<td>Turkey</td>
<td>218700</td>
<td>No data available</td>
</tr>
<tr>
<td>Vietnam</td>
<td>215600</td>
<td>No data available</td>
</tr>
<tr>
<td>Iran</td>
<td>159000</td>
<td>No data available</td>
</tr>
<tr>
<td>Indonesia</td>
<td>145750</td>
<td>57702</td>
</tr>
<tr>
<td>Argentina</td>
<td>93906.5</td>
<td>75010</td>
</tr>
<tr>
<td>Japan</td>
<td>85350</td>
<td>36, 84</td>
</tr>
</tbody>
</table>

(Source: FAO 2015)

Indian tea production can be classified into two distinct modes of production. Plantation estates and small tea gardens greater than 10.12 hectares represent what is commonly termed the formal sector of tea production. This means that these producers are subject to national labour law and other forms of governmental regulation which relate to employment. However, there is also a growing smallholder segment of production in India. Smallholders typically operate in the informal sector. As can be seen in Table 8 below, production models in India are legally characterised within three separate categories of ownership:

Table 8 Ownership structures in the Indian tea industry

<table>
<thead>
<tr>
<th>Type</th>
<th>Size</th>
<th>Ownership</th>
<th>Processing Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small holding</td>
<td>1 to 25 acres (10.12 hectares),</td>
<td>Proprietor</td>
<td>None—leaf is transported to</td>
</tr>
</tbody>
</table>

3 The term smallholder is being used in this research to connote the variant models of tea cultivation outside of plantation estates and small tea gardens. In reality, the term smallholder is a term which denotes a variety of different social and economic formations. As stated by Neilson & Pritchard (2011) ‘for some, tea cultivation represents the mainstay of family income, whereas for others it is one element in diversified family incomes that contain both farm and non-farm activities’ (Neilson & Pritchard 2011: 69).
The differences in the production models are important in terms of understanding how production is organised for export versus domestic markets. Plantation estates and tea gardens supply tea to export markets (as well as domestic markets)\(^4\) whereas smallholders only supply the domestic market. As discussed in more detail in Chapter 5, this has significant impacts in understanding the extent to which ‘global’ standards are able to effectively regulate and govern social standards in the Indian context. For example, smallholder production remains largely untouched by these export standards. Therefore, the global production network of Indian tea can be understood as being supplied by the larger plantation estates and tea gardens in the formal sector. Within this sub-sector, the majority of planters are large estates (i.e. greater than 200 hectares in size) as illustrated in Table 9.

### Table 9 Share of small and big tea gardens in total Indian tea production

<table>
<thead>
<tr>
<th>Year</th>
<th>Small gardens</th>
<th>Big gardens</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>28.39%</td>
<td>71.61%</td>
</tr>
<tr>
<td>2012</td>
<td>32.24%</td>
<td>67.76%</td>
</tr>
<tr>
<td>2013</td>
<td>31.23%</td>
<td>68.77%</td>
</tr>
</tbody>
</table>

(Source: Tea Board of India 2013)

Tea production tends to take place in rural, mountainous regions in the North Eastern and the Southern states of India. Major tea growing hubs in the North-East and East India include Assam and West Bengal, whereas the major tea growing hubs in the South include Kerala and Tamil Nadu. There are important geographical distinctions to be made between the two regions. Generally speaking, the North-Eastern and Eastern States of Assam and West Bengal tend to make branded tea, which fetches higher prices in global and domestic markets while Southern Indian tea is typically...
stock tea. Trends show that production is currently increasing in the North Eastern and Eastern states but declining in the Southern states (Kadavil, 2007). The Indian state of Assam produces between 60-70% of the total tea bought by lead firms sourcing within India. Table 10 below shows that the dominance of large scale production of tea is largely confined to the Northern state of Assam.

Table 10 Percentage Share (of total production) by large tea gardens across each Indian State

<table>
<thead>
<tr>
<th>State</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>58</td>
</tr>
<tr>
<td>West Bengal</td>
<td>23</td>
</tr>
<tr>
<td>Tripura</td>
<td>1</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>9</td>
</tr>
<tr>
<td>Kerala</td>
<td>8</td>
</tr>
<tr>
<td>Karnataka</td>
<td>1</td>
</tr>
<tr>
<td>Total India</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: FAO 2015)

Figure 6 maps the data displayed in Table 10 onto a country-level map of India.

Figure 6 Percentage of national tea production at state level

(Source: Hindustan Unilever)
Table 11 illustrates the four main types of tea produced in India for export and for domestic consumption. It demonstrates that black tea is the dominant type of tea produced in Asian countries. Black tea can be further sub-categorised as orthodox or CTC (crush, tear and curl) teas. The focus of this research is on black tea in particular, which is the dominant type of tea produced in India and consumed in Northern and Southern markets. It is important to note that the four types of tea described below are all derived from varieties of the same plant (*Camellia sinensis*) and differences relate to the various production processes, as outlined in Table 11.

<table>
<thead>
<tr>
<th>Type of tea</th>
<th>Production process</th>
</tr>
</thead>
<tbody>
<tr>
<td>White tea</td>
<td>Made from young leaves (new growth buds) that have undergone no oxidation. White tea is produced in lesser quantities than most of the other types, and can be correspondingly more expensive than tea from the same plant processed by other methods. It is also less well-known in countries outside China.</td>
</tr>
<tr>
<td>Green tea</td>
<td>In the manufacture of green tea, the oxidation process is stopped after a minimal amount of oxidation by application of heat. The tea is processed within one or two days of harvesting.</td>
</tr>
<tr>
<td>Oolong</td>
<td>Oolong is semi-fermented tea, where the oxidation process takes 2-3 days.</td>
</tr>
<tr>
<td>Black tea</td>
<td>In black tea production, the tea leaves are allowed to completely oxidise. Black tea is the most common form of tea in South Asia (India, Sri Lanka, Bangladesh) and also in Kenya. Black tea is further classified as either orthodox or CTC (crush, tear, curl). Orthodox and CTC teas are further graded according to the post-production leaf quality by the Orange Pekoe (OP) system.</td>
</tr>
</tbody>
</table>

(Source: Based on Neilson & Pritchard 2011, p.73-75 and Kadavil, 2007, p.23-24)

4.2.2 The structure of the global production network of Indian tea

As discussed in Chapter 3, a GPN mapping allows a more thorough understanding of the key actors (firms, state-based and civil society) involved in shaping the governance of the global tea industry. Figure 7 presents a simplified structure of the global production network of Indian tea.
The global tea industry is dominated by a number of large buyers; 85% of global tea production is sold by multinationals. Three multinationals control approximately one-fifth of the global tea market (Potts, Lynch, Anne Wilkins, et al., 2014). Unilever controls 12%, Tata Global Beverages control 4% and Twinings control 3% (Potts, Lynch, Anne Wilkins, et al., 2014). The prominence of multinationals means that the global production of Indian tea is characterised by significant power asymmetries within inter-firm relationships. These inter-firm dynamics are complicated by the fact that tea can be sold from processors to blenders and packagers through intermediaries (such as through the auction process) as well as through direct sales (Kadavil, 2007; Van der Wal, 2011).

The generation of value addition takes place downstream, with buyers taking the vast majority of the profits of tea sold in end markets. The significant degree of power asymmetry evident upstream in the production network means that the producers tend to receive low prices for the tea they supply. High levels of market concentration were not always evident in the tea sector. However, as tea bags came to replace loose leaf packaging (particularly in Northern markets), firms came to place a stronger emphasis on consumer branding (Neilson and Pritchard, 2011). Physical changes in the final product (whereby tea bag consistency requires both sophisticated blending recipes and in turn created a product highly amenable to brand visibility) has benefited larger multinational corporations over small companies (Neilson and Pritchard, 2011) leading to market consolidation at the global scale. Key brands have become household names in Northern and Southern markets.
Unilever (UL) and Tata Global Beverages (TGB) ownership (and purchasing) of popular household brands such as Lipton, PG Tips (UL) and Tetley (TGB) have been crucial in gaining higher value addition in lucrative markets. Mergers and acquisitions have played an important role in ensuring that firms are able to consolidate their market position across Northern and Southern markets. For example, TGB purchased Tetley in 2000, allowing the Indian firm to become a global player in the industry. These major brands of tea are sold across markets in the global North and the global South. Financial markets have come to expect that lead firms appropriately value and protect intangible assets. Therefore, it is brand-based competition which has become a central struggle between multinational corporations (i.e. brand owners) and retail chains for profit shares (Neilson and Pritchard, 2011). The majority of tea produced globally is sourced by buyers with significant power to determine prices. As a result of such power asymmetries, planters and producers of tea typically have little influence over the terms of trade. For Indian producers, the increased global competition and the power asymmetries within inter-firm relations have contributed to significant commercial pressures which have impacted on the social conditions in which labourers work and live. Planters claim that lead firm’s power to push for lower prices has made the restrictions of the Plantation Labour Act (PLA)\(^5\) increasingly difficult to comply with (Planter 2, Kolkata, 22.07.15 and Planter 4, Kolkata, 29.07.15).

4.3 The local tea industry

The Indian market for tea is predominately a loose-leaf market. Loose leaf tea constitutes approximately 60% of the total tea consumed domestically. However, packed tea is becoming increasingly popular, and key buyers have developed significant brand presence within this particular segment. Consumption of packed tea has increased from just 15% in the 1980s to around 40% currently. In addition, the importance of brands as a means of quality assurance and trust has also become a key characteristic of the Indian middle class consumer (Mukherjee, Satija and Goyal, 2012).

There are a number of domestic lead firms which control a significant market share of India’s domestic market for packed tea. As Figure 8 illustrates, Hindustan Unilever and Tata Global Beverages have the highest market share. Together, Hindustan Unilever and Tata Global Beverages control over 51% of the domestic branded Indian tea market.

\(^5\) The PLA will be discussed in more detail in Chapter 5
Figure 8 Market Share of Packed Tea Market India

Unilever holds a majority share in its subsidiary firm Hindustan Unilever. As such, significant proportions (67%) of HUL sales are repatriated to Unilever. In contrast, Tata Global Beverages is an Indian firm who has built considerable global market share through its purchase of Tetley in 2000. Therefore, Unilever and Tata Global Beverages have significant market presence in global and domestic markets for Indian tea, and exert a significant degree of commercial power within the GPN and the DPN. Unilever and Tetley are responsible for buying tea for their global markets, whereas Hindustan Unilever and Tata Global Beverages are responsible for buying tea for domestic sales (primarily buying tea for the Indian market). These differences are crucial to realise; illustrating the fact that Hindustan Unilever and Tata Global Beverages only buy for India’s domestic market. In contrast, Unilever and Tetley have global tea buying offices located in the global North, and source from many different producing countries.

Alongside these two lead firms, Figure 8 illustrates that there are a number of other domestic firms. Interestingly, some of these companies (such as Goodricke Group) are not only lead firms in the domestic market, but also operate as first tier suppliers to Unilever and Tetley for exports of Indian tea into global markets. Table 12 illustrates the key domestic brands owned by Hindustan Unilever and Tata Global Beverages. The table demonstrates that these two lead firms sell tea across different categories; from economy dust teas through to the premium leaf tea market. At present, the majority of tea purchased by consumers is from the economy categories; however the rapid
increase in middle class consumption in recent years has seen a growing proportion of premium teas being sold within the domestic market.

Table 12 Domestic Tea Brands owned by Hindustan Unilever and Tata Global Beverages

<table>
<thead>
<tr>
<th>Pricing/per kg</th>
<th>Hindustan Lever</th>
<th>Tata Tea LTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium leaf tea market (Rs 200-220 kg)</td>
<td>Taj Mahal, Yellow Label and Green Label</td>
<td>Tetley Temptations</td>
</tr>
<tr>
<td>Premium dust category (Rs 180-200 per kg)</td>
<td>Three Roses and Top Star</td>
<td>Chakra Gold</td>
</tr>
<tr>
<td>Medium leaf sector (Rs 140-180 per kg)</td>
<td>Red Label and Taaza</td>
<td>Tata Tea Premium</td>
</tr>
<tr>
<td>Medium dust category (Rs 130-180kg)</td>
<td>Taaza, Super</td>
<td>Tata Tea Premium, Kanan Devan and Gemini</td>
</tr>
<tr>
<td>Popular or economy category (Rs 120-140 per kg)</td>
<td>A-1 and Tiger</td>
<td>Agni Sholay</td>
</tr>
<tr>
<td>Economy dust teas (Rs 120-130 per kg)</td>
<td>A-1 and Ruby</td>
<td>Agni and Leo</td>
</tr>
</tbody>
</table>

(Source: Gurav 2009)

There is growing demand for convenience foods in the Indian market owing to changing lifestyles, work patterns and growing female labour participation in the Indian economy. For example, the tea bag is increasingly replacing loose leaf tea in the middle-class segment of the Indian market. However, there are also drivers for such changes occurring from the production side. Such a focus on branding and marketing within the domestic market is a means of mitigating the problems related to the decline in high-value adding export markets. The domestically-focused segments of the tea industry had originally negated the marketing aspect because there had always been a strong local market for loose leaf tea. However, economic liberalisation and the growth of supply relative to demand have catalysed a shift in market strategy from the seller market to the buyer market (Hazarika, 2011). Civil society organisations and industry representatives have expressed the view that branding can help producers capture more value in the global and domestic markets and industry experts believe that with increasing competition, only the highest quality teas will be accepted for auction (Guha, 2013). This means that investment focused on market creation is becoming essential for tea producers (Das, 2009). The use of geographical indicators within Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the World Trade Organisation (WTO) has been an important element of these efforts as teas originating from Darjeeling, Assam and the Nilgiris have been granted recognised intrinsic value within TRIPs (Das, 2009).

As discussed earlier, the domestic market for Indian tea is fed by smallholder produced tea alongside the formal sector. Unlike the plantation estates (who have their own processing facilities) smallholders do not typically own any means of processing the tea leaf. Instead, smallholders must
transport tea leaf to the nearest bought leaf factory (BLF). The BLFs house and control the processing units for tea sourced from smallholders (Kadavil, 2007). Small tea growers bring the leaf to the factory for processing and negotiate a price for their tea. As such, these factories play a key role in both price determination and the quality of tea produced. Many BLFs employ leaf agents to procure the leaves from the growers. BLFs have direct linkages to the wholesalers and buyers. The quality controls within the BLFs are claimed to not always be sufficient, leading to the production of inferior quality teas within the domestic production network. This is thought to have several negative effects on the Indian tea industry’s reputation as a whole by affecting price levels for tea in the local market and also the reputation of the Indian tea industry at the international scale (Kadavil, 2007).

One possible driver for standards emanates from the growth of brands in the Indian tea market and the recognition that consumers increasingly perceive brands as being indicators of superior quality in comparison to unbranded products. Quality issues are a major concern for the Indian tea industry, particularly due to the recent media attention which was catalysed by a major NGO report by Greenpeace India regarding excessive pesticide usage. In addition to the growth of domestic standards related to production, there are also a number of export standards which producers have to comply with in order to reach the European Union, the USA and the Japanese markets, such as HACCP and/or ISO standards as well as national government regulations. However, quality of production is not only quantified through environmental or social standards, but also through more subjective notions of quality through taste. The taste of the product may be interrelated with environmental issues such as pesticide usage but taste is primarily determined by genetic, ecological and climatic factors which produce different notes and flavours.

The priorities of lead and first tier supplier firms vary when it comes to their valuation of quality of taste in tea production. Whereas lead firms have previously not focused on high quality teas in terms of taste as they have supplied tea bags to export markets, first tier supplier firms (who also have their own brands in the domestic market) claim to have made a more concerted effort to focus on the quality of tea in terms of the taste of the final product. As a result, the first tier supplier firms interviewed claim that the growth of the domestic market is increasingly affording them greater price realisation than supplying to the lead firms for export markets because they can act as lead firms in the domestic market and market high quality tea directly to Indian consumers (Planter 2, Kolkata, 22.07.15 and Planter 4, Kolkata, 29.07.15). This has meant that the expansion of Southern markets may lessen their dependency on lead firms and retailers who sell in European markets, and therefore allow them to escape the imposition of what they see as costly, privately-governed social
standards. In addition to the growth in demand for higher quality tea, the domestic market is increasingly demanding niche segments of tea production, such as green teas as well as organic tea (Kadavil 2007).

Smallholder production feeds the domestic market (as well as plantation estates and small gardens). As will be discussed in later chapters (Chapters 6, 7 and 8), this has significant implications for the ways in which Trustea develops as a Southern social standard. Figure 9 illustrates the important differences between plantation based and smallholder based production of tea in India. The most significant point here is that these producers and labourers feed different end markets, and are therefore are partially embedded within different regulatory frameworks (if the global governance of tea production is considered). As Figure 9 also demonstrates, there are different labour regimes in place. Plantation estates rely on permanent labour and contract labour. Smallholdings typically depend on family labour as well as waged labour. Chapter 5 discusses these labour regimes in more detail and what the implications are in terms of efforts to regulate and govern the tea sector as a whole.

Figure 9 the production networks of plantation versus smallholder based labour

(Source: Authors' Construction)

There have been significant structural shifts in the commercial production of Indian tea over the past twenty years. The following section details the major trends which have in turn altered the political
economy of Indian tea production. Each of these shifts can be linked to processes of globalisation which alters the nature of competition within the industry and drives forward structural changes in an effect to adapt to liberalised markets. This has, in turn, impacted on the regulation of social standards. These three trends (growth in Southern markets, rise of smallholder production and restructuring of the industry within the domestic production network) all provide the impetus to develop new Southern standards to govern the domestic market.

4.4 Three shifts in the global and local tea industries

The following section identifies three significant trends which have come to characterise the recent production of tea in India. These trends can be broadly identified as the shift in end markets and the growth of the domestic market, the divestment of lead firms from production ownership and the growth of smallholder production feeding the domestic market. As will be discussed further in this chapter and in Chapter 5, these trends may impact on the ability of firms, state-based actors and civil society organisations to govern social standards within the context of the Indian tea industry.

4.4.1 The growth of Southern markets for Indian tea

The growth in demand for Indian tea in Southern markets has risen significantly over the past two decades. This trend can be evidenced through trade export data which shows an overall increase in exports to countries in the global South. However, there was also been a steady increase in domestic demand for tea. These trends are reflective of the rise of emerging economies, which in turn boosts domestic demand for goods and services.

*Shifting end markets*

Major tea export markets for Indian tea (by trade value) have historically included a number of countries within EU and OECD markets. These include the UK, Australia, Germany and Japan. These are markets with significant value addition (Neilson & Pritchard 2011). Other key importers of Indian tea (by trade value) include Pakistan, Kazakhstan and Russia. Yet over the past decade, the trade value of Indian tea imported to EU and OECD has declined. The trade value of imports into the UK market has dropped significantly in the past few years from a total trade value of $85,816,475 in 2012 to $56,965,223 in 2015 (UN Comtrade). This represents a decrease of 33.6% in just three years. It was reported that UK tea sales fell by more than 6% during this same period, from £491m in 2012 to £425m in 2014, illustrating a decrease in consumer demand for tea. A report by consumer
analysts Mintel argued that the increased popularity of coffee as a beverage, as well as growth in sales of fruit and herbal teas in the UK market was responsible for this shift away from black tea consumption (Mintel, 2015). The Australian market for Indian tea has undergone an even more significant decrease in recent years; moving from a total trade value of $20,119,226 in 2010 to just $1,388,380 in 2015 which is a drastic change in value. Figure 10 illustrates these trends across the top 10 importing markets for Indian tea during the period 2006-2015. While key high value adding markets such as UK, Japan Australia have all experienced a significant decline in demand for Indian tea, it is clear that Russia have begun to export increasingly higher quantities of Indian tea over this same period. Imports of Indian tea to Russia have increased by over in the period 2006-2015 by 59.7%.

![Changing imports of Indian tea in top 10 importers 2006-2015](Source: UN Comtrade 2015)

Overall, the data indicates that exports of Indian tea production are experiencing a broad decline in EU/OECD markets but experiencing increased market demand in non-OECD markets such as Russia. As will be discussed in Chapter 5, this movement away from Northern markets may have ramifications for ‘global’ standards; decreasing their ability to govern social standards in the Indian tea industry. This is partly related to the limitations of value addition in tea. However, the shift in export markets away from EU and OECD markets is not the most significant indicator that markets for Indian tea is shifting to Southern markets. In fact, it is the growth of India’s domestic market which is capturing ever higher quantities of black tea produced in India.
Growth in Domestic Market

India is the largest consumer of black tea in the world. Domestic consumption accounts for almost 80 per cent of the total tea production in the country. The pattern of domestic consumption has shown a steady and positive growth since 2000. From a mere 73 million kilogrammes in 1951, domestic consumption has increased to 802 million kilograms in 2008 as shown in Table 13. The table also illustrates the increase in per capita level of tea consumption in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Consumption (M Kgs)</th>
<th>Per Capita Consumption (Grammes Per Head)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>73</td>
<td>202</td>
</tr>
<tr>
<td>1961</td>
<td>140</td>
<td>319</td>
</tr>
<tr>
<td>1971</td>
<td>221</td>
<td>403</td>
</tr>
<tr>
<td>1981</td>
<td>360</td>
<td>527</td>
</tr>
<tr>
<td>1991</td>
<td>511</td>
<td>600</td>
</tr>
<tr>
<td>1992</td>
<td>524</td>
<td>606</td>
</tr>
<tr>
<td>1993</td>
<td>537</td>
<td>606</td>
</tr>
<tr>
<td>1994</td>
<td>550</td>
<td>608</td>
</tr>
<tr>
<td>1995</td>
<td>562</td>
<td>610</td>
</tr>
<tr>
<td>1996</td>
<td>580</td>
<td>617</td>
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<tr>
<td>1997</td>
<td>597</td>
<td>625</td>
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<tr>
<td>1998</td>
<td>615</td>
<td>633</td>
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<td>1999</td>
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<td>642</td>
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<td>2000</td>
<td>653</td>
<td>652</td>
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<td>2001</td>
<td>673</td>
<td>654</td>
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<tr>
<td>2002</td>
<td>693</td>
<td>663</td>
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<tr>
<td>2003</td>
<td>714</td>
<td>672</td>
</tr>
<tr>
<td>2004</td>
<td>735</td>
<td>681</td>
</tr>
<tr>
<td>2005</td>
<td>757</td>
<td>691</td>
</tr>
<tr>
<td>2006</td>
<td>771</td>
<td>693</td>
</tr>
<tr>
<td>2007</td>
<td>786</td>
<td>696</td>
</tr>
<tr>
<td>2008</td>
<td>802</td>
<td>701</td>
</tr>
</tbody>
</table>

(Source: Tea Board of India 2009)

In India, there has been a significant rise in the domestic consumption of tea from around 70 per cent (as a share of total production) in the 1980s to around 82% in 2009, meaning that approximately just 18% of Indian is now exported in comparison to 28% in previous decades (Arya, 2013). This trend is continuing and according to recent data, domestic consumption expanded by 2.4%in 2009 and by a further 6.6% in 2013 to reach one million tonnes (FAO, 2015). This shift in markets reflects the changing spatial dynamics within the global consumption of tea, whereby consumption is rising in emerging economies. Figure 11 illustrates the significant growth in domestic consumption of black tea in India from 1991-2010. Major tea consuming states in India include Maharashtra, Uttar Pradesh, Gujarat, Rajasthan and Madhya Pradesh (Kadavil 2007).
The domestic market has also seen increased imports of tea (from Kenya and Sri Lanka) in recent years which has been a source of alarm for domestic planters. Building a better price in the vast domestic market is clearly one means of mitigating the problems related to the decline in high-value adding export markets and the rise of tea imports into India’s local market. The domestically-focused segments of the tea industry had originally negated the marketing aspect because there had always been a strong local market for loose leaf tea. However, economic liberalisation and the growth of supply relative to demand have catalysed a shift in market strategy from the seller market to the buyer market (Hazarika 2011). Planters’ claim that the domestic market affords them much greater price realisation than for the export markets (Planter 2; Kolkata, 22.07.15 and Planter 4; Kolkata, 29.07.15). Supplier firms also stated that the growth of Southern markets may lessen their dependency on lead firms and retailers who sell in European markets, and therefore allow them to escape the imposition of costly privately-governed social standards. If changing power relations within the GPN are materialising, this would have very serious consequences for transnational social standards, such as Rainforest Alliance or Utz Certified.

To summarise, the growth in Southern markets has clear implications for the regulation of social standards in the industry, particularly given the fact that private (transnational) standards such as Rainforest Alliance have regulated the industry in part from their reliance on commercial and consumer interest in Northern markets. Their sphere of influence is arguably limited in this respect. In addition, poor enforcement of public regulations and few alternative private standards in the Southern market represents another significant challenge. However, consumers in the domestic

(Source: Tea Board of India)
market have also become more aware of quality issues, and recent reports by Indian NGOs have focused on galvanising public support to pressurise companies to regulate pesticide usage more effectively (Greenpeace, 2013). This raises new questions of whether domestic consumer concerns can be effectively channelled into the creation of new private or public standards. These standards would in turn come to regulate and govern the tea industry from their position within the local market.

4.4.2 The divestment of lead firms from the ownership of Indian tea production

Economic liberalisation has affected the nature of competition in the Indian tea industry. The relative cost of production has become increasingly critical to the survival of the tea industry when confronted with global market price volatility. Large fluctuations in the price of tea over a single decade have become part of a wider trend within global commodity production under globalisation (Huho and Mugalavai, 2010). One especially critical period for the Indian tea industry came during the 1990s. Below, Figure 12 demonstrates the enormous fluctuations in the global price of tea within a ten-year period spanning 1991-2001. The steep spike in prices from 1995-1998 was the result of a drought in Kenya, which in turn caused a large decrease in supply, and resulted in higher prices fetched for Indian producers. However, by 2001 prices had collapsed to pre-1991 levels, which was catastrophic for Indian producers.

Figure 12 Global Tea Price 1991-2001

(Source: FAO 2013)
The drastic fall in the price of tea led to the emergence of a “tea crisis” in India. The crisis period refers to the period 2002-2003 in which many plantation estates failed to make profits due to low global prices. As a result, many tea producers closed their plantation estates because they were unable to pay the necessary taxes and overheads (Chattopadhyay, 2005). Employment opportunities for labour in this sector were adversely affected by closures. At the height of the crisis, it was estimated that around 100,000 permanent tea workers were affected by estate closures across India (Sarkar, 2008).

Figure 13 Global Tea Prices 2001-2017 monthly data

![Global Tea Prices 2001-2017 monthly data](image)

Indian tea planters have claimed that their failure to be economically sustainable during periods of low global prices is due to the constrictive obligations they are mandated to follow under the various institutions governing them, including the Plantation Labour Act (PLA) (Kadavil, 2007; Neilson and Pritchard, 2011). Other institutional constraints included anomalies within the auction system, rising labour costs and a complex tax structure (Chattopadhyay, 2005). However, there is evidence to suggest that there were also internal management problems within the plantations themselves.

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6 In India more than 50% sales of tea is routed through auction at various auction centres located in North and South India. Tea generally moves directly from factory either to auction centre for sale or for direct sale to national or international buyers. Auction buying is much more fragmented and there exists a sizeable gap between wholesale and retail prices. There is also a clear seasonality in prices of tea within a year. Another of the variable explaining the variance in auction prices is unit export price. Higher export price raises the bargaining position of sellers at auctions. Export volume also has an influence on the price formation auctions as higher export reduces domestic availability and hikes up domestic price. Further, lots offered and quantity sold is inversely related with average price realisation at auction.
which limited the ability of companies to withstand the economic shock of globally low tea prices. Examples of mismanagement on the plantations included a failure to replant bushes or to effectively organise production in the most efficient manner (Chattopadhayay, 2005). It appeared that the Government was not able to adequately respond to the plantation closures, and the result was the loss of employment and subsequent malnourishment and starvation of many thousands of former tea workers (CEC, 2007).

After the crisis, industry attitudes to social welfare and the obligations of firms under the PLA became increasingly hostile. Tea producing firms claimed that restrictive regulations were irreparably harming their competitiveness within world markets (Neilson and Pritchard, 2011). According to planters interviewed, the “boom and bust” nature of the industry meant that even in times of relative price stability there is still no capital available in order to reinvest in key operations which would ensure the future sustainability of the plantation segment (Planter 3; Kolkata, 28.07.15). As a result of such instabilities, the two largest and most globalised firms Unilever and Tata Global Beverages began to view their continued ownership of Indian plantations as increasingly risky in terms of overall profitability (Lead firm 2; Kolkata, 23.07.15). Firms preferred the flexibility to source from multiple producers located across the North and South of India. In 2005, both TGB and Hindustan Unilever withdrew from the ownership of production in order to concentrate on higher value-adding activities such as marketing and tea packaging. This is perhaps a surprising move, given that the existence of poor management practices appeared to be one significant contributor to the financial difficulties facing the plantations. An alternative possibility could have been the decision for the lead firms to invest further in the plantations to ensure continued supply of high quality leaves, but the social cost of the PLA was seen as problematic for these firms.

Table 14 below illustrates the year of their divestments, and lists the new producer companies created as a result. Both lead firms have retained partial ownership of the newly formed companies, and these companies remain major suppliers to the lead firms. This led to an increased focus on protecting the higher value adding segments of the global production network. Both firms concentrated on increased competitiveness in global markets, and utilising social standards became one way to enhance their market position (Kadavil 2007).

Table 14 Dates of lead firm divestment and details of the companies formed

<table>
<thead>
<tr>
<th></th>
<th>Year of Divestment</th>
<th>Formation of new planter companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hindustan Unilever</td>
<td>2005</td>
<td>McLeod Russell</td>
</tr>
</tbody>
</table>
One of the two lead firms interviewed (Lead Firm 2; Kolkata 23.07.15) revealed that there were important institutional constraints within the national context which had influenced their decision to later divest from production. This confirms the accounts given in the earlier literature cited. Firstly, these companies viewed unionised (and importantly resident as opposed to migrant) labour as a driver of high labour costs. The strong bargaining power of the trade unions, as enshrined within public regulations such as the PLA had become increasingly problematic within a competitive global economy. Secondly, they viewed the lease licences as regressive in the sense that you are only allowed to grow tea, despite the fact that there was other arable land on the estate which was not allowed to be cultivated under the licensing rules. Thirdly, they began to perceive tea as a less commercially viable commodity, due to the decline in tea sales in European markets. It is clear that lead firms were in part responding to the wider crisis emerging in the industry, and were arguably unburdening themselves of unnecessary risks at the upstream stages of production (Planter 4, Kolkata 29.07.15). Additional challenges posed in terms of the assured security of supply of tea leaves were counteracted by an increased fragmentation in outsourcing. This is known in the GPN/GVC literature as an ‘organisational fix’, whereby the firm may sell off parts of its production facilities to another company in order to focus on core competencies and to maximise profit by concentrating on higher value-adding activities within the value chain (Gereffi et al., 2005; Yeung & Coe, 2015). The forward integration of these firms into brand-focused sales is connected to a wider encompassing process of financialisation within agri-food production (Gibbon and Ponte, 2005; Neilson and Pritchard, 2011).

4.4.3 The shift to smallholder production

Plantation estates arguably represent an efficient model of production for export of tea because of tighter coordination; offering more scope for packaging and branding. However, it is also a costly model in comparison to smallholder production. There are multiple constraints in relation to both labour and managerial productivity evident in the Indian plantations (Hayami and Damodaran, 2004). Indian plantation estates also have much higher labour costs than plantation estates in competing producer countries such as Kenya. One estimate places the cost of labour overheads in South India as four times higher per kilogramme of tea than the costs incurred in Kenyan tea estates (Onicra, 2014).
India is one of the few tea producing countries in which tea leaf is predominately sourced from plantation estates. India’s exposure to small holder dominated producers such as Vietnam, Kenya and Sri Lanka has been problematic given that economies of scale do not tend to apply to the production of tea (Hayami and Damodaran, 2004). In the tea industry, it has been argued that smallholder production is more economically efficient compared to the plantation estate model. Recent data on the relative productivity of plantation estates versus small tea producers in India appears to confirm this fact. Therefore, it can be argued that producer countries that tend to produce leaf through smallholders have a comparative advantage as opposed to countries which still depend upon plantation estates. As a result of such inefficiencies in production, the expansion of small tea holdings in India has increased dramatically over the past twenty years. Recent projections by the Tea Board of India (TBoI) estimate that by 2020 as much as fifty per cent of India’s tea will be produced by small growers; this is a significant growth considering that it currently stands at approximately thirty-two per cent (Tea Board, 2013). Table 15 demonstrates the growth in area and the overall production of the small tea grower segment in comparison with the plantation estates and gardens.

