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**ASIAN DRIVERS AND THE FUTURE OF RESPONSIBLE
PRODUCTION AND CONSUMPTION**
**Exploring a Research Question and Hypotheses
for Future Research**

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ABSTRACT

This paper raises two questions to take a first step in developing a research agenda to assess the developmental relevance of responsible production, which includes both Fair Trade and Corporate Social Responsibility (CSR) initiatives. The first question is: How likely is it that responsible production becomes increasingly mainstreamed? After defining responsible production and contrasting the models and realities of Fair Trade and CSR, I present the rather optimistic ‘business case’ for a ‘race to the top’ which would also imply a further mainstreaming of responsible production. However, this optimism is put in perspective with some sobering observations about how the rise of China and India as centers of global production and consumption may well limit the *reach* of responsible production.

The second question to begin assessing the developmental relevance of responsible production is: To what extent can we expect the ‘tool’ of responsible production to enhance developmental outcomes? Notwithstanding the limited overall reach of responsible production, I will argue that it might be feasible to develop ‘pockets’ of responsible production in which various stakeholders have found ways to selectively work together in order to enhance the localized *depth* of responsible production.

The paper concludes with formulating some hypotheses for further research and putting forward the policy relevance of such research.

Keywords

Asian Drivers, Corporate Social Responsibility, Fair Trade, Responsible Production, NGOs, Labour Standards

ASIAN DRIVERS AND THE FUTURE OF RESPONSIBLE PRODUCTION AND CONSUMPTION¹

Exploring A Research Question and Hypotheses for Future Research

1. INTRODUCTION

Corporate Social Responsibility (CSR) is a hot topic for both business managers and development professionals. Business managers, and a small army of consultants, are busy to develop and implement a multitude of standards and codes of conduct to convince consumers, and Civil Society Organizations (CSOs), of their companies' responsible behaviour. This responsibility is usually operationalized in terms of respecting and enhancing labour and environmental standards in the production processes of their suppliers in developing countries. In this paper I will raise two basic questions in order to begin assessing the development relevance of responsible production. First, how likely is it that responsible production becomes increasingly mainstreamed? Second, to what extent can we expect the 'tool' of responsible production to enhance developmental outcomes? In other words, these questions explore the quantitative – reach - and qualitative – depth - importance of responsible production for development.

In exploring these questions two broad trends need to be taken into account. First, the rise of China and India, not only as the workshops of the world, but increasingly also as the spiders-in-the-web of major global value chains. For example, Chinese value chain organizers are increasingly setting standards and/or making existing standards applicable or irrelevant, and we do not know enough about how the entry of China and India in the global economy affects the relevance of for example ILO and FSC standards (Schmitz 2006, p 55). Second, a significant number of new middle-income consumers from 'production' countries are entering the global consumption market. So far attention on the consumer side has focused on the roughly 800 million middle-income consumers in OECD countries. However, another 600 million to one-and-a-half billion middle-income consumers from the Global South (most visible in countries like China, India, South Africa, Brazil) are likely to have started to significantly influence global consumption patterns. We do not yet know much about the extent to which these new middle-income consumers are more or less or similarly inclined to responsible consumption behaviour, nor do we know much about whether CSOs in these 'new' consumption countries will be able to effectively wield their potential 'power of activism' (Spar & La Mure 2003) to push companies towards more responsible production. Moreover, one can assume that the spiders-in-the-web in the global production system will anticipate newly evolving global consumer patterns. In short, we need additional insights in these interconnected trends of global production and consumption patterns to be able to better assess the potential reach and depth of labour and environmental standards.

Therefore, my general objective is to investigate how the **interaction between** a) the doubling in numbers of global consumers with middle-income purchasing power, and b) the changes in global value chain governance **impacts upon** the depth and reach of labour and environmental standards. A practical aim of this research program is to provide policy-relevant insights to civil society organizations and policy makers to enable them to more effectively use the means of labour and environmental standards in order to enhance their developmental ends (poverty reduction and/or environmental sustainability). The present draft paper takes only a first step in developing this ambitious research agenda by critically assessing the reach and depth of labour standards.

