

1 Introduction

Globalization has lost its shine. Social inequalities are pervasive. Pressures on the environment and natural resources have increased dramatically. Although the worldwide integration of markets has drained political control from individual nation-states, they have failed to collectively coordinate their responses to global challenges. Multilateralism is either focused on declarations or completely missing. There is an objective to create inclusive economic growth that provides sustainable jobs and promotes equality, and yet 42 percent of the population in sub-Saharan Africa continues to live below the poverty line (UN SDG 2019). Furthermore, the international community has declared its intent to keep the global temperature rise below 2 degrees Celsius above preindustrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius, but measures to mitigate greenhouse gas emissions are largely delayed or absent (UNFCCC 2019).

In the following section, I explain, on the one hand, why social and environmental governance is so challenging in a globalized world. On the other hand, I highlight that alternatives to multilateralism do exist. These alternatives are private forms of governance (in particular, certification programs), public supply-chain-related laws, and hybrid forms of public-private governance. Each alternative was initiated in the Global North and has resulted in different power dynamics in global supply chains. This book discusses these dynamics by shedding light on the most affected exporting states in the Global South. In the next section, I explain the three alternative forms of regulation and introduce my case studies in more detail. This is followed by a section outlining my research methodology and the book structure.

1.1 Why This Book: Globalization and Governance

The effects of globalization on governance are complex and uncertain. Fewer and fewer products that we, as citizens of one country, consume are produced in the same country in which we reside. Economic exchanges occur between an increasing number of actors over ever-increasing distances. For example, the production and sale of a single cup of Starbucks coffee can depend upon as many as nineteen different countries for its ingredients (including the coffee beans, milk, sugar, and paper cup; see figure 1.1). The United States alone imported 728 million tons of commodities worth USD 377 billion in 2016 (Chatham House 2019). At the same time, governments are increasingly unable to track these trade flows and enforce rules outside of their own jurisdictions. There is hence a need for new types of regulation.

Friedmann (2000, 8) defines globalization as “the inexorable integration of markets, nation-states and technologies to a degree never witnessed before—in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before.” Figures show that the world economy became more systematically open to global trade from the 1970s onward. In particular, from 1995 to 2001, the world trade system experienced fairly strong growth, followed by a boom from 2002 to 2008. Since the financial crisis in 2008, there has been a recovery in recent years, and the volume of world exports has continued to grow (WTO 2018).

Increased trade of goods over time has consistently been spurred by technological innovations and sharply reduced transportation and cross-border communication costs (Ruggie 2013). These factors also affect cultural integration through the spread of digitized images (Bleiker 2018; Nygren 2015). Today, images portraying tragedies such as the collapse of the Bangladeshi Rana Plaza factory building in 2013 or the displacement or extermination of the Bornean orangutan due to the expansion of oil palm plantations in recent years proliferate around the world. In consequence, Western consumers are becoming increasingly more aware of the burden shifting associated with international trade and the need for regulation in global supply chains (Haufler 2010; Gupta and Mason 2015; van der Ven 2019a).

Regulation refers to a set of rules that are defined by an actor or a group of actors and followed by the same, a different, or a broader set of actors.