Table 15 demonstrates the percentage share of production between the two segments, moving from 7% of tea originating from smallholders in 1991 to 31% in 2013. It is important to note that the plantation sector experienced negative cumulative growth in 2001, and that the overall percentage of production from the plantation estates has declined from 93% in 1991, to under 69% in 2013.

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2001</th>
<th>Cumulative Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area (ha)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small growing sector</td>
<td>25,108</td>
<td>101,000</td>
<td>14.9%</td>
</tr>
<tr>
<td>Plantation sector</td>
<td>395,362</td>
<td>406,196</td>
<td>0.3%</td>
</tr>
<tr>
<td>All-India</td>
<td>420,470</td>
<td>507,196</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Production (m kg)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Growing sector</td>
<td>52</td>
<td>170</td>
<td>12.6%</td>
</tr>
<tr>
<td>Plantation Sector</td>
<td>702</td>
<td>684</td>
<td>-0.2%</td>
</tr>
<tr>
<td>All-India</td>
<td>754</td>
<td>854</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

(Source: India Tea Association 2013)
<table>
<thead>
<tr>
<th>Year</th>
<th>Small growers</th>
<th>Plantation estates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>2001</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>2011</td>
<td>28.39%</td>
<td>71.61%</td>
</tr>
<tr>
<td>2012</td>
<td>32.24%</td>
<td>67.76%</td>
</tr>
<tr>
<td>2013</td>
<td>31.23%</td>
<td>68.77%</td>
</tr>
</tbody>
</table>

(Source: Hindustan Unilever 2014)

The growth of small tea growers and the decline of plantation labour may benefit lead firms in terms of aiding their commercial imperative to reduce production costs. For example, the growth of the small tea growers reduces buyer dependency on plantations and allows them by-pass the heavily unionised plantation sector in favour of more cost-effective and unregulated producers. Smallholder production is more economically efficient because the cost of hiring labour is flexible. Smallholders use a piece-meal rate whereby labour engaged in tea plucking are paid a certain share of the value of the harvested leaves, meaning that the change in the price of leaves is immediately reflected in a downward adjustment in wage costs (Hayami and Damodaran, 2004). There are also significant hidden costs due to the use of family labour (Van der Wal 2008). Respondents from interviews (NGO 9, Bangalore, 23.07.15; NGO 11; Delhi 11.08.15) claimed that lead firms have actively intervened in order to stimulate the growth of small tea grower production in the North-Eastern regions of India. They have done so by financially supporting the growers to find land before signing a contract with the farmers in order to ensure that they would provide leaf directly to the company (NGO 9; Bangalore 23.07.15). Further incentives have come from the tea plantations (suppliers) themselves, who encouraged small holder production by offering cash compensation for land transfer accompanied by wage labour employment for these small growers. This has allowed plantation owners to bypass statutory welfare costs whilst sourcing young plants from small growers with higher productivity (Sarkar, 2008). Evidence that economies of scale do not typically apply to the production of India is evidenced below in Table 17. This table illustrates higher productivity in the smaller tea gardens as opposed as to the large plantation estates.
Table 17 Average productivity of small and big tea gardens (Yield kg tea/hectare)

<table>
<thead>
<tr>
<th>Year</th>
<th>Small gardens</th>
<th>Big gardens</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2000</td>
<td>1970</td>
</tr>
<tr>
<td>2012</td>
<td>2292</td>
<td>1882</td>
</tr>
<tr>
<td>2013</td>
<td>2367</td>
<td>2035</td>
</tr>
</tbody>
</table>

(Source: Hindustan Unilever 2014)

The shift towards smallholder production has seen the rise of new intermediaries within the global value chain of Indian tea production; most notably the bought leaf factories (BLFs). These factories have been set up with the sole purpose of processing the leaf from the small growers. The BLFs house and control the processing units for tea sourced from smallholders (Kadavil, 2007). Small tea growers bring the leaf to the factory for processing and negotiate a price for their tea. As such, these factories play a key role in both price determination and the quality of tea produced. Many BLFs employ leaf agents to procure the leaves from the growers. The BLFs are often in fierce competition with the tea plantation companies. This is because BLFs are not subject to the statutory liabilities that factories in the plantations are subject to, such as the social provisions legally mandated under the PLA. The plantation and smallholder segments of production do not operate in isolation, but are interlinked. For example, it was confirmed by the CEOs of plantation estates (Planter 3; Kolkata, 28.07.15 & Planter 4; Kolkata, 29.07.15) that they increasingly source leaf from the small growers rather than employing their own labour. One planter stated that they source five million kg from small growers, and twenty-seven million kg from within their own plantations. This case illustrates that as much as 18% of leaf cultivation is outsourced by this particular plantation estate. This serves to increase productivity without any corresponding increase in labour deployment (Planter 2; Kolkata 22.07.15). For another planter interviewed, the decision to source leaf from the small growers is simply a question of their business model. By outsourcing, they claim they can mitigate risk in terms of overcoming potential pests or climatic problems which may affect their own production output (Planter 3; Kolkata 28.07.15). However, it was admitted that they may be compromising on the quality of tea that they are producing (Planter 3; Kolkata 28.07.15). This has led to the increased casualisation of once permanent workers on the plantations and an overall reduction in the workforce in many tea estates. Plantation workers are increasingly working as day labourers in neighbouring smallholder sites.

By 2005, it was clear that smallholder farming and the bought leaf factories (BLFs) were beginning to represent a threat to the planter’s long term economic security and members of the planter
community expressed concern over the unregulated nature of bought leaf factory production due to the lower costs as well as their ability to form direct linkages with buyers (ILO, 2005). By 2005, the India Tea Association’s (ITA) position was that for the industry to carry on performing well there needed to be regulation of BLFs and smallholders. Yet some planters interviewed felt that small growers were an important part of the changing political economy of the production of tea in India (Planter 4; Kolkata, 29.07.15 & Planter 1; Kolkata, 18.07.15). Indeed, interviews confirmed that small growers aren’t perceived to be competitors in terms of cost, and are in fact a means of ensuring better price realisation for the planters too (Planter 3; Kolkata, 28.07.15 & Planter 4; Kolkata, 29.07.15). For example, one respondent claimed that the savings a buyer makes from purchasing cheaper tea from the small growers frees up capital which is then spent on purchasing higher quality tea from the planters (Planter 4; Kolkata, 29.07.15). The power asymmetries within the small tea grower GVC appear to be significant. Smallholders claim that factories often underpay them for the leaf they buy, and that they are not transparent in their activities. For example, bought leaf factories have often refused to reveal the auction price for the leaves provided by the growers (Chattopadhayay, 2005).

4.5 What the shift in markets means for the ways in which we analyse the development of Southern social standards

This chapter revealed three significant shifts in the global and local structuring of the Indian tea industry. Firstly, it illustrated that Indian tea production is increasingly geared towards Southern markets, which is reflective of growing consumer demand in the global South. This fits the broader recognition that the areas of future growth are to be found in Southern rather than Northern markets. Secondly, global and domestic production networks are increasingly coordinated by the same lead firms, and these firms have chosen to increasingly outsource production in the domestic market by relinquishing direct ownership of plantation estates. Thirdly, this chapter illustrated that the production models in the context of the local market are increasingly characterised by smallholders. This final section discusses the possible implications of these global and local trends for the regulation and governance of the Indian tea industry. Specifically, it discusses these trends in terms of what governance gaps emerge through these transitions and how these trends may create the pressure for new Southern social standards to emerge.

Table 18 illustrates some of the key challenges and opportunities created through these three distinct transformations in the global and local organisation and coordination of Indian tea production.
## Table 18 Challenges and opportunities to govern the Indian tea industry in the contemporary era

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities/Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth in Southern markets</strong></td>
<td>Increase in new constellations of actors involved in shaping governance of social standards, such as local civil society organisations</td>
</tr>
<tr>
<td>- Decline of transnational private standards influence over South-South markets</td>
<td>Convergence and normalisation of global norms around social standards by lead firms engaged in Northern and Southern markets</td>
</tr>
<tr>
<td>- Poor enforcement of public regulations and few alternative private initiatives</td>
<td>Growth of Southern market consumer pressures</td>
</tr>
<tr>
<td><strong>Divestment and value capture</strong></td>
<td>Lead firm focus on protection of intangible assets leading to increased engagement with corporate social responsibility and the use of standards</td>
</tr>
<tr>
<td>- No direct ownership of production by lead firms</td>
<td>Pressure to “modernise” archaic PLA- and to afford plantation labourers the same rights as agricultural labourers</td>
</tr>
<tr>
<td>- Outsourcing of governance to private standard setters</td>
<td>Lead firm regulation of small tea growers as pressures around quality and social standards may arise</td>
</tr>
<tr>
<td>- Supplier firms increasingly seeking new markets in order to “escape” costs of compliance with transnational standards</td>
<td>(Source: author)</td>
</tr>
</tbody>
</table>

Table 18 demonstrates a number of emerging governance gaps in the context of the Indian tea industry. The first governance challenge identified in the table is that the growth of Southern markets for Indian tea may mean that producers may no longer supply export markets where a number of ‘global’ social standards have governed the industry via the global production network. The second governance challenge identified in Table 18 is the transition from the vertically integrated production of Indian tea within the local market to the creation of a fragmented network of production. This leads to the creation of a domestic production network whereby domestic firms predominately use local suppliers in order to sell tea in the local market (Horner & Nadvi 2017). Arguably, the governance challenge posed by this arrangement is the increased power asymmetries
occurring between lead firms and their suppliers in a domestic market context. These lead firms no longer have legal ownership of production and are not subject to state regulations applicable to the plantation segment. This could increase the buyer-driven pressure (such as on prices) on domestic suppliers with possible ramifications for social standards (increased outsourcing to smallholders, casualisation of labour, lower wages). The third governance challenge discussed was the increase in smallholder production relative to the plantation segment, meaning that production itself is increasingly dis-embedded from national public regulations (i.e. Plantation Labour Act). This potentially diminishes the bargaining power of trade unions who find a lower percentage of total tea production coming from the plantation sector.

However, as also illustrated in Table 18 there are a number of possible opportunities to further govern the industry under these shifting dynamics. Notably, this includes the possibility of an increased role for local civil society organisations and consumers to push for higher social standards in the domestic market. In addition, domestic lead firms may be encouraged to develop standards to better coordinate these new networks of production (having relinquished legal ownership of the plantation estates they formally owned). Such standards could also include social measures if it is seen that there is a possible demand emanating in the local market. There is a strong possibility of overlap between global and local efforts to respond to these three shifts in Indian and global tea production. This is especially the case given the fact that the coordination of Indian tea production in recent years appears to be indicative of polycentric trade. The growth in Southern (including domestic) markets and the fact that the same lead firms coordinate both the global and domestic production networks illustrates a strong sense of multiple, overlapping production networks. This may mean that the stimulus for the creation of Southern social standards does not solely originate from local pressures and actors. Lead firms, civil society organisations and governmental actors in the GPN are also well positioned to also address governance gaps occurring within the domestic production network.

4.6 Conclusion

The case study of the Indian tea industry arguably raises two important sets of questions. Firstly, it raises the question of how lead firms, civil society organisations and state-based actors based in the global North will respond to this shift in markets to the global South (and the decline of demand in Northern end markets). For example, does it weaken their ability to govern the social conditions of production in the Indian tea industry? Secondly, it raises the question of how lead firms, civil society organisations and governmental actors based in the global South will respond to the shift in markets
to the global South. For example, does the growth in domestic consumption (accompanied by the growth in middle class consumers and the possibility of changing preferences) lead to new opportunities or interests on the part of these actors to develop ways of governing social standards for the domestic market? Furthermore, is there any degree of overlap between these efforts? The case study of Trustea will be used to explore these questions further in Chapters 6, 7 and 8 of this thesis.

Chapter 5 now turns to consider the ways in which various public and private standards have governed the tea industry in recent decades. This lays the groundwork for later empirical chapters which illustrate how commercial, governmental and civil society interests have culminated in the development of Trustea as a Southern social standard and the ways in which Trustea is itself conditioned by these pre-existing institutions of regulatory governance.
Chapter 5: Evolving Governance of the Indian tea industry

5.1 Introduction

Conceptualising the Indian tea industry as an example of polycentric trade, leads to questions regarding the ways in which governance of social standards within the Indian tea industry has occurred at multiple scales; both emanating from the global production network but also at the national level. Given that we are now in an era of polycentric trade, and that the lead firms control both the global and domestic production networks, there is a need to understand how governance at multiple scales may influence the development of Southern social standards.

As such, this chapter asks: How does the development of Southern social standards link to the pre-existing regulatory environment, both within the global production and the domestic production network?

Section 5.2 presents a brief history of the production of Indian tea. It accounts for the impact of colonialism upon the type of labour regime which developed in the plantation estates and illustrates the endemic social problems which continue to exist in the tea industry. Specifically, it highlights the key social problems affecting the two segments of tea production; namely the plantation sector and the smallholder sector.

Section 5.3 introduces the various private social standards which have governed the tea industry through the global production network, such as Rainforest Alliance, Utz Certified and Fairtrade and examines the ways in which these standards have engaged with the plantation versus smallholder segments of production. Specifically, it explores some of the key similarities and differences that have to come to define these various standards within the global tea industry.

Section 5.4 discusses how India’s national regulatory institutions have also sought to govern social standards through labour law and associated public regulations. The end of British rule resulted in the creation of legislation protecting labourers through the Plantation Labour Act (PLA) of 1951. Whilst the PLA is believed to be one of the most stringent set of labour laws globally, it has been poorly enforced in the majority of tea growing regions within India. In addition, the federal system of government in India has meant that the Ministry of Labour has significant autonomy at State level. In the North-Eastern region of Assam, the political situation has arguably worsened the situation of labourers in the region whilst at the same time being the most popular sourcing region for the large multinational corporations.
Section 5.5 illustrates the emergence of various Southern social standards within India which have emerged over the past fifteen years; exploring the interlinkages between the three standards designed to govern social standards in the context of India’s tea industry. It is in this context that the shift in markets to the domestic production network and the emergence of Southern social standards is developed. Section 5.6 concludes this chapter.

5.2 Social conditions of production in Indian tea production

Under British rule, plantations in India were part of a colonial initiative to develop so-called ‘frontier lands’. The development of tea production often occurred in remote areas with sparse population, where huge capital investment in infrastructure was required (Hayami and Damodaran, 2004). It is important to note that the plantation model has never been the most efficient model for tea production but was chosen because it was the most effective means of extracting economic benefits within the exploitation of sparsely populated areas (Hayami and Damodaran, 2004). Therefore, tea production in India was first characterised by plantation based production. This remained the dominant mode of production for over a century. Figure 14 below illustrates the geographical locations (by State) of tea production in India.

Figure 14 Tea producing States of India

(Source: Kadavil 2007)
As noted in Chapter 4, production is concentrated in the North-Eastern states of Assam and Eastern West Bengal and the Southern states, including Kerala and Tamil Nadu. The commercial production of tea was instigated under British rule upon the discovery that the climatic conditions of Northern India were suitable for tea cultivation. Labourers tended to be internal migrants and both lived and worked on the tea plantations. So began a labour regime constituted by bonded and indentured labour which was characterised by oppression and exploitation. Trade unions were active in the struggle against colonial rule, and when India gained independence in 1947 their political power is understood to have contributed to the development of stringent labour laws which became ratified in the form of the Plantation Labour Act of 1951. For several decades of the post-colonial period British companies continued to dominate the industry. This essentially meant the continuation of British ownership, but the plantations were run from abroad (Neilson and Pritchard, 2011). Under the ‘Licence Raj’ era (in which India engaged in import substitution industrialisation as its core economic strategy) British interests in the industry were scrutinised with many owners forced to withdraw from direct ownership of plantation estates (Neilson & Pritchard 2011).

The tea industry is the second largest source of employment in the agro-processing sector within India, with more than a million people employed on estates and almost a million employed as causal workers or on the smallholdings (Van der Wal, 2008). The socio-economic situation of workers and producers varies greatly between the North-Eastern and Southern regions. This in turn has a considerable impact on labour and social standards. For example, the Southern states of Kerala and Tamil Nadu are considered more advanced because the population has better access to high quality education relative to many other Indian states. This means that workers tend to exhibit higher bargaining power (Justino, 2006). The result appears to be that workers get significantly higher wages although their output fetches considerably lower prices in the world market in comparison to tea grown in Assam and West Bengal. From the perspective of buyers, this renders the North-Eastern states of Assam and West Bengal as intrinsically more profitable whereas South India presents a more challenging institutional environment (Planter 1; Kolkata, 18.07.15). Figure 15 shows the regional variations in wages paid to workers in the formal sector of tea production. As illustrated in the map, it is clear that there are significant variations in wages between the North-Eastern and Southern regions of tea production.
At the present time, work on tea plantation estates is characterised by increased casualization of labour, alleged human trafficking out of the estates, and low wages (Chatterjee, 2014). The plucking of the leaf tends to be done by female labour, and this is arduous, repetitive and hazardous work (Luke and Munshi, 2011; Neilson and Pritchard, 2011). As can be seen in Table 19, female labour constitutes the majority of workers in the tea industry.

Table 19 State-wise distribution of tea workers by gender

<table>
<thead>
<tr>
<th>State</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male %</th>
<th>Female %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>321236</td>
<td>364349</td>
<td>685585</td>
<td>47</td>
<td>53</td>
</tr>
<tr>
<td>West Bengal</td>
<td>140104</td>
<td>186925</td>
<td>327029</td>
<td>43</td>
<td>57</td>
</tr>
<tr>
<td>Tripura</td>
<td>4979</td>
<td>6917</td>
<td>11896</td>
<td>42</td>
<td>58</td>
</tr>
<tr>
<td>Other North Indian States</td>
<td>704</td>
<td>1142</td>
<td>1846</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>Total North India</td>
<td>467023</td>
<td>559333</td>
<td>1026356</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>18763</td>
<td>30463</td>
<td>49226</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>Kerala</td>
<td>18202</td>
<td>25192</td>
<td>43394</td>
<td>42</td>
<td>58</td>
</tr>
<tr>
<td>-------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>Karnataka</td>
<td>1298</td>
<td>2145</td>
<td>3443</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>Total South</td>
<td>38263</td>
<td>57800</td>
<td>96063</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>All India</td>
<td>505286</td>
<td>617133</td>
<td>1122419</td>
<td>45</td>
<td>55</td>
</tr>
</tbody>
</table>

(Source: Government of India 2014)

Secondary impacts on the labour system include migration of younger generations from the tea estates, as well as alleged cases of child trafficking (Bhattacharya, 2015). Trade unions claim that workers are often forced to live in unsanitary conditions, in dilapidated houses in desperate need of repair (Bhattacharya, 2015). Recent media exposures of plantation estates in Assam appear to indicate that in many large estates labourers are living in conditions that would be unacceptable under Indian labour law (BBC, 2015).

5.3 Northern standards

Since the late 1990s, a number of different private standards which address social conditions have been utilised within the global production networks of major global tea buyers. These standards have governed exports of Indian tea into European (and later OECD) markets in order to provide verification and certification which has often been used to communicate the sustainability of firms to consumers who are seen as expressing an increased interest in such issues. The growth in certification of tea for exports is a relatively recent phenomenon and one which has been characterised by large-scale commitments by a handful of global buyers. The following section outlines three key standards; Rainforest Alliance, Utz Certified and Fairtrade and explores the ways in which these standards have been utilised by global buyers. Each of these standards uses third-party certification, and uses a label to communicate this fact to consumers. Prior to the introduction of third-party certification into the Indian tea industry, the Ethical Tea Partnership was utilised by the major buyers to verify that a number of social and environmental standards were being met. The ETP is an industry initiative designed to monitor labour standards through second party verification. Whilst the ETP continues to play a role in the governance of standards within the global tea industry, the succession of third-party standards as the primary vehicle of certification chosen by global lead firms means it is no longer a central standard to be considered within this analysis.
5.3.1 Ethical Tea Partnership

The Ethical Tea Partnership (ETP) was formed in 1997 by a number of large British buyers of tea including Unilever, the Tetley Group and Twinings. The ETP offers monitoring and certification services for its ‘ETP Global Standards’. The criteria are largely based on International Labour Organisation (ILO) standards. The ETP helps producers to prepare for a third-party audit against its standard through monitoring self-assessments, hosting workshops, coordinating on areas of difficulty, providing frameworks for organisational policies, and generally serving as a resource centre for producers regarding the adoption of sustainability standards (Potts, Lynch, Anne Wilkings, et al., 2014). The ETP Global Standards often serve as a ‘stepping stone’ for producers towards more stringent standards such as Fairtrade, Rainforest Alliance and UTZ Certified.

5.3.2 Rainforest Alliance

The Rainforest Alliance (RA) is a non-governmental organisation (NGO) created in 1987 designed to conserve biodiversity and to ensure the existence and continuation of sustainable livelihoods through the transformation of land-use practices, business practices and consumer behaviour. Rainforest Alliance is headquartered in New York, with a number of regional offices located throughout North and South America, Europe, Africa and Asia. Although initially focused on the forestry sector, RA has since diversified into a number of different sectors through its sustainable agriculture certification programme, working to certify both plantations and smallholdings producing a range of crops including bananas, coffee, cinnamon, palm oil, cocoa and tea. At the present time, over 75% of RA certification across all sectors is held by smallholders. In certification, RA focuses on social and environmental issues. On social issues, RA certification focuses on the prohibition of discrimination in work and hiring practices, a ban on the hiring of children under the age of 15 and the use of personal protective equipment by workers.

RA began to certify tea in 2007 under a partnership formed with Unilever (discussed in more detail in Chapter 6). This partnership was founded because Unilever committed to the target of one hundred percent of Lipton tea bags being sourced from sustainable farms and plantations by 2015. Tata Global Beverages also chose to use Rainforest Alliance certification and in 2009 they made similar commitments to source from one hundred percent of tea from certified suppliers for the Tetley brand by 2020. Since forming the initial partnership with Unilever in 2007, RA certification of tea has grown enormously as Unilever’s competitors have also moved to RA. In 2012, more tea was certified under the Rainforest Alliance standard than any other voluntary sustainability standard,
with 355,297 metric tons of tea certified, representing 7.6% of world tea production and 18% of
global exports. Its coverage in terms of volume produced is about 1.5 times that of Fairtrade, its
closest competitor in the tea sector. By 2014, all the major global tea buyers had made specific
target volumes of tea sold to be RA certified.

Rainforest Alliance is active in 11 countries across Latin America, Africa and Asia but is concentrated
in five countries, where 88 per cent of Rainforest Alliance tea is produced: Kenya (152,638) metric
tonnes, India (60,172 metric tonnes), Malawi (30,639 metric tonnes), Indonesia (41,844 metric
tonnes) and Argentina (28,772 metric tonnes) (Potts, Lynch, Anne Wilkings, et al., 2014). Kenya and
India together represent nearly two-thirds of total Rainforest Alliance complaint tea production and
land area. The significant growth of Rainforest Alliance in recent years is largely due to the fact that
Unilever’s major competitors have also chosen to use the standard setter to certify their supply
chains (Potts, Lynch, Anne Wilkings, et al., 2014). Table 20 below illustrates the volume of
production and the size of the harvested areas of Rainforest Alliance certified tea across the 11
countries in which the standard operates. Table 21 illustrates the total of tea produced under RA as
well as the total area harvested.

| Table 20 Rainforest Alliance Tea Production and Area Harvested 2012 |
|--------------------------|--------------------------|--------------------------|
| **Country** | **Production (mt)** | **Area harvested (ha)** |
| Argentina | 28,772 | 6,356 |
| Brazil | 3,286 | 455 |
| Ecuador | 700 | 532 |
| India | 60,172 | 34,844 |
| Indonesia | 41,844 | 21,737 |
| Kenya | 152,638 | 64,988 |
| Malawi | 30,639 | 9,883 |
| Rwanda | 10,106 | 3,645 |
| Sri Lanka | 11,022 | 8,014 |
| Uganda | 13,018 | 3,292 |
| Vietnam | 3,100 | 1,165 |

(Source: IISD 2014)

| Table 21 Rainforest Alliance Tea Production and Area Harvested 2008-2012 |
|--------------------------|--------------------------|--------------------------|
| **Year** | **Production (mt)** | **Area harvested (ha)** |
| 2008 | 52,500 | No data |

123
<table>
<thead>
<tr>
<th>Year</th>
<th>Certification Bodies</th>
<th>Sales (unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>No data</td>
<td>78,500</td>
</tr>
<tr>
<td>2010</td>
<td>Rainforest Alliance</td>
<td>123,007</td>
</tr>
<tr>
<td>2011</td>
<td>Rainforest Alliance</td>
<td>207,898</td>
</tr>
<tr>
<td>2012</td>
<td>Rainforest Alliance</td>
<td>355,297</td>
</tr>
</tbody>
</table>

(Source: IISD 2014) 1

Within the export of tea into EU/OECD Rainforest Alliance has only certified plantation estates in the context of Indian tea production.

5.3.2 Utz Certified

Utz Certified is a non-governmental organisation (NGO) founded in 2002 in order to improve social and environmental conditions through which coffee is grown. Originally the NGO was called Utz Kapeh, meaning ‘good coffee’ in Mayan. In 2007, the name was changed to Utz Certified. Utz Certified is headquartered in the Netherlands and has since expanded its focus on coffee to also include cocoa and tea. The Utz Certified Code of Conduct sets a specific set of criteria which producers must comply with in order to achieve certification. The certification system is based upon a model of continuous improvement, but producers must ensure that compliance with the core safety and quality standards is in place from the first year.

In 2010, Sara Lee (whose business is now called DE Master Blenders 1753) became the first global buyer to source Utz Certified tea. The company now sources 40 per cent of its tea from Utz certified farms (Potts, Lynch, Anne Wilkings, et al., 2014). The majority of tea certified is coming from plantation estates. At the time of research (2015), Utz Certified had only certified plantation estates in the Indian context. 2012 data has shown that less than 5 per cent of tea certified by Utz is sold on the market with certification, illustrating that there is a problem with oversupply (Potts, Lynch, Ann Wilkings, et al., 2014). Although Utz Certified certifies tea in nine different countries in three different continents (Africa, Asia and Latin America), the majority of tea Utz certifies is in Africa. Overall, Utz Certification of tea remains much lower than other schemes such as Fairtrade and Rainforest Alliance. Social standards within Utz Certified include the application of national laws and ILO conventions regarding wages and working hours, the prohibition of child labour under the age of 14, freedom of association and collective bargaining and safe and healthy working conditions.

5.3.3 Fairtrade

Fairtrade is an NGO formed to promote direct trade between producers and consumers built on fair prices. Fairtrade first began to certify tea in 1993, when Transfair Germany certified its first tea
plantation. The Fairtrade Labelling Organisation (FLO) independently certifies products as being in compliance with Fairtrade’s code of conduct. Fairtrade certification of tea has grown significantly since then, with major retailers opting to choose Fairtrade certification for their own supermarket brands. Part of this move into the mainstream supply chains for large retailers and buyers has meant that FLO doesn’t only certify small producers, but now also certifies much larger estates. This marks a significant shift from Fairtrade’s original focus. Fairtrade certification of plantation estates requires that estates must follow a set of various minimum labour standards and must also pay a premium on top of the minimum market price (Neilson & Pritchard 2011).

Tea is one of eighteen commodities for which FLO has published guidelines. The FLO generic Fairtrade standards provide minimum requirements for social development (including democratic organisational structures and appropriate use of revenue), economic development (such as Fairtrade premium and economic strengthening of the organisation), environmental development, and conditions for hired labour (Neilson & Pritchard 2011). Like the other standards, there is a significant gap between supply and demand for Fairtrade products. Only 6% of Fairtrade production was sold as Fairtrade tea on the global market in 2012. Fair trade certification primarily occurs in Asian and African countries including India, Kenya, Sri Lanka and Tanzania. Kenya and India together account for over half of the total number of Fairtrade workers, production capacity and sales (Potts, Lynch, Ann Wilkings, et al., 2014).

5.3.4 Comparing the standards

Table 22 below illustrates the commitments made by lead firms in relation to various certification programmes within the tea industry. The focus here for these brands is related to EU and OECD markets.

<table>
<thead>
<tr>
<th>Company (brand)</th>
<th>Degree of Commitment</th>
<th>Target Voluntary sustainability standard</th>
<th>Timeline for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata (Tetley)</td>
<td>100% of Tetley branded tea (50% certified in 2012)</td>
<td>Rainforest Alliance</td>
<td>2016</td>
</tr>
<tr>
<td>Unilever (Lipton)</td>
<td>100% of Lipton tea bags</td>
<td>Rainforest Alliance</td>
<td>2015</td>
</tr>
<tr>
<td>DE Masterblenders 1753 (Pickwick, all)</td>
<td>100% of all tea (including loose tea – 36% certified in 2013)</td>
<td>“sustainably sourced”- unspecified</td>
<td>2020</td>
</tr>
</tbody>
</table>
Table 23 provides a basic comparison of the key private standards governing the Indian tea industry in terms of what they state in relation to various social conditions. Here, the focus is on the key social conditions such as minimum wages, forced and/or bonded labour, freedom of association and collective bargaining, child labour and discrimination in the workplace. Although there are broad similarities, one important difference (which will be discussed in depth in Chapter 6 of this thesis) is contained in what the codes of conduct stipulate in terms of the use of child labour. Both Rainforest Alliance and Fair Trade stipulate that child labour under the age of 15 is prohibited, regardless of national law. Utz Certified however does allow child labour if national law allows children of 14 to work in non-hazardous industries (the tea sector is classified in India as a non-hazardous industry).

Table 23 Comparison of the key social standards governing the Indian tea industry (Source: author)

<table>
<thead>
<tr>
<th></th>
<th>Rainforest Alliance</th>
<th>Utz Certified</th>
<th>Fair Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum Wages</strong></td>
<td>All workers receive no less than the legal minimum wage or wages negotiated collectively, whichever is higher. For production, quota or piece work, the established pay rate allows workers to earn at least a minimum wage compared to a 48 hour standard working week of a similar task.</td>
<td>At all times group staff and group member workers must receive at least the applicable minimum wages. There are no deductions from group staff or group members’ workers’ wages for disciplinary purposes. Group staff receive wages at least monthly, together with a written payslip.</td>
<td>Your company sets wages for workers and other conditions of employment according to legal or collective bargaining agreement regulations where they exist. Temporary workers who are employed for a period of 3 months or more of uninterrupted service have a legally binding contract.</td>
</tr>
<tr>
<td><strong>Forced and/or bonded labour</strong></td>
<td>Refers to ILO’s Forced Labour Convention (29) and Abolition of Forced Labour Convention (105)</td>
<td>No forced, bonded, trafficked or other involuntary labour is used at any stage of production and processing by the group or group members.</td>
<td>Refers to ILO Forced Labour Convention (29) and Abolition of Forced Labour Convention (105)</td>
</tr>
<tr>
<td><strong>Freedom of Association and Collectively Bargain</strong></td>
<td>If national law forbids trade unions, workers are at least able to elect representatives to discuss working conditions with the farm management.</td>
<td>Refers explicitly to ILO Conventions 87, 98, 135, 141 and 143 protecting Freedom of Association, Right to Organise and Collectively Bargain, Workers Representation, Rural Workers’ Organisations Workers’ Representatives Recommendation.</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>Child Labour</strong></td>
<td>No child labour under the age of 15</td>
<td>Child labour age 14 permitted in accordance with national law-otherwise age 15.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Company’s must adopt a Child Labour Policy</td>
<td>No child labour under the age of 15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If past instances of child labour exist, the company should develop a rights-based radiation policy and programme within a UN Convention on the Rights of the Child (CRC) protective framework</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Discrimination</strong></td>
<td>All forms of discrimination in labour, hiring, training, task assignment, labour benefits, promotion policies and procedures and other opportunities for better conditions, pay or advancement are prohibited. Refers explicitly to ILO Conventions 100 and 111</td>
<td>Group staff’s and group member workers’ work of equal value is remunerated with equal pay and no staff are subject to discrimination in hiring nor abuse or intimidation at the workplace. Maternity rights and benefits are granted in accordance with national law.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Your company does not discriminate, support or tolerate discrimination on the basis of race, colour, gender, sexual orientation, disability, marital status, HIV/AIDs status, age, religion, political opinion, union or workers’ representatives, national extraction or social origin</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: author)

5.4 The public regulation of social conditions in the Indian tea industry

While a number of private standards have developed in order to govern social conditions for Indian exports into EU and OECD markets, the majority of tea is produced for the local market. Here, the national public regulation of social conditions plays an important role in governing the sector.