The paper is structured as follows. Section 2 provides a definition of responsible production, of Fair Trade and of CSR, it briefly contrasts the models and realities of Fair Trade and CSR, and introduces the role of civil society and state actors in responsible production. Moreover, it presents the optimistic ‘business case’ for mainstreaming responsible production. However, Section 3 puts forward some sobering thoughts to the idea that responsible production will be the way of the future, by showing how the rise of China and India as centres of global production and consumption may well limit the reach of responsible production. Nevertheless, Section 4 argues that it might be feasible to develop ‘pockets’ of responsible production which may provide relevant examples of how localised depth in responsible production can be achieved. Finally, Section 5 concludes by presenting the overall challenge for this research program and some preliminary hypotheses.

2. RESPONSIBLE PRODUCTION: DEFINITIONS, ACTORS AND MANIFESTATIONS

Confusion about definitions

Defining responsible production, Fair Trade and CSR seems a simple first step in developing this paper. However, the confusion in the discussion on the definitions reflects the overall confusion in this area of work. Instead of getting drawn into a survey of the definitional issues in this booming literature, I will try to highlight very briefly the often implicit discourse clashes that thwart agreement on straightforward definitions. For me, responsible production refers to those situations where the spiders-in-the web of supply chains make a deliberate effort to include, throughout their supply chain, labour and environmental standards that **go beyond** the existing minimum legal requirements. In this way, I use responsible production as an umbrella term, encompassing both Fair Trade and CSR initiatives. While CSR is particularly important to investigate the likelihood of broadening the reach of responsible production as it involves usually large brand-sensitive corporations, Fair Trade initiatives are inherently niche activities that may provide significant demonstration effects of localised depth of responsible production when investigating how to enhance its developmental relevance.

Many **CSR definitions** by management scholars do not only include that firms need to go beyond what is required by law, but also to go beyond the interest of the firm (McWilliams, Siegel & Wright 2006).² I find this counter-

intuitive and counter-productive, as the more sustainable achievements in responsible production most feasibly are to be found in situations where firms can actually increase long-term profitability and sustainability by engaging in CSR as a way to differentiate themselves and their products. In a very critical, forcefully argued recent survey (20 Jan. 2005), *The Economist* even goes one step further and argues that **only** the type of CSR where both profits and social benefits increase makes sense. Given their dislike of the CSR terminology, they prefer to label the situation where higher profits and increased social benefits go together as ‘good management’, so as to differentiate it from three other types of CSR which they feel are flawed.³ This type of ‘good management’ is what in much of the business-school CSR literature is referred to as the ‘business case for CSR’. This implies a win-win situation, often without much emphasis on the inherent conflicts of interests among the different ‘stakeholders’ in such initiatives. Another recent special issue, of *International Affairs*, on CSR by development researchers sheds a very different light on the debate (see eg. Blowfield 2005, Jenkins 2005). They argue that the development relevance of CSR will remain inherently limited in terms of reach as long as only internationally operating brand-sensitive firms in consumer markets are pushed to behave responsibly, and depth remains limited as long as private sector actors can get away with defining, implementing and evaluating what is socially responsible.

The official definition of **Fair Trade** has been the result of fierce discussions within the movement, and presently is formulated as follows: ‘Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.’ (FINE, 2001)

The reality of Fair Trade, inevitably, is more unruly. Even for the star product of coffee, it seems clear that it is far from easy to deliver on the very ambitious claims made in Fair Trade documentation.⁴ Moreover, and this is probably more important and structural, with their modest turnover and the volatility in consumer tastes, Fair Trade marketing channels simply cannot guarantee a regular demand for particular upgraded indigenous handicrafts from specific groups of specialised artisans from the South. Fair Trade can and does aim to upgrade such producers, and in some cases succeeds in assisting them to ‘get on the radar screen’ of mainstream buyers. Nevertheless, the overall picture seems to indicate that for local development in the South, in whatever sector, on its own Fair Trade cannot achieve significant reach in terms of mainstreaming responsible production by itself.

