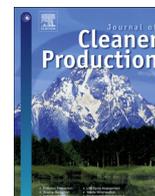




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## Partnerships intervening in global food chains: the emergence of co-creation in standard-setting and certification

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## ABSTRACT

In the agri-food sector, global partnerships between lead firms and international NGOs design standards that aim to enhance environmental sustainability and to some extent realise social justice. However, the effectiveness of such standards is limited when their content and governance provokes resistance in production regions upstream in the chain. This paper addresses the question whether and how multi-stakeholder partnering makes internationally constructed standards fit local institutions, i.e. norms, rules and practices in producers' regions. The case studies make use of 'global value chain' and 'global production network' approaches to analyse two examples of global–local interactions: Utz Certified rooibos tea in South Africa and Aquaculture Stewardship Council certified shrimp in Indonesia. The analysis demonstrates that producer regions are not always merely standard-takers. Co-creation in standard-setting and certification may occur when the chain's commercial exploitation of natural resources threatens sourcing in the long term, when local partnerships experienced in environmental protection of the resource become involved in the implementation, and when global and local partnerships interact not only via hierarchically organised value chains, but also via a newly emerging public space.

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## 1. Introduction

In the past decade a plethora of voluntary sustainability standards have emerged that could potentially reduce environmental impacts of production around the world. A number of the well-known standards, such as the Marine Stewardship Council, the Roundtable on Sustainable Palm Oil, Rainforest Alliance and Utz Certified, are embedded in partnering processes between multinational enterprises, non-governmental organisations and producers at global and local levels. The main drive behind these cross-sector arrangements is achieving win–win situations by exploiting 'collaborative advantage' (Huxham, 1996). Partnerships combine the unique capabilities and resources of each party, which contributes to outcomes that individual partners cannot easily achieve in isolation within their own sector (Selsky and Parker, 2005).

Multinational enterprises (MNEs) have various reasons to engage in global partnerships, varying from genuine ethical considerations to sheer business interest. A recent survey among 120 supply chain managers from European companies found that 'sustainability' and 'reducing the environmental footprint' is considered to be among the top five main business challenges that drive the supply chain agenda for 2013 (SCM, 2013). Particularly in the agri-food sector, MNEs show growing awareness about the strategic vulnerabilities of critical raw material supplies. This leads to a greater engagement of these firms with host country suppliers and their governments, including a shift from specialisation and fragmentation of global value chains towards strategic collaboration (Gereffi, 2013). Non-governmental organisations (NGOs) are considered to be suitable partners as they bring to the partnership legitimacy, knowledge of environmental problems, and network contacts among suppliers especially in developing and emerging economies (Schouten and Glasbergen, 2011, 2012).

International NGOs opt for MNEs as powerful allies in their strategy to protect natural environments because these companies play a powerful role in worldwide sourcing, production, and trade. About 80 per cent of global trade takes place via international networks of suppliers and buyers that are coordinated by MNEs

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(UNCTAD, 2013: 135). The world's leading firms possess the means to make a decisive difference in their supply chains, because the “purchasing power of a corporation can become a unique driver for bringing about positive change in society. Companies must use this power to achieve a purpose and make their supply chain a vehicle for inclusive growth” (Anand Mahindra, Mahindra & Mahindra Ltd, quoted in UNGlobalCompact (2010: 15)). This perspective has triggered research on the how sustainable supply chains can be managed (Ahi and Searcy, 2013; Seuring and Müller, 2008).

International alliances between MNEs and NGOs expect environmental and social value chain standards to reduce negative impacts of industry worldwide. Standards are the “external points of reference by which a product or a service's performance, its technical and physical characteristics, and/or process and conditions under which it has been produced or delivered, can be assessed” (Nadvi and Waltring, 2004). One of the major limitations of such standards is that they primarily respond to public pressures and concerns in consumer markets that may not be shared in producer regions (Blowfield and Frynas, 2005). Moreover, private sustainability standards depend on unequal power relations within the value chain. Food MNEs together with international NGOs and the ‘certification industry’ can be considered as standard setters, while the primary producers act as standard takers (OECD, 2011: 34) whose contribution to addressing problems associated with the standards receives little attention.

This paper addresses this global–local challenge of standards by looking into the role that partnerships play in overcoming contradictory views on sustainability standards in consumer and producer regions. MNEs engage with a variety of standards, but the contribution of MNEs to sustainable development not only depends on the agreed standards per se. The partnering of MNE's and NGO's at global level and the involvement of local partnerships in the implementation shape the conditions under which impacts are realised (Schouten et al., 2014). The central question is whether and how multi-stakeholder partnering makes internationally constructed standards fit local norms, rules and practices in producers' regions. We develop the argument that opportunities for co-creation between global and local actors emerge because of the involvement of and interactions between multi-stakeholder partnerships at global and local level. This shifts the attention to the role and capacity of local public–private partnerships to act as countervailing power to the MNE-NGO alliance at the global level. The credibility of sustainability labels is not merely determined by global convergence of technical rules and certification procedures that address concerns in consumer markets. Credibility may be seriously hampered when the labels provoke resistance in producer regions. Local partnerships can reduce such global–local frictions by advancing certain levels of divergence in standard-setting and implementation so as to attach more value to local norms and practices.