The Government of India operates under a federal system, meaning that there is a central (Union) Government, representing the governing authority of the union of twenty-nine states. Under this
decentralised system, each state has a Chief Minister, whose political party may differ from the ruling party at the central level. In the case of the Indian tea industry there are two main Ministries involved in shaping regulation; the Ministry of Labour and the Ministry of Commerce. The Ministry of Labour operates at the union and state level, but with significant regional autonomy to set key labour standards such as the minimum wage for each state. However, state-level departments are not autonomous from the Union government. The Union government remains responsible for implementing national federal laws and regulations. In contrast, the Ministry of Commerce and Industry operates under the Union Government as a centralised department responsible for policy implementation and regulations across all Indian states. As the following section will detail, the state level Ministry of Labour regulates the plantation segment whereas the Union level Ministry of Commerce and Industry has increasingly sought to regulate production in the small tea grower segment.

5.4.1 The Ministry of Labour

After India gained independence from Britain, trade unions entered negotiations with the newly-formed Government of India to ensure legislative protection to plantation workers. These negotiations resulted in the formation of the Plantation Labour Act (PLA) of 1951 (Neilson and Pritchard, 2011). The PLA was created to regulate the conditions of work on tea plantation estates and to provide welfare provisions for workers in all types of employment on tea estates (Hayami & Damodoran 2004; Neilson & Pritchard 2011). It excluded workers in the tea processing factories who were regulated separately under the Factories Act (1948). Provisions granted under the PLA relate to the health and welfare of plantation workers, which includes housing and medical provision, recreation, education, canteens, crèches, maternity benefit and other basic amenities such as adequate supply of drinking water (Neilson and Pritchard, 2011; Bhattacharya, 2015). In addition, there are stipulated limits to hours of work, and no worker is allowed to work in excess of twelve hours a day.

The PLA is designed to regulate the wages of workers through the provision of tripartite collective bargaining agreements. Its origins stem from the specific historic conditions in which these plantations came to be built, and the management of a largely migratory workforce working in geographically isolated regions of India. Due to the geographical isolation of the early tea plantations, it was necessary to encourage internal migration of labourers from other regions. The lack of local amenities and infrastructure meant that it was necessary for plantation owners to provide housing and other facilities to the workers, including food rations and other amenities. This
in turn created a paternalistic relationship between managers and workers, which has been well documented (Chatterjee, 2001; Major, 2012; Makita, 2012). The PLA arguably institutionalised these paternalistic practices through legislation. At a global scale, the PLA is held as an example of highly stringent labour regulations, which offers a vast array of different protections for labour. It is politically embedded in the sense that it institutionalises the rights of trade unions to collectively bargain, despite the Government of India having not yet ratified ILO Core Convention C087.

The Plantation Labour Act (PLA) differentiates clearly between the two primary modes of tea production in India. It defines these as the plantation estate model (including small gardens and large estates above 25 acres) versus the small tea grower model. Its classification is a reflection of different labour regimes co-existing within the Indian tea sector. The PLA is only responsible for regulating social standards on plantation estates. The tea gardens and large estates over 25 acres predominately use wage labour whereas smallholder production predominately uses family labour. Smallholder production can be comprised of farming using solely family labour or can include employment of wage labour. The type of labour employed (family or family plus wage labour) can usually be determined by multiple factors. Determining factors include whether the farmer has sufficient income to employ workers, the nature of the work, and the time of year for seasonal work. The significance of these two models of production and their impact upon institutional power will be discussed in relation to social standards later in this chapter.

Whilst it might appear that the PLA offers a simplified legal framework in which labour standards are monitored and enforced, there are in fact a number of complexities and challenges in the Indian context. Firstly, although high unionisation continues to prevail within the plantation segment of the industry, the extent to which trade unions have been an effective institutional pressure protecting workers is in question. For example, their role in ensuring that workers on the plantations are treated fairly and afforded social protection has certainly become compromised, given the fact that trade unions form strong alliances with various political parties are often accused of collusion with the state government (NGO 5; Delhi 08.06.15; Trade Union 1; Delhi 20.07.15). Secondly, workers on plantations are subject to different forms of wage regulation depending on whether they work in the North-Eastern or the Southern states. For example, in the North-Eastern tea growing regions of Assam and West Bengal, wages are determined through collective bargaining via a tripartite mechanism under the Plantation Labour Act (1951). Yet, in the Southern tea growing regions of Kerala and Tamil Nadu, employment in tea plantations is a scheduled employment under the Minimum Wages Act (1948). In the Southern states, wages are therefore determined through a
minimum wages fixation committee (Bhattacharya 2015). Thus, wages are determined through entirely different institutional bodies, and involve civil society organisations, such as trade unions to varying degrees. These inconsistencies and tensions have led to debate amongst trade unions as to what is the most appropriate and fair calculation of wages for tea workers and wage labour on small tea gardens (Bhattacharya 2015).

Table 24 below demonstrates the differences in wages received by workers in plantations in the North Eastern versus Southern regions of tea production. It is clear that wages in Assam and West Bengal have been consistently lower than in the Southern States of Tamil Nadu, Kerala and Karnataka.

Table 24 Wages of Tea Workers across major tea growing regions, Indian Rupees

<table>
<thead>
<tr>
<th>Year</th>
<th>Tamil Nadu (South India)</th>
<th>Kerala (South India)</th>
<th>Karnataka (South India)</th>
<th>Assam (Northeast India)</th>
<th>West Bengal (Northeast India)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>77.53</td>
<td>78.1</td>
<td>70.13</td>
<td>51.10</td>
<td>48.40</td>
</tr>
<tr>
<td>2006</td>
<td>78.57</td>
<td>86.02</td>
<td>73.84</td>
<td>51.10</td>
<td>50.90</td>
</tr>
<tr>
<td>2007</td>
<td>79.77</td>
<td>90.71</td>
<td>78.23</td>
<td>54.80</td>
<td>53.90</td>
</tr>
<tr>
<td>2008</td>
<td>97.27</td>
<td>103.66</td>
<td>88.33</td>
<td>58.50</td>
<td>58.00</td>
</tr>
<tr>
<td>2009</td>
<td>114.9</td>
<td>124.08</td>
<td>101.05</td>
<td>58.50</td>
<td>62.50</td>
</tr>
<tr>
<td>2010</td>
<td>125.76</td>
<td>130.65</td>
<td>114.72</td>
<td>66.50</td>
<td>67.00</td>
</tr>
<tr>
<td>2011</td>
<td>133.08</td>
<td>146.38</td>
<td>127.15</td>
<td>71.50</td>
<td>85.00</td>
</tr>
<tr>
<td>2012</td>
<td>147.00</td>
<td>183.92</td>
<td>138.91</td>
<td>76.50</td>
<td>90.00</td>
</tr>
<tr>
<td>2013</td>
<td>185.82</td>
<td>199.15</td>
<td>177.75</td>
<td>89.00</td>
<td>95.00</td>
</tr>
<tr>
<td>2014</td>
<td>211.75</td>
<td>214.78</td>
<td>228.35</td>
<td>94.00</td>
<td>95.00</td>
</tr>
</tbody>
</table>

(Source: Tea Board of India 2013)

Whilst the ‘rules’ contained within the regulations impact on wages there is also institutional weakness in terms of the enforcement of the rules. Several examples of contestation between industry and trade unions over the interpretation of the rules are evident in the case of the Indian tea industry. For example, in the plantations, there are differences between the in-kind benefits that permanent versus temporary workers receive. These benefits are having a substantial impact on the collective bargaining agreements (CBA) reached in the tea industry, because planters are arguing that these benefits must be factored in and subtracted from the wages of the temporary workers.
This is disputed by trade unions who argue that the benefits under the PLA are statutory rights and should not alter the wages received (Bhattacharya, 2015). Another point of contention relates to the fact that unions argue that non-cash wages would only be enough to feed and house a family on the basis that both the parents should work. In addition, widespread circumvention of legislation is apparent in the tea industry, a trend which becomes reinforced through a lack of enforcement by government inspectorates (Planter 3, Kolkata, 28.07.15). When inspections do take place, planters who are not in compliance are allegedly able to bribe the inspectors in order to meet the relevant criteria contained within the regulations (Planter 4, Kolkata, 29.07.15). It has been alleged that planters who are in full compliance with the PLA are threatened with failure unless they give the inspectorate money (Planter 2, Kolkata, 22.07.15 and Planter 4, Kolkata, 29.07.15). The employment of children and adolescents is prohibited under the PLA. Trade unions however say that child labour is still present (Bhattacharya 2015).

However, plantation based labour is not the only mode of tea production in India. Tea is also produced in the informal sector by smallholders; farmers who are not registered and who have no legal status to farm in the contemporary context. As can be seen in Table 25 below, production models in India are legally characterised within three separate categories of ownership:

<table>
<thead>
<tr>
<th>Type</th>
<th>Size</th>
<th>Ownership</th>
<th>Processing Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small holding</td>
<td>1 to 25 acres (10.12 hectares),</td>
<td>Proprietor</td>
<td>None- leaf is transported to bought leaf factory</td>
</tr>
<tr>
<td>Small gardens</td>
<td>&lt;200 hectares</td>
<td>Single proprietor or partnership firms</td>
<td>Processing facilities may be on site, or else tea would be processed offsite (at a bought leaf factory)</td>
</tr>
<tr>
<td>Large Estates</td>
<td>&gt;200 hectares</td>
<td>Large Companies, Limited Liability Companies or State/Worker ownership</td>
<td>Processing facilities on site</td>
</tr>
</tbody>
</table>

(Source: Kadavil 2007)

From a social conditions perspective, the increase in smallholder-based production moves the Indian tea industry away from a unionised sector and towards the more informal economy typical of most agricultural workers in the global South, in which legally enshrined employer-employee relations are not the norm. The casualisation of work on the plantations is further eroding these relationships from a legal perspective. Power relations between employers and workers in the smallholder
segment are much more likely to be embedded within patron-client relationships, and it is much less likely that the demand for social conditions is articulated due to the lack of a clear distinction between workers and employees (Knorringa, 2014).

The continued shift from plantation to smallholder cultivation in Southern India has seen a decline in the applicability of the Plantation Labour Act (1951), with limiting effects on the power of trade unions. In their place, smallholder business associations such as the Confederation of Indian Small Tea Growers Association (CISTA) are becoming increasingly influential. The extent to which workers employed by small tea growers are represented within these new organisations is as yet unclear. A critical, but as of yet difficult to determine factor in this transition is the extent to which wage labour is evident within the small grower segment. Interviews conducted with NGO respondents concluded that the majority of small growers draw on unpaid family labour, but that wage labour is evident in the larger smallholdings (NGO 7; Jalpaiguri 20.06.15). For those employed as workers by small tea growers there appears to be little clarity in regards to the regulation of wages, and the complexities of having decentralised power within the Ministries of Labour has led to considerable differentiation and debate over how such wages are calculated. This appears to be due to the fact that, until recently, no legal body has paid serious attention to the matter of wages on small tea gardens (Bhattacharya 2015).

5.4.2 The Tea Board of India

The Tea Board of India (TBoI) is mandated under Section 4 of the Tea Act of 1953 to be a key public regulatory authority of the Indian tea industry. As a state-centred producer marketing board, the Tea Board is given authority with respect to the authorising, registering and licensing of all industrial activities within the Indian tea industry (Neilson and Pritchard, 2011). It is a quasi-autonomous body under the Ministry of Commerce and Industry, Government of India. The upkeep of the Tea Board is maintained through a tax on tea producers (Neilson and Pritchard, 2011). The Tea Board collaborates extensively with the industry as well as with allied research and scientific bodies, such as the Tea Research Association.

The Tea Board’s primary function is to help the tea industry comply with statutory law and export requirements as well as to respond to the mismanagement of tea gardens (Bhattacharya, 2015). Whilst their general focus lies in boosting the overall competitiveness of the industry, particular concerns are evident with regard to environmental management of tea gardens, especially because India is under close monitoring from major trading powers such as the EU with regard to maximum
residue limits and banned pesticides (Chaya, 2003). Since 1991 (the period of economic reform in India) many of the Tea Board’s power remain latent. However, when non-compliance with national regulations (such as food safety standards) has been uncovered, the Tea Board has responded by confiscating and burning tea leaf (Neilson & Pritchard 2011). Furthermore, the powers granted under Section 16B, D and E of the Tea Act allow the Central Government to investigate loss making enterprises who are defaulting on payment of wages as well as take-over enterprises where there is evidence of reckless investment or a diversion of funds which has resulted in an imminent closure (Bhattacharya, 2015). The Tea Board provides many incentives for both planters and producers to increase their productivity and to comply with regulations. For example, the Board recently launched a ‘Special Purpose Tea Fund’ towards the acceleration of replanting and rejuvenation activity on tea gardens (Chaya, 2003).

The Tea Board has become keenly aware of the growth of the small tea grower segment in recent years (NGO 7; Delhi 08.06.15) after its decision to include small tea growers within their statistical estimates of tea operations from 1998 (Sarkar, 2008). However, many respondents from the industry agree that it has been very slow to respond to the transformations within tea production and those current initiatives to regulate small tea growers have been ineffective because standards had been verified through self-regulation. In recent years, the TBoI has become a key institution involved in (re)shaping power relations within production networks. For example, it responded to the large power asymmetry between small holders and the bought leaf factories by developing a series of regulatory measures which can be found in India’s 12th five-year plan (TBoI, 2015).

5.5 The rise of Southern standards

The three major commercial transformations identified in Chapter 4 has led to a number of corresponding challenges and unanswered questions regarding the regulation and governance of social conditions in the context of the Indian tea industry. Of particular significance is the fact that Northern standards are becoming less effective as the export markets for Indian tea are shrinking. Although there is evidence that these Northern standards are interested in expanding within Southern markets, there are a number of obstacles (consumer interest, political acceptance, ability to adapt to national regulatory frameworks). This final section turns to look at how local standards have developed within the context of India’s domestic production network.
5.5.1 JustTEA

JustTEA was conceived as a voluntary standard to protect labour in the tea industry by the Centre for Education and Communication (CEC), a prominent labour-focused Indian NGO that has been involved in efforts to shape labour standards in the various sectors of Indian industries (including the garment and leather industries). The project initially involved CEC, with technical support from Traidcraft, a UK-based fair-trade NGO and FAKT Consult, a German NGO. The project, which became known as JustTEA, was funded from 2004-2006 by the European Union under the EU-India Economic Cross-Cultural Programme.

The premise of JustTEA was built upon CEC’s recognition that although consumers and CSOs in European markets were increasingly demanding assurances regarding the social and environmental conditions of tea production, the proliferation of slightly differing codes was making compliance difficult for tea producers. Instead, CEC sought to develop a code of conduct ‘appropriate to Indian conditions’ for the domestic market (CEC 2007 p.20). This code of conduct was part of JustTEA, a project which centred on the creation of standards ‘from a Southern perspective’ through an institution building process (NGO 7, Delhi, 16.06.15). Furthermore, it sought to move beyond the traditional focus of private standards through its engagement with conditions brought about through the Tea Crisis that was gripping India in 2002-3. In this sense, they viewed previous codes of conduct and standards as ‘just a superficial thing’ because they had completely failed to account for, or to regulate, instances where abandonment of tea gardens and estates by management was taking place (NGO 7, Delhi, 16.06.15).

The motive behind JustTEA focused on attempting to see how codes of conduct would be (Johnson, 2009) formulated if they were based on the perspective of a worker or producer in the Indian tea industry. It defined its objectives as promoting the sustainability of tea trade through improved labour and/or social conditions, fair trade practices and new market opportunities (CEC, 2007). The multi-stakeholder meetings held by JustTEA were known as Regional Stakeholder Groups (RSGs). The outcomes of these meetings were consolidated in a national workshop in 2005 in which the first ever private standard for the domestic market of the Indian tea industry was formulated; known as Social, Economic and Environmental Standards (SEES): Code of Conduct for the Indian Tea Industry. The SEES set guidelines on issues such as child labour, forced labour, wages, working hours, freedom of association, non-discrimination and health and safety for the Indian tea industry. Furthermore, it sought to combine these typical features of private export standards with national legislation; including policies on legal compliance, ethics, environmental practices and community investments, as seen in some of the stronger Northern standards such as the Ethical Trading Initiative (ETI) (CEC, 2007).
The implementation and monitoring of the SEES was to be facilitated by a National Working Group constituted from the participants of the 2005 national workshop. However, the initiative struggled to garner much support from the industry because the Plantation Labour Act was already seen as ‘a very progressive act’ (NGO 11, London 27.02.15). Furthermore, the globalised nature of tea production by the 2000s meant that companies were hesitant about participation in any initiative that might render them less competitive (NGO 11, UK 27.02.15). Lead firms showed little support for JustTEA, claiming that the only possible motivation for them to participate would be due to consumer pressure. However, as studies on standards in Northern consumer markets demonstrate (Mohan, 2016) consumer pressure is not the only factor driving firm participation in standards. These also indicate that political concerns at the ground level are of less concern to lead firms than consumer concerns at the point of sale. This is arguably due to the fact that lead firms with high market share are likely to have many different sourcing options in numerous countries, and are relatively unaffected by activity upstream. Thus it became difficult for CEC to challenge the existing transnational institutions involved in the governance of labour standards. CEC admitted defeat in this aspect:

“Yes it was a tough lesson but it helped us to understand that everything is determined by those who are dominating the market”. (NGO 7, Delhi 16.06.15).

The evidence presented points to the fact that lead firms would only respond to normative institutional pressures if they feel there is also a commercial (i.e. regulative) imperative to do so. Therefore, the possibility that a bottom-up standard could be created which would appeal to the lead firms was unlikely to materialise unless it was constructed with an insider understanding of what regulative incentives might drive them to cooperate.

5.5.2 EqualiTEA

In 2006, CEC was funded by the British Government (via Department of International Development) to continue its work in the tea industry alongside Traidcraft UK. The goal of the project was ‘to improve the livelihood of smallholder tea growers and workers in India’ and ‘to empower smallholder tea growers and tea workers to realise fairer terms of trade in the tea industry’ (CEC 2007). In effect, EqualiTEA presented a new strategy for CEC, as it demonstrated a shift in their focus from the plantation segment (and their original focus on waged labour) towards the small tea grower segment and an engagement with small producers, who are entrepreneurs. Its primary aim was to build the capacity of the small tea growers before eventually attempting to establish direct trade between producers and consumers (both Indian and European), as defined through Fairtrade
principles. EqualiTEA’s initial steps focused on economic and social upgrading in the largely unorganised, small grower segment of the tea industry. It was envisaged that the formation of horizontal networks within the value chain (formalised through the creation of representative organisations) would empower producers who were essentially outside of the previous ‘vertical’ standards governing the GPN.

The overall ambition of EqualiTEA was to develop a Southern standard which regulated working conditions in the production of Indian tea; but this time focusing only on smallholders (rather than labourers). The small grower focus was not a deliberate design of CEC; but an outcome of the previous failure of JustTEA to engage with the organised sector of the industry (NGO 11; UK 27.02.15).

The entire ideological stance of CEC appears to have altered due to the failure of JustTEA, moving CEC towards an increasingly collaborative approach:

‘We didn’t work with the individual companies, because at that point the CEC didn’t want to be associated with companies. We were not looking directly at market access; which today is much more the case, that we are looking for partners in the private sector to say, help us launch small tea grower teas’ (NGO 11, UK 27.02.15)

The first task of EqualiTEA was to organise the growers into primary producer societies in order to provide basic infrastructure, such as bank accounts and the means to purchase processing equipment. In addition, there was a strong focus on forming networks in the lower tiers of the global value chain (with the bought leaf factories). All strategies were designed to mitigate the highly exploitative relationship between the bought leaf factories and the producers themselves, by building the capacity of the farmers through collective organisation into self-help groups.

CEC’s creation of the Confederation of Indian Small Tea Growers Association (CISTA) in 2007 led to a new platform consisting of small growers organised at the village, district, regional and national levels. After continued lobbying of the Tea Board during its infancy years, CISTA became fully represented to the Board, which allowed farmers to be granted resource allocations for small tea growers ‘for the first time in the history of the Indian tea industry’ (NGO 11, UK, 27.02.15). The creation of a Small Tea Grower’s Directorate by the Tea Board is one such example of the progress made in building legitimacy for CEC’s efforts through increased governmental support. The motivation for CISTA came partly from the recognition that producer companies were strongly represented by the India Tea Association at the regional and national levels, yet there remained no voice for small tea growers (NGO 11, UK, 27.02.15).
At the beginning of the EqualiTEA initiative, one of the targets was the inclusion of at least two of the major trade unions, but such involvement was not verified (Johnson, 2009). In addition, as the project progressed, it became apparent that a focus on workers in the tea gardens was not forthcoming. This is despite an initial aim to create direct and tangible benefits to workers in the small tea grower segment of the industry (Johnson, 2009). The reasons provided for this oversight were that three years was not a sufficient time in which to achieve the development of the tea growers and the tea workers alike. It was concluded through assessment that EqualiTEA had completely failed to strengthen trade unions in the tea sector to take up the issues of the small tea growers and to expand the coverage of unionisation among the workers within the small tea gardens (Johnson, 2009). The assessment also supported the decision not to work with the trade unions, given that there could be conflicts of interests between the growers and the workers, and the project could ‘ill-afford’ such a situation (Johnson, 2009). The focus on producers rather than workers was deemed to be a benefit to CEC who had diversified their programmatic focus by implementing a programme that was not addressing labour issues, and yet was closely linked.

5.5.3 Trustea

Trustea is a private standard designed to regulate social and environmental conditions, as well as the quality of tea produced in India. It was launched in 2013, and, as a sector-specific code, it focuses on the regulation of tea produced for the domestic market. Trustea is marketed as a code ‘developed by the industry, for the industry’ (NGO 5, Delhi, 06.06.15) and claims to be a multi-stakeholder initiative involving civil society organisations, lead firms and the Government of India.

The core members listed as heading the Trustea standard are Hindustan Unilever (HUL), Tata Global Beverages (TGB) and the Tea Board of India; and there are a number of complex internal relationships within Trustea itself. In particular, a critical examination of the role that Northern actors play within Trustea leads to a more nuanced understanding of why the standard has been created at this particular point in time. Furthermore, the empirical data demonstrates that it is in fact Hindustan Unilever (HUL) and Solidaridad South and South-East Asia (SSSEA) who have been instrumental in the formulation of the standard. Therefore, it was an example of a NGO-lead firm partnership that became a multi-stakeholder initiative as it sought to develop the standard.

Trustea is a code comprised of eleven chapters each pertaining to different areas of regulation. This includes environmental chapters (pesticides, waste disposal, water management), social chapters (labour standards in plantations and small tea gardens, worker protection and welfare) and specific food safety standards (Hazard Analysis and Critical Control Point (HACCP)). These chapters are in
adherence to global norms seen in many standards developed in the North but with many important national regulations also included. For example, it includes policies developed by the Indian Tea Board such as the Plant Protection Code (PPC) and food safety regulations as outlined by Food Safety and Standards Authority of India (FSSAI). It incorporates these public regulations and combines them with global norms influenced by the codes of its technical partners, such as Rainforest Alliance and Utz Certified. Trustea also includes the regulation of both the estate and the bought leaf factory within its code, and the fact that certification takes place at the factory level means that small tea growers are regulated. This is in contrast with previous private standards also designed to regulate social conditions in the Indian tea industry.

Trustea has mandatory and non-mandatory points for compliance. The intention is that producers can work towards full certification over the course of three years, based on the percentage of the total criteria that they are able to meet. Unlike other private standards involved in the regulation of social conditions in Indian tea, Trustea has decided to create the chain of custody at the factory level. This means that auditing in the plantation estate factories must take into account the conditions of waged labour in the small grower segment as well as for labourers working on the plantation estates. Likewise, bought leaf factories selling to lead firms or to auction will also be audited for privately-governed labour standards for the ‘first time in history’ (NGO 5, Delhi 06.06.15).

The programme is funded by the two lead firms; Hindustan Unilever (HUL) and Tata Global Beverages (TGB), alongside the Sustainable Dutch Trade Initiative (IDH). Both firms have committed to a contribution of EUR 1.5 million each to Trustea over a three year period and IDH has committed EUR 1 million. Together, these organisations form the Funders Steering Group. This puts the total level of funding at EUR 4 million. It is the policy of IDH to only fund sustainability programmes (or to match the funding for programmes) if there are two corporates willing to equally contribute.
Figure 16 illustrates a number of other actors involved within the Trustea code; which includes those organisations that have played a prominent role in the shaping of standards for the global production of tea produced for Northern markets (ETP, Rainforest Alliance, Solidaridad). This means that the same actors who sought to influence firm governance of social conditions for Northern markets have been incorporated into the internal structures of the Trustea Programme Committee. This marks a clear overlap between the actors who seek to shape social conditions for the global production network versus the domestic production network. Table 26 illustrates how these organisations are positioned to shape governance of production across the domestic and global production networks. These overlaps become increasingly significant in terms of understanding how governors of social standards in Northern markets may come to influence governance of social conditions in Southern markets.
Table 26: Key actors in Trustea

<table>
<thead>
<tr>
<th>Actor</th>
<th>Domestic Production Network</th>
<th>Global Production Network</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rainforest Alliance (2013)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Utz Certified (2013)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ethical Tea Partnership (2012-2013)</td>
</tr>
<tr>
<td>Public (State)</td>
<td>Tea Board of India (2014)</td>
<td>IDH (2013)</td>
</tr>
</tbody>
</table>

(Source: Author)

5.6 Conclusion

The extent to which Trustea is unique in responding to pre-existing regulatory limitations is an important factor to consider within the empirical examination of Trustea. The empirical chapters (Chapters 6, 7 and 8) now turn to consider the ways in which lead firms, CSOs and governmental actors have sought to shape Trustea from their position within the GPN and/or the DPN. Given that each set of actors involved in the development of Trustea has also played a role within governing GPNs, the extent to which they seek to develop Trustea along these pre-existing patterns is of interest. This relates to the institutional literature which emphasises isomorphism versus entrepreneurialism within the development of new social standards.

This chapter demonstrated that important temporal and spatial transformations are occurring within the global production network of Indian tea. It demonstrated that three structural transformations in the production and consumption of tea are posing a considerable challenge to both private and public institutions of governance involved in shaping of social conditions. The first regulatory challenge was identified as the transition from the vertically integrated production of Indian tea to the creation of global value chains by the two largest firms. This restructuring saw the ‘new’ lead firms dis-embedding from state regulations (PLA) through the sale of plantations and their subsequent re-embedding within transnational standards in order to build social legitimacy within an increasingly brand-sensitive business model. In addition, ‘new’ supplier firms to these companies (as well as pre-existing suppliers) were to become compliant with transnational standards, as well as
compliant with national public regulations leading to a multi-scalar system of governance. The second regulatory challenge discussed was the increase in smallholder production relative to the plantation segment, meaning that production itself is increasingly dis-embedded from national public regulations (i.e. Plantation Labour Act) and a unionised workforce. As discussed, there are also secondary impacts on social conditions in the plantation segment through the casualisation of the once permanent workers. The third regulatory challenge was identified as the growth of Southern markets for Indian tea, which means that firms potentially become dis-embedded from transnational standards (Rainforest Alliance, Fair Trade, Utz Certified). This is because these standards have only built a brand in Northern markets, and whose certification has (until recently) been confined to goods and services sold in Europe, the USA and Japan. Having outlined the commercial and institutional shifts which have set the context through which the development of Trustea as a Southern social standard has taken place, the next chapter examines the key events influencing the development of Trustea and how commercial, institutional and political pressures led to the specific inter-organisational structure of the standard. As such, it draws on the contextual background presented in this chapter in order to explore the ways in which the broader context led to specific organisations deciding to create a social standard for the Indian tea market.
Chapter 6: The role of lead firms in shaping Trustea

6.1 Introduction

This chapter explores the ways in which lead firms sought to shape Trustea in an era of polycentric trade. It begins by outlining the broader historical context of lead firm engagement with private social standards governing the global production network of Indian tea (i.e. export-oriented production for markets in the global North). It continues by illustrating the ways in which the same firms sought to transpose the governance mechanisms of the GPN onto the DPN in order to govern social standards for the domestic market, given the global commitments of Unilever. However, due to differences in the commercial and institutional dynamics of the domestic production network (i.e. domestic-oriented production for the Indian market), the convergence of standards across these overlapping production networks was not possible. This prompted the development of Trustea as a new social standard, designed in conformance to local norms while retaining strong linkages to GPN governance arrangements. Essentially, this serves to highlight the impact of polycentric trade on different sets of actors (firms, civil society and governmental) as they sought to develop social standards within Southern markets. This chapter addresses the following research question: How do lead firms seek to shape the development of Trustea as a Southern social standard at the global and local scales?

The chapter discusses the impact of polycentric trade on the shaping of Southern social standards by different sets of actors. As discussed in Chapter 2, the concept of polycentric trade can be used to illustrate the ways in which global trade is increasingly characterised by North-South and South-South flows. Polycentric trade problematises the notion that the governance of social standards should be examined solely in the context of North-South trade flows. This argument has become ever more pertinent given the recent emergence of social standards developed by Southern actors, often seeking to govern Southern (as opposed to Northern) end markets. This is the first of three empirical chapters which uses the conceptual construct of ‘overlapping’ production networks in order to interrogate the ways in which different actors (firms, civil society and governmental) are influenced by their position within both North-South and South-South GPNs. It does so by locating the position of each set of actors within the commercial and institutional environments which constitute the global and domestic production networks of Indian tea production.

Whilst the GPN framework has typically been applied to the study of governance within North-South trade owing to its ability to highlight multi-actor, multi-scalar set of processes which occur between
firm and non-firm actors in geographically disparate locations (Henderson et al., 2002; Coe, Dicken and Hess, 2008a), this chapter also utilises the concept of a domestic production network (Horner & Nadvi, 2017) in order to elucidate the linkages between the global and domestic organisation of tea production in India by lead firms. The construct of a domestic production network (DPN) has been developed through an increased recognition that the same processes of outsourcing and inter-firm coordination via lead firms can take place in a local context (Horner & Nadvi, 2017). In these DPNs, local lead firms predominately source from national suppliers to feed domestic demand. This raises empirical questions regarding the relationship between global and local actors in the development of these ‘Southern-oriented’ standards as well as analytical questions regarding the ways in which the emergence of such standards should be conceptualised within the multi-scalar approach outlined in the GPN framework.

Given that these standards are developing within an era of polycentric trade, it is instructive to examine their development by analysing the ways in which Indian tea production overlaps across multiple production networks. Figure 17 illustrates a simplified structure of the global and domestic production networks of Indian tea production and the key institutional actors who impact the governance of social standards within Northern and Southern tea markets.

Figure 17 Simplified structure of the global and domestic production networks of Indian tea

Figure 17 illustrates that there are important differences in the commercial organisation of the GPN and the DPN. The GPN of Indian tea production is characterised by the supply of tea to global buyers through large plantation estates. Therefore, production is taking place in the formal sector where
national labour law is applied. In addition, a number of social standards have been applied throughout the network as lead firms are selling to markets where there is a proven history of higher sales through the use of certification (such as Rainforest Alliance). The DPN is characterised by altogether different commercial structures. Although large plantation estates are also selling to lead firms within the domestic market, a significant percentage of tea produced for the local market also originates from smaller tea estates as well as small tea growers (who supply bought leaf factories). In addition, until Trustea was created, there had been no prior evolution of lead firm engagement with social standards in the Indian market. Given these commercial differences, this chapter explores the extent to which these production networks ‘overlap’ within an era of polycentric trade, and how these commercial and institutional differences within the organisation of tea production ‘play out’ through the attempt of lead firms to govern standards for India’s domestic market.