These intrinsic problems related to the model and reality of Fair Trade do not render it useless. On the contrary, they have played a crucial role as norm entrepreneurs, setting an example of how international trade can (at least aim) to be done ‘differently’. Fair trade has played a catalytic role in raising consumer awareness, especially among middle-class consumers in Europe and the USA. It can be argued that the present fashionability of Corporate Social Responsibility (CSR) among leading companies, can at least partly be attributed to the pioneering role of Fair Trade. For the present research program, one of

the questions to answer is in what ways and to what extent Fair Trade can play an equally catalytic role among 'new' middle-income consumers from the Global South.⁵

Also the CSR reality is quite different from its model and has many faces. In the last decades we have seen a bewildering proliferation of standards and codes, many of which relate to responsible production. A good and still relatively recent overview of various types of standards is given in Nadvi & Waltring (2004). Probably the best known example of CSR with a supply chain focus is the Ethical Trading Initiative, in which a group of well-known brand name companies work together with trade unions and NGO's to ensure that labour conditions of suppliers 'meet or exceed international labour standards'. A very recent and in-depth independent study on the Ethical Trading Initiative (Barrientos & Smith 2006, and at www.ethicaltrade.org) indicates that such international labour standards are successfully met for core workers in core supplier firms, but that the picture becomes more variegated for indirectly employed workers or for smaller firms and farmers who supply to core suppliers of global buyers. While ETI has perhaps received most publicity, many other Multi Stakeholder Initiatives (MSIs) exist. Among MSIs a convergence towards some of the ILO core standards can be seen. Most MSIs include health and safety, working hours, equal treatment of women, and child labour. Controversial remain operationalizations of freedom of association, wage levels (minimum vs prevailing vs living) and the scope of non-discrimination clauses (O'Rourke 2006). Further and broader convergence is in the air, as many initiatives may be absorbed in the upcoming new ISO 26000 on Social Responsibility, which is expected to be launched in 2008 or 2009.

The role of CSOs in responsible production

Next to private and state actors, a variety of civil society organisations (CSOs) can play a role in responsible production, like NGOs, Labour or Trade Unions, Community Based Organisations, Social Movements, and Consumer Organisations. CSOs possess fewer sources of power as compared to governments and private sector companies.⁶ Nevertheless, CSOs have often succeeded to make a difference, and to effectively wield their power of persuasion and threat of exposure (Spar & La Mure 2003), even to the extent that some of the more recent literature points at the often assumed but unsubstantiated legitimacy of CSOs to speak on behalf of 'the poor' or 'the oppressed' or 'the concerned' or other relatively vague constituencies (Gereffi et al 2001). In any case, it seems safe to assume that CSOs have played, and will continue to play an important role in the area of promoting responsible production and consumption, as soft power plays a crucial role in consumption behaviour. CSOs have the potential to act as catalysts of change in introducing new norms in consumption behaviour, to punch beyond their weight, and to push for norms to become more mainstreamed.

Norm Life Cycle Model

A useful tool to analyze the process of how new norms can become mainstreamed is the Norm Life Cycle model by Finnemore and Sikkink (1998,

898).⁷ They distinguish three stages: norm emergence, norm cascading, and norm internalization, with a key role assigned to the ‘norm tipping’ that takes place between the first and second stage (Segerlund 2005, 5). In the first stage of norm emergence, altruism, empathy, idealism and commitment are seen as the main motives for ‘norm entrepreneurs’ to push for example for better labour standards. Once a certain critical mass of key companies have adopted such a norm, ‘norm tipping’ brings us to the second stage of norm cascading in which legitimacy, reputation, and esteem become the main motives of companies to join what is now seen as ‘the right thing to do’. In the third stage of norm internalization the new norm has become a generally accepted minimal standard that all participants need to conform to, and at this stage for example new laws on minimum labour standards can further institutionalize the now generally accepted new norm.

A CSO classification

This schematic norm life cycle model can help to position the various roles of CSOs in responsible production and consumption. Some CSOs are squarely placed in the first stage of norm emergence, where they aim to show how ‘it’ can be done differently. For example, Fair Trade aims to show how international trade with poor producers in developing countries can also be based on more equal, more respectful trading relationships with an explicit aim to deliver more benefits to local producers). Next, Action/ Campaigning organizations like Greenpeace that use a ‘blaming and shaming’ approach to force mainstream companies to behave more socially responsible. Others like the Clean Clothes Campaign aim to push forerunner companies involved in MSIs to play a role as trend setters with a focus on depth and norm setting, as part of creating a critical mass to bring us closer to the ‘norm tipping point’. In contrast, other civil society organizations, like for example Solidaridad, might aim predominantly for increased reach and can be positioned in the norm cascade stage, where they aim to convince broader (and more ‘conservative’) mainstream business initiatives of the need to ‘join the responsible crowd’ and to adopt ‘realistic minimal’ standards in order not to jeopardize their legitimacy and reputation.⁸