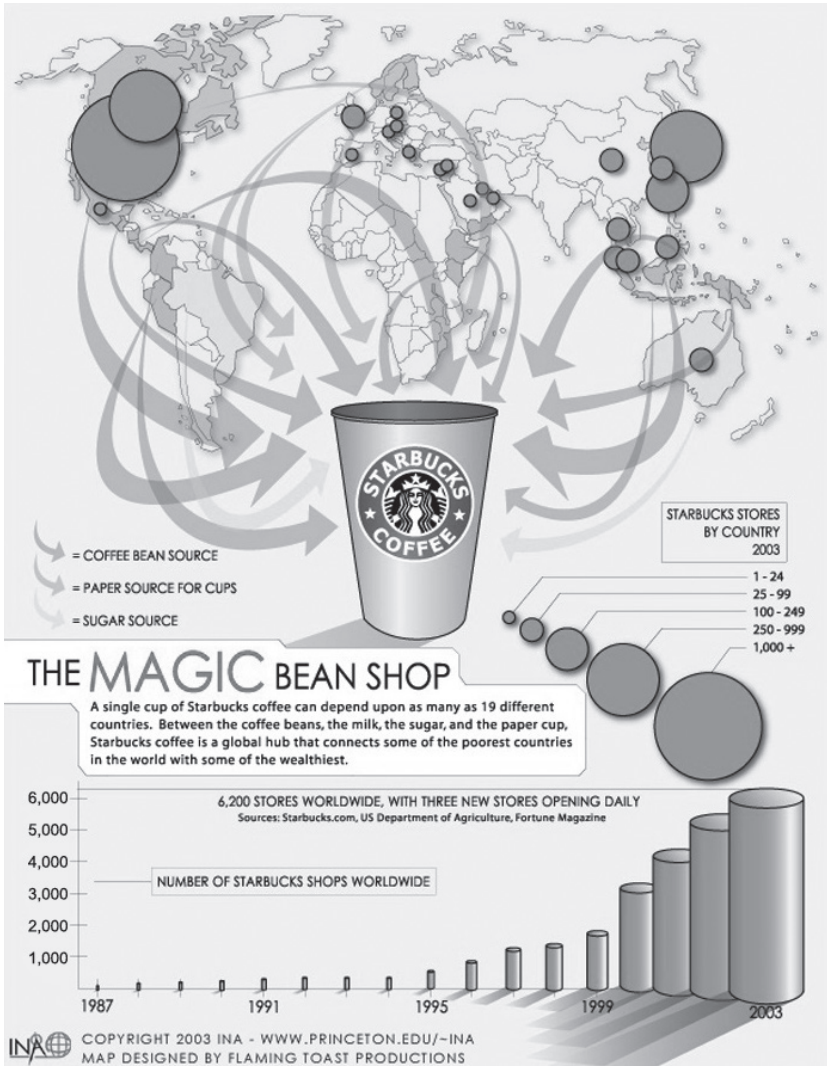


Figure 1.1

Global ingredients of a Starbucks cup. *Source:* International Networks Archive 2003.

Classically, public actors including governments and other state actors have regulative authority over a defined nation-state territory. Since the 1990s, however, private regulation has garnered recognition and voluntary certification has become an increasingly integrated part of many market sectors (Green 2013; Mattli and Woods 2009). Governments promoting a neoliberal model of governance, in which states take a “steering” rather than “rowing” role, ultimately constrained themselves by signing onto free trade rules when joining the World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT). GATT and WTO restrict trade rules that create discriminatory nontariff barriers to trade. They do not preclude all import restrictions, as evidenced by a growing body of research on WTO-compliant social and environmental standards (Gabler 2010; Jakir 2013; Morin and Jinnah 2018). In particular, the WTO allows private regulation, although in many instances such standards that are officially voluntary are in fact *de facto* mandatory because they have become an industry norm, or compliance with them is required for suppliers to access the proprietary value chain of transnational corporations (TNCs) or large retailers (Du 2018; Shaffer 2015). In such cases, those who regulate progressively are nonstate actors, which include TNCs and nongovernmental organizations (NGOs). TNCs generate an income from markets in more than one country, whereas NGOs’ activities are based on donations and public funding (with a few exceptions). Nonstate actors have adopted, implemented, and enforced private rules in an increasing number of countries (Dauvergne 2018b; Ruggie 2013; Schleifer, Fiorini, and Auld 2019).

The *supply* or *commodity chain* is defined as “a network of labor and production processes whose end result is a finished commodity” (Hopkins and Wallerstein 1986, 159). The upstream portion of global supply chains, which is where the production flow starts, and is mostly located in the Global South (and China),¹ has gained particular attention. NGOs often blame TNCs’ greed for profit for tragedies like the Rana Plaza collapse, for example, whereas others call upon consumers to take responsibility, join a “fashion revolution” (Armedangels 2016), and put an end to “dirty” and “cheap” clothing production (Brooks 2015; Hoskins 2014). In response to the Rana Plaza tragedy in particular, voluntary initiatives renewed their impetus for developing private standards in the global garment industry (Jacobs and Singhal 2017). Today, certified textiles have a

market share of almost 20 percent (BCI 2018). As companies disclose information and guarantee compliance with specific standards, such as minimum wages or prohibition of toxic pesticides and fertilizers, consumers are increasingly willing to pay a higher price for clothing, as well as a range of other products (Bartley 2018; Bloomfield 2017; Schleifer, Fiorini, and Auld 2019).

