NUDGING THOSE WHO DON'T NEED IT: TRANSNATIONAL PRIVATE GOVERNANCE IN THE COCOA SECTOR OF GHANA, ECUADOR AND BRAZIL

Dissertation Overview

Does transnational private governance inspire sustainable development in developing countries? Such is the proposition made by social and environmental certifications, for example Fairtrade, Rainforest Alliance, and UTZ. These certifications rely on third parties to certify compliance and work across nation boundaries, but do not involve the state: all hallmarks of transnational private governance (Bartley, 2007). Certifications have been growing explosively across agricultural commodities, also given that multinational food manufacturers have joined the ranks of certified buyers since the 2000s (Potts et al., 2014). Yet on the receiving end of these regulatory innovations—producers in developing countries—the impacts of these certifications have been highly uneven (Blackman & Rivera, 2010). What explains this variation? Under what conditions and how, through what mechanisms, do certifications become effective in improving socio-economic and environmental outcomes? And how do certifications interact with public regulation purported to be undergoing a (Piore & Schrank, 2008: 1) "regulatory renaissance"?

To answer these questions, my dissertation takes a multi-method approach to explain across- and within-case variation among cocoa producers in three countries—Ghana, Ecuador, and Brazil. My data draws on a difference-in-difference panel survey in Ghana, a matched-case comparison of two smallholder farmer groups in Ecuador, and an ethnographic and interview-based study of certified cocoa plantations and multinationals in the highly regulated Brazil. These countries' divergent socio-economic development, regulatory regimes, and production systems allow me to examine certification effectiveness and mechanisms in extremely different settings.

My preliminary analyses suggest that effective livelihood improvements of certified farmers hinge on an interplay of an institutional context and local action-formation mechanisms (Hedström & Swedberg, 1998). This is contrary to research that explains private governance outcomes either by focusing exclusively on local implementation processes (Perez-Aleman, 2011) or by locating the structural position of producers in a value chain (Lee, Gereffi, & Beauvais, 2012; Mayer & Gereffi, 2010). For local action-formation mechanisms, I find that certification strengthens internal change constituencies for adopting new routines but is contingent on complementary organizational capabilities. For institutional context—based on the case of Brazil—, I find that a strong national laws does not significantly enhance private governance, challenging established knowledge on the importance of strong macro-institutional conditions (Locke, 2013; Toffel, Short, & Ouellet, 2015). This anomaly is due to sector-specific law enforcement patterns and a political-institutional environment that favors smaller agricultural units who are, however, less likely to adopt certification than plantations. Overall, it seems that certification, so far, is a nudge for the best prepared but ineffective for the majority of producers.

The goal of my research is to contribute to the private governance literature on sustainability standards by developing a theoretical framework on underlying mechanisms and conditions. Through this dissertation, I expect to confirm earlier findings that private governance by itself is insufficient to create the intended developmental impacts (Locke, 2013) and to extend the literature by explaining the missing links. It might also suggest that, for private governance to become truly "rewarding" (Perez-Aleman, 2013; Schrank, 2013), further institutional innovations might be required.

In the Blind Spot of a Strong State: Transnational Private Governance in the Cocoa Sector of Bahia, Brazil (Selected Chapter)

With private governance rapidly proliferating, the question of how it relates to and interacts with traditional forms of state-based regulation has loomed large and is getting renewed attention (Bartley, 2011; Eberlein, Abbott, Black, Meidinger, & Wood, 2014; Schneiberg & Bartley, 2008; Vogel, 2008). Missing is a deeper understanding of mechanisms on the ground (Toffel et al., 2015). Furthermore, little attention has been paid to how private governance interacts with not only public regulation in a narrow sense (Koop & Lodge, 2015), but with relevant public policies.

Brazil is a particularly apt case for studying interactions between public and private governance because it has formulated strong laws for protecting the environment and for improving labor conditions, and contrary to other developing and emerging countries, it leans towards “over-regulation” (Pires, 2008). This might lead producers to adopt certification preemptively to be prepared for the state enforcing stringent laws. Brazil thus constitutes a most likely case (Yin, 2009) for the effectiveness of private regulation.

The data for investigating this interaction comes from six months of fieldwork from October 2014 through March 2015, during which I conducted participant-observation with Cargill and Mars—both are actively involved with UTZ certification—and a total of 80 interviews with producers, as well as industry, government agencies, NGOs, and certifiers. Methodologically, my lens was toward understanding within-variation among the regulated. Therefore I chose to conduct repeat interviews with the 30 owners of mostly medium-and large-sized plantations who work directly with Cargill and Mars, establishing enough trust that I spent two weeks living and working on three plantations to get deeper insights into day-to-day conditions there.

Against literature’s prediction that strong state institutions are conducive to private governance effectiveness (Distelhorst, Locke, Pal, & Samel, 2015), I show that interactions are at best weakly complementary and contradictory at worst. As a result, progress on precarious labor and environmental conditions is uneven, despite the context of strong laws. More specifically, I find two main mechanisms. First, private governance encourages the establishment of new organizational practices by guiding producers’ learning and by strengthening internal change constituencies. To support these changes, private governance discursively invokes the threat of law enforcement. However, in the cocoa sector, law enforcement activities are extremely rare, especially compared with the geographically close coffee region, which attracts more regular inspections. Therefore, private governance *de facto* substitutes for an absent state.

Second, private governance can increase the value of a farm and reduce risks that certified producers attribute to the regulatory and policy environment. A repeated rationale for introducing certification is to keep plantations attractive to a dwindling rural labor force and to professionalize its operations in order to stave off potential threats of land invasions, for which unproductive large-sized properties can be targeted. Concomitantly, current agricultural credit and federal procurement policies are geared towards family agriculture and the beneficiaries of land reform who are not yet likely to start certification, unless organized in cooperatives. Private governance, through the eyes of the certified, becomes a remedy rather than a complement to state actions.

In sum, certified cocoa plantations find themselves in the blind spot of a strong state—neither sanctioned nor supported. This study illustrates that the scholarly debate on public-private interactions has be based on mechanisms pertinent to specific policy areas. It also suggests, that, to accurately reflect the perspective of the regulated, a relevant conception of regulation has to recognize important steering effects of larger governmental policies.

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