Role of government in responsible production

The role of the state in responsible production is often forgotten or dismissed, but there is no way around including state actors. Private sector actors need government to set the rules to which private actors can comply. This quite basic observation seems to have gone out of fashion and hardly gets any attention in much of the CSR literature.⁹ Still, I would not be surprised when both Karl Marx and Adam Smith would have agreed that the role of the government is crucial in enforcing responsible production and ensuring developmental outcomes, even though their argumentation would differ. Marxists would argue that while individual capitalists may be inclined not deliberately to destroy labour – by paying less than the reproduction wage – but because their dominant logic is to make profits in the short run, and they assume that all other capitalists will behave similarly, they will collectively drive

wages down below the reproduction wage, unless the state steps in to regulate, and/ or when workers can enforce 'higher' wage levels through collective bargaining. Classical economists would argue that the invisible hand in the market would ensure developmental outcomes, given a 'few' preconditions: economic interaction is voluntary, competition is allowed to function properly, and externalities are addressed. Governments have a key role in ensuring these preconditions: for example to provide independent judiciary to ensure voluntary economic interactions, to fight anti-competitive behaviour in for example cartels, and to regulate how to address and compensate for externalities. In short, to ensure the development relevance of responsible production, a key role of state actors is inevitable. The question is not whether the government should be involved in these processes, but how to work towards a more feasible and effective role for governments in responsible production (Fox 2004, Graham & Woods 2006, Moon 2004), which will be elaborated upon in Section 4.

The business case for CSR and the race to the top

Within both the CSR-minded business community and among NGOs engaged in stimulating responsible production, optimism reigns. They differ on how fast and how deep responsible production should or could penetrate, but they agree on the logic of the basic direction. While many business managers are wary to go 'too fast' and to run 'ahead of the troops', most NGOs feel that changes come too slowly. Nevertheless, also most NGOs feel they are on the right track, and that what needs to be done is to get more companies to embrace more responsible standards as the way of the future.

The underlying business logic, next to the social or environmental benefits, is that of high-road causality thinking, which is based on the idea that in situations of quality-driven competition it pays to invest in workers – and thus offer relatively better labour conditions - in order to achieve continuous improvements. Such workers become increasingly skilled, relatively scarce, and possess significant tacit knowledge. Such a conceptualization of workers clearly has its merits in an increasingly knowledge-intensive globalising economy. However, one should be careful not to over-generalize the extent to which such a conceptualization offers a useful model to understand labour conditions in developing economies (Knorringa & Pegler 2006). The high-road causality logic holds in some sub-sectors and for specific higher market segments, but amounts to wishful thinking for the bulk of labour-intensive low-cost export-oriented production.

Another key problem with the high-road causality logic is that it seems to require already a certain critical mass of responsible producers, i.e. the norm cascading stage, so that many not-yet responsible producers with self-respect feel inclined to join the high-road. This also becomes clear in the to my knowledge most forceful formulation of the business case for responsible production, which has been made by Sabel, O'Rourke and Fung (2000) in a paper called 'Ratcheting Labour Standards: Regulation for Continuous Improvement in the global Workplace.' They use the language of the New Competition and Total Quality Management to put forward the idea of a race-

to-the-top by companies competing not only on quality, diversity, innovation and price, but also on their social achievements. In their words:

The impressive gains that have been achieved in product quality, diversity, price, and innovation in global markets can, we assert, be extended to focus these disciplines on the improvement of labour and environmental conditions, and social performance more generally. We offer “Ratcheting Labour Standards (RLS): as a regulatory strategy that... attempts to redirect some of these energies towards the advancement of social ends. (p. 1).