The first qualitative case study in this book sheds light on the effects of private regulation by examining cotton certification in Ethiopia, a country now becoming known as the “new Bangladesh” (Donahue 2018). There is some literature on downstream textile certification (Bartley 2007, 2018; Macdonald 2014); however, for most certified textiles, production circumstances have been improved only in the upstream part of the supply chain, especially in cotton production, and scholars have widely neglected certification efforts at this stage (for an exception, see Sneyd 2011, 2014, 2015). At the same time, international trade of cotton clearly demonstrates the shifting of both environmental and social burdens by textile consumers in the Global North to producing countries in the Global South (Brooks 2015; Donahue 2018). In Ethiopia, with regard to environmental problems, the introduction of Bt cotton, a genetically modified organism (GMO), and the expansion of irrigation for cotton cultivation are the most controversially debated topics (Beyene and Sandström 2016; Fikade 2018). At the same time, there is a range of social problems; for example, cotton field workers receive as little as USD 0.60 per day, and child and young adult labor is very common in the industry (Donahue 2018; Schoneveld and Shete 2014). Private regulation attempts to address these challenges and change respective power dynamics in global supply chains (see chapter 3).

More recently, building upon new and emerging forms of private regulation, the EU, the United States, and other consuming countries have adopted public supply-chain-related laws. Specifically, companies now face mandatory requirements for imports of potential conflict minerals and timber or timber products (Sarfaty 2015; Bartley 2014). The US Dodd-Frank Act Section 1502 targets the Democratic Republic of the Congo (DRC). Although Section 1502 is no longer enforced under the Trump administration, it requires “due diligence” checks on importers of tantalum, tin, tungsten, and gold (3T&G) to stop the financing of armed groups through the trade of these minerals in the DRC and the African Great Lakes region (Sarfaty 2015, 427). In parallel, since 2010, the EU and the DRC have been

negotiating a Voluntary Partnership Agreement (VPA; EU FLEGT 2018). The EU Timber Regulation (EUTR) prohibits EU operators from placing illegally harvested timber and timber products on the EU market. A VPA aims to ensure that all timber exports comply with the relevant laws of the exporting country and hence the EUTR (Fishman and Obidzinski 2014; Leipold et al. 2016). In this book, the DRC serves as a second qualitative case study on the impact of public supply-chain-related laws (see chapter 4).

Finally, a hybrid approach that combines mandatory requirements with voluntary certification emerged with the introduction of the EU Renewable Energy Directive (RED),² which in part regulates biofuels, including palm-oil-based diesel (Ponte and Daugbjerg 2015). RED requires that at least 20 percent of total energy must come from renewables by 2020, of which at least 10 percent must come from renewable transport fuels. Biofuels are seen to be instrumental in reaching this 10 percent target but may only count if they meet certain sustainability criteria (Renckens, Skogstad, and Mondou 2017; Kemper and Partzsch 2018). The EU prescribes a meta-standard by which biofuel producers can demonstrate compliance through private certification (European Commission 2009). Currently, 20 percent of palm oil worldwide is certified by the Roundtable on Sustainable Palm Oil (RSPO), in addition to other certification schemes (Efeca 2016, 2). Indonesia, which has become the largest exporter of palm oil to the EU with a share of 23 percent (European Commission 2018b), is most affected by RED. The Indonesian government adopted its own palm oil certification system, the Indonesian Sustainable Palm Oil (ISPO) program, in response to RED. Indonesia therefore serves as a third qualitative case study in this book to illuminate the impacts of hybrid forms of regulation (Mukama, Mustalahti, and Zahabu 2012; Silva-Castaneda 2012; see chapter 5).