This chapter argues that the idea of constructing global lead firms as being ‘Northern’ versus ‘Southern’ actors is problematic; owing to the fact that firms operate across developed and emerging markets through complex patterns of ownership and structure. Ownership of subsidiaries, as well as acquisitions of key brands in Northern and Southern markets has allowed firms to strategically capture market share across developed and emerging economies. Given the shift in markets to the global South, there is increased interest on the part of lead firms in strengthening the governance of these Southern markets in terms of both the quality standards within production as well as the application of social and environmental standards. Given that Unilever was the only firm involved in the initial stages of Trustea’s development (Lead Firm 1; Kolkata 21.07.15; Government Agency 1; Netherlands 23.03.17), the focus of this chapter lies chiefly on how Unilever mediates the tensions created from differing commercial and institutional dynamics within the GPN and the DPN. It is these differences which in turn lead Unilever to create a new standard for India’s domestic market.

The chapter is structured as follows:

Section 6.2 uses the global production network framework to illustrate the ways in which lead firms have sought to govern social standards in their production networks for EU (and later OECD) markets. It examines the various commercial and institutional pressures within the GPN which led to an evolution in the ways Unilever used certification. The section traces Unilever’s development of internal codes of conduct designed to govern social standards, through to their participation in industry-led initiatives (such as the Ethical Tea Partnership), and later adoption of consumer-facing certification through Rainforest Alliance.
Section 6.3 uses the concept of the domestic production network to examine how the commercial and institutional pressures within India’s domestic market are leading to the development of new forms of governance. The linkages between Hindustan Unilever and Unilever are explored, and the extent to which the commercial and institutional dynamics of the GPN are influencing the introduction of social standards in the DPN is examined, owing to the adoption of global market commitments by Unilever. Despite Unilever attempting to transpose Rainforest Alliance certification to the DPN, this section highlights the commercial and institutional barriers to its adoption. This prompted Unilever and Hindustan Unilever to pursue the creation of a new standard, designed specifically to govern the domestic market.

Section 6.4 discusses the implications of the findings for the ways in which governance is constructed by lead firms in an era of polycentric trade. In particular, it highlights the strong degree of interdependency created across overlapping production networks facing Northern and Southern markets. However, institutional differences present within the structure of a GPN versus a DPN, meant that convergence of social standards across the GPN and the DPN was not possible. Instead, pressures to create a new institution in the form of Trustea materialised.

Section 6.5 concludes by reiterating the contribution of the empirical material in light of the analytical framework adopted.

6.2 Global Production Network

Unilever is a global multinational corporation headquartered in the Netherlands and the UK with dual registration in both countries. Unilever has sales in over 190 countries, operates 306 factories in 69 countries and employs ~169,000 people in 100 countries with an annual turnover of €52.7 billion in 2016 (Unilever, 2016). It produces a wide range of fast moving consumer goods (FMCG) as well as food and beverage products. It operates internationally through various subsidiaries and joint ventures. It is the world leader in sales of tea, with an estimated 12% share of the global tea market in 2014 (Potts et al. 2014: 297).

For Unilever, ensuring credibility through the use of social standards has been a central part of their overall corporate social responsibility (CSR) strategy in recent years (Lead Firm; 21.07.15). Unilever was one of the first multinational corporations (MNCs) to engage with this agenda and has been at the forefront in terms of using CSR as part of an explicit corporate strategy; both through the use of standards and through a focus on the ‘bottom of the pyramid’ market, designed to alleviate poverty through market participation of the poorest communities (Prahalad, 2005; Utting, 2007;
The history of Unilever’s efforts to secure a more sustainable supply of tea began in 1997 through their membership of the UK-based Ethical Tea Partnership (ETP). This was followed by Unilever’s internal establishment of good agricultural practice guidelines in 1998 which included environmental, social and economic performance measures for the production of tea (Braga, Ionescu-Somers and Seifert, 2010). Such guidelines were in line with the recommendations outlined by GlobalGAP. These guidelines were not imposed on suppliers as mandatory conditions of supply but as voluntary recommendations (Braga, Ionescu-Somers and Seifert, 2010).

In 2005, Unilever began an internal initiative known as the Brand Imprint Programme which ‘set out to understand how its brands impact on people and the environment in the areas where they are sourced, produced, distributed and used’ (Poret, 2010). The aim was to redefine brand value in order to include an understanding of the impact of Unilever brands on socio-economic development and sustainability’ (Poret, 2010). Unilever’s Lipton tea brand was one of the selected key brands. By 2006, there were internal efforts within Unilever to push for consumer-facing initiatives which offered a more robust form of verification than the ETP in order to better respond to growing civil society and consumer pressure:

‘At that time ETP was a verification scheme and not an assurance scheme that can be claimed to the market, and Unilever wanted some sort of market leverage to tell the consumer that this tea you have purchased is coming from a certified source. There was also a division within the ETP membership whether it should start claiming or should remain business to business’ (NGO 5; Delhi 08.06.15).

This conflict resulted in Unilever pulling out from ETP and instead approaching other private transnational standards, asking them to ‘make them an offer’ (Lead Firm 1; Kolkata 21.07.15). One member of Trustea claimed that this created a rift between Unilever and its major competitor Tata Global Beverages, because the decision to leave the ETP ‘made sustainability competitive’ meaning that firms were using sustainability credentials to gain competitive advantage in the marketplace (Government Agency 1; Netherlands 23.03.17). However, Unilever are said to have defended their decision on the basis that the other members of the ETP were resistant to moving from second party verification to third party certification (Government Agency 1; Netherlands 23.03.17).

Rainforest Alliance was chosen by Unilever as the multi-stakeholder initiative (MSI) through which Unilever would verify all of their tea as being sustainably sourced (Lead Firm; Kolkata 21.07.15; NGO 7; London 29.01.15). Initially, the partnership between RA and Unilever was formed in order to meet Unilever’s global market commitment to create a one hundred per cent sustainable brand for Lipton Tea (NGO 7; London 29.01.15). These new market commitments were formally announced in 2009 through an intention to double the size of the corporation whilst reducing their environmental
impact across the global production network (Braga, Ionescu-Somers and Seifert, 2010). This was shortly followed by the conversion of Unilever’s good agricultural practices guidelines into the Unilever Sustainable Agriculture Code (USAC). USAC set out Unilever’s expectations for agricultural suppliers in terms of ‘integrated farming practices to optimise yield while minimising environmental impacts’ (Braga et al. 2010: 15). It is believed Rainforest Alliance was chosen because it most strongly reflected the existing agronomic focus of Unilever’s internal codes. However, for some NGOs, the predominately environmental focus of RA allowed Unilever to avoid the trickier social issues (NGO 5; Delhi 08.06.15). Unilever and Rainforest Alliance worked in collaboration in order to develop Rainforest Alliance’s specific tea code (Lead firm 1; Kolkata 21.07.15, NGO 5; Delhi 08.06.15; Government Agency 1; Netherlands 23.03.17).

Unilever’s decision to use RA certification in UK and OECD markets resulted in competitive gains in terms of increased market share (Lead Firm 1; Kolkata 21.07.15):

‘Once Lipton picked up Rainforest Alliance, its business went up. They reached Tata and pushed them into the number two position, but earlier Tetley was number one. Within a few months it happened…So there was a clear case of consumers recognising a tea which is produced with a higher level of scoping and certification’ (NGO 5; Delhi 08.06.15).

Unilever’s Sustainable Development Overview in 2009 stated that sustainable sourcing not only helped the firm to manage business risks, but also presented an opportunity for further growth and for brand differentiation for consumers who are increasingly choosing to buy products based on their sustainability credentials (Unilever, 2009). The firm found that brands that communicate a purpose to consumers grow faster than ones which don’t communicate a purpose. In addition, brands that had a purpose also developed a better margin. This was surprising to Unilever given the assumption that you would pay a premium for sustainable sourcing which would threaten the margin (Lead Firm, Netherlands 22.03.15). This business case is reflected within NGO discourse on the evolution of sustainability standards:

‘So there is a business case now, so for many years it was an ethical pressure but not it is a business case…that’s the reason why companies like Unilever have set their targets to make their own supply chain more sustainable’ (NGO 5 Netherlands; 12.02.15).

It was also the first time that Rainforest Alliance had certified tea gardens (having previously focused on other primary commodities and largely in the Latin American context) (NGO 7; London 16.02.15).

Following Unilever’s decision to use RA certification, other leading brands in EU markets followed suit and this resulted in a considerable expansion of Rainforest Alliance’s tea programme in East Africa and Asia. Table 27 below lists the main firms who have made commitments under Rainforest Alliance certification.
Table 27: Rainforest Certified Tea Companies (for EU markets)

<table>
<thead>
<tr>
<th>Rainforest Alliance</th>
<th>Member Tea Companies</th>
<th>Year Joined</th>
<th>Company targets for certification (for European and/or OECD markets)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unilever</td>
<td>2007</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Tetley</td>
<td>2010</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Twinings</td>
<td>2010</td>
<td>100% by 2015</td>
</tr>
<tr>
<td></td>
<td>Yorkshire Tea</td>
<td>2010</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Goodricke Group</td>
<td>2013</td>
<td>Unknown</td>
</tr>
</tbody>
</table>

Source: Rainforest Alliance, Interview, 29.01.15)

The Lipton-RA partnership began with the certification of smallholders in Kenya in 2007 and soon expanded into the certification of Indian tea producers for export markets (NGO 7; 29.01.15). The sole focus of certification in India at this point in time was the plantation estates and at the time of research there were still no smallholders who had become Rainforest Alliance certified within India. This is due to the fact that Indian smallholder tea producers had not been identified as being linked to European imports of tea (NGO 7; London 22.02.15). During the rollout of the Lipton-RA certification programme, Unilever was undergoing relevant internal transformations in terms of marketing strategy. For example, there were concerted efforts to integrate the different businesses under ‘one new corporate brand identity’ (Mirvis, 2015, p. 50) which resulted in the visible display of Unilever’s logo on all product packaging as part of an effort to inform consumers of the corporation behind the company’s key brands. This is in spite of some brand leaders within Unilever being concerned that if a product fails in the market, it would be immediately recognised as a Unilever brand which in turn could affect the sale of other products which are also associated with the firm (Lead Firm 1; Netherlands 23.03.15).

Launched in 2010, the Unilever Sustainable Living Plan (USLP) stipulated that all raw materials sourced by Unilever must be sustainably produced by 2020 across all markets in which they operated (including emerging economy markets). As such, the USLP arguably represents an outcome of a more unified approach to marketing and CSR which was in itself an outcome of the earlier decision to make the Unilever logo visible on all product packaging (Lead Firm 1; Kolkata 21.07.15). The USLP was deemed an important step in ensuring security of supply for a company which depended on over two-thirds of its raw materials coming from the agricultural sector; a sector in which increased environmental and social pressures were now evident (Mirvis, 2015). The Unilever Sustainable Agriculture Code (USAC) discussed earlier was utilised by the USLP agenda by stating that USAC would be used to ensure that all of Unilever’s agricultural suppliers must meet the
expectations set out under USAC by 2020 in order for the goals of the Sustainable Living Plan to be achieved. USAC is not communicated to the consumer through a label, nor are producers subject to certification (Ingenbleek and Meulenberg, 2006). Unilever claimed in 2016 that those brands that have adopted the Unilever Sustainable Living Plan (USLP) have delivered almost 50% of their overall growth, and grew 30% faster than the rest of the business (Arnold, 2016), once again illustrating the fact that Unilever sees a strong business case for engaging with this agenda.

As well as the USAC, Unilever accepts a number of other private standards which are deemed to meet or exceed the requirements outlined in USAC. In the case of tea this includes Rainforest Alliance, Fairtrade and Trustea (Lead Firm 1; Kolkata 21.07.15). Table 28 illustrates the standards accepted by Unilever.

Table 28: Unilever Codes accepted under the Unilever Sustainable Living Plan (USLP)

<table>
<thead>
<tr>
<th>Code</th>
<th>Year joined</th>
<th>Year left</th>
<th>Type</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical Tea Partnership</td>
<td>1997</td>
<td>2006</td>
<td>Second party verification</td>
<td>Plantations</td>
</tr>
<tr>
<td>Rainforest Alliance</td>
<td>2007</td>
<td>-</td>
<td>Third party verification</td>
<td>Plantations and smallholders*</td>
</tr>
<tr>
<td>Unilever Sustainable Agriculture Code (USAC)</td>
<td>2010* (developed from good agricultural practice guidelines developed between 1999-2003)</td>
<td>-</td>
<td>First party certification</td>
<td>Plantations and smallholders</td>
</tr>
<tr>
<td>Fairtrade</td>
<td>NA</td>
<td>NA</td>
<td>Third party certification</td>
<td>Plantations and smallholders</td>
</tr>
<tr>
<td>Trustea</td>
<td>2013</td>
<td>-</td>
<td>Third party certification</td>
<td>Plantations and smallholders</td>
</tr>
</tbody>
</table>

(Source: Author)

As Unilever operates through subsidiaries within a number of emerging markets, it would be necessary to align these global-level commitments to their local subsidiary companies. However, this was not a straightforward process of rolling-out third-party certification to consumers in emerging markets. In fact, Unilever began by connecting the senior management of seventeen subsidiary companies across Asia (who had previously operated independently) in order to develop the brand strategy across Asian markets through a series of face-to-face meetings (Mirvis, 2015). One task for these managers was to ‘connect their business to the interests of the markets and the societies in which they were doing business’ (Mirvis, 2015, p. 63).
Whilst verification of tea sourced by Unilever would take place in all markets in which Unilever is active under the USLP, there were selective decisions made with regards to which markets it would make sense to use a consumer-facing label. For example, when it came to the question of the Indian market, it was decided that a consumer-facing label would make strategic sense for the domestic consumers as Unilever believed that it would boost profits. However, the neighbouring domestic market of Pakistan was not chosen:

‘In the Pakistani market, blends will be sustainably produced under the 2020 plan but they won’t have a logo on their packet because consumers there will not respond. But what you need to remember with these targets is it’s not only about reaching the target, but also about the progress is being made’ (Lead Firm 1; 21.07.15)

This illustrates a selective approach adopted at the global scale by Unilever in relation to how and where they choose to use certification. Unilever frequently use marketing surveys in emerging economies in order to decide on what the best strategies would be. They have found that consumers generally prefer to know that brands care about social and environmental issues, but this doesn’t necessarily mean they are willing to pay more (Lead Firm 1; Kolkata 21.07.15).

In the context of India’s domestic market, Unilever would need to coordinate their efforts alongside their local subsidiary Hindustan Unilever. The following section further illustrates the challenges and constraints involved in developing a suitable standard to regulate the domestic production network of Indian tea production. In particular, the following section shows that despite Unilever and Hindustan Unilever operating as the same organisation across overlapping production networks, the marked commercial and institutional differences characterising the global versus the domestic production network leads to a very different set of conditions under which social certification can feasibly be developed by the firm.

6.3 Domestic Production Network

Hindustan Unilever (HUL) is India’s largest fast-moving consumer goods corporation. HUL owns 40 factories and employs ~22,000 people in India. In 2013, it had an annual turnover of €3.8 billion (Unilever 2013). Hindustan Unilever has existed as a subsidiary of Unilever in India since its inception in 1933 (Poonamallee, 2011). Given the firm’s long history, Hindustan Unilever has existed within the Indian context with its own distinct characteristics. Even under the ‘Licence Raj’ era in which India engaged in import substitution industrialisation as its core economic strategy, Unilever managed to avoid relinquishing its controlling share by ensuring it diversified HUL’s operations to focus on higher generation of foreign exchange and operated within the Government of India’s high-priority sectors.
Hindustan Unilever has also led national initiatives focused on their engagement with the ‘bottom of the pyramid’ market (Prahalad, 2005; Poonamallee, 2011). As an Indian firm, Hindustan Unilever is partially embedded in the corporate social responsibility norms which exist within India’s business culture. One outcome of this is the tendency to view CSR as philanthropic activity focused on community development rather than on supply chain issues around social and environmental conditions (Arora and Puranik, 2004; Sood and Arora, 2006).

Unilever is the majority shareholder of Hindustan Unilever and consolidates 100% of the results and net assets of Hindustan Unilever (Unilever, 2015). Unilever had previously controlled 52% of Hindustan Unilever but in 2013 it chose to increase its ownership of Hindustan Unilever to 67%. Unilever also operates through a similar arrangement with other subsidies, including Unilever Indonesia and Unilever Portugal (Lead Firm 1; Netherlands 23.03.15). Despite Unilever controlling the majority of these companies, there are important differences too. For example, HUL make a number of products which fall outside of the normal Unilever portfolio. One clear indicator of Unilever’s ambition to increase its stake in HUL is its own recognition that future growth is contained within the faster growing developing and emerging markets, with 55% of the company’s footprint held within these markets in 2012 (Unilever, 2015).

Another critical difference is the responsibilities of Unilever versus HUL in the sourcing and sales of tea. Whereas Unilever procures tea from East Africa and Asia (excluding India’s domestic market) from its central tea buying offices, Hindustan Unilever is responsible for buying the tea for India’s domestic market (Lead Firm 1; Kolkata 21.07.15). It can be said that this constitutes a domestic production network in which Hindustan Unilever operates as a local lead firm and is responsible for the procurement of tea for the domestic market (which is also predominately sourced from local suppliers and producers). Due to the high degree of integration between Unilever and Hindustan Unilever, HUL is mandated to meet the global sustainability targets as developed by Unilever via the Unilever Sustainable Living Plan (Lead Firm 1; Kolkata, 21.07.15).

6.3.1 Initial attempts to certify the domestic production network

Initial efforts to develop third party certification for the Indian market appear to be influenced by Unilever’s own engagement with standards within the GPN of Indian tea production. As stated earlier, Unilever’s partnership with Rainforest Alliance (RA) was beneficial for Unilever because it
had bolstered its reputation as a responsible firm within European and OECD markets and had also led to increased profitability through a spike in sales (Lead Firm 1; Kolkata 21.07.15; NGO 5; Delhi 08.06.15). Given that Unilever and HUL had become increasingly integrated in terms of CSR strategy under the USLP, Rainforest Alliance was initially considered as the standard against which tea produced for India’s domestic market would be certified (Lead Firm 1; Kolkata 21.07.15). Rainforest Alliance themselves were also increasingly focused on expanding certification into Southern markets, where even a small capture of the market would be significant due to the larger market size (NGO 7; London 29.01.15). India was seen as having particular potential to both Unilever and Rainforest Alliance, particularly due to the vast size of the population and the sense from marketing research that Indian consumers would be responsive to certification (Lead Firm 1; Kolkata 21.07.15; NGO 7; London 29.01.15).

Up until this point in time, RA’s experience in the certification of Indian tea producers had occurred solely through the global production network. As the largest certifier of Indian tea for exports, RA would presumably be well placed to undertake the task of advancing Unilever’s USLP for emerging markets. Yet, the political economy of tea production differs significantly between the production of tea oriented towards export markets (the global production network) versus the production of tea for local markets (the domestic production network). Whilst large plantation estates feed both the global and domestic production networks, small tea growers and the bought leaf factories are predominantly focused on the domestic production network. Unlike Unilever, HUL’s control of the domestic production network depends on sourcing from a large and increasing base of unorganised small tea growers who have not be exposed to previous export standards (both in terms of product and process standards which are typically required to reach EU markets or to meet the demands of lead firms within the global production network). Given that RA had only certified large plantation estates engaged in export markets (i.e. the GPN) (NGO 7; London 29.01.15, 22.02.15; Lead Firm 1; Kolkata 21.07.15), RA would have to increase its capacity to begin certifying India’s small tea growers if it was to become the chosen certification scheme for HUL’s domestic production network.

RA had substantial experience in certifying smallholders in both the Latin American and African contexts but the challenges of certifying small tea growers in India were altogether more complex. RA’s experience in certifying smallholders has taken place within a global production context, and in the case of the tea industry certification has been highly concentrated within Kenya. Kenya is

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9 However, it is important to note that the plantation estates frequently outsource part of their production to the small tea growers, and this leaf is then processed within the estate factory (as opposed to a bought leaf factory) before being exported. However, the bought leaf factories (where small tea grower tea is typically processed) tend to feed the domestic market.
estimated to export around ninety-five per cent of the tea it produces (Christian Partners Development Agency (CPDA), 2008). Given that smallholders constitute approximately sixty per cent of Kenyan tea production (KEPSA, 2014) smallholder production presumably constitutes a large proportion of tea exports into EU/OECD markets.

In the Kenyan context, smallholders are generally organised into cooperatives (i.e. groups) by the state. The producer group is then issued with the RA certificate. However, the smallholders in India were largely unorganised\(^\text{10}\) making traceability almost impossible. Furthermore, because smallholders had never supplied tea to export markets, RA had very little experience or contact with them. Due to a longer history of smallholder-based tea production in Kenya (coupled with a specific process of land reform in the post-colonial period) there is a completely different institutional structure which has been developed by the Kenyan Government in order to support small tea growers:

> ‘In Kenya the situation is very different. The smallholders are organised into cooperatives- the cooperatives provide the inputs etc. and the smallholders are organised around a specific factory- and the smallholders are the shareholders of the factory. The KDPA manages the factories on behalf of the farmers. KDPA takes the cost of processing and then gives the surplus money back to the farmers’  
> (Lead Firm 1; Kolkata 21.07.15)

While large planters engaged in the export of Indian tea were incentivised to participate in RA certification in order to access high value adding markets, the domestic production network consists of many smaller buyers and a highly fragmented production, distribution and retail base (Kadavil, 2007). Not only were the small tea growers largely unorganised and therefore difficult to trace, they were also less incentivised to participate in a standard because HUL and TGB did not have a high degree of control in the domestic market due to its own sourcing practices:

> ‘because the supply chain is still very complex because even though you have the top two players (i.e. lead firms), their influence is restricted to some of the priority factories...it depends on your procurement practices and any big player will spread out their procurement. There are very few gardens who will give more than 50-60% of their tea to Unilever or Tata. So in some factories your influence will be very limited’  
> (NGO 5; Delhi 08.06.15).

In addition, this market share applies to the packed tea market. In India, there is still a significant loose-leaf tea market, although under changing patterns of consumption this is likely to continue to decline in favour of tea bags (Kadavil, 2007).

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\(^{10}\) The organisation of small tea growers was largely instigated by NGOs in the 2000s, following the significant growth of informal sector tea production since the 1990s. The efforts of NGOs to organise the producers was eventually recognised as important by the Tea Board of India. Since then, various incentives have been provided by the Tea Board to small growers who have organised themselves into producer groups, including subsidies for inputs and financial support to build their own factories. There are economic and social advantages which accrue to smallholders who become organised.
As discussed in Chapter 4, there is no similar infrastructure in place in India and small tea growers in India tend to be unorganised and fragmented, often selling to multiple bought leaf factories and with fewer cooperatives present. As a result of these differences, it became increasingly clear to RA that they would struggle to certify small tea growers within the specific context of Indian tea production without adaptation. For HUL, who source a significant percentage of tea from smallholders for the domestic market, this became a limitation of using the preferred certification scheme which Unilever had used for EU and OECD markets:

‘One of the major problems for us was that Rainforest Alliance had failed to certify a single bought leaf factory, or any smallholders’ (Lead Firm I; Kolkata 21.07.15).

One method chosen by Rainforest Alliance was to encourage certified estates to organise the smallholders who they source from as well as attempting to organise them directly in both the North-Eastern and Southern regions of tea production. However, the fact that small tea growers were a recent and rapidly growing phenomenon posed immense difficulties to both the firms and to Rainforest Alliance. A former Head of Sustainability at a large Indian tea firm explained:

‘Kenya is almost 100% certified- so coming here, it was a much larger challenge...In India, smallholder growth has happened in the past two to three decades and has been much about cash transaction-farmers growing a little and seeing which factory gives them the best price. So the smallholders here are not organised; each one is an individual businessman, and he does what he wants. So we have to migrate to this new concept of people following norms; how do you follow norms? You only follow norms if you can create a structure and you, in some sense, create some rules and regulations and rules and regulations are to be followed if you sign up to them. If you don’t sign up to them he can do what he wants. So that’s where the challenge to us came, and that’s where the challenge to all certifications in India which is how do we actually start binding the small holders into becoming groups? Rather than becoming individual businesses’ (Lead Firm 2; Kolkata 23.07.15)

RA also faced additional problems in relation to the certification of plantation estates which thwarted its ambition to become Unilever’s chosen standard for the Indian market (Lead Firm 1; Kolkata 23.07.15; NGO 7; London 22.02.15; NGO 5; Delhi 08.06.15). This once again related specifically to the differing institutional structures of the domestic production network. For RA, there were important considerations to be made considering the specific norms regarding labour regulations within India. Indian labour law stipulates that children from the age of fourteen are allowed to work in non-hazardous industries. However, Rainforest Alliance, through its collaboration with the Sustainable Agriculture Network (SAN), stipulates that the minimum age for labour is fifteen. RA state that they cannot deviate from this rule even when they seek to certify plantations within a domestic production network in which the Government remains a key regulator of production. The rigidity of RA’s approach interestingly differs with International Labour Organisation (ILO) norms with regards to child labour in developing countries:
Indian law and ILO says 14 for developing countries, RA was stuck on 15 - because the code when it was first designed was based on developed countries and ILO for developed countries is 15. RA didn’t respond to the ILO subcategorization of 14 for developing countries...We had a number of discussions with RA and they weren’t willing to budge’ (Lead Firm 1; Kolkata 21.07.15)

The above quotations is particularly interesting with regards to how RA view themselves as part of a ‘universal’ system of norms and are therefore unwilling to compromise on this:

‘one of the problems we had in implementation of the SAN standard was that we have a specific clause on child labour, and I believe the age is 15 in the SAN standard and India because of its status as a country within a UN directive, meant that actually children of 14 can work on the tea estate, which would mean under the criteria of the SAN, instant decertification of that practice, so it’s a classic law versus external standard’ (NGO 7; London 22.02.15).

The universality of the SAN was seen as critical to protecting Rainforest Alliance’s reputation, despite the fact that it could foreseeably limit their ability to expand within domestic production networks within the global South.

Given the lack of flexibility within the SAN standard there was little prospect of Rainforest Alliance being a suitable option for Unilever to use for the domestic market within the firm’s 2020 framework (Planter 6; Kolkata 03.08.15; NGO 7; London 29.01.15). This was a challenge faced by Unilever across many emerging markets as one study of Unilever’s USLP has highlighted. In this report, the complexity of certifying smallholders in Southern markets is discussed in relation to a fragmented supply base and the variance of legal frameworks. This prompted the development of a network of additional partnerships with local organisations who had “on-the-ground” experience (Braga, Ionescu-Somers and Seifert, 2010). These problems raise questions regarding RA’s strategy for expanding within emerging markets and whilst both Unilever and RA had a strong interest in maintaining their partnership for Southern markets, it is clear that there were a number of barriers that would prevent uptake.

Given the fact that RA had been certifying tea estates for export in line with the age fifteen criteria, it was initially unclear why certifying tea produced for the Indian market under such rules would be problematic. However, understanding the large differences in the political economy of production for the domestic market provides answers. Firstly, RA cited availability of labour as an issue for enforcing the higher age of 15 for adolescent labourers. Secondly, the majority of tea produced in India is sold in the domestic market. Therefore, it would be a huge task to persuade thousands of suppliers and producers to go ‘beyond the law’. While there was a market advantage in complying with RA norms for export, it seemed unrealistic that producers would make such large concessions in order to become certified for the domestic production network in which HUL were sourcing significant amounts of smallholder produced tea for their domestic Indian brands.
The evidence presented above has shown that a continuation of Unilever’s partnership with RA could not be easily replicated within the institutional boundaries of the domestic production network. The public regulatory institutions within the Indian market would impede on Unilever’s ability to ‘copy’ certification schemes across from the GPN to the DPN because there were some fundamental differences between the requirements for RA certification and compliance with national labour law.

6.3.2. The emergence of Trustea

Unilever’s realisation that a ‘tea specific, Indian specific code’ (Lead Firm; Kolkata 21.07.15) would be needed for the domestic market led the firm to explore the viability of developing a new standard. The launch of Trustea in 2013 created a standard designed to govern the social conditions of wage labour and livelihoods for the local tea market. While Chapters 7 and 8 of the thesis will discuss the ways in which state-based and civil society organisations came to support the development of Trustea, the following section illustrates the novel aspects of the new standard. Primarily, the three areas in which Trustea has improved upon the limitations of RA relate to (a) institutional coherence between the code of conduct and national labour law (b) innovations in the verification process in order to ensure that smallholders are incorporated into the production network and (c) the creation of specific food safety standards which reflected local concerns regarding the quality of tea being produced within the domestic production network.

Trustea is a standard which has been developed in order to account for the commercial and institutional dynamics present within the domestic production network. As such, Trustea’s code of conduct aligns with national labour law concerning the use of child labour in non-hazardous industries. Trustea’s code of conduct stipulates that children from the age of 14 upwards can work on tea plantation estates. In fact, Trustea has incorporated all the key regulations contained within the Plantation Labour Act, and certifies plantation estates in compliance with this legislation (Trustea 2013). A failure to comply with local labour law results in a failure to become Trustea compliant. Whereas RA insist that child labourers should be aged 15 or older, Trustea allows plantation estates to hire children in compliance with government legislation.

Trustea also remedies many of the problems Rainforest Alliance faced in certifying smallholders. Trustea certifies tea production at the factory level. This differs from export-oriented standards, which certified tea at the primary site of production (i.e. in the tea fields). By applying certification at the factory level, Trustea verifies compliance at the level of the plantation estate factory or the
bought leaf factory. In the case of plantation estate factories, this means that tea produced by smallholders outside of the estates is also included within audits (if they are suppliers to the plantations and tea gardens). Given that estates are increasingly outsourcing tea production to locally-based smallholders, this goes beyond other standards (which don’t account for outsourced production in the plantation estates):

‘Many of these medium and small estates – 50% of their tea comes from smallholders so when we are certifying these estates it appears as if an estate has been certified but together with them there are hundreds and thousands of outgrowers who are also being certified. And these small estates were never part of the certified supply chain’ (NGO 5; Delhi 08.06.15).

In the case of bought leaf factories, Trustea has been able to map the relationships between smallholders and the factories; facilitating increased transparency in the domestic production network. However, this has not been an easy process, given that middlemen often act as intermediaries between the smallholders and the bought leaf factories (NGO 5; Delhi 08.06.25). Bought leaf factories have encountered difficulties in obtaining information from the middlemen (agents) regarding which smallholders the agent sources from. Agents can sometimes be fearful of providing such information because of concerns that the factory might reveal to other agents where they source the tea from (NGO 5; Delhi 08.06.15). Trustea has attempted to alleviate these coordination problems by giving chain of custody to the middleman. Therefore, the middleman is responsible for holding the certificate.

The organisation of smallholders into associations by Trustea is also helping to create the institutional structures needed to enable certification of these growers. These groups are then provided with an Internal Documentation System (IDS) through which they can organise data. The fact that Trustea has developed as a national standard has aided local institutional support in their implementation of the code. For example, the decision of the Tea Board of India to join as a member of Trustea enabled the standard to gain access to the Tea Board’s development officers. Joint trainings have taken place between these development officers and Trustea’s field staff, and both parties have cooperated in order to train and organise the smallholders. The creation of four regional implementation centres across Assam, West Bengal, Kerala and Tamil Nadu has further facilitated cooperation at the local scale. Therefore, Trustea is playing an active role in organising smallholders into producer associations, building on the work of other NGOs such as Centre for Education and Communication.
Trustea refers to national food safety standards as outlined by the Food Safety and Standards Authority of India (FSSAI) within its code of conduct, and producers must be compliant with such standards. As will be discussed in Chapter 7, food safety standards in the Indian tea industry have been highlighted as a problem within the local tea market. The development of a national standard led to the incorporation of food safety measures which were not present in the RA code. Trustea’s code of conduct has also incorporated the Tea Board of India’s Plant Protection Code (PPC), in order to further ensure that smallholders are applying pesticides correctly and are not using pesticides which are banned under national law. Overall, the opportunity to develop a new standard for the DPN enabled various members of Trustea to improve upon the specific governance problems encountered in India’s domestic market.

6.4 Discussion

This chapter began by placing the development of Trustea within the broader historical context of lead firm engagement with private social standards for the global production network of Indian tea (i.e. export-oriented production for markets in the global North) before situating the emergence of Trustea within the domestic production network of India (i.e. domestic-oriented production for the local market). This chapter sought to address the following research question: How do lead firms seek to shape the development of Trustea as a Southern social standard at the global and local scales?