Basically, they put forward the idea that when labour and environmental concerns are integrated into the core business model of private sector companies, the business community can and will mainstream responsible production.¹⁰

Unlike a fixed-rule regime, which aims to ensure that all facilities exceed minimum thresholds, RLS establishes an on-going competition in which laggards pursue leaders and leaders attempt to out-do themselves because they know that no particular performance level confers lasting ascendancy. Though RLS begins with consumer taste and public pressure as its drivers, it should in time include the forces and resources of national governments and international organizations. (p. 2)

Therefore, the RLS approach assumes a critical mass of ‘ethically sensitive customers’, towards achieving norm cascading in which legitimacy and reputation become the main motives for companies to want to join a self-reinforcing process of high-road competition. Unfortunately, I find it rather far-fetched to imagine such a process to simply take hold at global level. The next section aims to put the mainstreaming optimism into perspective, using observations from the Asian Driver discussion.

3. REACH: SOME SOBERING THOUGHTS ON THE LIKELIHOOD OF MAINSTREAMING RESPONSIBLE PRODUCTION

While the previous sub-section presented the possibility of a self-reinforcing race to the top, in this section I will put forward some sobering observations. Below I introduce four main reasons, all of them related to the rise of China and India in the global economy, to be kept in mind when assessing the potential for an increased reach of responsible production. The first two issues are related to production, the last two issues relate to consumption issues.

Production issues

Firstly, globalisation requires firms to be more flexible. Basically the need for more flexibility at the firm level is ‘passed on’ to workers in terms of more insecure and precarious labour conditions. Moreover, while core workers in final product producers and key supplier firms may enjoy responsible standards and improved employment conditions, due to increased outsourcing the proportion of such core workers seems to be decreasing. The overall picture is one of fewer core workers at global level, and more differentiation through

various layers within firms, through local subcontracting arrangements and through international relocation of economic activities.

Moreover, some observers stress that firms and production countries are also facing the pressure of what is called ‘immiserising growth’¹¹, where: ‘..., growing ... participation in industrial activities – reflected in the level of industrial activity, the growth in physical trade and the increase in industrial employment – may in fact become associated with declining overall standards of living’ (Kaplinsky, 1998, p.4). This negative macro effect is not because of an inefficient allocation of resources, but because of the pressures arising from economic globalisation. Kaplinsky concludes that: “in previous eras, participation in industrial segments of the value chain provided the source for sustainable income growth. But, increasingly, in a globalising economy these industrial niches have become highly competitive, raising the spectre of immiserising growth’ (Kaplinsky, 1998, p.31). He argues that firms or countries need to identify and exploit specific rents from competitive advantages, but that the main lesson from recent history is that all rents are transitory and that new suppliers in GVCs basically carry out ‘rent-poor’ activities. Again, escaping from this immiserising-growth trap is something that might be achieved by some individual firms or countries, but the general trend is expected to be one of: ‘... declining real wages and declining real incomes in those countries specialising in rent-poor products. ... The challenges thus confronting producers everywhere is to upgrade by appropriating whatever categories of rents are within their grasp, but to do so more rapidly than competitors in the knowledge that a rate of innovation lower than the average will result in immiserising growth.’ (Kaplinsky, 1998, p.34).

Many observers may feel that the image of immiserizing growth paints a too pessimistic picture, especially when looking at dynamic growth in China and India. This is not the place to get into this debate. Suffices here to state that our argument does not hinge on immiserizing growth to become more or less widespread. To assess the likelihood of mainstreaming responsible production we simply need to be aware of the basic capitalist business model which implies that a majority of firms in a particular sub-sector do not produce A-brands with high image vulnerability, but will continue to look for the cheapest acceptable price/ quality mix. Given the continued abundant availability of cheap and quickly to be skilled labour for labour-intensive production phases in GVCs, the market wage for this type of labour is not likely to rise in the foreseeable future.

A second issue on the production side is that Asian (especially ethnically Chinese) intermediaries increasingly play a more central role in many global value chains. While the role of these spiders-in-the-web has so far remained rather invisible, they are increasingly taking a leadership role in the governance of a wide variety of global value chains, for both branded and unbranded consumer goods (Schmitz 2006). While A-brand consumer goods and A-brand retailers are very vulnerable to the ‘power of activism’ and have in recent years become pro-active in terms of responsible standard setting, this applies much less to the rather invisible Asian intermediaries who are more likely to downplay these logistically more complicated and cost-raising concerns and be at best re-active in terms of responsible standard setting. Given the increasingly

dominant role of Asian intermediaries, and their minimalist approach to responsible standard setting, this also makes it increasingly difficult for others to remain competitive **through** following a higher road towards responsible standards setting, except in premium market segments.