The emergence of new forms of regulation in global supply chains raises questions about the withdrawal of the state, potential environmental and social implications, North–South asymmetries, and whether “ethical” or “normative” power exists in the transnational sphere (Diez and Manners 2007; De Zutter 2010). Scholars have shown that new forms of regulation emerged from a neoliberal agenda and have remained cautious about the intended impact of these regulations in the Global South (Hilson 2014; Levidow 2013; McDermott, Irland, and Pacheco 2015). By understanding

power as *power over* (coercion and manipulation)—that is, the capability of dominant actors, structures, and discourse over others—scholars have demonstrated why positive change, such as a fashion revolution, has *not* happened yet (Partzsch 2017b; Partzsch and Kemper 2019).

Only a few scholars have considered the possibility that new forms of regulation are pioneering change with regard to environmental and social issues (Risse, Börzel, and Draude 2018; Ruggie 2013). Most have remained skeptical (Bartley 2018; Dauvergne 2018b; Levidow 2013; Sneyd 2014, 2015). Complementing these studies, I make a strong claim in this book for acknowledging *power to* (empowerment and resistance) and *power with* (cooperation and learning; Allen 1998; Partzsch 2017b). *Power to* corresponds to the ability of agents “to get things done” (Parsons 1963, 232)—for example, the ability of actors in the Global South to develop sustainably despite structural constraints. *Power with* refers to collective empowerment through convincing and learning with and from one another. It refers to processes of developing shared values, finding common ground, and generating collective strength (Partzsch 2017b). In this sense, actors may overcome the artificial divide between consumers (in the Global North) and producers (in the Global South) and take joint action.

For the first time, this book sets out different types of private (voluntary), public (mandatory) and hybrid (public-private) regulation for global supply chains in a cross-sectoral comparison. Simultaneously, it includes new and timely cases, studying their on-the-ground impact in selected countries of the Global South—specifically, Ethiopia, the DRC, and Indonesia. Each of these cases is highly relevant to the new form of regulation studied in each respective chapter. The overall objective of the book is to understand the potential that new forms of social and environmental (re-)regulation have against a backdrop of power dynamics in global supply chains. The book addresses three fundamental questions:

1. Do new forms of regulation increase private *power over* nation-states, and does this power shift support or undermine environmental and social considerations?
2. Do new forms of environmental and social regulation allow actors in the Global South to exercise *power to* develop sustainably?
3. Do new forms of regulation enable processes of *power with* others to pursue collective norms and ethical values?

1.2 Research Methodology and Book Structure

The book is based on liberal institutionalism and informed by political economy and constructivism. I use a supply chain approach to track state and nonstate actors that are linked in the globalized economy. My research strategy is to first explore power dynamics in global supply chains based on literature review. Chapter 2 lays the theoretical and empirical grounds for the study. Here, I formulate three dominant perspectives regarding the consequences of economic globalization for political power in current IR research debates. These three perspectives concern public-private relations (Fuchs 2007; Green 2013), asymmetries between the Global North and South (Brooks 2015; Quark 2013), and universal norms and ethical values in international relations (Diez 2013; Manners 2015). The appendix provides an overview of the three perspectives.

Methodologically, the three perspectives build the core of my analytical framework for conducting my comparative research. I operationalize the perspectives by structuring them into analytical questions, which allow me to study (code) my empirical material (Kelle 2007). The appendix provides a list of these analytical questions. The three new forms of regulation—private (voluntary) regulation, public supply-chain-related laws, and the hybrid governance approach—stand at the beginning of a causal chain (independent variable), at the end of which we can observe either power dynamics as assumed in the literature or something else (dependent variable). When studying power perspectives similar to hypotheses, however, I am mainly interested in understanding processes. I assume that actions and developments overlap and complement each other to avoid applying a purely positivistic research approach. I am interested in more than confirming or rejecting monocausal hypotheses. Therefore, narrative elements are also important to provide comprehensive explanations (Kelle 2015; Kelle and Kluge 1999).

The three power perspectives and the respective framework bridge the theoretical and empirical parts of the research and the book. The goal is to zoom in close enough to examine how alternative forms of regulation are put into practice while still being able to compare the different forms of regulation more broadly. The analytical questions essentially serve as a means to compare and study the alternative types of regulation in light

of broader research debates on power in global supply chains and world trade. In consequence, the book represents neither purely theoretical nor empirical research. Instead, theory and empirics are brought together in a theoretical sampling (Kelle and Kluge 1999, 44–46).