The final section of this chapter links the empirical findings to the analytical implications for the global production network (GPN) framework and global governance literatures. This chapter chose to conceptually explore the notion of polycentric trade by mapping two overlapping production networks. The chapter reveals that lead firms controlling the production of tea for Northern versus Southern markets cannot be easily differentiated between ‘Northern’ and ‘Southern’ firms. In fact, Unilever and Hindustan Unilever illustrate high levels of integration, and effectively can be conceptualised as the same organisation operating across highly differentiated production networks (both in terms of their commercial and institutional variance). The ways in which these two parts of the same firm have increasingly sought to converge the ways in which social standards are governed is reflective of the fact that, under the growth of Southern markets, ‘Northern’ multinational corporations are increasingly embedded within South-South trade. These trends challenge the bifurcated notions of how lead firms operate within the global economy. For example, there has been an underlying assumption within the GPN literature that global production is organised from
North-South; meaning that lead firms based in the global North control and co-ordinate production through production networks which source goods and services from producers in the global South. Yet, the growth of Southern markets and the increase in South-South trade has questioned these notions of how we understand the organisation and geographical flows of global production.

Figure 18 illustrates the linkages which illustrate that the overlapping production networks (GPN/DPN) are in fact coordinated by the same organisations. Although Tata Global Beverage wasn’t a focus of this chapter, it also evades the distinctions of being ‘Northern’ or ‘Southern’ owing to the fact it owns Tetley in the UK, as well as a number of US brands.

In the case of Trustea (as Figure 18 illustrates) it is the same lead firms who co-ordinate production for both the domestic as well as export markets, illustrating that polycentric trade can lead to ‘overlapping’ boundaries within organisations as a response to overlapping trade flows (North to South and South to South). In essence, it means that firms have required the flexibility to exploit opportunities under the increased growth in Southern markets. They have been enabled to do this under current patterns of globalisation, in which foreign direct investment has allowed global firms to coordinate multiple production networks. Foreign direct investment (FDI) is an important factor in creating commercial linkages across multiple production networks. This chapter illustrated that Unilever’s majority control over HUL has allowed it to exploit the opportunities that the growth in Southern markets provides. Yet this relationship is not without risks. For example, Foreign Direct Investment in the Indian context has been a controversial political subject for decades, and has been
fuelled by post-independence concerns about foreign ownership. Even in an economy which is undergoing liberalisation, FDI is still a contentious subject in some sectors (such as retail).

This chapter has revealed the strong firm-led incentives for participating within social standards (governed through multi-stakeholder initiatives). In the context of Southern markets, it appears that one way in which Unilever can solidify its market position is through the improved coordination of South-South production networks. This logic is partially based on the historical experience of Unilever and its engagement with standards within the GPN but also reflects their concerns over security of supply, the growth of smallholder production and the possibility that Indian consumers will respond to certification in the local market context. Such concerns are reflective of a market based approach to certification, particularly in relation to the use of standards to overcome coordination problems within the DPN.

Initial efforts to use RA certification is reflective of Northern retailers using patterns of normalisation and convergence to standardise practices regardless of whether they are selling to global or to regional markets (Pickles, Barrientos and Knorringa, 2016) However, unlike the case of Kenyan retail (in which the standards developed for regional markets were less stringent than the standards used by the retailers in Northern markets) (Pickles, Barrientos and Knorringa, 2016) the case of Indian tea illustrates that Unilever were intent on using the same certification scheme (i.e. RA) for both EU/OECD markets and emerging economy markets. Here, the notion of polycentric trade is particularly important because it illustrates that overlapping production networks can create movements of convergence and standardisation regardless of the location of the end market. This has important implications also for the literature on global governance within GPNs, in which there is a continued trend to characterise governance arrangements as residing around relationships between global and local actors.

Despite the sense of convergence within Unilever’s initial approach it is clear within the empirical evidence that Unilever and HUL face very different commercial challenges due to the fact that the GPN versus the DPN rely on different sourcing strategies, different market dynamics and different social challenges. For example, the fact that Unilever sources tea from India’s plantation estates for its global markets whereas HUL sources tea from smallholders (as well as plantation estates) for the domestic market means that a completely different national and global institutional environment is faced by the two different parts of the firm. Rainforest Alliance had only ever certified a small number of large plantation estates supplying to EU/OECD markets, and therefore had no prior engagement with the much more complex commercial and institutional dynamics present within the local market. These commercial challenges in part explain Unilever’s failed attempt to utilise ‘global’
market certification schemes (RA) for the governance of social standards within the DPN and to instead consider the development of a new standard for the Indian market.

It was not only commercial pressures within the DPN which drove the formation of a new standard (Trustea). There were also important institutional differences between the global norms of RA versus the national labour law enacted by the Government of India. It was proved impossible to try and apply the child labour norm of 15 within a national market context in which compliance with Indian labour law allowed children from the age of 14 to work in the tea gardens and plantation estates. In addition, RA prohibited the use of certain pesticides which the Government of India allows to be applied in tea gardens. Therefore, there were significant institutional obstacles to the use of RA within the domestic production network.

It appears that at the global scale Unilever had not fully accounted for the fact that markets in the global South are extremely heterogeneous both in terms of the political economy of production as well as the legal, institutional and societal frameworks in which economic activity (production) takes place. This is an important finding, illustrating the fact that standards for export markets often don’t ‘reach’ the majority of producers in countries with significant domestic markets. This often means they are limited in their scope, but also means that they have not themselves developed the capacity to certify beyond what NGOs often term the ‘low-hanging fruits’. By this, they refer to the fact that the suppliers for global brands such as Unilever (within the GPN) already to have good practices owing to their compliance with a range of different export standards. This is simply not the case for many domestic suppliers at present.

The fact that Trustea was developed by actors operating across simultaneous institutional environments within the global North and the global South has highlighted the limitations of an institutional approach which fails to capture the complexity of shifting markets and the significance of how trade is organised within a 21st century context for the ways in which we should conceptualise the development of standards within Southern markets. This is because institutional studies tend to assume that institutional development takes place within a particular locality and as such is embedded within a singular set of norms. This approach neglects the broader dynamics of global production networks which may link commercial and institutional actors across different markets and institutions and connect them to differing informal and formal norms when it comes to the governance of social standards. The case of lead firm engagement in shaping Trustea illustrates that there is no coherent way to define the boundaries of the actors involved in setting standards for Southern markets. The fact that firms involved in shaping Trustea are simultaneously embedded within Northern and Southern institutional environments poses a number of questions regarding the
The research findings ultimately challenge the view that governance can be neatly separated into the interests of separate actors who operate at multiple scales of the global production network (GPN) whether it is at the global, national and local scales. The multi-scalar GPN approach has been used in a large number of studies in order to illustrate the fact that actors at the global and local scales often hold different and competing interests in the governance of social standards (De Neve 2008; Otieno & Knorringa 2012; Knorringa & Nadvi 2016) and that these standards have often reflected the interests of global lead firms and global civil society organisations whilst simultaneously excluding or marginalising the interests of local actors (Dingwerth, 2008; Pattberg, 2005).

As Southern market standards develop in Southern markets, these multi-scalar distinctions present within many analyses of governance under globalisation would tend to assume that Southern standards would be developed by local actors separately from the ‘global’ standards agenda. Such assumptions have led to the speculation that the growth of Southern markets may either lead to a ‘race to the bottom’ due to lack of consumer interest and/or the existence of weak civil society organisations in the global South (Kaplinsky & Farooki, 2010). These assertions ignore the fact that actors who are already partially embedded within the global North may in fact come to play a defining role in setting standards within Southern markets. Within institutional studies, a number of studies have examined the development of Southern standards from this same North-South position. For example, they find that standards such as the Indonesian Roundtable on Sustainable Palm Oil (ISPO) are developed as a reactionary standard against the hegemony of Northern standard setters (Schouten and Bitzer, 2015). Both these assumptions within the GPN and governance literatures rest on an implicit notion that there are well defined spatial boundaries (political, social and cultural) between actors involved in the creation of Northern versus Southern standards. Yet, the ‘blurred boundaries’ which exist within the firms driving Trustea means that it is in fact possible that multiple commercial and institutional environments are influencing the development of Southern social standards for Southern markets. The case of Trustea appears to challenge some of the underlying assumptions within the literature, and this chapter has illustrated the ways in which the analytical construct of polycentric can help to position the role of commercial actors within their
embeddedness within multiple institutional environments. Chapter 9 will discuss these analytical findings in more detail.

6.5 Conclusion

To conclude, the ‘blurred’ organisational structures of lead firms appear to facilitate their ability to capitalise on the growth of consumption within the global South. This in turn is a reflection of commercial responses to the existence of polycentric trade, in which the blurring of boundaries and scales is creating increased confusion over the identity and drivers of governance within overlapping networks of production. This chapter illustrated that that the organisation of production in Southern markets (including domestic production networks) bears important commercial and institutional differences to the organisation of production for Northern markets. The empirical evidence presented in this chapter illustrates that power relations between the Northern and Southern divisions of organisations are influenced by the wider institutional and commercial constraints which are experienced by the same organisation at the global and local scales of the GPN.

Chapter 7 builds upon the findings presented here in order to examine the ways in which governmental actors supported the efforts of Unilever to develop a standard for the Indian market; again viewing the activity of these governmental actors through the dual prism of the global and domestic production networks. By discussing the role of governmental actors, Chapter 7 also illustrates further the institutional pressures occurring for firms within the Dutch and Indian contexts and also enriches the findings presented here in Chapter 6.
Chapter 7: The role of governmental actors in shaping Trustea

7.1 Introduction

This chapter analyses the ways in which state-based actors shaped Trustea as a Southern social standard. It uses the framework of the global production network and the domestic production network (GPN/DPN) in order to map the varied commercial and institutional pressures occurring at the global and local scales. As such, the chapter begins by demonstrating the role that state-based actors played in shaping Trustea from their position within the global production network before turning to look at the ways in which state-based actors shaped Trustea’s development within the domestic production network. It does so by addressing the following research question: How do state-based actors seek to shape the development of Trustea as a Southern social standard at the global and local scales?

Overall, the chapter argues that the Government of the Netherlands has provided financial support for the development of Trustea, and played a significant role in facilitating cooperation between firms, NGOs and other state-based actors at the global and local scales. Their interest in doing so is linked to recent transformations within development cooperation policy; wherein trade and aid have become increasingly intermeshed, leading to a greater emphasis on private sector involvement. As such, the public-private partnership model has become a key means of promoting the dual interests of the Government in promoting trade and meeting their development commitments. Historically, the Dutch Ministry of Foreign Affairs supported the development of private standards for Northern end markets. However, as markets have grown in the global South, there has been an expansion of support for standards governing Southern markets too. Trustea is one of the first examples of this geographical shift in Dutch policy. At the global scale, the role of the state can be characterised as one of ‘sponsor’ of institutional projects (Bartley 2007). One specific example of such sponsorship is the fact that the Dutch Government provided one third of the total funding needed to create Trustea.

The Government of India’s support for the development of Trustea is evidenced through the membership of the Tea Board of India within the Programme Committee, and as Chairman of the Trustea Advisory Committee. Within the domestic production network, a number of commercial challenges were affecting the economic sustainability of local tea production. State-led efforts to improve coordination problems within the domestic supply chain had not adequately tackled some of the food safety issues affecting tea production in the smallholder sector. Trustea represented an
opportunity for firms and state-based actors to cooperate in order to mitigate these problems. At the local scale, the state operates as an institutional ‘endorser’ of Trustea (Bartley 2007). By focusing on the role of the Government in shaping the development of Southern social standards, this chapter follows Bartley’s) recognition that actors are embedded in social contexts ‘that are complex and potentially shifting, with implications for actors’ strategies and conceptions of interests’ (Bartley 2007: 309).

Figure 19 illustrates the key state-based actors shaping the governance of social standards in the GPN and DPN. The primary focus of this chapter is on the role of IDH and the Tea Board of India in influencing the development of Trustea from their position within the commercial and institutional constructs of the GPN and DPN.

Figure 19 Simplified structure of the governmental actors in the GPN and DPN

The chapter is structured as follows:

Section 7.2 introduces the key state-based actors shaping the development of Trustea at the global scale (i.e. from their position within the global production network). It explores how IDH’s convening role within public-private partnerships supported the formation of Trustea by encouraging cooperation between Unilever and Tata Global Beverages and by providing financial support.

Section 7.3 highlights the central state-based actors shaping the development of Trustea at the local scale (i.e. from their position within the domestic production network). Here, the Tea Board of India’s role in championing the Trustea initiative is explored in detail; in particular the impact the Tea Board’s support has had in bolstering the legitimacy of Trustea at the local scale.
Section 7.4 discusses the implications of the empirical findings in light of the analytical framework. In particular, it highlights the fact that state-based actors can shape the development of Southern standards at multiple scales, and within multiple overlapping production networks. The role that state-based actors in the global North play in shaping standards in Southern markets is discussed as a significant finding which challenges some of the key assumptions within the recent literature on the development of Southern standards (such as the fact that they are locally-driven and reactionary against Northern standards).

7.2 Global Production Network

The role of state-based actors in supporting the development of Trustea has been significant within the global production network. Governmental involvement within the development of Trustea is linked to an evolving policy landscape in the Netherlands. In recent years, public-private partnership models have come to play a key role in Dutch development cooperation, paving the way for greater public support for the proliferation of private standards governing the social conditions of production.

7.2.1 The changing institutional environment in the Netherlands

State support for the development of Trustea should be understood in relation to the broader institutional dynamics and ideologies which have constituted the ways in which the Government of the Netherlands has sought to engage in development cooperation in recent years. In 2010, private sector engagement became a central element of Dutch development cooperation policy (OECD 2016). Whereas Dutch aid policy historically focused on social development issues (health, education et cetera), this new direction meant that aid policy became partially supplanted by an increased emphasis on economic development (Spitz, Muskens and Ewijk, 2013). The portfolios of both foreign trade and development cooperation were formally combined in November 2012 through the creation of a Minister for Foreign Trade and Development Cooperation (Roodenburg, 2014). One respondent explains the contemporary thinking at the Ministry of Foreign Affairs during the period within which IDH was formed:

‘At that time, the core policy was working together with companies for development goals, inspired by the MDGs [millennium development goals]. Public-private partnerships were a key part. The sustainable trade part came later with more emphasis placed on the interests of Dutch businesses in those partnerships. Later we got a Minister who literally combined foreign trade and development cooperation into one portfolio. It was then that sustainable trade became the prize pot where all those things came together’ (Government 2; Netherlands 23.02.17).
This shift in policy resulted in a more explicit attempt to connect development cooperation to the ‘Dutch national interests’ (Spitz, Muskens, & Ewijk, 2013: 6). In 2013, this was followed by the launch of a key policy document entitled ‘A World to Gain: A New Agenda for Aid, Trade and Investment’. In this document, the Ministry argues that the three areas of aid, trade and investment need to be combined and interlinked in order to respond to changing global economic realities (Ministry of Foreign Affairs of the Netherlands, 2013). The changing realities identified in the report included low growth rates in Europe coupled with increased economic opportunities and capacities in partner countries (OECD, 2016, p. 3). For the Dutch Government, a central means of linking development cooperation with trade was through the public-private partnership model. Through this model, the economic interests of the Netherlands were combined with broader development goals. In order to promote and facilitate public-private partnerships, it was decided by the Ministry of Foreign Affairs that a new convening organisation should be created, which came to be known as IDH (Initiatief Duurzame Handel).

7.2.2 The launch of IDH

IDH (Initiatief Duurzame Handel) was launched in 2008 as a multi-stakeholder initiative comprised of private companies, non-governmental organisations, trade unions and the Dutch Government (Ministry of Foreign Affairs of the Netherlands, 2014b). In the period 2008-2013, the Ministry of Foreign Affairs committed EUR 123 million in official development assistance (ODA) to build and run IDH. The central purpose of IDH was to allow the Government to co-finance commodity programmes with the private sector (Ministry of Foreign Affairs of the Netherlands, 2014b).

The core function of IDH is to focus on key issues within global trade which affect both the economic and social sustainability of supply chains. The primary stated aims of IDH include the improvement of smallholder production systems, market integration as well as increasing the volume of sustainably sourced goods from developing countries (Ministry of Foreign Affairs of the Netherlands, 2014b). The creation of IDH was prompted by private sector interest (principally directed by Unilever) in public-private cooperation on sustainability issues in supply chains (Ministry of Foreign Affairs of the Netherlands, 2014b, p. 49). Overall, these trends reflect an institutional environment whereby state actors collaborate with the private sector to facilitate the development of new standards within supply chains. This supports the view that state-based actors can function as sponsors of institutional projects when it comes to the development of private standards (Bartley 2007).
IDH addresses key sustainability issues (both social and environmental) within supply chains across a variety of different sectors (tea, cocoa, coffee, flowers, and cotton). Activities undertaken by IDH focus on ‘improving and transforming the supply chain performance’ of internationally traded commodities (Ministry of Foreign Affairs of the Netherlands, 2014b). This has led IDH to focus on the promotion of good agricultural practices, farmer training programmes and certification (Ministry of Foreign Affairs of the Netherlands, 2014b). IDH’s overarching purpose is to finance cooperation between large firms in order to increase the harmonisation of CSR approaches towards best practices and also to increase firm engagement with CSR practices and private governance in its focus sectors (Fransen, 2013). IDH is funded with public money, primarily provided by the Netherlands Ministry of Foreign Affairs with smaller contributions being made from Northern European partner governments such as SECO (Switzerland) and Danida (Denmark) (Ministry of Foreign Affairs of the Netherlands, 2014b). Given that IDH receives 100% of its funding from government sources, it can be considered a quasi-state actor which in turn operates as a multi-stakeholder initiative. For the purposes of this research, IDH is categorised as a state-based actor, due to the fact that it largely represents the interests of the Dutch (and other Northern European) Government.

IDH acts as a convenor within the development of public-private partnerships. As a convenor, IDH supports firms to cooperate on sustainability initiatives within a “pre-competitive environment”. Initially, the Ministry of Foreign Affairs was to finance both the IDH secretariat as well as a maximum of up to 50% of individual sector programmes run under the public-private partnership model. The remaining 50% of funding was to come from other partners, with at least 25% of this coming from the private sector (i.e. firms) (Ministry of Foreign Affairs of the Netherlands, 2014b). However, this changed in 2010 to now specify that the private sector contribution must surpass the Ministry’s contribution. The stated reason for this shift was to ‘enable the commitment of the private sector to influence the public contribution’ (Ministry of Foreign Affairs of the Netherlands, 2014b). The growth of private-public partnerships as a form of development cooperation has seen a significant increase in expenditure of public money to support initiatives that aim to improve social and environmental conditions within the supply chains of Dutch-registered multinational corporations11. As stated earlier, supporting the development of new standards is a significant aspect of IDH’s work. IDH’s sectoral improvement plans were largely focused on utilising standards as a tool for development (such as Utz Certified and Better Cotton Initiative):

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11 Unilever is a joint Anglo-Dutch registered multinational corporation.
‘IDH aimed for a transformation to sustainable commodity markets by bringing public funding and private financial commitments together in large-scale projects for improving production methods and boosting certification of primary producers’ (Ministry of Foreign Affairs of the Netherlands, 2014b, p. 13)

At times, IDH appears to precariously straddle the trade versus development cooperation agenda. One example of this tension relates to the fact that IDH has at times worked exclusively with just one firm on such projects:

‘IDH started its work in the pre-competitive area, convening companies by sector and supporting joint programmes on the sector level...IDH’s key work is still convening company commitments towards sector-wide change agendas, but in several programmes the project applicants are now individual companies that have been selected in calls for proposals’ (Ministry of Foreign Affairs of the Netherlands, 2014b, p. 19)

In these cases, the failure to facilitate a cooperative partnership model (i.e. involving more than one private sector actor) has created questions surrounding the use of Official Development Assistance (ODA) (Ministry of Foreign Affairs of the Netherlands, 2014b). This is because certification can be used to advance the competitiveness of companies through market differentiation and by boosting the reputational credentials of companies. If public money is being used to support the interests of a single company, there are potential conflicts of interest occurring within the public-private partnership model.

7.2.3 IDH involvement in the tea sector

IDH’s support for advancing a sustainable tea sector began through its Tea Improvement Programme (TIP). The programme was initiated through a public-private partnership model in 2009. This first stage of the TIP ran from 2009-2013. The primary aim of the TIP during this period was to roll-out sustainability certification schemes from estates to smallholders, which built on ‘ambitious commitments by Unilever, DE Master Blenders 1753 and Twinings’ (IDH, 2016, p. 3). The initial focus was on the global production network wherein the TIP facilitated an expansion of Utz Certified certification to producers exporting into European markets. Figure 20 illustrates the primary aims of TIP.
Figure 20 Three Pillars of IDH Tea Programme

<table>
<thead>
<tr>
<th>The three pillars of IDH Tea Programme</th>
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<tr>
<td>- Upscaling technical assistance through lead farmer trainings and/or farmer field schools</td>
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<tr>
<td>- Mainstreaming certification of tea and development and implementing “stepping stone standards” for Asian domestic markets</td>
</tr>
<tr>
<td>- Addressing social issues taking into account gender, discrimination, harassment, labour contracts and economic sustainability</td>
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(Source: IDH 2013)

Within these initial stages of the TIP, the agenda was predominately focused on support for the proliferation of global standards within the supply chains of Dutch and European based companies. For Utz Certified, TIP presented an opportunity to diversify their sectoral focus; moving from coffee and cocoa certification to also include the certification of tea. Within this public-private partnership, DE Master Blenders and Utz Certified introduced Utz Certified certification to nine tea producing countries. The Dutch NGO Solidaridad supported the implementation of the programme. The programme reached over 75,000 smallholders across the nine identified countries (Solidaridad 2014).

During this period, internal discussions took place between IDH and Solidaridad with regards to the effectiveness of using global standards to promote market transformation (NGO 5; Netherlands 16.02.15). The Northern market focus of the TIP began to be critiqued within these internal meetings (NGO 5; Netherlands 16.02.15; Government Agency 1; Netherlands 23.03.17). Given that global standards are focused on export markets, Solidaridad felt that Dutch efforts to promote standards such as Utz Certified were not effective in reaching the more problematic (socially and environmentally speaking) parts of the production network (Solidaridad 2014). For example, the TIP was not reaching the less organised smallholders who were producing primarily for large domestic markets within the global South. In countries such as Indonesia, India and China the majority of tea produced was being consumed domestically. As a result, these producers were not included under the Tea Improvement Programme. In addition, NGOs involved in TIP were also critical of how these export standards were being perceived by producers on the ground:

“There was a compliance mind-set that was coming in, how do you get yourself certified rather than what benefits you get out of it, there was no local ownership, the standards were owned by NGOs or industries looking outside in UK and other places so there was no local ownership. It [TIP] looked like the agenda of Europe rather than the agenda of everyone” (NGO 5; Delhi 08.06.15).

NGOs argued that the proliferation of Utz Certified certification would always constitute “low-
hanging fruits” because suppliers to European markets were already in compliance with a number of EU standards (NGO 5; Delhi 08.06.15). Standards such as Utz Certified would not be able to tackle the more problematic estates who aren’t supplying European markets (NGO 5; Delhi 08.06.15). These arguments were put to IDH in order to discuss ways in which the TIP could overcome such limitations and improve standards beyond the GPN (NGO 5; Delhi 08.06.15). By 2012, it was clear that IDH also shared the view that export standards were of limited value in terms of creating the necessary volumes of certified tea to improve conditions:

‘To meet the rising demand for sustainably produced, certified tea, international sustainability certification is one the rise and standards like Utz Certified and Rainforest Alliance have been introduced to the Indonesian tea market. However, these global standards do not seem to address the very specific challenges of Indonesia, especially those of smallholders. Focusing on export tea, they leave out large smallholder segments. This demonstrates the need to develop a national sustainability standard’ (IDH 2012).

This led to a number of modifications in the overall strategy of the Tea Improvement Programme, including an increased level of engagement in Southern markets. This entailed a shift in focus from the global production network towards the domestic production network.

7.2.4 From global to local: the changing approach of IDH

IDH and Solidaridad began to explore how the TIP could move beyond the confines of the GPN and to engage more with domestic tea markets in the global South. IDH explain the rationale for this shift in the below quotation:

‘[Like Kenya] the tea sector in countries like Indonesia, India and China seem to offer similar opportunities in reaching out to smallholder households, although the context differs. Often the major tea producing countries are not the major exporting countries. China, India and Indonesia are leaders in both production and consumption of tea. To mainstream sustainable tea, it is therefore important that these markets, which represent 70% of global consumption, are targeted in TIP. For this reason, IDH supported Solidaridad in lobbying and performing awareness raising activities in domestic markets, leading to interesting results’ (IDH, 2014).

Solidaridad’s role in promoting a Southern market agenda was aided by the fact it had recently become a decentralised network of NGOs with national offices across a number of developing countries (Chapter 8 will discuss this organisational shift in more detail). As such, Solidaridad was well placed to engage in Southern markets via their South and South-East Asia office based in New Delhi (NGO 5; Delhi 08.06.15).
Indonesia was the first country through which the TIP sought to develop a domestic tea standard. This marked a second phase within TIP in which the focus was on the aim of ‘achieving a tipping point to market transformation through up-scaling and embedding sustainable tea production’ (IDH, 2014: 3). The creation of a new national tea standard in Indonesia called Teh Lestari during this period (2011-2012) was the first attempt to embed sustainability standards within domestic production networks in the global South. At this point in time, IDH argued that these new national standards would become ‘stepping stones’ for producers to then engage with other international standards such as Utz Certified, Fairtrade and Rainforest Alliance (IDH, 2014). Therefore, this shift in geographical focus cannot be decoupled from a broader ambition to link Northern standards (governing the GPN) to these domestic standards. It appears that during this period, IDH envisioned a convergence of governance efforts across the GPN and the DPN. This would mean that Dutch certification schemes such as Utz Certified would be able to benefit from the new agenda. Despite the possibility of linking Northern and Southern standards through a ‘stepping stone’ scheme, it appears that Northern standards were initially hostile to this geographical shift in the focus of the TIP. This resulted in a divergence between the agenda of Utz Certified within the GPN of Indian tea production and the agenda of TIP as it entered Southern markets. One respondent claimed that Utz Certified lobbied to block the development of the Southern market agenda because it had deflected funding from the original GPN-focused programme (NGO 5; Netherlands 16.02.15). These developments illustrate an increased disjuncture between the agenda of NGOs and the agenda of standard setters as markets shift to the South.

For IDH, these experiences in convening at the local scale (the producer scale) have become more fully embedded within their 2016-2020 agenda. In particular, the focus on emerging economies and the development of standards for Southern markets is seen as a transformative shift in the context of Dutch development cooperation and public-private partnership models from the construction of ‘Western coalitions’ to ‘local convening with local industry, local government’ (Government Agency 1; Netherlands 23.03.17). For policy makers in the Netherlands, these emerging trends led to a problem when advising the Ministry of Foreign Affairs on the subject of which standards and which agenda to support:

‘This becomes a dilemma when the Ministry asks do we support the global standards such as RSPO+ or do we support local standards?’ (Government 2; Netherlands 23.03.17).

The Tea Improvement Programme formally ended in 2012. Since then, funding is now assigned on a country-level basis rather than a sectoral basis.
7.2.5 IDH involvement in Trustea

Following the launch of Teh Lestari in Indonesia, Unilever approached IDH in order to discuss the development of a domestic tea standard for the Indian tea market (Government Agency 1; Netherlands 23.03.17). Due to IDH’s policy of fostering ‘pre-competitive partnerships’ on sustainability, IDH requested that Unilever partner with another firm in order to develop a code of conduct for India’s domestic production network. Unilever’s major global and domestic competitor was Tata Global Beverages. However, relations between the two firms were strained and had been for several years due to previous disagreements. As discussed in Chapter 6, the decision of Unilever to pull out of the Ethical Tea Partnership (ETP) in the 2000s (in order to pursue consumer-facing certification) created deep divisions between Unilever and the other major global buyers of tea who constituted the membership of the ETP (Lead Firm 1 Kolkata 21.07.15; Government Agency 1; Netherlands 23.03.17). According to members of Trustea, the early discussions over the creation of an Indian standard were marred by the rift between the two firms. Although Tata Global Beverages attended the initial discussions regarding the idea of developing Trustea (in the period 2011-2012) these talks failed to reach a consensus because the Tata Global Beverages leadership were still hostile owing to Unilever’s earlier withdrawal from the ETP. Thus, despite IDH’s policy of encouraging cooperation between sectoral competitors, it was decided that Trustea would be developed with just Unilever:

‘So Trustea began with only Unilever, IDH and Solidaridad alone’ (Government Agency 1; Netherlands 23.03.17).

Tata Global Beverages’ position towards its own participation in Trustea changed just one year later. This was due to a number of changes within the internal management structures of Tata Global Beverages as well increased engagement with the Tea Board of India:

‘The leadership changed – away from Percy who had been very critical of Unilever leaving the ETP. Also Banu [the Director of the Tea Board of India] wrote a letter to each tea estate prior to the launch of Trustea. Conversations were also started with the tea packers through FITA. As a result, Tata joined in June, literally days before the official launch of Trustea’. (Government Agency 1; Netherlands 23.03.17)

An independent report assessing IDH’s performance during the period 2008-2013 also credits IDH for having managed to persuade Tata Global Beverages to become involved:

‘While Solidaridad and others (Rainforest Alliance, Ethical Tea Partnership) were important actors in shaping the framework for the domestic standard, stakeholders from all sides indicated that IDH had played a positive role in getting the initiative going. They pointed in particular to IDH’s role in
facilitating the entry of Tata into an initiative that was on the private company side dominated at first by Tata’s main competitor Unilever. IDH’s more neutral position in-between private competitors and backed by official funding and recognition appears to have been conducive for this achievement’ (Ministry of Foreign Affairs of the Netherlands, 2014b, p. 71)

IDH provides one third of the total funding for Trustea (EUR 1 million) with the two firms providing a further EUR 1.5 million each. This conforms to IDH’s model of funding wherein a ratio of 30:70 in terms of public versus private contributions is stipulated. IDH’s role in bringing together two global competitors illustrates the important role that state-based actors can play in supporting the development of new social standards.

Whilst IDH had facilitated the expansion of sustainability standards governing global markets since its inception in 2008; the development of Trustea represents a shift in governmental focus as the Ministry of Foreign Affairs now supports the development of standards within Southern markets. This potentially raises issues over sovereignty given Trustea’s development within a domestic production network (due to the fact that a DPN is embedded within a national regulatory environment). The following section seeks to understand how state-based actors within the domestic production network also engaged with the Trustea standard.

7.3 Domestic production network

The Tea Board of India played a role in championing the Trustea standard within the domestic market. The role that the Tea Board of India has played in comparison to IDH is markedly different; illustrating the fact that the state can play different roles in supporting the development of Southern standards from their position within the global versus domestic production networks.

7.3.1 The role of the Tea Board of India

The Tea Board’s interest in supporting Trustea emerged due to a number of commercial and social pressures evident within the national tea industry. For the Tea Board of India, there were a number of different problems connected to the rapid growth of the small tea growers. This included the use of unsustainable farming practices within this sub-sector of production, which in turn created food safety concerns due to pesticide misapplication (Lead Firm 1; Kolkata 21.07.15; Planter 2; Kolkata 22.07.15). Many respondents noted that this was leading to rising imports into the local tea market (Planter 4; Kolkata 29.07.15; NGO 5; Delhi 08.06.15). Yet the industry is also increasingly dependent on this sub-sector given the increasingly large volume of tea produced by the smallholders:
‘In absolute terms, production volume [of smallholders] is around 350 million kilogrammes. In their absence India would have become a net importer for tea meeting domestic demand’ (Tea Board 2013).

The tea industry’s growing dependence on smallholder-based production has led the Tea Board to become increasingly interventionist within this segment in recent years (Neilson & Pritchard 2011). According to a Tea Board presentation in 2013, the Board has identified a number of systemic weaknesses within the smallholder segment; including a lack of capital, skills and technology. Coupled with this, the Board has also stated that social unrest is likely if the price of tea does not improve for these smallholders (Tea Board 2013).