Consumption issues

I would like to raise also two issues related to the rise of China and India as global centres of consumption. First, the over-estimation of the relative importance that most consumers would attach to the labour and environmental impacts of the production and distribution of goods that they (do not) purchase. Many of the new middle-class consumers in the Global South, but also many consumers in OECD countries, probably attach very limited importance to these ‘additional attributes’ of the products they buy, if it means paying a somewhat higher price, except perhaps for identity products like clothing and shoes, and possibly for food and health products. Research indicates that relatively few (around 5%) of consumers actually use their ‘consumption as voting’ (Shaw et al 2005), while it needs to be stressed that this type of research is still in its early stages in terms of representativity and has an almost complete OECD focus.

The second issue is an implication of the ‘Bottom of the Pyramid’ thinking (Prahalad 2005). The Bottom of the Pyramid debate focuses on bringing another 4 billion relatively poor consumers into the global market realm by ‘simplifying’ existing consumer products, to produce them at cost levels within reach of relatively poor consumers. From the perspective of this study one might argue that such a simplification of product attributes would probably leave no space for ‘luxury’ responsible attributes like for example an FSC label. In other words, also branded products will increasingly need to find a way to produce a broader variety of simpler products at lower price ranges.

Adding up these two production and two consumption related points leads to a picture in which we are probably more likely to experience a further rise in low road production, and an increased differentiation within low road production, instead of an inevitable spreading of higher road production. Next to this increasing share of low road production we could envisage a significant market segment for some middle and upper income citizens that consume responsibly produced goods supplied by A-branded retailers, and an even much smaller niche for Fair Trade products consumed by particularly concerned and action-oriented citizens.

Moreover, the fact that two large developing countries will join the ranks of the superpowers will not automatically lead to more developmental global value chain governance. Instead, it is perhaps more likely to lead to more hard-nosed capitalism and ruthless competitive behaviour in a broader range of product ranges and market segments. What we may expect is a quite long and potentially volatile transition period in which the new global power structure works itself out (Humphrey and Messner, 2006). In conclusion, there seems to be very little reason to assume that a drive towards mainstreaming responsible production will gain dominance in this volatile situation.

4. DEPTH: HOW TO INCREASE THE DEVELOPMENTAL RELEVANCE OF RESPONSIBLE PRODUCTION

The previous section argued that widespread mainstreaming is unlikely. However, this is not the end of the story. Somewhat similar to arguments made by Evans (1996) and Moore (1994) one might envisage a catalytic role of a number of successful ‘pockets’ of effective responsible production, if and when it can be shown that localised depth of responsible production provides developmentally relevant inputs to processes of local development. Going against the odds, such ‘pockets’ of effective responsible production could set best practice examples, may stimulate further debate and provide CSOs with ammunition to influence public opinion and politicians on the need for more stringent government policies and laws to enforce compliance with specific labour and environmental standards. Such a strategy aims to reinforce norm emergence, and get us closer to the norm tipping point. Such a strategy implies, at least for the time being, a shift away from thinking primarily in terms of reach of responsible production, to thinking in terms of the depth or developmental relevance of responsible production.

Not much work has been done on this perspective, but a few authors have started to at least raise the issue. For example Locke et al (2006), after studying one of the show cases of CSR, Nike, concludes that the existing codes of conduct, even when followed through consistently, do not seem to be very significant in terms of achieving developmental impacts. This is at least partly a result of the fact that the issues included in most codes reflect the interest of companies to be able to show potential consumers they behave responsibly, and do not often seem to reflect the priorities of poorer segments in the local workforce, nor local development priorities (Blowfield 2005; Jenkins 2005).

In other words, private sector actors have been successful in setting the agenda and determining the indicators to measure responsible behaviour, but in order for responsible production to gain more developmental relevance, other actors like local CSOs, development professionals and engaged government officials need to find a way to start co-moulding this agenda and determining future indicators. Moreover, we need to recognize that these types of standards or codes can only be one element in a broader development strategy (Barrientos 2000). Codes that lead to improved labour standards in the export-oriented local factories can be a catalytic point of departure for other pro-poor development interventions, only if and when other local or national developmental actors can and will use this as a lever.