I conduct three case studies to assess the impact of each of the three new forms of regulation. In each case, I chose the most illustrative country concerning the relevance of the alternative form of regulation on which I focus in the chapter. The case studies are as follows: first, cotton certification and Ethiopia; second, public timber and minerals supply chain laws and the DRC; and third, palm oil and Indonesia.

For the first case study, I decided to focus on cotton supply chains due to the garment industry's campaigns in response to the Rana Plaza event. I detected a research gap regarding the very upstream portion of (cotton) textile supply chains, which is directly related to the private regulation of cotton production. At the same time, the case of cotton illustrates well both environmental and social burden shifting through international trade. Ethiopia recently witnessed a cotton revival and is often considered the next Bangladesh (wages are lower than in Southeast Asia; see Brooks 2015; Donahue 2018; Schoneveld and Shete 2014). If certification has an impact, Ethiopia should suffer less from foreign textile investments than Bangladesh did, and still does, with regard to social and environmental issues. Therefore, the country makes an excellent case through which to examine the impact of private regulation (voluntary certification) and its ability to contribute to the prevention of tragedies like Rana Plaza.

Second, public supply-chain-related laws do not exist for many sectors (Sarfaty 2015). During negotiations on the EU Conflict Minerals Regulation, the mining industry argued that mandatory due diligence checks for minerals would cause rebels to shift their business to the timber sector with the result of increasing deforestation in conflict regions (Partzsch 2018). This argumentation piqued my interest in dynamics between the two sectors. As the US Dodd-Frank Act's Section 1502 focused on the DRC, and the EU has been busy negotiating a VPA on timber imports with the DRC, I selected conflict resources and DRC for the case study on the impact of public supply-chain-related laws in the Global South.

Third, palm oil production in Indonesia serves as a case study for the hybrid governance approach. Palm oil production in this country is by far

the most affected by the EU-RED hybrid regulation (Silva-Castaneda 2012; Ponte and Daugbjerg 2015). There are ongoing controversies at the diplomatic level between the European Commission and the Indonesian government regarding the extension of the hybrid approach after 2020 (when RED expires; see European Commission 2018b). Despite criticism and scholars querying the normative intention behind the request for sustainability (Dauvergne 2018a; Dauvergne and Lister 2013; Levidow 2013), the European Commission (2016) has proposed to increase the overall required share of renewables from 20 percent to 27 percent by 2030. In response, the European Parliament voted in favor of excluding biofuels produced from palm oil from being counted toward this target. This would have created a *de facto* embargo on Indonesian palm oil, of which 15.6 percent is currently exported to the EU, with a foreseeable drop in prices and slump (European Commission 2018b; Chatham House 2019). Therefore, I selected this case to study the impact of the RED hybrid approach in the Global South.

Chapters 3–5 are empirical chapters. Each of the empirical chapters starts with a background section in which I describe a particular form of regulation, including its origins, the current state of the research, and debates on its impact in the Global South. This section is essentially based upon literature review and document analysis. In a second section of each empirical chapter, I conduct the country study with a qualitative case study approach. In addition to reviewing the literature, I collected empirical material for this purpose. The means of data collection are outlined in more detail in the beginning of each chapter. Policy documents published by governments and other state actors, including the European Commission, were an essential source. In addition, I collected documents published by nonstate actors, such as self-portrayals on homepages, flyers, and so on. I also considered relevant news articles and private reports.

Semi-structured interviews and participatory observations helped me to complement and verify information. My sampling strategy aimed to maximize potential diversity among actors in terms of their interests and roles in the supply chains and their regulation, but my main aim was to close information gaps. In total, I conducted more than sixty-five semi-structured interviews with key informants all along the various supply chains, including smallholders, certifiers, retailers (merchants, manufacturers, etc.), government officials, and NGOs. In Ethiopia and Indonesia, I also

organized several group discussions during field visits in 2017 and 2018. All interviews and discussions lasted between thirty minutes and three hours. The interviewees insisted on anonymity because they revealed sensitive economic and political information. Therefore, I use initials when quoting interviewees in the book.