Recent policies enacted by the Tea Board of India are reflective of endemic problems occurring as a result of the fragmented and unorganised nature of smallholder production in India. Bought leaf factories (BLFs) have often failed to deliver fair prices to small tea growers by not being transparent about the amount the factory received from direct sale or the price fetched at auction (Neilson and Pritchard, 2011). Some Tea Board policies are specifically designed to mitigate the power asymmetries occurring between the growers and the bought leaf factories. The Price Sharing Formula (PSF) is one such example. In the PSF, bought leaf factories are expected to distribute 70% of the value of tea received at auction to the small tea growers, and to keep 30% for themselves. Another initiative launched by the Tea Board of India was the Plant Protection Code (PPC). The PPC was designed by the Tea Board to tackle the unregulated use of pesticides (including the use of illegal substances) in the tea industry. The use of illegal pesticides was not only a problem which affected exports to tea into Northern markets (where there are often tight regulations in place), but was also a serious issue affecting the domestic production network.

7.3.2. Tea Board involvement within Trustea

During this same period (2011-2012), Unilever, IDH and Solidaridad were discussing the development of Trustea. During these meetings, Solidaridad pushed for Tea Board inclusion; arguing that local ownership of the standard was an important element of legitimacy creation:

‘It would be necessary to have other key stakeholders closely involved with the project for getting their strategic buy-in...This will help in positioning that the project takes an inclusive approach rather than leaned towards one or other stakeholders. This is crucial from the point of view of buy in as the positions sometimes do vary and hence it provides us with a major risk management mechanism’ (Solidaridad 2011, p.8).

The founding members of Trustea agreed that it would be advisable to approach the Tea Board ‘out of courtesy’ (Government Agency 1; Netherlands 23.03.17). Some Trustea members claim that the
incorporation of the Tea Board of India was initially resisted owing to fears that incorporating them might thwart the wider collectively agreed goals of the members. Specifically, the Chairman of the Tea Board was seen as very “pro-active” and a powerful bureaucrat (NGO; Delhi 08.06.15; Government Agency 1; Netherlands 23.03.17).

Some members of Trustea had expressed concerns over their ability to control the development of initiatives within the Indian context; and were especially concerned over the politicisation of these processes at the local scale (Government Agency 1; Netherlands 23.03.17). Solidaridad supported the inclusion of the Tea Board and argued that Southern governments were becoming increasingly sceptical about the role that standards should play in governing global production:

‘Asia was becoming more assertive…they are becoming more assertive about their global role and the kind of influence they could have so they were questioning this- we have a huge market, why we are doing it to follow EU standards...I don’t accept it fully but unfortunately that’s how it was shaping up and I do understand that if you don’t have support from government then an enabling environment doesn’t get created’ (NGO 5; Delhi 08.06.15)

The Tea Board joined the Trustea programme one year into the standard’s development, around the same time that Tata Global Beverages joined. The Tea Board became the Chair of the Programme Committee while IDH was the vice chair. Trustea was initially pushing for the Tea Board to provide incentives which would help to broaden the engagement process:

‘The expected role that the Tea Board should play is championing the initiative, leading the stakeholder engagement process, connecting the different government schemes with immediate issues’ (NGO 5; Delhi 08.06.15).

Despite agreeing to join Trustea, members of the Tea Board were still hesitant about participating, given their previous experiences of Northern standards:

‘In the particular case of India [in relation to the Trustea standard], Solidaridad realised that there is a general impression within the Government that sustainability certifications are expensive and do not necessarily bring benefit to the smallholders’ (Solidaridad, 2011a, p. 8)

The Tea Board’s doubts partially originated from a perception that Trustea was highly integrated with the agenda of these other transnational standards. One member claimed that the Tea Board’s initial doubts originated from the fact that they did not trust the “Dutch fragrance” of Trustea (NGO 5; Delhi 06.08.15). It took two years for Trustea to achieve concrete commitments with regards to formal support from the Board. By late 2016, Trustea confirmed that the Tea Board was now giving subsidies to producers in order to lower the costs of certification, which they believe is a significant step forwards in terms of ensuring the sustainability of Trustea in the future (NGO 8; Delhi 21.11.16; Government Agency 1; Netherlands 23.03.17). Yet continued doubts existed in relation to what
additional roles the Tea Board might play, and whether it would continue to champion the standard at all (NGO 5; Delhi 21.11.16). The Tea Board had two primary concerns which needed to be addressed in the context of an Indian tea standard. The first one was around food safety and the second was around the growth of the smallholders12 within the tea industry (Government Agency 1; Netherlands 23.03.17; NGO 5; Delhi 08.06.15). Therefore, the Tea Board’s engagement appears to be mediated by a continuation of concerns discussed earlier within this chapter.

Coincidentally (during this same period of 2012-2013), Greenpeace India launched a major campaign which highlighted concerns over the quality and food safety standards of tea produced for India’s domestic market. This campaign focused on the packed (branded) tea market, and targeted the key domestic brands by volume of sales (Greenpeace 2013). Hindustan Unilever and Tata Global Beverages (who own many of the most popular tea brands within the domestic market) were negatively affected by the campaign (Lead Firm; Kolkata 21.07.15). At this point in time, the combined domestic market share of these two firms was around 51% of the packed tea market. The Tea Board faced public pressure to explain why unsafe levels of harmful pesticides were found in the samples of tea collected by Greenpeace India (NGO 5; Delhi 08.06.15; Lead Firm 1; Kolkata 21.07.15). The campaign prompted a strong response from HUL, TGB and the Tea Board of India (NGO 8; Delhi 21.11.16; NGO 7; Netherlands 22.02.15). It is apparent that this NGO-led campaign prompted action on the part of lead firms and state-based actors:

‘I think to a certain extent Greenpeace has sort of helped raise people’s awareness and the tea board has now issued quite drastic maximum residue levels and banning certain pesticides, almost to the point where its perhaps a bit, well, it’s unrealistic in that context, but at least it’s there’ (NGO 7; Netherlands 22.02.15)

One respondent believed that the campaign represented a significant challenge to multinational firms because it exposed the ‘hypocrisy of double standards’ when it came to social and environmental governance for tea produced for different end markets (Lead Firm 1; Kolkata 21.07.15). In an era of polycentric trade, there appears to be increased awareness that it is the same actors coordinating production for overlapping networks. One outcome of this is that international NGOs (and potentially consumers) can begin to critique firms if it is perceived that there are differences in standards in production networks oriented towards different end markets:

‘Corporations who operate across developed and developing markets cannot hide. The Greenpeace report really showed that because Greenpeace said how can you have one standard for German consumers and another for Indian consumers?’ (Lead Firm; Kolkata 21.07.15).

12 I was not able to get an interview with any relevant person at the Tea Board of India. At the time of research, the Chairman had left and the organisation was in a state of flux. The information offered here on the Tea Board’s position is primarily built upon evidence gathered from other primary and secondary sources
Under pressure, the Tea Board appeared to use both the Plant Protection Code and their involvement with Trustea as key means of defending their credibility. Facing questions from opposition figures within the Indian Parliament (Lok Sabha) the Union Minister of Commerce and Industry appeared to claim that Trustea was an initiative of the Tea Board:

‘Tea Board [has] also launched a Trustea code certification programme’.  

It is clear that at this point in time, the Tea Board was willing to use its membership of Trustea to legitimise its position in the face of public scrutiny and to claim Trustea as a locally created standard. Trustea represented a chance to rectify pre-existing shortcomings in the governance of conditions and to ensure that the reputation of the industry at the international (as well as the domestic) level was boosted. It arguably served government interests in the documentation of small tea growers because their efforts to organise and regulate smallholders had largely failed to result in tangible improvements (Neilson and Pritchard, 2011). There was a sense from supplier firms (who are now being asked to comply with Trustea by HUL and TGB) that the Tea Board’s decision to join the initiative was being led by its own failure to regulate the smallholders adequately:

‘I’ll tell you why Trustea has been able to get a foot in...the Tea Board instituted limits which the smallholders were not able to comply with... so they kept deferring the implementation of the new code, the Plant Protection Code...And this gave Trustea an opportunity to step up to the smallholders and to say if you want your teas compliant this is what you need to do”. So this was an opportunity, sometimes people feel that it was Trustea that worked on the Tea Board to implement, these things do happen, you know, hidden agendas and all that, and at the end of the day it is all business so may be there was some kind of a nexus between Trustea and Tea Board, because the Tea Board did push it a lot’ (Planter 4, Kolkata 29.07.15).

For other members of Trustea, they believe that the creation of Trustea has helped the industry to maintain credibility:

‘In fact I think Trustea saved the Indian tea industry from Greenpeace’s campaign’ (NGO 5; Delhi 08.06.15).

The Tea Board plays a markedly different role to that of IDH; illustrating that the role of state-based actors will substantially differ depending on whether it is in the context of the global versus the domestic production networks. Unlike IDH, the Tea Board makes no direct financial contributions to Trustea (although it does offer certification subsidies). However, it has played an important role in legitimising Trustea as a private standard operating within a domestic production network.

7.3.3 The impact of Tea Board within the domestic production network

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13 http://commerce.nic.in/DOC/writereaddata/PQuestion/rs101214.pdf
The domestic production network of Indian tea is fragmented through processes of outsourcing and is characterised by large power asymmetries between the lead firms and their suppliers. Lead firms coordinating the DPN have strategically sought to create a sourcing strategy centred on procuring small volumes of tea from many different factories:

‘If Unilever is buying two hundred million kilos from India, they don’t buy from ten factories, they will buy from two thousand factories’ (NGO 5; Delhi, 08.06.15)

This sourcing strategy lowers risk for the lead firms because it lessens their dependency on one particular region or group of suppliers. However, there are limitations involved in such a strategy. Sourcing tea across a geographically fragmented supply base has left firms facing difficulties in identifying suppliers (NGO 5; Delhi 08.06.15). One significant outcome of the Tea Board’s involvement was the role it played in enhancing lead firms’ ability to coordinate suppliers within the domestic production network. The involvement of the Tea Board of India has led to the use of the official Tea Board seal on all materials and publications created by Trustea. As discussed in Chapter 5, Trustea had also incorporated many of the policies of the Tea Board. The Tea Board became tasked with championing Trustea within the domestic market, which became a legitimating strategy in terms of persuading supplier firms to comply with the standard. Members of Trustea claim that the inclusion of the Tea Board has led to increased support from their suppliers:

‘Tea Board came on and said I own the standard so it’s now become the official Indian standard for sustainability so it’s been a huge motivating factor for people adopting Trustea, has been the fact that the Tea Board has been a partner throughout the whole process’ (Lead Firm; Kolkata 21.07.15)

Crucially, the inclusion of the Tea Board transformed the perception of Trustea as being corporate led into a state-led initiative:

‘Producers they get reassured that it is not a Unilever or a Tata programme, it is a Tea Board programme’ (NGO 5; Delhi 08.06.15).

In the context of the domestic production network, the inclusion of the Tea Board improved lead firm coordination of their fragmented supplier base. The Board does so by facilitating coordination between Trustea’s own field officers and local Tea Board offices with regards to smallholder training. The Board has offices in all tea growing constituencies and has the capacity, authority and power to coordinate growers in ways that the lead firms would not be able to achieve in isolation. The Tea Board’s provision of one hundred Development Officers to assist smallholders and tea factories in the field to apply sustainable practices (Solidaridad 2014) gave Trustea a ‘high intensity of touch points’ (Business Association; Kolkata 30.07.15). Development Officers (DO) were trained by Solidaridad Asia so they could cooperate with Trustea’s implementation team, and were each given a jurisdiction covering between 3000-5000 smallholders. Specifically, DOs were responsible for
forming and training self-help groups comprised of smallholders (Solidaridad 2014). The Tea Board’s participation ensures that Trustea’s implementation team are able to reach deeper into the lower tiers of the domestic production network, and to co-organise training programmes for small tea growers and the plantation estates:

‘You would have messengers, you would have development officers, you would have product checkers coming more regularly from the Tea Board to the tea estate than any other statutory authority’. (Business Association; Kolkata 30.07.15)

The combined resources of Trustea and the Tea Board facilitated a more targeted and effective form of engagement with smallholders on sustainability concerns. The ways in which the Tea Board increased the legitimacy of Trustea are linked to the coercive power that the Board has over supplier firms. The below quote supports the notion that the Tea Board holds significant power over supplier firms:

“If you have a torch bearer, if you have an advocacy champion…and that champion happens to be Tea Board, then because I and the small grower have businesses to do with the Tea Board, I get continuously reminded by the Tea Board that this is a good sign-up” (Business Association; Kolkata 30.07.15).

A business association representing many of Unilever and Tata’s largest suppliers in the North-East regions of tea production appear to view Trustea as having higher legitimacy to govern the social conditions of the industry. This is due to the fact that Trustea has successfully become ‘localised’:

‘Trustea has painted to be an Indian coalition; it’s an Indian construct as opposed to a global construct. So I think that the argument is pretty compelling, and the argument is pretty attractive, that India has a separate standard which is all of this’ (Business Association; Kolkata 30.07.15).

However, this is leading to industry resentment over the incorporation of legal frameworks and laws into what is, in principle, a voluntary standard:

‘A statute is a statute… is Trustea going to implement statute or is the state going to implement statute? So is the statutory authority abrogating its rights to administer statute, to a civil society kind of construct? Where it’s almost subletting its administrative functions to such a thing, I’m not very happy with that’. (Business Association; Kolkata 30.07.15).

While the involvement of the Tea Board initially appears as a response to audience pressure at the global level, its participation in Trustea has also advanced the legitimacy of the standard at the local level. Yet, there are clearly important tensions occurring as state-based actors sponsor and endorse standards governing production at the national scale.
7.4 Discussion

This chapter illustrated the ways in which state-based actors shaped the development of Trustea at the global and local scales. It began by discussing the ways in which the Government of Netherlands ‘sponsored’ the development of Trustea before turning to examine the ways in which state-based actors in India legitimised the development of Trustea at the local scale. This chapter addressed the following research question: *How do state-based actors seek to shape the development of Trustea as a Southern social standard at the global and local scales?*

The final section of this chapter links the empirical findings to the conceptual framework developed in Chapter 2. The chapter demonstrated that state-based actors can lend institutional support to the development of Southern social standards at the global and local scales. This advances our understanding of how standards can be shaped by state-based actors in overlapping production networks. Importantly, it illustrates that state-based actors in the global North can play an influential role in the shaping of standards in Southern markets. This is a significant finding, given that the contemporary literature on the development of Southern social standards hasn’t yet uncovered much evidence of Northern state-based organisations sponsoring the development of Southern social standards. This chapter illuminated increased awareness that European standards were ineffective in tackling the more difficult to reach producers. This prompted a geographical shift in governmental support for certification. Within the GPN, state-based actors (IDH) acted as ‘sponsors’ of Trustea by providing a substantial financial contribution to the development of the standard. Within the DPN, state-based actors (Tea Board of India) acted as ‘endorsers’ of Trustea (albeit without the provision of direct financial support). Here, the role of the Tea Board was primarily one of legitimation.

Within the GPN, the empirical evidence demonstrated that state support for the development of Trustea was the outcome of an evolutionary transition in the ways in which the Dutch Ministry of Foreign Affairs chose to support the development of standards within production networks. In the GPN, state interest appeared to be correlated to failures within the intergovernmental arena to create standards to govern the social conditions of production in the global South. As a result, the Ministry of Foreign Affairs has come to view the sponsorship of private standards as an alternative way to influence the social and environmental conditions of production within the global trading system.

This chapter has illustrated that it is possible to explain state interest in Trustea (at the global scale) through three distinct phases. The merging of trade and development cooperation was the first
phase. In this phase, the public-private partnership model became a central means for state-based actors to fulfil a dual interest in advancing the commercial interests of Dutch companies while ensuring that government commitments to development cooperation are also fulfilled. In the second phase, the formation of IDH and the emergence of sectoral programmes targeting key commodities ensured that the Government began to financially sponsor efforts to make the global tea sector more economically and socially sustainable. Here, initial efforts focused on supporting the realisation of private sector commitments to source sustainable tea (certified under Utz Certified) for sales in European markets. Yet some Dutch NGOs were less convinced of the developmental relevance of such an approach. Given that the largest tea producers (such as India, China and Indonesia) were also large domestic consumers, there were internal efforts to push for standards which could also reach workers and producers supplying these domestic markets. In this third phase, the introduction of Teh Lestari within the Indonesian market marked a geographical shift in the focus of IDH’s Tea Improvement Programme. It is in this third phase that Unilever’s interest in developing Trustea is complemented by this geographical evolution. It is important to note that IDH’s support for the development of domestic standards in the global South did not occur along an altogether different trajectory to their original focus on the global market agenda. In fact, state support for domestic standards in the global South is justified in light of the perceived benefits for European standards. For example, it is clear that the original agenda was supposed to benefit the interests of European certifiers such as Rainforest Alliance and Utz Certified. Yet, the extent to which this will in fact materialise as benefits to these standard setters remains an open question.

Given that these domestic market standards have understandably developed to meet local realities, it is difficult to ascertain the added-value for producers to ‘step up’ to also comply with export standards. Of course, compliance with Rainforest Alliance and Utz Certified could facilitate market access to higher value-adding markets for producers who had until now only supplied domestic markets. However, there are a number of limitations which these producers would presumably still encounter. Firstly, there is currently a significant gap between the volume of Utz Certified, Rainforest Alliance and Fairtrade produce certified versus the amount actually sold as certified produce in European markets. This could act as a disincentive for producers to comply, as there is seemingly no guarantee of market access or a premium. Secondly, even if producers do comply with these certification schemes, they would arguably be competing with suppliers who have established relationships with buyers in export markets. This is compounded by the shift in markets to the South and the recent decline in tea consumption in Northern markets.
Within the DPN, the empirical evidence illustrates that state support for the development of Trustea was primarily founded on the fact that smallholder production had created food safety issues within the domestic market. The Tea Board became concerned that the growth of production occurring within the informal sector was adversely affecting the quality of tea being sold in the domestic market. Whilst the Tea Board had intervened through the creation of a number of different policies to support the smallholders, there is evidence to suggest that these interventions were largely ineffective (Neilson & Pritchard 2011).

The Tea Board’s decision to become a core member of Trustea allowed the Board to bolster its pre-existing efforts to govern smallholder production. This is a significant example of the ways in which Southern standards developed within the specific confines of domestic markets may complement the efforts of state-based actors. However, it also raises important questions regarding the ways in which the state allows the proliferation of private standards to operate within a pre-existing national regulatory environment. Many smallholder producers cultivate land illegally, and are not formally registered as tea growers. Since the launch of Trustea, the Tea Board has further sought to document small tea growers, and to formalise their economic activity. The use of identity cards has been one such way through which the state can better regulate these producers. In this context, it appears that there is a high degree of complementarity between the efforts of public and private actors.

The decision of the Tea Board to support Trustea supports the argument that state-based actors are acting as endorsers of private standards at the local scale. Arguably, this leads to problems for global standards who have hoped to capitalise on the possibility that Trustea could act as a ‘stepping stone’ for producers to then comply with export standards (or in fact in the domestic market too). The fact that the Government has not only endorsed Trustea but has also become the ‘champion’ of the standard has created high levels of legitimacy for Trustea. Yet, simultaneously it has lessened the motivation for producers to seek compliance with other forms of certification. Interestingly, the empirical evidence illustrated that the Tea Board’s endorsement of Trustea not only legitimises Trustea as a local standard but equally helps lead firms to better coordinate production within the DPN. The Tea Board’s local presence within the smallholder producing regions has helped to identify smallholders and to train them to be compliant with the Trustea code of conduct. Without the Tea Board playing this intermediary role, it is difficult to see how lead firms would have easily identified smallholder suppliers within the 2020 timeframe.
Chapter 8: The role of NGOs in shaping Trustea

8.1 Introduction

This chapter analyses the ways in which non-governmental organisations (NGOs) have sought to shape Trustea in an era of polycentric trade. It uses the framework of the global production network and domestic production networks (GPN/DPN) in order to map the varied commercial and institutional pressures occurring at these two scales. Within the GPN, the commercial and institutional drivers behind NGO engagement within Trustea are explored; with particular reference to the ways in which NGOs engaged with commercial and institutional actors in order to advance a social agenda which focused on the creation of Southern-oriented social standards. It demonstrates the politically fraught processes through which NGOs sought to reposition their power to govern social standards within the global production network. It continues by illustrating the role that NGOs played in shaping Trustea from their position within the domestic production network. As such, this chapter addresses the following research question: *How do civil society organisations seek to shape the development of Trustea as a Southern social standard at the global and local scales?*

This chapter shows the evolution of NGO approaches to the development of social standards. Focusing on the role that Solidaridad has played in shaping Trustea, it traces the ways in which the NGO has attempted to promote various social standards designed to govern the Indian and global tea industries. The evidence presented demonstrates that the shift in markets to the global South prompted an organisational transformation in terms of Solidaridad’s structure. Solidaridad transitioned from a centralised office headquartered in the Netherlands into a number of decentralised networked offices across the global South.

The relationship between Solidaridad and its local offices should not be viewed solely as the result of commercial and institutional transformations taking place at the global scale. For example, the formation of Solidaridad Asia in New Delhi created an organisation with considerable autonomy to create its own regional programmes. The leadership of Solidaridad Asia draws heavily on local civil society expertise, and on a longer history of Indian-led efforts to shape social standards within the local market. As such, Solidaridad Asia has led Solidaridad’s engagement in Trustea from a local perspective, drawing on previous experiences within the sector. This chapter illustrates how NGOs can seek to shape the governance of Southern social standards based on their position to influence (and be influenced) by commercial and institutional pressures occurring within the GPN and the DPN.
Section 8.2 depicts the role played by Solidaridad in shaping Trustea within the global production network. It maps the evolution of Solidaridad’s agenda in the context of the commercial and institutional environment of the Netherlands (via a mapping of the GPN). It illustrates that NGOs are highly adaptive to changing commercial and institutional dynamics shaping GPNs. Moreover, it shows that the shift in markets to the global South has presented NGOs with new challenges and opportunities to shape social standards within the global and local tea industry. In the case of Trustea, NGOs were able to influence the development of the multi-stakeholder initiative due to their ability to adapt to the increased emphasis on Southern markets.

Section 8.3 illustrates the role played by Solidaridad Asia within the domestic production network. It maps the ways in which Solidaridad Asia’s efforts to shape the development of Trustea were themselves constructed from previous attempts by Indian civil society to shape the governance of social standards for the domestic market. In particular, the role that the current Director of Solidaridad Asia has played in shaping historical efforts to govern the tea industry is explored in comparison to Solidaridad’s contemporary efforts to shape Trustea.

Section 8.4 discusses the findings of this chapter in relation to the analytical framework. The ways in which a single NGO became a series of decentralised networks can be read as an explicit organisational response to the existence of an increasingly multi-polar world. It illustrates that NGOs are capable of exploiting the changing political opportunities not only within Northern end markets but are increasingly responsive to broader shifts in the direction of global trade flows and the growing importance of Southern markets.

Figure 21 shows a simplified structure of the global and domestic production networks of Indian tea production as well as the key NGO actors who shape the governance of social standards within Northern and Southern tea markets. The diagram illustrates the structure of the chapter, whereby the role of NGOs within the GPN and DPN will be explored.
Solidaridad’s engagement in shaping Trustea should be understood in relation to a number of complex commercial and institutional transformations that have affected the ways through which firm, state-based and civil society organisations have come to develop social standards at the global scale. This chapter identifies three particular commercial and institutional transformations within the Netherlands which prompted Solidaridad to increasingly focus on the development of Southern (as opposed to Northern) social standards. The first transformation was the heightened interest of the Dutch Government in combining development cooperation and trade within one portfolio (as discussed in Chapter 7). The second relates to shifts in governmental policy regarding the provision of funding to global versus local NGOs. The third was the shift in markets to the global South, which presented the newly-restructured Solidaridad with an opportunity to expand certification programmes into emerging markets.

8.2.1 The evolution of Solidaridad

As outlined in Chapter 5, Solidaridad is a Dutch-based NGO whose primary focus is on the creation of sustainable supply chains in the agricultural sector. The Executive Director of Solidaridad (Nico Roozen) has played a significant role in shaping the Dutch agenda with regards to sustainability standards. He is widely termed “the founding father” of Max Havelaar; the first Fair Trade initiative in the world. Max Havelaar was launched in the Dutch market in 1988 and initially focused on improving social and environmental conditions of coffee producers in the global South. It is claimed by Dutch civil society actors that this was the start of NGO led efforts to ‘link development
cooperation with trade’ (NGO 5; Netherlands 16.02.15). The rationale for targeting consumers during this initial period (1980s) was an outcome of the low level of understanding exhibited by the business community with regards to sustainability in global supply chains (NGO 5; Netherlands 16.02.15). Within the Max Havelaar programme, Solidaridad was responsible for supporting farmers to comply with certification. They did so through their creation of farmer support programmes. In 1996, Solidaridad also initiated a fair-trade system for bananas. However, consumer engagement on sustainability issues was not as high as Dutch NGOs had hoped:

’Soo initially I had much higher expectations of the market potential of these concepts, but now we know that only for three to five per cent of the consumers, sustainability is a decisive purchasing argument and so it’s a pity, but it’s the reality’ (NGO 5; Netherlands 16.02.15).

By the 1990s, Solidaridad began to see that a number of ‘frontrunner companies’ were beginning to engage more with corporate social responsibility. This created the stimulus for Solidaridad to explore the idea of partnerships with these more enlightened companies (NGO 5; Netherlands 16.02.15). One example of Solidaridad’s engagement with lead firms was their development of Utz Certified (at the time known as Utz Kapeh) with Ahold coffee retailers in 2002. This work centred on the transformation of a pre-existing company code for sustainability (the code originally developed by Ahold Coffee Company) into a ‘corporate social responsibility concept’ (Solidaridad, 2016, p. 15). The work continued through further engagement with other mainstream coffee roasters in the Netherlands. Solidaridad argue that this made Utz Kapeh accessible for all companies by providing them with an ‘improved code of conduct, governance structure and third-party auditing system (Solidaridad, 2016, p. 15). Solidaridad also participated in several global initiatives to create roundtables (meaning sector-wide initiatives which establish a baseline for responsible production). The NGO is a co-founder and/or member of several international roundtables for soy, palm oil, sugarcane and cotton (such as Roundtable on Sustainable Palm Oil, Better Cotton Initiative and Roundtable on Responsible Soy). Solidaridad’s engagement in these various efforts (consumer engagement, standards, roundtables) constitutes what the NGO calls the ‘pyramid of change’ (Solidaridad 2016). In this pyramid of change (illustrated below in Figure 22), consumers constitute the top of the pyramid (given that a small segment of sustainable transformation is based on consumer preferences and therefore can be termed niche). In the middle of the pyramid lie the various CSR concepts and models and at the bottom of the pyramid are the roundtables, defining a baseline for sustainability. A recent addition to Solidaridad’s ‘pyramid of change’ is their development of Southern social standards, which will be discussed further within this chapter. The ‘pyramid of change’ is significant in the sense that Solidaridad perceive all forms of engagement as essential in order to create sustainable transformations within global production; even if some
initiatives could be critiqued as lower standards as compared to others. For example, the initiatives at the top of the pyramid contain relatively more stringent social standards in comparison to the roundtables at the bottom of the pyramid.

Figure 22 Solidaridad’s ‘Pyramid of Change’

Solidaridad sees itself as a ‘player’ at all four levels of their ‘pyramid of change’. As part of these efforts to engage more closely with the private sector, Solidaridad focused on the creation of sectoral expertise for particular commodities. This was a deliberate choice predicated upon the fact that mimicking the purchasing departments of lead firms would facilitate closer cooperation, enabling Solidaridad to become a fitting partner for companies (Solidaridad 2016). The ideological movement from contestation towards collaboration between civil society and the private sector is seen by some as inevitable given the shifting paradigm within Northern end markets, as remarked upon by one Dutch-based NGO:

‘I think that the switch from “protest to proposal”, so to a more constructive attitude…it is quite clear and obvious for me that from this understanding of this new business case, and this new interest of companies, we can support that and facilitate companies to become more supportive and more sustainable’ (NGO 5; Netherlands 16.02.15).
The ‘new business case’ refers to the broader institutional changes in terms of the norms surrounding the governance of social standards (such as the growth of private-public partnerships). In this new paradigm, the agenda is directed by the notion that firms can raise social standards and reduce environmental impacts while simultaneously supporting the sustainability of their economic activity in the long-term. In essence, firm engagement with development issues has also become a risk management process ‘considering security of supply is a core business issue’ (Solidaridad 2014). Solidaridad’s decision to place themselves within this broader agenda of cooperation with companies creates a differentiation between themselves and other more ‘critical’ NGOs who have used “naming and shaming” campaigns to encourage the private sector to better govern their supply chains:

“So only seeing from the outside and criticising and blaming and shaming anymore, doesn’t work...but that’s a radical change in the sense that it requires completely other and different capacities of your organisation” (NGO 5; Netherlands 16.02.15).

Many Dutch NGOs appear to be sceptical about the role Solidaridad plays in the contemporary era of development cooperation; illustrating divisions within Dutch civil society about what the role of an NGO should be:

‘I think if you talk to Solidaridad they will tell you about all the different programmes they are running with all different private sector partners but that’s what they do. They are not able anymore to keep those private sector actors accountable because of the fact that if they do that it will fire back to them too, because they are part of it and I think that’s the big difference with ten years ago’ (NGO 15; Netherlands 09.02.15).

The next section continues by mapping further commercial and institutional shifts which took place in the Netherlands during the period 2000-2015. It is in this contemporary context in which Solidaridad’s interest in developing Trustea emerges.

8.2.2 The contemporary influences on Solidaridad

As discussed in Chapter 7, NGO-firm partnerships on issues of trade and development cooperation have been institutionalised by the Government of the Netherlands through the creation of IDH. The Government’s decision to combine development cooperation with trade policy arguably bolstered Solidaridad’s position as a key institutional player within this agenda. In particular, the emphasis on public-private partnerships (in which the role of an NGO is primarily one of an implementer) has favoured Solidaridad’s particular expertise in the development of practices which better support producers in the global South. For example, Solidaridad had been engaging in farmer support programmes for decades. However, since IDH emerged as a key player within this new policy space,
the roles and responsibilities of IDH versus Solidaridad have become increasingly indistinct in relation to the task of programme implementation. For example, in the early years of IDH, the organisation tended to transfer the full management of sector programmes to Implementing Partners (IPs). IPs are contracted and funded to coordinate substantial parts of the partnerships and to work with firms and other NGOs to implement the programme; they report directly to the IDH programme manager (Ministry of Foreign Affairs of the Netherlands, 2014b). Solidaridad have frequently been awarded IP contracts to work as the implementation partners for IDH. However, in recent years IDH appear to have modified their approach somewhat by internalising some of the responsibilities originally afforded to the IPs. Specifically, IDH have played a more prominent role in implementation. IDH’s increased internalisation of implementation reflects a concern that they [IDH] would otherwise lose important influence:

‘IDH argued that by contracting out complete programmes, its sphere of influence was sometimes too limited to be sufficiently effective and to be able to- for instance- redirect programmes during implementation’ (Ministry of Foreign Affairs of the Netherlands, 2014b, p. 61)

Although IDH still uses Implementing Partners in all programmes, programme coordination and management by IDH is now more intensive. For example, the cotton, coffee and timber programmes are now fully managed in-house (Ministry of Foreign Affairs of the Netherlands, 2014b). Some members of Dutch civil society see this shift as a threat to their own legitimacy:

‘IDH is a really big problem for us. So the government wanted to copy and to strengthen our work by creating a new organisation...IDH is too much opportunistic in engaging themselves with companies, and in that way they are the spokesman of companies’ (NGO 5; Netherlands 16.02.15).

Dutch NGOs have also expressed concerns that IDH has worked ‘more exclusively through companies, making less use of experience and knowledge available in the not-for-profit sector’ (Ministry of Foreign Affairs of the Netherlands, 2014b, p. 15), further compounding the tensions between IDH and other members of Dutch civil society.