But such a strategy is also risky, as higher standards may well push out weaker and often smaller suppliers that pay lower and more irregular wages to poorer workers. In response to standards by outside buyers, local firms tend to concentrate production in easier to monitor places of work and cut-off smaller subcontractors from their supply chain, either for real or only on paper. A similar process occurs in terms of labour contracting, where permanent workers or middle-men contract casual workers (often (seasonal) migrants) to take care of the more tedious work, without enjoying the benefits from working in a responsible chain. This may increase the gap between a relative elite of local firms supplying to GVCs with improved labour conditions, and a

mass of local firms ruled by low-road production in which labour conditions are not likely to improve (Gibbon and Ponto 2005). Even more generally, one might argue that attempts to enhance labour standards in these formal enterprises will only increase the gap with the vast local informal sector, which would reinforce exclusionary tendencies (Kabeer 2004).

Instead, in order to work towards a more localised and broad-based ‘race-to-the-top’, one might think of a localised version of the ‘Ratcheting Labour Standards’ idea (Sabel et al 2000, discussed in Section 2). In some localities it might be feasible to mobilize (among state, private, and civil actors) the critical mass needed for norm tipping and subsequent norm cascading at local level. In trying to achieve such localised depth in responsible production, we face a paradox. What matters most is not the highest standards, but a way to optimise the linkages with other local initiatives, to achieve broader and deeper localised impacts.

From the supply chain perspective responsible production will only start to really make a difference, when firms integrate responsible attributes in their purchasing practices (Barrientos & Smith 2006, Locke & Romis 2006). Moreover, based on a case study of footwear suppliers to Nike in Mexico, Locke & Romis go one step further in arguing that this integration is achieved more easily in supply chains that are more quality-driven (as opposed to price-driven) and where relationships are more long-term and less asymmetric (Locke & Romis 2006).¹²

Therefore, to strengthen localised depth in responsible production, some local-global responsible catalysts need to convince and cajole local and supply chain actors to build realistic coalitions. One element in pushing forward such a strategy could be to connect to the emerging field of a more localised and actor-specific manifestation of the broader discourse on ethics and morality in development (Gasper 2005, Proctor 1998).¹³ This would also be a modest but important step in ‘universalizing’ decent work standards at local level (ILO 2002).

In this process of constructing pockets of responsible production government actors need to play a crucial but not necessarily labour-intensive role. In essence, governments need to set minimum standards, private sector acts as engine of growth and employment, while NGOs primarily act as watchdogs. In terms of the role of government it is often mentioned that governments might be relatively good in setting standards and producing laws and regulations, but that the main problem lies with implementation. Some innovative work seems to argue for giving other actors a role in the implementation, giving government actors the possibility to concentrate more on setting the standards. Weil (2005), based on a case study related to informal garment manufacturing in Los Angeles, argues that involving the buyers in monitoring minimum wage regulations in small subcontractor firms reduces the number of violations in paying minimum wages, and that using buyers to monitor increases the ‘credible threat’ to subcontractors. Again, this seems to work best in situations where buyers and suppliers have (a perspective of) a more long-term relationship. The key point for experiments with increasing the depth of responsible production is that this illustrates how one might creatively look at new delineations in the complementary roles of private, state, and civil

actors.¹⁴ In short, while the whole debate on mainstreaming responsible production is dominated by private actors, with CSOs ‘breathing in their neck’, the issue of strengthening the developmental relevance of responsible production inevitably brings state actors back into the equation.

5. CONCLUSION: OVERALL CHALLENGE AND HYPOTHESIS

NGOs working to mainstream responsible production face an uphill battle with an uncertain outcome but with potentially important developmental implications. A key challenge for the program of research outlined in this paper is to confront the up-beat discourse on how NGOs play a catalytic role in mainstreaming labour and environmental standards, with the sobering Asian Drivers and Bottom of the Pyramid discourses that predict, for the foreseeable future, that Asian wages will not increase and that global value chains will experience an increasing share of low road production in which ‘luxury’ responsible attributes are not to be expected. In the end, this is an empirical question, so one of the key issues for further investigation is to explore, in specific locations and sectors, the net effects in terms of reach and depth of responsible production.