Moreover, I used notes from participatory observations. These participatory observations were conducted in Germany, a key consuming country with regard to certification and new types of supply chain regulation (many voluntary certification initiatives are headquartered in Germany, including the Fairtrade Labelling Organizations International [FLO] and Forest Stewardship Council [FSC], both in Bonn), as well as in Ethiopia and Indonesia, key producing countries. For example, I used notes from participatory observations at a Fairtrade Fair in Freiburg, Germany, in May 2017, and I visited certified cotton farms close to Arba Minch, Ethiopia, in September 2017. By comparing three different types of regulation used in different sectors and their impacts on countries situated upstream in the supply chain, an understanding of the world system as a whole could emerge. This comparison allows me to trace the power dynamics as well as normative convergence between actors at the same node—for example, between organic movements in Germany and cotton producers in Ethiopia.

In the final chapter, I compare the findings on each new type of regulation and draw some general conclusions. We will see, first, that new regulative approaches underline the withdrawal of the state, although this does not necessarily undermine environmental and social considerations (Gabler 2010; Jakir 2013; Morin and Jinnah 2018). Governments shackled themselves to the World Trade Organization (WTO). This means, first, that the WTO has *power over* individual states, particularly states of the Global South (Azubuike 2018; Widiatedja 2019). Second, the WTO gives private actors a new power over all nation-states (Bartley 2018; Du 2018). Due to WTO rules, all forms of regulation are essentially based on the principle of disclosure—that is, greater transparency improving circumstances of production, instead of prescribing specific rules (Haufler 2010). However, on the one hand, an increasing number of standards has emerged since the 1990s (Bartley 2018, 8). Early regulative initiatives, such as organic and fair-trade certification, were initiated out of political motivations to provide greater environmental sustainability and social justice. On the other

hand, one of my essential findings is that most new regulative approaches are guided by state regulation, and their content and outreach are limited. As new—private, mandatory, and hybrid—regulatory approaches are essentially shaped by state regulation and do not operate in “empty spaces” (Bartley 2018, 34), they fail to change mainstream markets. However, there is a considerable power shift (Mathews 1997). Complementing other research that emphasizes the new “business power in global governance” (as described in the book by that title, Fuchs 2007; see also Dauvergne 2018b), I highlight the new significance of NGOs in governing supply chains. Alternative forms of regulation require NGOs to take over legislative, executive, and juridical roles simultaneously.

A second conclusion deals with the paradox of Northern commitment and Southern empowerment. Although actors from the Global North adopted most supply chain regulations to effectively bypass Southern governments’ opposition to international or bilateral agreements, the regulation mainly targets circumstances of production in countries of the Global South. New regulative approaches weaken specific actors: not only rebels benefitting from the trade in conflict minerals, for example, but also large corporations buying from them at “discounted prices” (Swilling and Annecke 2012, 188; see chapter 4). Another example of weakened actors is found in conventional cotton producers who increasingly compete with organic and fair-trade-certified farmers and manufacturers for outreach into higher-priced export markets (see chapter 3). In consequence, marginalized actors—in particular, certified producers with NGO support—gain new *power to* develop sustainably. Nevertheless, while new regulative approaches address issues of burden shifting between actors in consuming countries of the Global North and actors in producing countries of the Global South, they fail to overcome respective asymmetries.

The third conclusion provides a new insight on world trade. We observe that governments of both importing and exporting countries simultaneously and increasingly exercise *power with* TNCs and NGOs to address social and environmental problems in global supply chains. The free-trade paradigm is fading, but blood consumption (Swilling and Annecke 2012, chapter 7) is still the rule, rather than an exception. There are substantial differences among sectors and countries. Diverse sectors provide illustrative examples of successful but selective and limited approaches. This book deals with these approaches, arguing that we can learn from such first steps

to change our system more fundamentally and to prevent environmental and social problems resulting from economic globalization. In the end of the book, I formulate central topics for further research, as well as ideas for cross-sectoral policy learning. A fundamental reform of the world trade system is critical if we want to prevent other disasters like Rana Plaza. The good news is that there are alternatives available: pioneers have trialed and developed viable approaches that allow for greater social justice and environmental sustainability.

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Alternatives to Multilateralism

New Forms of Social and Environmental Governance

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