In addition to these dynamics, there were a number of other policy changes which negatively impacted upon Dutch NGOs. These changes primarily related to the allocation of development funding for NGOs cooperating with local partners within the global South. Since the devolution of budget responsibilities from the Hague to the Dutch embassies during the 1990s, there has been an overall increase in direct funding to Southern civil society via the embassies (Ministry of Foreign Affairs of the Netherlands, 2014a, p. 3). During the 1990s-2000s, Dutch NGOs still continued to
receive a higher sum of money than the direct funding schemes channelled to local NGOs. For example, in the period 2007-2010 Dutch civil society organisations received a total of EUR 865 million annually whereas direct funding to Southern civil society during the period 2006-2012 totalled just EUR 135 million. However, this was soon to change. In 2009, the Dutch Government announced that the contemporary model of co-financing utilised throughout the 2000s would be substantially modified by 2015 (Spitz, Muskens and Ewijk, 2013). Specifically, this entailed a shift in the expenditure of the aid budget; moving from a model in which Dutch NGOs were funded to partner with local organisations to one in which ‘direct support’ would be channelled to organisations from developing countries. This was set to have a significant economic impact on Dutch NGOs given their significant dependency on co-financing as a source of funding:

‘Cutting the Dutch civil society channel would mean that the Dutch NGOs have to increase their efforts to raise funds from other sources...Considering that most co-financing organisations must depend on government for up to 75% of their budgets, chance are that many of them will not be able to bridge this financial gap...many co-financing organisations are already anticipating a future decrease in their income and adjusting to a changing reality in the field of development cooperation’ (Spitz et al., 2013: 32).

According to Spitz et al (2013), this change in policy was the outcome of several different evaluation studies which had argued that it was difficult to ascertain the effectiveness of Dutch NGOs in these partnerships. It is believed that a 2011 OECD report (in which the value of co-financing was questioned) also stimulated this shift in policy by the Dutch Government (Spitz et al., 2013). NGOs in the Netherlands have argued that such changes are reflective of an increasingly technocratic attitude in which local civil society organisations in the global South were being increasingly perceived as serving the sole function of service-delivery organisations (NGO 7; Netherlands 20.02.15). The rechannelling of funding to NGOs located in the global South became a source of financial insecurity for organisations such as Solidaridad. Since 2000, Solidaridad had received over a quarter of its total budget from funds provided by the Ministry of Foreign Affairs (Solidaridad, 2011b) As the Dutch Government announced these changes, Solidaridad began to transform its global structure to mitigate the negative impact of these proposed policy changes on their work. Solidaridad began to transition from a centralised Dutch organisation into a series of networked organisations registered in and operating out of offices in the global South (Solidaridad 2016). Figure

14 Co-financing refers to the model through which funding of civil society organisations in the global South (by the Ministry of Foreign Affairs) was supported by subsidising Dutch co-financing agencies, such as NGOs. These agencies, also using their own funds, would then provide support to Southern civil society actors for a number of different development programmes.
23 below illustrates the core criteria through which the Ministry of Foreign Affairs chooses to define as a local NGO.

**Figure 23 Ministry of Foreign Affairs definition of a 'local NGO'**

- An NGO which has its roots in the country of operation
- An NGO which is led by local staff, without external influences such as a foreign-based Supervisory Board
- An NGO which has few, if any, staff members with a Western nationality
- An NGO in which the core staff are local, possibly operates in neighbouring countries, but has no office in the North, may be an umbrella organisation, platform or forum with non-NGO participants (Ministry of Foreign Affairs of the Netherlands, 2014b).

Figure 24 illustrates the contemporary structure of Solidaridad. Solidaridad has opened 10 regional offices between 2012 and 2013 across Africa, Asia and Latin America. It is clear from Figure 24 that Solidaridad’s contemporary structure mimics the definition of a local NGO (LNGO) as determined by the Dutch Government. For example, Solidaridad has an international supervisory board; meaning that two representatives from each geographical region sit on this board. This meets the criteria of a local NGO in the sense that there is no central office ‘in the North’ steering the organisation. In addition, Solidaridad have delegated a significant amount of power to the regional offices as these offices have responsibility for programme development (Solidaridad 2016).

**Figure 24 Solidaridad Network Structure**

(Solidaridad emphasises the important local role played within its network of Regional Expertise Centres (RECs). It claims that the quality, outcomes and impact of Solidaridad could be significantly
improved if Solidaridad maximised the use of local expertise (Solidaridad 2016). Solidaridad says it has attempted to do this through its so-called ‘subsidiarity principle’ which refers to ‘empowered RECs under local management with a strong mandate to plan and execute’ (Solidaridad, 2016, p. 11). The process of firmly establishing this global network is set to take 10 years and cost EUR 10 million, which is why it has been referred to as the ‘10/10 formula’ (Solidaridad 2016). The time period through which this network will be formally established spans from the period 2010-2020. Some of the key opportunities and challenges faced by Solidaridad throughout this process are outlined in their Multi-Annual Strategic Report 2016-2020. There is a clear sense of concern within this report with regards to how this new network structure would operate as a coherent whole, as discussed by the Executive Director:

‘A loose network is a lost network. If regional teams only feel responsible for their own regional programmes, we are lost. When regional management does not commit to work as co-leaders at network level toward a global design- one organisation, one brand, we are lost’ (Solidaridad 2016: 7).

The above quotation evidences tensions occurring between Solidaridad at the global and local scales. There is an evident concern over retaining a strong global identity and brand within Solidaridad as well as encouraging a degree of regional autonomy.

The Ministry of Foreign Affairs has given Solidaridad a large degree of financial support to aid this transformation (Government 2; Netherlands 23.02.17). This paints an ever more complex picture of how the Ministry is pursuing development cooperation. On the one hand it is seeking to move away from the financial support of co-financing between global and local NGOs, but equally it is keen to support Solidaridad as it transitions from a global to a local NGO. For policy makers, the creation of numerous offices across the North and South has created difficulty in terms of determining where the new centre of power is within Solidaridad’s decentralised structure:

‘This is a complex situation sometimes. Especially if you want to try and influence how these emerging powers are becoming active in the sustainability field. Are you doing it through the local entity or are you doing it through the network? So it’s far less linear than it used to be and for a lot of policy makers that’s complex’ (Government 2; Netherlands 23.02.17)

The decision to restructure the NGO also enabled Solidaridad to facilitate an agenda which went beyond their traditional scale of influence within the GPN as the creation of regional offices allowed Solidaridad to pilot the development of domestic standards in the global South (NGO 5; Netherlands 12.02.15). However, this restructuring radically altered the ways in which Solidaridad was allowed to cooperate with local Indian civil society partners. One local Indian NGO (who had enjoyed close
cooperation with Solidaridad prior to this transition) explained how the funding decision of the Ministry of Foreign Affairs in the Netherlands has affected their own work:

‘we have been implementing their [Solidaridad’s] programmes for the past four or five years, but now they have to implement their programmes themselves if they have to get funds from abroad so they were asked [by the Dutch Government] not to be a funder but to be an implementer by themselves, alone...The government [Netherlands] came here, the representative talked to us and then they asked us why should we give Solidaridad funds when you are doing all the work? So it came to that level’ (NGO 19; Bangalore 19.08.15).

Despite the increased emphasis on local NGO funding by the Ministry, it appears that Solidaridad’s transformation into a ‘local NGO’ may be creating negative secondary impacts on other civil society organisations in the global South.

8.2.3 The shift from the GPN to the DPN in Solidaridad: the tea industry

Changes in Solidaridad’s structure affected the ways in which the NGO sought to engage with the global tea sector. As discussed in Chapter 7, Solidaridad was a key partner within IDH’s Tea Improvement Programme (TIP) 2008-2012. Whilst the restructuring of Solidaridad was partially driven by concerns over financial security, it is also the case that this new decentralised model would enable the NGO to pursue the development of social standards for Southern markets. In fact, as early as 2011 Hindustan Unilever and Solidaridad Asia signed a joint statement which recognised ‘the need for sustainability solutions for smallholder tea farmers in India’ and so began two pilot projects in Assam.

‘For Solidaridad, the joint cooperation is a breakthrough in the development of a sustainable tea market. So far Solidaridad activities to raise demand for sustainable tea were oriented at the European markets. India is not only the largest tea producer, but also the biggest consumer market for tea worldwide. The cooperation between Solidaridad and Hindustan Unilever Limited, one of two biggest tea companies in India, integrates market activities in the Solidaridad tea production program’ (Solidaridad website, 2011 statement).

Solidaridad Asia was responsible for writing the bid to become the chief implementation partner in the development of Trustea. Solidaridad also played a central role in creating the internal governance structure of Trustea. Section 8.3 now turns to look at how Solidaridad Asia has engaged with the development of Trustea at the local scale.

8.3 Domestic Production Network
Solidaridad Asia is headquartered in New Delhi, and represents the South and South-East Asia regional office of Solidaridad. It is headed by the Director Dr Shatadru Chattopadhayay. The Director is a central figure within Indian civil society and has worked on social and environmental problems facing the Indian tea industry for several decades.

This section illuminates the importance of historical civil society efforts to govern the domestic production network of Indian tea. By understanding the role played by Chattopadhayay (amongst others) in attempting to create a code of conduct for the local market in 2002-2003, the development of Trustea by Solidaridad Asia can be better contextualised. As such, this section explores how the commercial and institutional pressures within the DPN came to influence the ways in which Solidaridad Asia sought to develop Trustea as a Southern social standard in relation to previous efforts.

8.3.1 JustTEA

In the early 2000s, Shatadru Chattopadhayay worked at an Indian NGO known as Centre for Education and Communication (CEC). At this point in time, the Indian tea industry was in the midst of a crisis given that low global market prices had led to the closure of plantation estates. This in turn led to devastating impacts on labourers within these isolated communities, with reports that labourers were starving to death (CEC, 2007). During the period 2002-2003, CEC alongside Traidcraft UK and Fakt Consult received funding from the European Union to begin work with plantation owners in order to discuss how improved living conditions for workers could be achieved. CEC was interested in examining the role that pre-existing private and public institutions played in shaping labour standards in the industry. In particular, CEC focused on what the contemporary standards provided for these workers in the context of the ‘tea crisis’ (CEC, 2007). They attempted to measure the impact that such standards were having in improving conditions for labour in the face of economic and social turmoil. During this period, there were a number of initiatives in place governing global production networks. These included the Ethical Tea Partnership (ETP), The Tata Code of Conduct & the Tata Index for Sustainable Human Development, the Unilever Codes of Business Principles, Business Partner and Sustainable Agriculture Initiative and criteria of Fair Trade Labelling Organisation (FLO) (CEC, 2007). One NGO explained that such standards were found to be lacking in the context of the Indian tea industry:

‘These standards were totally devoid of what should really be done in a tea plantation when the employer is not there, when the employer has just fled’ (NGO 7, Delhi 16.06.15).
In light of these claims, CEC sought to produce a code of conduct ‘appropriate to Indian conditions’ for the domestic market (CEC, 2007). This code of conduct became known as JustTEA, and was part of CEC’s project which centred the creation of standards ‘from a Southern perspective’ (NGO 7; Delhi 16.06.15). CEC viewed previous codes of conduct and standards as ‘just a superficial thing’ because they had completely failed to account for, or to regulate instances where abandonment of tea gardens and estates by management was taking place (NGO 7; Delhi 16.06.15).

CEC created a code of conduct based on the perspective of a worker in the Indian tea industry. Its defined objectives were the promotion of sustainable tea trade through improved labour and/or social standards, the advancement of fair trade practices and the creation of new market opportunities (CEC, 2007). CEC launched the code in 2005 as ‘Social, Economic and Environmental Standards (SEES): Code of Conduct for the Indian Tea Industry’. According to those associated with the initiative, JustTEA struggled to garner much support from the industry because the Plantation Labour Act was already ‘a very progressive act’ (NGO 11; London 27.02.15). Furthermore, the globalised nature of tea production by the 2000s meant that companies were becoming increasingly hesitant about participation in initiatives which might render them less competitive:

‘the industry is led by price, and it is led by quality...and so based on all of these dynamics the market tends to shift, it can move from East Africa to Sri Lanka, and from estates to small growers’ (NGO 11, UK 27.02.15).

Lead firms within the domestic market (Hindustan Unilever and Tata Global Beverages) were resistant to the development of the standard during this period and refused to apply it within the domestic market. According to multiple sources, these firms dismissed the JustTEA standard due to the fact that there was no interest from Indian consumers in the development of such initiatives (NGO 5; Delhi 25.09.15; NGO 7; Delhi 16.06.15).

‘I took the code to the industry, the Unilever’s, the Tata’s and they kicked me out. They said you are crazy, you don’t know what you are talking about, even in Europe it doesn’t work, and that was 2001-2 and I tried very hard and they said get lost’ (NGO 7; Delhi 16.06.15).

Thus it became difficult for CEC to challenge the existing transnational institutions involved in the governance of labour standards (NGO 7; Delhi 16.06.15). Shatadru Chattopadhayay left CEC in late 2004 to work as a Senior Manager in another Indian NGO known as Partners in Change. He later joined Solidaridad as the first Director of their South and South-East Asian office.
8.3.2 Solidaridad Asia involvement in Trustea

Given Chattopadhayay’s expertise on the Indian tea industry, Solidaridad Asia was well positioned to facilitate the implementation of the Trustea code within the local market. For Solidaridad Netherlands, its local office was critical in bringing in ‘decades of knowledge’ from previous work in the tea sector (Solidaridad 2014: 4). The realities of India’s commercial and institutional environment necessitated a process through which local representatives of firms and NGOs would now play a central role in the creation of content within the Trustea code. Solidaridad Asia worked closely with the Head of Sustainability at Hindustan Unilever in order to create a code which reflected the realities of production for the local market (NGO 5; Delhi 08.06.15). The development of Trustea is still framed as a continuation of CEC’s earlier efforts, reflecting a strong degree of path-dependency between JustTEA and Trustea:

‘10 years later we are doing Trustea and it’s not a coincidence that Trustea and JustTEA sound very close’ (NGO 5; Delhi 25.09.15).

Yet, the reality is that there are significant differences in the ways in which Trustea and JustTEA have arisen. The first significant difference is the fact that the dynamics of global trade have shifted significantly within the intervening period between the two initiatives (2002-2013). As a result of the growth of Southern markets, there is a stronger incentive for firms to engage in the creation of new standards for the domestic market. While standards within the GPN appear to have been led by competition and market differentiation, in the DPN there appear to be significant concerns around food safety and a need to coordinate smallholders (as well as competition and market differentiation). This is evidenced within Trustea’s code of conduct in which there are specific food safety standards in place in relation to Northern standards. However, it is not only a shift in markets but a transition in the approach taken by prominent leaders within Indian civil society. JustTEA illustrated to the Indian CSO community that lead firm participation would be necessary in order to create a successful standard for the domestic market:

“You cannot use 20th century approach in a 21st century world which is asking for different kind of rules. NGOs have been traditionally outsiders, out of the fence kind of organisations. Today the requirement is that you have to be inside the fence. NGOs have been traditionally raising the problem, sometimes we have been part of the problem. Today, NGOs have to be part of the solution’ (NGO 5; Delhi 08.06.15)

This transformation in thinking has been noted by the lead firms, who see the change as a positive step in terms of relations between the NGO and the private sector in India (Lead Firm 1; Netherlands 23.03.15). But for other local NGOs within the Indian civil society community, this change in approach deviates from the ‘bottom up’ efforts of Centre of Education and Communication:
'The Trustea standard which comes of the industry and so now the industry standard is actually a standard which is forced down on the producers (NGO 7; Delhi 16.06.15).

Several local NGOs don’t support Trustea’s claims that the standard has occurred through an inclusive or a multi-stakeholder process (NGO 7; Delhi 16.06.15). As such, there is evidence of considerable tension between Solidaridad Asia and CEC, as noted by other NGOs involved in shaping standards in the Indian tea industry:

‘It’s difficult you also have CEC, who are one of the more radical labour NGOs involved at least in Delhi, but I know that relations between Solidaridad and CEC are not very good’ (NGO 13; Netherlands 10.02.15).

8.4 Discussion

This chapter illustrated the ways in which non-governmental organisations sought to develop Trustea from their position within the global and domestic production networks. It did so by addressing the following sub-research question: **How do civil society actors seek to shape the development of Trustea as a Southern social standard at the global and local scales?**

The primary empirical finding is that NGOs shaping the development of Trustea cannot be differentiated between global and local organisations who are either confined to the commercial and institutional confines of the GPN or the DPN. In fact, Solidaridad represents an NGO which operates as **both** a global and local organisation through a (newly) decentralised structure. This was a deliberate strategy chosen in order to respond to policy changes in the ways in which governments are choosing to fund development cooperation in the early twenty-first century. However, the restructuring of Solidaridad into a series of local offices in the global South is also reflective of the NGO’s sensitivity to geographical shifts in global consumption, creating what Solidaridad has termed a ‘multi-polar world’ (Solidaridad 2016). The blurring of the territorial boundaries seen within Solidaridad’s structure is indicative of the NGO’s ability to respond to commercial and institutional shifts within the global and domestic production networks.

The empirical evidence demonstrates that the classification of organisations as either ‘Northern’ or ‘Southern’ does not apply in the case of Trustea. Within the current literature, NGOs have been depicted as shaping the social conditions of production through their position within different nodes of a global production network. Here, the predominant geographical focus of NGO activity has been centred on Northern end markets where civil society has sought to engage with Northern lead firms to create stronger governance of social standards within global supply chains. At the local scale of
the GPN, Southern NGOs are generally seen as weaker actors who try to effect change within the local institutional environment or else seek to build strategic linkages and alliances with other civil society organisations (typically in Northern markets) to create pressure points within production networks. These linkages have been termed transnational advocacy networks (Keek & Sikkink 1998). Other studies have shown that civil society organisations at multiple scales can often have different perspectives on what the most appropriate ways to shape social standards should be, leading to conflict as well as cooperation between civil society actors at the local, national and global scales (Seidmann, 2007). In overlapping production networks, NGOs appear able to create new opportunities to shape standards in the global South without needing to form partnerships with other organisations.

Within the GPN and the DPN, the role Solidaridad played in shaping Trustea has been partially determined by the political opportunities created by state-based actors. It is not simply a case of NGOs acting as ‘institutional entrepreneurs’ (Bartley 2007) but in fact a case of NGOs actively responding to the dynamic institutional environment in which they find themselves embedded. In the GPN, it is evident that Solidaridad and IDH are capable of mutually influencing one another as they have sought to co-define the policy space through which state-based actors support the development of private standards within production networks. Solidaridad, IDH and the Ministry of Foreign Affairs are engaged in various power plays through which they seek to assert the authority to shape the direction of governance within global and local production networks. This has resulted in a number of divergent outcomes which continue to redefine power relations between civil society and state-based actors. The Ministry of Foreign Affairs decision to channel funding away from global (Northern) towards local (Southern) NGOs could be seen as a challenge the legitimacy of Dutch-based NGOs. However, the state also provided significant support to Solidaridad to allow the NGO to adapt to these changing circumstances. Specifically, the Ministry of Foreign Affairs supported Solidaridad’s transition from a single Dutch-based NGO into a number of local NGOs based in the global South.

Solidaridad’s history of cooperation with the private sector and its experience of designing and delivering farmer support programmes (including Max Havelaar) has made the organisation a highly capable NGO partner in the delivery of public-private partnerships. Yet IDH’s efforts to bring implementation in-house for selected programmes illustrates a desire to maintain control over the ways in which public-private partnerships are implemented on the ground. This arguably encroaches on the role of NGOs and has led to increased tensions between state-based and civil society organisations in the Netherlands. In spite of these recent trends, Solidaridad remain an NGO whose
capacity to rapidly innovate to evolving commercial and institutional dynamics continues to make them a valued asset to IDH and the Ministry of Foreign Affairs, and there was a sense of co-depency between these organisations. Solidaridad were successful in persuading IDH to develop the Tea Improvement Programme beyond the confines of Northern end markets and to create a new generation of Southern social standards. While IDH initially saw strong potential linkages between Northern standards and Southern standards (i.e. that the development of Southern standards would allow producers to easily transition to Northern standards) in reality this has not proven to be the case. In fact, several members of Trustea have become increasingly critical of the role which these Northern standards are now attempting to play in governing Southern markets. Overall, it can be said that there is a ‘blurring’ of the institutional boundaries between NGO and state-based actors.

The shrinking of organisational differences between the two has evidently led to increased competition as well as cooperation.

Within the DPN, the political struggles evident relate to the history of civil society in the Indian context. The leadership of Solidaridad Asia draws heavily on local civil society expertise, and is an organisation shaped by an earlier history of Indian-led efforts to shape social standards within the local market. The approach of Solidaridad Asia to the development of Trustea cannot be neatly separated from the previous efforts of Centre for Education and Communication to develop a local tea standard. The failure of JustTEA appears to encourage a very different approach to the development of a Southern standard when examining the case of Trustea. JustTEA was an example of a civil society-led, ‘bottom-up’ standard which lead firms declined to support whereas Trustea has been led from its inception by corporate and state-based actors, primarily at the global scale. This has resulted in a number of significant compromises for Solidaridad Asia. In the contemporary era, it appears that the development of Trustea has occurred because firms and NGOs have both come closer to ‘the middle’ ground. During the period 2002-2003, Hindustan Unilever was not mandated to follow the same commitments made by Unilever. They were resistance to the development of a local standard because they didn’t feel that consumers were demanding certification. Local NGOs during this period approached the development of standards through a ‘bottom-up’ approach; creating localised pockets of support but ultimately unable to convince lead firms to engage in the process.

The case of Trustea highlights the fact that NGOs have gone beyond the formation of strategic North-South alliances with local civil society partners to improve social standards. The existence of overlapping production networks has allowed NGOs to radically alter their organisational structure in order to create regional centres in the global South. This has become a central mechanism for
Solidaridad to ensure that they are well placed to deliver the new generation of Southern social standards. This also reflected a response to institutional limitations occurring within the GPN. There are a number of significant implications raised for the identity and future governance of NGOs within this era of polycentric trade. Solidaridad relinquished their position and identity as a ‘Dutch NGO’ to become a series of local NGOs across the global South that were loosely connected through the identity of a common global policy space.
Chapter 9 Re-conceptualising the shaping of standards in the context of polycentric trade

9.1 Introduction

The purpose of this chapter is to analytically reflect on how the case of the Indian tea industry advances our understanding of how Southern social standards are being shaped in Southern markets. As discussed in Chapter 2, this research utilises a conceptual framework through which overlapping production networks (geared towards global and domestic markets) are located. By using the dual construct of the global and domestic production networks, the role of firms, NGOs and state-based actors in shaping standards at the global and local scale has become a core analytical focus of this research. This chapter reflects on how the case study of Trustea and the governance of social standards in the Indian tea industry illuminated a multi-scalar and multi-polar set of processes driving the creation of Southern social standards for Southern markets. This chapter addresses the final sub-question of this thesis: How does the case of the Indian tea industry contribute to our understanding of how Southern social standards are being shaped in Southern markets?

The empirical evidence presented in Chapters 6, 7 and 8 of the thesis demonstrated the key ways in which firms, state-based and civil society actors shaped the development of Trustea as a Southern social standard. The evidence uncovered illustrates that the concept of polycentric trade does indeed help us to understand the mechanisms through which these various sets of actors sought to shape Trustea from their position(s) within overlapping production networks.

Overall, the findings demonstrate that the GPN framework’s attention to perpetual commercial and institutional transformations within production networks is helpful in understanding how lead firms and non-firm actors (such as civil society and state-based actors) are themselves conditioned by the specific institutional dynamics which constitute the various end markets for Indian tea. Each set of actors sought to shape, and were simultaneously shaped by temporal and spatial dynamics of global and domestic tea markets and the institutions which govern them. The concept of polycentric trade (through which the use of a domestic production network was used alongside the global production network) was used to depict the existence of overlapping networks. This improves the original focus of the GPN framework by allowing us to see how these actors are not only affected and responsive to commercial and institutional pressures within one singular network of production but are in fact simultaneously influenced by commercial and institutional pressures occurring across multiple
production networks. Overall, the conceptual framework created the analytical “space” to facilitate a clearer way of conceptualising the means through which firms, civil society and state-based actors have sought to shape Trustea under shifting global trade flows. The significant degree of overlap between the global and domestic production networks meant that actors were able to structurally transform their organisational models in order to strategically position themselves within Southern (as well as Northern) end markets. The ability for each set of actors to influence Trustea’s development was in turn influenced by incremental shifts occurring within the commercial and institutional environments of the GPN and the DPN.

The empirical evidence challenges the view that firms, state-based actors and civil society organisations can be classified as solely ‘global’ or ‘local’ entities. Indeed, bifurcated distinctions should continue to be challenged as changing global trade flows continue to reshape the organisational boundaries of actors involved in governing social standards. It is not simply a case of so-called ‘global’ actors seeking to become localised, but also a case of local actors becoming more tightly enmeshed into the global governance arena. This is not achieved through partnerships and/or alliances between separate organisations, but instead has been achieved through a distention of the territorial boundaries of individual organisations.

The following chapter is structured as follows:

Section 9.2 revisits the conceptual framework used in this thesis. Drawing upon the commercial and institutional dynamics present within tea produced for global and local markets, the section discusses how the conceptual framework has advanced our understanding of how firms, state-based and civil society actors have shaped Trustea.

Section 9.3 begins by drawing attention to how each set of actors shaping Trustea are conditioned by their position across multiple overlapping production networks. It highlights the fact that typical GPN studies (focused on a singular production network) would have been unable to account for the ways in which these actors were enabled to shape Trustea. This is due to the fact that the GPN fails to consider the significance of the shifts in end markets and the growing importance of the domestic production network as a site of governance.

Section 9.4 illustrates the contribution of the chosen case study in terms of advancing a conceptualisation of global governance in an era of polycentric trade. It questions the prevailing tendency within governance and regulation literature to discuss private standards in terms of ‘global’ versus ‘local’ and ‘public’ and ‘private’ distinctions. It also questions the idea that Southern
standards should be understood as local standards driven solely by local actors and as ‘reactionary’ to Northern standards.

Section 9.5 concludes by highlighting the significance of the Trustea standard as a case study which challenges the predominant ways through which the development of Southern social standards should be understood.

9.2 Revisiting the conceptual framework

As discussed in Chapter 2, the global production network (GPN) framework has emerged as a heuristic approach for understanding both the commercial and institutional processes which form the characteristics of the global economy under processes of globalisation (Henderson et al. 2002; Coe et al. 2004; Coe et al. 2008a; Coe et al. 2008b; Henderson & Nadvi 2011). This thesis uses the construct of the domestic production network (Horner & Nadvi, 2017) in addition to the global production network in order to further expand the heuristic boundaries through which Southern social standards can be empirically examined. The framework expands on the original GPN focus on multi-scalar processes, to also examine the multi-polar dimensions to trade and the organisation of global production. Essentially, this moves the boundaries of analysis away from a singular production network to frame the shaping of standards within multiple, overlapping production networks. Through this, the myriad ways through which firms, state-based and civil society actors approached the governance of social standards in an era of polycentric trade was adequately captured.

Recognising the analytical importance of polycentric trade, this thesis utilised a framework which conceptualised the role of firms, state-based and civil society actors as being able to shape Trustea from their position within the GPN and the DPN. Drawing on the concept of polycentric trade, the conceptual framework utilised the global production network and the domestic production network to depict two overlapping fields through which Indian tea production is embedded. The dual construct of overlapping G/DPNs allowed the analytical possibility of further exploring linkages within the commercial and institutional governance of these production networks. Figure 25 illustrates the conceptual framework.

The network-centred approach of this framework (GPN/DPN) stresses the relational processes through which various groups of actors can advance their interests by shifting the focus from the vertical dimensions of production (i.e. the commercial structure of inter-firm and intra-firm relationships) towards a more multi-scalar comprehension of how these commercial structures are themselves integrated into multiple, overlapping institutional frameworks (Henderson et al, 2002;
In the case of Trustea, the use of the GPN/DPN framework demonstrated the significance of perpetual commercial and institutional transformations within multiple, overlapping production networks. These linkages were shown to be a key determining factor in constructing the environment through which firms and non-firm actors have shaped the development of Trustea.

Figure 25 Production Networks and Polycentric Trade in the Indian tea sector

The concept of polycentric trade explored the linkages and interconnectivity between these two historically “separate” institutional fields (i.e. the GPN/DPN). Using this framework, the thesis found that firms, civil society and governmental actors are capable of governing social standards through their joint embeddedness within the commercial and institutional structures of both the GPN and the DPN. Figure 26 below illustrates the linkages seen in the empirics between firms, civil society and governmental actors across overlapping production networks.
Figure 26 reflects the evidence that in the case of Trustea, firms, NGOs and state-based actors are capable of influencing the governance of multiple production networks. The growth of Southern markets has forced each set of actors to (re)consider their position within the global production network and has incentivised these actors to also engage more closely within the commercial and institutional confines of the domestic production of Indian tea. Specifically, the shift in markets to the global South has illuminated the high degree of flexibility afforded to firms, civil society and state-based actors to maintain and/or increase their legitimacy as governors of Southern markets (as connoted by the arrows in Figure 26). Each set of actors has responded to the growth of a multipolar system of world trade. This has enabled firms, civil society and state-based actors to move beyond their assumed territorial spheres of influence. In turn, this problematises the bifurcated categories of global/local (Northern/Southern) actors. Strategic (re)positioning across overlapping production networks allows each set of organisations to make various claims to legitimacy when it comes to the role they play in shaping Southern social standards in an era of polycentric trade. Overall, the creation of Trustea could not have taken place if it wasn’t for the sensitivity of firm and non-firm actors to the challenges and opportunities presented by the growth of Southern markets and the existence of overlapping production networks which they capitalised on in their efforts to develop Trustea.
The following section integrates the empirical findings within the conceptual framework. The findings below illustrate the ways in which the case study of Trustea helps to improve our understanding of how Southern social standards are being shaped for Southern markets.

9.3 Mapping GPNs involving overlapping networks of North/South buyers, suppliers and CSOs

The empirical evidence illustrates the importance of moving beyond the focus on the singular construct of a global production network when conceptualising the ways through which actors shape Southern social standards for Southern markets. This is due to the fact that the typical actors involved in governing social standards for Northern end markets have increasingly responded to the growth in Southern end markets (i.e. market shifts which occur outside of the GPN). This shift in focus questions the viability of using a singular and ‘global’ production network to explore the ways in which firms, NGOs and state-based actors shape social standards in global production. The growth of Southern markets necessitates a conceptual approach which can account for the commercial and institutional dynamics occurring in Southern as well as Northern markets. This can be achieved by introducing the concept of a domestic production network into the conceptual framework. The following section highlights three key empirical findings which illustrate the importance of applying a conceptual framework in which the characteristics and structures which constitute polycentric trade are captured. These three empirical findings are as follows: (a) firms, civil society and state-based actors at the global and local scales are exploiting new opportunities created through the increase in polycentric trade (b) firms, civil society and state-based actors at the global scale and local scale are reshaping the boundaries through which they operate in order to strategically embed themselves within Southern markets and (c) the commercial and institutional dynamics present within the GPN and the DPN mutually influence the development of Trustea as a Southern standard through perpetual spatial and temporal processes of transformation.

9.3.1 Organisations are exploiting new opportunities created through polycentric trade

One significant empirical finding is the fact that firms, civil society and state-based actors who are partially embedded within the global North are all responding to new opportunities to shape Southern social standards for Southern markets. This is a significant finding given that the literature tends to assume that the development of Southern standards in the global South will be driven by local actors embedded in the global South (Nadvi, 2014; Schouten and Bitzer, 2015). The case of Trustea illustrates that standards can be discursively positioned as locally-owned and locally-driven whilst at the same time being directed and influenced by organisations who evade the boundaries of
being global or local. Therefore, it would have been inadequate to use a singular production network (as seen in the GPN framework) in order to examine the shaping of Trustea as a Southern social standard.

Mapping the DPN was essential to the processes of uncovering and understanding the shaping of Trustea as a Southern social standard. The DPN helped to illustrate how the embeddedness of production within the DPN played a really critical role within the shaping of the multi-stakeholder initiative. The commercial and institutional dynamics and structures within the domestic market directly contribute to an understanding of how and why Southern social standards may differ (sometimes significantly) from the social standards used to govern Indian tea produced for Northern end markets. This moves beyond the tendency within the singular construct of the GPN to examine governance from the position that there are ‘global’, ‘national’ and ‘local’ actors and processes which drive forward the development of social standards within a singular production network. In this revised framework, the traditional GPN focus on multi-scalar forms of cooperation and contestation between actors within a singular production network is expanded upon to create not only a multi-scalar, but also a multi-polar understanding of how actors govern social standards. These dynamics present new opportunities and challenges for the development of social standards in an era of polycentric trade.