To return to the research objective, and limiting myself to the labour standards that have been the focus in this paper, I expect that the interaction between a) the doubling in numbers of middle-income global consumers and b) the changes in global value chain governance will lead to:

- a **reduced** overall reach of enforcing minimum labour standards in the global economy, and
- an **increased** depth of labour standards in some alternative niches and in the supply chains of major A-brands for consumer goods.

This also means that the ‘gap’ between responsible and ‘normal’ or ‘market-based’ labour standards will increase further in developing localities where the first and second tier suppliers of A-brands are located. Therefore, it becomes even less likely that CSR initiatives of major brand-name companies can play a norm setting role in local economies, which also reduces the relevance of such standards as a way to enhance broader developmental goals such as reducing income poverty and achieving environmental sustainability. While this seems the most likely overall trend, significant exceptions to the rule might still be used to demonstrate in which situations responsible production can actually provide a stimulus to and become part of local development strategies that do enhance broader developmental goals. I expect that such best practice examples of pockets of effective localised responsible production will reveal innovative private-state-civil actor coalitions, cooperating where possible and recognizing different interests where necessary.

Therefore, I expect this research to provide policy-relevant insights on where and when selective CSO pressure is more likely to generate positive developmental impacts. Moreover, such a research would also contribute to a better understanding of the newly emerging ‘division of roles’: the structurally complementary as well as partly conflicting roles of government, private sector

and civil society in enhancing development in a globalising world with new anchors.

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NOTES

¹ The initial ideas for this paper were presented in a Development Research Seminar at ISS, November 23 2006. A first draft was presented in an Asian Driver workshop in Beijing, January 12 2007. I wish to thank participants in these events for thought provoking questions. A special word of thanks goes to Hubert Schmitz for challenging me to develop this daunting research agenda.

² McWilliams, Siegel and Wright, as guest editors of a Special Issue on CSR in the *Journal of Management Studies*, one of the top business school journals, define CSR as 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law' (2006, p 1).

³ These three situations are: 1) 'pernicious CSR', where profits increase but social benefits decrease (this is where governments have failed to appropriately regulate the economy), 2) 'borrowed virtue CSR', where profits decrease and social benefits increase (this is where shareholders fail to control managers who spend excessively on social programs), and the worst case scenario is both a reduction in profits as well as social benefits which *The Economist* labels as 'delusionary CSR'.

⁴ Especially in non-food products it is often impossible to actually pay a premium. For a recent study on Fair Trade in the Netherlands, see Knorringa 2003.

⁵ Follow up questions could be: What role do NGOs in the Global South play, and how can global civil society alliances support the mainstreaming of labour and environmental standards? More specifically, what role can we expect for example Chinese NGOs to play, as compared to for example Indian NGOs, given the different trajectories and room to manoeuvre of civil society in these two main consumption as well as production countries?

⁶ Traditional international relation literature identifies a hierarchy of sources of power (1) military power, (2) economic resources, (3) soft power, such as moral authority and persuasion (Florini 2000, 10). While governments can use all three of these powers, private sector companies can still use the second and the third, and CSOs are basically confined to using only soft power (Segerlund 2005, 25).

⁷ This model was developed in the context of analyzing state behaviour.

⁸ One important insight to take from this model is that various civil society organizations may play complementary roles in furthering the responsible production agenda. Unfortunately, many staff in civil society organizations look at this through a more competitive lens, and put time and effort in arguing about which role is more important or more politically correct, while a recognition of these complementarities might be a first step to develop more effective (tacit) liaisons, like for example the harmonized division of labour between Greenpeace and WWF in dealing with companies while working towards mainstreaming the FSC label.

⁹ For a notable early exception, see Fox et al 2002.

¹⁰ Interestingly and ambitiously, they spend a separate section on explaining how it will be more difficult but not impossible to launch a similar process in the informal sector.

¹¹ The phrase was initially coined by Bhagwati in 1958, and further developed in Bhagwati 1987.

¹² A study on comparing two footwear suppliers in China gave similar results in terms of better employment conditions in the factory with more network type of relation with the main buyer (Frenkel 2001).

¹³ This would be one way to address the present situation in which development standards are set and implemented by private sector actors (Blowfield 2005).

¹⁴ For an innovative approach on how governmental and non-governmental actors may fill state capacity deficits, see Braithwaite 2006. For a case on government as possible driver of CSR, see Moon 2004.