9.3.2 Organisations are reshaping the boundaries through which they operate in order to strategically embed themselves within Southern markets.

The second empirical finding is that firms, NGOs and state-based actors have not only recognised the significance of the growth of Southern markets, but have actively responded to (re)position themselves as significant actors within these markets. The empirical evidence shows a remarkable degree of flexibility in the ways through which organisations can transform their structure to realign with new geographical spaces of consumption in the global South. While the literature has long illustrated the fact that firms (as economic agents) are enabled to exploit opportunities under processes of globalisation (primarily through outsourcing and foreign direct investment), it has not specifically illustrated the ways in which civil society organisations and state-based actors can also modify their organisational structures to become geographically responsive to shifting patterns of trade under globalisation. This leads to ‘blurred boundaries’ in the ways in which we understand the organisational structure and identity of firms, NGOs and state-based actors.

*Lead Firms*
The case study of Trustea raises important questions over the construct of ‘Northern’ versus ‘Southern’ firms, and connotes the possibility that firms may simultaneously respond to commercial and institutional pressures across developed and developing markets in terms of how they approach their own position in relation to the governance of social standards. Within the GPN framework, lead firms have tended to be positioned as having a ‘home’ territory while simultaneously being influenced by their societal embeddedness at each node of the (singular) production network through which they coordinate production (Hess 2004). However, there is still an implicit assumption that firms are more explicitly embedded within one particular territory overall.

The literature has illustrated how economic globalisation has created opportunities for lead firms in terms of increased capital mobility (primarily through processes of outsourcing and foreign direct investment). Here, the primary focus was on exploiting market liberalisation in order to take advantage of lower labour costs, proximity to raw materials, the avoidance of tariff barriers and the utilisation of local knowledge to facilitate their expansion within domestic markets. As Southern markets continue to expand and account for a greater share of world trade, they increasingly matter to consumer-facing global firms. The importance of retaining and advancing market share in Southern markets was illustrated as being an important driver of Trustea’s creation. The global market commitments made by Unilever were designed to secure supply in the context of India’s domestic market and to bolster their market position. Overall, the growth of polycentric trade may result in lead firms seeking new ways to capture or further solidify their position within Southern markets. The empirical evidence from the Indian tea sector shows that lead firms increasingly rely on their subsidiaries. Given this fact, it is important to analyse the evolving political position towards the role of these lead firms as they operate in Southern markets. In the case of India, foreign direct investment has been a politically controversial issue post-independence. The nature of national regulatory frameworks need to be accounted for as a key factor in understanding the challenges and opportunities open to lead firms as they seek to advance their position in Southern markets. The ways in which these host governments respond remains an important question. Overall, it is evident that there are ‘blurred’ boundaries apparent in the ways in which lead firms have sought to shape the development of Trustea as a Southern social standard in an era of polycentric trade.

**NGOs**

The case study of Trustea demonstrates that non-governmental organisations are highly responsive to the growth in Southern end markets and seek new opportunities to shape standards within the context of domestic markets. However, the evidence illustrates that it is not only a case of NGOs responding to new opportunities to improve social standards in emerging markets; but equally their
reorganisation also highlights their response to constraints occurring within the GPN. Within the current literature, NGOs have been depicted as shaping the social conditions of production through their position within different nodes of a global production network. The predominant geographical focus of NGO activity has been centred on Northern end markets. Many studies illuminate the different typologies of civil society actor who influence the ways in which lead firms govern standards for Northern markets either through cooperation with firms or by criticising companies with the aim of catalysing improvements in social standards (Braun and Gearhart, 2004; Bendell, 2005; Doh and Guay, 2006; Sasser et al., 2006). Southern NGOs are generally seen as relatively weaker actors (in comparison to their Northern counterparts) who try to effect change within the local institutional environment or else seek to build strategic linkages and alliances with other civil society organisations located in other nodes of the production network in order to create pressure points at different geographical locations of production and consumption (Seidmann, 2007; De Neve, 2008). These linkages have been termed transnational advocacy networks (Keck and Sikkink, 1999; Hudson, 2001).

The case of Trustea highlights the fact that NGOs have gone beyond the formation of strategic North-South alliances with local civil society partners to improve social standards. The existence of overlapping production networks has caused NGOs to radically alter their organisational structure in order to create regional centres in the global South. This has become a central mechanism for Solidaridad to ensure that they are well placed to deliver the new generation of Southern social standards. This also reflects a response to institutional limitations occurring within the GPN. This raises implications in terms of the identity and future governance of NGOs within this era of polycentric trade. For example, Solidaridad relinquished their position and identity as a ‘Dutch NGO’ to become a network of local NGOs across the global South that were loosely connected through the identity of a common global policy space. Yet, the evidence also illustrated tensions regarding the control of the agenda at the local, regional and global scales as Solidaridad has sought to maintain coherence in their overall branding and impact.

**State-based actors**

State-based actors are largely assumed to be territorially bounded; their authority and legitimacy to govern stemming primarily from their democratic right to govern at the national scale (and also at the intergovernmental scale through multilateral public institutions such as the International Labour Organisation). The empirics illustrate an altogether more complex set of organisational transformations. The Dutch Ministry of Foreign Affairs has transformed the ways in which development cooperation had traditionally been understood: firstly by seeking to combine
development cooperation more closely with trade policy; and secondly, by creating IDH as an organisation which recognised the importance of using certification to advance developmental goals by viewing certification as a means to improve smallholder livelihoods in the developing world.

The GPN focus on a singular production network does not adequately explain the blurred boundaries which appear to be occurring in the organisational structures of firms, civil society and state-based actors. This is because the GPN framework examines the development of standards within a singular production network (or institutional field). Here, firm and non-firm actors are influenced by their embeddedness within the institutional environment of just one end market for production (i.e. Northern end markets). The GPN framework therefore has not fully accounted for the fact that lead firms themselves may simultaneously control production for Northern and Southern markets. By introducing the DPN and illustrating that these production networks in fact overlap, it is possible to illustrate the ways in which firms, NGOs and state-based actors have exploited the fact that these networks overlap in order to (re)position themselves as legitimate governors of both the global and local markets for Indian tea.

9.3.3 The commercial and institutional dynamics present within the GPN and the DPN mutually influence the development of Trustea as a Southern standard

The empirical evidence illustrates that the development of Trustea has occurred through a number of specific commercial and institutional dynamics occurring within Northern and Southern end markets for Indian tea. Therefore, the empirics reflects the fact that firms, NGOs and state-based actors are societally embedded within multiple end markets, where different cultural, political societal and economic forces are at play. The GPN and the DPN have simultaneously shaped Trustea at multiple stages of the development of the standard. Commercial and institutional dynamics present within the GPN affect those of the DPN and vice versa.

The stimulus for Trustea began within the global production network through the introduction of global market commitments involving the use of social standards to certify tea production across Northern and Southern markets. Given the shift in markets to the South, firms saw the expansion of certification as one important aspect of securing their position within these emerging economies and resolving coordination problems. Yet, the existence of markedly different commercial and institutional dynamics within the domestic production network of Indian tea had a significant impact on this initially GPN-led agenda. This clearly shows the difficulty of separating the development of Trustea as being solely directed from pressures within the GPN versus DPN.
Concurrently, the institutional environment at the global scale had become increasingly interested in supporting both the creation of and/or proliferation of private standards as a means to advance development cooperation through a combined aid and trade agenda. Government and NGO interest in supporting private standards had become a prominent feature of development cooperation in the Netherlands with public-private partnerships being used as a primary vehicle for creating and expanding certification schemes. NGOs involved in the development of Trustea had become responsive to changes in the Dutch funding policy, becoming a decentralised network of organisations equipped to shape standards from their ‘new’ position as ‘southern’ actors in Southern markets. Increased criticism of the limitations of export-oriented standards in terms of developmental impact led to experimentation and innovation on the part of state-based and NGO actors; resulting in a focus on the creation of Southern domestic standards. These institutional shifts in the GPN enabled lead firms to obtain financial, technical and institutional support for the development of a Southern standard for India’s local market. Therefore, whilst the DPN had presented commercial and institutional obstacles, concurrent shifts in the GPN appeared to be presenting new opportunities for the development of Trustea.

Once the decision was taken to develop Trustea as a local Indian standard, there was a subsequent movement to more firmly embed the code of conduct within the commercial and institutional confines of the Indian DPN whilst still simultaneously retaining important institutional linkages to Northern standards. Here, the local offices of firms and NGOs took the lead in developing Trustea by incorporating Indian laws and regulations pertaining to the tea sector. Trustea is further embedded within the DPN by seeking and gaining the support of Indian state-based actors. The shaping of Trustea as a Southern social standard can only be explained by looking at the temporal shifts within the commercial and institutional dynamics of the GPN and the DPN. The ‘blurred boundaries’ found in the structure of firms, NGOs and state-based actors shape the development of Trustea allows these organisations to shape and be shaped by commercial and institutional pressures and opportunities found within the GPN and the DPN.

The neo-institutional and political institutional approaches to the study of how private standards are created by multiple interests and actors can offer a more nuanced understanding of why each set of actors is affected by the growth of Southern markets. For example, lead firm interest in developing Trustea was shown to be incentivised by a number of collective action problems occurring within India’s domestic tea market. In contrast, the political institutional approach illustrates the role that both NGO and state-based actors played in facilitating shifts in the institutional environment which enabled the creation of Trustea within the domestic market.
9.4 Analysis of governance in a context of polycentric trade

The case of Trustea has a number of important implications for the ways in which the governance of global production has been conceptualised. Firstly, it problematises the view that private social standards within supply chains constitute ‘global’ forms of governance. Secondly, it questions the tendency in the literature to discuss the development of Southern social standards in terms of global-local dynamics and tensions in global governance. Thirdly, it challenges the assumption that the development of Southern social standards is part of a Southern state-led drive to reassert authority over a pre-existing set of private standards; suggesting that Southern Governments are largely hostile to private standards. The reality, as this study has shown, is more complex.

9.4.1 The case of Trustea problematises the tendency in the literature to discuss governance of social standards as being a ‘global’ institutional form

The empirics illustrate that so-called ‘global’ standards are limited forms of governance for several reasons. Firstly, as the literature has already illustrated, global standards are capable of marginalising local actors within internal decision-making processes. Secondly, ‘global’ standards may prioritise the concerns of Northern consumers and/or NGOs or because they only certify goods and services for export markets (which in the case of Indian tea constitutes a small percentage of the total tea produced). As Southern markets continue to expand, while Northern markets for tea contract, ‘global’ standards may decline in developmental relevance as the volume of certified tea lessens. The case of Trustea problematises the tendency to see the rise of private social standards in production networks as a key means of global governance. The global governance literature has tended to assume that the governance of social standards is influenced by actors who operate at separate scales of a singular production network in order to exercise agency. Thus, discussions over the role that MSIs can play in shaping social standards have tended to focus on the influence of global actors over local actors, and have analysed the power relations which mediate these relationships as well as the differences in norms, customs and regulations when it comes to the regulation of social conditions of production.

The emergence of Southern social standards begins to tilt the axis through which private governance occurs; not only illustrating that new institutional forms may emerge in Southern markets but also that ‘global’ MSI standards should perhaps also be considered as regional or local standards (in the sense that they may in fact not typically be able to extend their influence beyond that of Northern end markets). ‘Global’ MSI standards are not always strictly global when it comes to the assumptions
held in the literature. The question then becomes one of how these Northern standards will now respond and adapt to the rise of Southern social standards. The empirics illustrated the ways in which institutions within the GPN of Indian tea had sought to create local standards within the broader belief that ‘upgrading’ to global standards would be an important part of the development of Southern standards.

9.4.2 Global-Local dynamics not always clear in the creation of Southern standards

The empirical evidence presented illustrates that the development of Southern social standards does not occur within a separate commercial and institutional vacuum in comparison to ‘global’ standards. In fact, the overlapping GPN/DPN in turn means that the development of Southern social standards is influenced by the institutional and commercial constructs at the global and local scales. Without recognising the significance of polycentric trade, a common assumption in the emergent literature on Southern social standards is that their development is instigated by local Southern actors (who aren’t involved in shaping the governance of social standards for global markets). There are a number of important assumptions which have led to these conclusions within the literature. Firstly, ‘global’ standards have been seen to be exclusionary; often establishing multi-stakeholder initiatives within Northern markets, but failing to engage with actors at the sites of production. This exclusive way of designing such standards would in turn create the impetus to develop new standards to establish counter-vailing power within local stakeholder groups. This has certainly been the case in other sectors. For example, the case of RSPO led directly to the creation of the ISPO by the Indonesian Government and other local stakeholders. The rationale for doing so was predicated on the exclusionary dynamics which existed within the institutional design of RSPO (Schouten and Bitzer, 2015). From this viewpoint, the development of Southern social standards for Southern markets would be assumed to have occurred at the local scale; perhaps as a response to the hegemony of so-called ‘global’ standards or else as a new articulation of norms by civil society organisations and consumers in emerging markets. Indeed, of a handful of case studies (Schouten and Bitzer, 2015; Giessen et al., 2017) which have so far documented the development of Southern sustainability standards for Southern markets, there is evidence that such standards have indeed been developed along these delineated and contested boundaries between global and local forces. For example, the Schouten & Bitzer (2015) study of Southern standards in Indonesia, Malaysia and South Africa reveals that such standards have been developed as a ‘counter-trend’ due to a perceived lack of legitimacy of global standards from a Southern perspective. However, the case study of Trustea presents a very different example of how Southern and Northern actors may come to shape Southern social standards for Southern markets.
While these global-local tensions are apparent factors of consideration, the polycentric trade seen within the Indian tea industry creates the need to facilitate a framework which not only accounts for global-local dynamics in the creation of Southern social standards, but itself seeks to develop a more complex picture of how organisations seeking to shape standards are themselves attempting to ‘blur’ these global-local divides.

9.4.3 Public-private blurring in the development of Southern social standards

The empirical evidence illustrates that state-based actors support the development of Southern social standards through their position within the GPN and the DPN. This results in multiple challenges to the assumptions seen in the literature on public-private boundaries in the governance and regulation of social standards.

Firstly, the empirics demonstrate that Southern standards aren’t always primarily shaped by Southern Governments who are attempting to reassert their position in relation to the rise of private standards. The focus in these studies has predominately looked at the relationships between public and private actors and the question of the origins of ‘rule-making authority’ in which state-based actors are perceived as reasserting power within the wider debates on who should govern (Giessen et al., 2017, p. 72). The case of Trustea develops an increasingly complex picture of how state-based actors within multiple production networks are shaping the development of Southern social standards. Contrary to recent studies of other Southern standards, where state-based agencies in the global South have played a driving role in the shaping of these initiatives, the case of the Indian tea industry shows that in this context state-based actors were largely passive within the development of the code of conduct. In fact, the development of Trustea occurred without any explicit involvement of the Tea Board during the first year. Once Southern state-based bodies agreed to join the standard and to champion Trustea within the domestic market, they did so without providing any financial resources. However, the later presence of the Tea Board within Trustea’s internal governance structures did appear to increase the legitimacy of Trustea within India. Perhaps more critically (from the perspective of Trustea’s other members), the inclusion of the Tea Board facilitated tighter coordination of the smallholders. This is due to the geographical presence of the Tea Board at the regional and local sites of production across each tea-producing state.

In contrast to the largely passive role of state-based actors at the local scale, the case of Trustea illustrated that the development of Southern social standards may be strongly supported by state-based actors in the global North. IDH, supported through the Ministry of Foreign Affairs in the Netherlands, played a central role in supporting the development of Trustea. It did so through the
provision of funding as well as convening the partnership between the core members of the standard (lead firms and NGOs); which appears to have been a politically fraught task. Overall, I argue that the tendency to depict public-private interactions in the development of Southern social standards as simply the ‘return’ of the state in a Southern context may not always be reflective of the underlying dynamics and processes which led to the involvement of Southern state-based actors in the first place. While Trustea appears to be led by the Tea Board of India (and members of the Indian Government have even claimed that the Tea Board launched Trustea as a state-led response to the problems facing the industry), this research has looked beyond the discourse surrounding the standard (in terms of the claims made) and identified the interests and influence of each central member in the MSI. This research has revealed that a unique confluence of interests at the global and local scale led to the development of Trustea. As such, this study has gone beyond the typical study of standards within specific local institutional environments, to look at how broader market dynamics (including the growth of Southern end markets and decline of Northern end markets for Indian tea) affects both the responses and interests of global and local firms, NGOs and state-based actors in shaping Southern social standards.

9.5 Conclusion

The case of Trustea illustrates that the concept of polycentric trade can be applied to analyse the ways in which firms, civil society and state-based actors are seeking to shape Southern social standards. The concept of polycentric trade improves the original focus of the GPN framework, because it allows us to see how these actors are not only affected and responsive to commercial and institutional pressures within one singular network of production, but are in fact simultaneously influenced by commercial and institutional pressures occurring across multiple production networks. By using this conceptual framework (GPN/DPN) to position actors within overlapping networks, the analytical “space” is developed to illustrate how the growth of Southern markets is reconstituting not only the spatial dimensions of global consumption, but also that organisations involved in shaping the governance of social standards may themselves respond accordingly to these shifts; creating new organisational boundaries.

While this chapter illustrated several significant research findings, the central point is that these actors are not territorially bounded entities but organisations who respond to geographical shifts in trade in order to strategically maintain power in terms of defining the ‘rules’ constituting the social conditions of production within global, regional and domestic production networks. Firms exploit the existing opportunities afforded to them through foreign direct investment in order to increase their
ownership of subsidiaries based in Southern markets. Governments who increasingly support the use of social standards to advance development cooperation seek to go beyond the end markets in which they are territorially situated. NGOs radically alter their organisational structure, moving from a single NGO office based within the global North into a network of decentralised local organisations in the global South. The case of Trustea has illustrated that there are a number of challenges for these actors as they attempt to reorient their organisations in order to adapt to changes in global trade flows. Ultimately, it is the existence of blurred boundaries which has allowed firms, civil society and state-based actors to become legitimate actors at multiple scales. This dual identity has enabled the financial support of Trustea from state-based actors in the global North while simultaneously enabling Trustea to claim that it is a locally driven and locally owned standard. The centre of power within each set of organisations is neither Northern nor Southern: their joint embeddedness in multiple commercial and institutional environments shapes their activity through perpetual responsiveness to dynamics within global and local markets.

Overall, this thesis questions the typical categorisations so-far used in the majority of studies which have sought to define the ways in which organisations interact, respond, challenge and shape social standards in terms of their geographical position as global or local actors. It appears that globalisation in the 21st century will in fact lead to increased intersections as organisations respond to the emergence of polycentric trade and the challenges and opportunities it presents in novel ways.
Chapter 10: Conclusions

10.1 Introduction

The primary aim of this thesis was to analytically and empirically examine the ways in which multi-stakeholder initiatives (MSIs) governing social standards for Southern markets have been shaped by lead firms, state-based actors and civil society organisations. As such, the central research question of this research was: *How are Southern social standards being shaped for Southern end markets?*

The global production network (GPN) framework was utilised to understand and interrogate how three distinct sets of actors (firms, state-based and civil society actors) have sought to shape the development of Trustea. The conceptual framework advanced the original GPN framework by applying the additional construct of the domestic production network. This allowed the researcher to uncover the global and local commercial and institutional environments of multiple, overlapping production networks. The decision to do so was based on the recognition that global trade flows increasingly reflect a multi-polar system of trade; whereby the layering of North-South and South-South trade flows create an increasingly complex understanding of the organisation of global production in the 21st century (Horner & Nadvi 2017). Given that South-South trade constitutes a significant percentage of global trade, the creation of Trustea as a Southern standard raised important questions regarding the extent to which its creation was linked to broader shifts in global trade and consumption.

Over the course of this thesis, the analysis addressed the central research question by first illustrating the key analytical and empirical gaps raised in terms of how we currently conceptualise and understand the governance of social standards in global production. It illustrated the ways in which commercial and institutional transformations in the global and local production networks of Indian tea led to increased incentives and/or drivers for the creation of social standards for Southern markets. The thesis then critically examined the ways in which lead firms, civil society and state-based actors sought to shape the development of Trustea from the global and local scales (i.e. within the global and domestic production networks). This concluding chapter outlines the core analytical and empirical contributions made in this research before discussing the policy implications and areas for further research.
10.2 Summarising the analytical and empirical contributions

This thesis makes a number of empirical and theoretical contributions to the existing literatures on the governance of social standards in global production.

The primary analytical contribution of this research is the recognition that the shaping of Southern social standards for Southern markets requires a framework which accounts for the commercial and institutional environment of overlapping production networks. This research utilised the analytical construct of polycentric trade (as argued by Horner & Nadvi, 2017) to create a conceptual framework which accounted for the actors and processes which constituted both the global production network of Indian tea as well as the domestic production network of Indian tea. By positioning these two production networks as overlapping (and therefore potentially intersecting), the analytical space was created to provide a conceptual understanding of how firms, civil society and state-based actors shaped the development of Southern social standards under the growth of Southern end markets.

Several key trends in the current literature on the governance of global production have proved to be of limited analytical and empirical value when compared to the findings uncovered in the case study of Trustea. This includes a propensity in the literature to focus on the governance of North-South trade (and therefore to examine the relationship between global and local actors within these governance relationships) and to understand embeddedness as influential within the nodes of a singular production network. Indeed, the case of Trustea has created a new set of conceptual distinctions which must be applied in order to better understand how this MSI developed. This includes the necessity of examining the governance of North-South and South-South trade in conjunction, and to unpack the extent to which actors involved in these governance processes can really be understood as ‘global’ or ‘local’. If these bifurcated distinctions no longer apply (as is the case in Trustea), then there must also be a heightened consideration of how organisations shaping the governance of social standards should be defined in this era of polycentric trade.

Empirically, this thesis illustrated that each set of actors involved in shaping Trustea (firms, civil society and state-based actors) sought to shape the development of the standard through their co-location within the global and domestic production networks. The conceptual framework facilitated an empirical analysis in which each set of actors were studied in relation to their position as both ‘global’ and ‘local’ actors. The central focus within each of the three empirical chapters (6, 7 and 8) was to examine the extent of linkages evident between the ‘global’ and ‘local’ firms, civil society and state-based actors positioned within the global versus the domestic production networks. The
research found that often there was no possible separation to be made between the actors shaping Trustea at these different scales. In fact, in the case of lead firms and civil society actors it was the same organisations shaping Trustea at the global and local scales.

Furthermore, the research has shown that global actors strategically repositioned their organisations in order to more adequately capture opportunities to shape the governance of social standards as markets grew in the global South. While state-based actors (as territorially bounded) did not engage in as radical restructuring as private and civil society actors, the research revealed that state-linked organisations in the global North are capable of creating policies which impact on the ways in which Southern social standards come to be shaped in Southern markets. At the global and local scales, state-based actors supported the development of Trustea; albeit through different means and mechanisms. The empirics also revealed that each set of actors (firms, state-based and civil society actors) were capable of influencing one another in a series of perpetual transformations which occurred simultaneously at the global and local scales. The ‘blurred boundaries’ which have come to define the organisational structure of lead firms and NGOs challenges the typical conceptualisation of governance under globalisation as occurring within a single production network. The research contributes to a recent expansion of studies examining the development of Southern social standards, and is an innovative contribution in the sense that a conceptual framework is applied that accounts for the potential significance of multi-scalar and multi-polar dynamics, flows and processes.

This case study provided unique insights in terms of illustrating how Southern social standards are being shaped for Southern end markets. Overall, the creation of Trustea could not have taken place if it wasn’t for the sensitivity of firm and non-firm actors to the challenges and opportunities presented by the growth of Southern markets and the existence of overlapping production networks (which they capitalised on in their efforts to create a new Southern social standard). The primary answer to the central research question posed in this thesis is that Southern social standards are shaped by firms, civil society and state-based actors, at both local and global levels, who respond to numerous challenges and possibilities created as a direct result of the phenomenon of polycentric trade.

10.3 Policy implications

There are a number of policy implications arising from this research. This section highlights some of the key challenges likely to face policy makers and practitioners in the global North and the global South as a result of the introduction of Southern social standards into Southern markets.
The case study of Trustea has illustrated that some MSIs governing Southern standards are shaped through increasingly complex arrangements between Northern and Southern actors. The centre of power is not clearly demarcated as the organisations shaping the multi-stakeholder negotiations evade the bifurcated constructs of being ‘global’ or ‘local’ actors. Instead, the research has illustrated that firms, state-based actors and civil society organisations are responsive to commercial and institutional dynamics occurring within multiple, overlapping production networks. For policy makers, negotiating this terrain is complex because it is increasingly difficult to understand how organisations manage multi-stakeholder initiatives in a multi-polar world. Understanding how to influence or to relate to these MSIs in terms of creating greater coherence between governmental policy objectives (with regards to development cooperation for example) and these private standards is dependent on knowing who within these member organisations is influential within the internal governance structures of MSIs such as Trustea.

Despite the case of Trustea illustrating a blurring of the boundaries between Northern and Southern actors, the way this particular MSI has evolved still demonstrates a strong influence from the previous generation of Northern standards. For example, although Trustea carries some unique features as a Southern MSI, its development was prompted only after Northern standards were found to be unsuitable for the domestic market. The heritage of Northern standards heavily influenced Trustea’s own development, and within the early stages of Trustea’s formation there was a sense from many of its members that there would be a strong interdependency between Southern and Northern standards; with producers able to be efficiently certified through a ‘stepping stone’ process. For policy makers, it is important to note these trends, and to understand the ways in which the internal governance structures of Southern MSIs may in fact resemble the structures of Northern standards. The development of Southern social standards does not necessarily translate into the creation of less stringent standards. However, there may be some critical differences which are driven largely by institutional constraints (such as national regulations and laws) or else by differences in the commercial organisation of production (large informal sector).

Furthermore, policy makers should seek to understand the degree to which Southern MSIs are able to engage with local stakeholders. In some developing countries, weaker capacity of local civil society actors or highly politicised trade unions may lead to low levels of stakeholder inclusion. Understanding the implications of these dynamics for the legitimacy of Southern MSIs is important to consider; particularly if there is funding from Northern states. For organisations such as ISEAL Alliance (a membership organisation primarily representing Northern standards), increased engagement and dialogue with Southern standards could help to facilitate closer cooperation, as opposed to competition.
Currently, there is a perception that Southern social standards may be ‘weaker’ than their Northern counterparts in terms of how stringent the codes of conduct are. However, these presumptions don’t engage with the reality of shifting end markets and the development of standards in the global South. It is also inaccurate to simply talk of Southern standards as inherently weaker, as the case of Trustea illustrates. Related to this, there should be increased efforts made to alter the terminology associated with private standards as typically seen in policy circles at present. There is a tendency in the global North to talk about Northern standards as ‘global’ standards which engage with local production issues. By terming Northern MSIs as Northern standards, there is an implied understanding that Southern standards are simply ‘local’ initiatives. However, this new generation of Southern standards has the potential to verify much larger volumes than Northern standards currently do (due to the relatively larger size of many Southern markets) and are likely to expand into neighbouring markets. Once again, there is a sense that the global governance of social standards should be understood as multi-polar.

The case of Trustea illustrated that processes of cooperation between Northern and Southern standards may in fact lead to competition and the breakdown of relations between these two different generations of standards. This is primarily due to the fact that Northern standards are looking to expand their organisations by entering Southern markets. This has occurred even as other organisations have sought to develop new standards within these Southern markets. Policy makers need to consider how Northern standards should be supported (or not) as they seek to enter Southern markets, or whether there are more viable alternatives available. Indeed, the evidence presented in this thesis illustrates that supporting the expansion of Northern standards into Southern markets may not only be impractical, but also infeasible. Policy makers who are considering supporting the expansion of Northern standards as a form of development cooperation need to consider the possible limitations of their efforts in terms of the degree to which Northern standards may come to be constrained by the specific institutional structures which constitute the political economy of production in Southern (and especially domestic) end markets. It is also important to consider that local actors, including state-based actors may not view the introduction of Northern standards into the domestic market favourably. There is evidence to suggest that many local actors have felt marginalised by these standards and governments have tended to view standards as protectionist measures. The degree to which Northern standards can hope to gain legitimacy within regional and domestic markets remains an open question. However, the case of Trustea contributes to this question by illustrating that local state-based actors are more likely to accept the development of specific nationally focused MSIs as opposed to supporting Northern standards to expand in Southern markets.
More research should be done to understand how organisations involved in these Southern standards can contribute to the global governance of private standards; points of complementarity should be explored in relation to Northern standards and the extent to which international standard bodies such as ISEAL Alliance engage with these Southern standards may be an important part of this process. Competing standards are already a problem in Northern end markets; efforts should be made to ensure that Northern and Southern standards are not also competing in Southern markets; which would once again lead to multiple certification requirements for producers.

10.4 Areas for further research

The research findings presented in this thesis lead to several fruitful future areas of research. This final section explores the key avenues of future study.

In the Indian tea sector, there is potential for additional research regarding the impact that Trustea is having on tea workers and producers and the social conditions of production. Related to this, further exploration regarding the responses of various sets of local stakeholders could generate interesting research findings; particularly if compared to the local reception of Northern standards. While this thesis adequately captured the complex, multi-scalar and multi-polar processes through which Trustea was shaped, the developmental relevance could be explored in more detail in future studies.

In the tea sector, it is clear that additional comparative research examining the key similarities and differences between Trustea and domestic standards in other countries would further develop a more comprehensive understanding of how the development of MSIs is affected by the existence of different local institutional and commercial contexts. For example, comparative research conducted on the ways in which Solidaridad Asia has approached the development of such standards across India, Indonesia and China would likely reveal interesting evidence regarding the ways in which differences in the domestic markets (institutional, social, economic and cultural) contributed to the differences seen within the various standards.

Beyond the sectoral level, the conceptual framework developed within this thesis could be used to explore case studies of new standards developed across different sectors. These studies could analyse the ways in which global and local actors were able to drive forward the creation of standards from their position within overlapping production networks. This would be most useful in sectors where there is a clear shift in end markets; leading to a clear case of overlapping production networks. More research could be conducted on how various Northern standards are responding to these new standards and how this now influences their own strategies to expand within Southern
markets. For example, do Northern MSIs attempt to cooperate with Southern standards, or do they tend to compete?

Interesting comparative research could examine the major similarities and differences between Northern and Southern standards. One point of major interest to researchers already is the degree to which these standards represent ‘weaker’ forms of regulation, or whether in fact these standards merely choose to govern different aspects of the production process. The extent to which differences are apparent will undoubtedly have important implications for producers and workers who are supplying goods and services across global, regional and domestic production networks.

The degree to which Southern standards will be governed through multi-stakeholder initiatives is a key question to explore. Related to this is the issue of whether the definition of ‘multi-stakeholder’ will vary across different markets. In countries where there appears to be lower or weaker civil society participation in the development of private standards, there remain questions over the extent to which the MSI is considered the most viable governance model through which these standards are developed. Equally, it is possible that there will be higher state (as opposed to civil society) participation within this agenda.

More research still needs to be done to examine how and why domestic governments are choosing to support private standards as opposed to creating their own public regulations. Possible reasons could include resource constraints which in turn creates a preference to support private standards in the domestic market. Alternatively, it could well be that supply chain interventions are the most effective way of governing producers, owing to the strong commercial linkages and imperatives present between lead and supplier firms within the production network.

10.5 Conclusion

This thesis has provided a number of important insights regarding the ways in which Southern social standards are shaped for Southern markets. The case of Trustea has illustrated that there are a number of challenges for the actors involved as they attempt to reorient their organisations in order to adapt to geographical shifts in global trade flows. Ultimately, it is the existence of blurred boundaries which has allowed firms, state-based and civil society actors to become legitimate actors at multiple scales. The centre of power within each set of organisations is neither Northern nor Southern: their joint embeddedness in multiple commercial and institutional environments shapes their activity through their perpetual responsiveness to challenges and opportunities within global and local markets.
Overall, this thesis questions the typical categorisations so-far used in the majority of studies which have sought to define the ways in which organisations interact, respond, challenge and shape social standards in terms of their geographical position as global or local actors. It appears that globalisation in the 21st century will in fact lead to increased intersections as organisations respond to the emergence of polycentric trade and the challenges and opportunities it presents in terms of governing social standards in global production. Actors shaping the development of social standards may well choose to do so in novel and innovative ways.