In the remainder of the paper we first explain our conceptual approach, which combines ‘global value chain’ and ‘global production networks’ theories. In the methodology section, we clarify the choice for the two case studies and explain the data collection and analysis approaches. Subsequently, we use a cross-case analysis to report on how processes connecting global and local partnerships evolve. The selected case studies, the introduction of the Utz Certified standard in South Africa for Rooibos tea production and the intended employment of the Aquaculture Stewardship Council (ASC) standard for shrimp farming in Indonesia, show similarity at a global level where partnerships frame standards. The case studies document the processes through which these standards touch down in environmentally vulnerable regions, i.e. the biodiversity-rich Fynbos area and mangrove forests. Finally, we discuss the

implications of the global and local partnerships' interactions in respect of the emergence of co-creation and a new public space.

## 2. Global value chains and global production networks: how to unpack global–local interactions?

Global sustainability standards can be analysed with global value chains (GVC) theory that analyses the structure of a value chain or industry (Gereffi and Korzeniewicz, 1994). The level of analysis is the network of companies rather than an individual company, while the chain is used as a metaphor for studying the relationships between aligned firms in the context of the chain's international expansion and geographical fragmentation (Gereffi and Lee, 2012). Governance, the centrepiece of this approach, refers to internal chain coordination that may take various forms ranging from arm's length market-based interaction to hierarchical control in vertically integrated firms (Gereffi et al., 2005). This coordination can be largely driven by either the supply or the demand side of the chain. In demand-driven chains, ‘lead’ firms are operating at the downstream end of the chain, in or close to the international market (Gereffi et al., 2005). Because of their influential position in governing the conditions for production in the entire chain, lead firms positioned in the consumer markets have become the targets for multi-stakeholder sustainability initiatives.

The multi-stakeholder partnership to tackle collective action problems is possibly emerging as a new form of value chain governance (Gereffi, 2013). Such partnerships in consumer markets have the ability to define sustainability and to embed the related and codified quality information in standards and certification procedures (Ponte and Gibbon, 2005). This insight from GVC literature demonstrates that value chain governance not only depends on coordination and steering by the lead firm (Gibbon and Ponte, 2008); it also includes abilities to make globally defined quality conventions work at the upstream end of the chain through the activities of, for example, auditors, support agencies, or producers' organisations. Accordingly, recent GVC literature broadens the analysis by addressing the effects of quality standards on national level public–private collaborations outside the boundaries of the value chain (Tallontire et al., 2011) or on exchange and regulation of (inter)national markets (Ouma, 2010).

Value chain governance is closely connected to processes of upgrading, which comprise strategies of suppliers, regions, or countries to improve their position in the chain and the global economy by acquiring higher value-added activities through the enhancement of production processes or by engaging in new product lines (Gereffi and Lee, 2012; Humphrey and Schmitz, 2002). In this paper the term upgrading serves a conceptual purpose and has no normative meaning (Ponte and Ewert, 2009). Upgrading is not necessarily positive to individual chain actors. Despite its positive connotation, upgrading efforts by individual firms or cooperatives to remain included in global value chains may end up in a race to the bottom (Gibbon and Ponte, 2005). Functional downgrading i.e. withdrawing from higher value-added activities and concentration on more upstream activities can be a more efficient strategy to enhance competitiveness of some chain actors (Meyer-Stamer, 2004).

We conceptualise upgrading as a set of practices and strategies driven by producers, in contrast to the implementation of standards importantly induced by lead firms or global partnerships via the hierarchically coordinated value chain. Yet, a major intended outcome of upgrading is inclusion in the (global) value chain. Upgrading in this paper refers to companies in the chain that invest, for example, in production processes to become preferred suppliers (Dolan and Humphrey, 2004); or to local producer associations that prepare themselves to supply niche markets, such as Fair Trade, and

to use this market opportunity to enter into processing and packaging (Raynolds et al., 2004; Raynolds and Ngcwangu, 2010). Upgrading may also involve local firms that use their products to serve alternative chains ending up in new end markets, such as Thai cassava products connected to different industrial uses in China (Kaplinsky et al., 2011). Through their dominance in the chain governance, lead firms may facilitate or hamper upgrading strategies of other actors in the chain.

Partly in response to GVC theory, the Global production networks (GPN) approach (Dicken et al., 2001) emphasises territorial embedding of various stages of global value chains in the different producer and transit countries where the chain ‘touches down’. Embedding refers to the chain’s connections with local actors external to the value chain, which enable regional institutional contexts to influence the value chain governance designed in consumer markets. Rather than sharing the over-arching focus on lead firm-based governance, independent from local institutional frameworks and therefore “placeless” (Bair, 2008: 357), the GNP approach emphasises how chain governance is shaped by institutional and regulatory contexts derived from the proximity of actors in a territory. GPN analysis focuses on the influence of national states on global network operations that take place within their territory, and has an interest in the role of other stakeholders, notably labour unions and NGOs. Henderson et al. (2002) highlight degrees of autonomy of firms as a condition for upgrading and try to understand the way in which non place-specific or global processes penetrate and transform territory-specific ones, and vice versa. “Hence the precise nature and articulation of firm-centred production networks are deeply influenced by the concrete socio-political, institutional and cultural contexts within which they are embedded, produced and reproduced” (Dicken, 2011: 62). This implies that standards adopted by the lead firm are not the result of corporate strategy only, but may also be shaped by non-chain actors (Bair, 2008). Governance of global value chains or production networks are in fact being ‘co-produced’ through a series of ‘struggles’ between global chain governance and the local territorial institutional environment (Neilson and Pritchard, 2009: 56).

The global value chain literature is useful to depict specific forms of governance, which highlights the power of lead firms driving a value chain that opens its boundaries for negotiations with salient NGOs. The global production network literature emphasises territorial embedding and refrains from privileging one set of institutions originating in the internationalisation of value chain. Both GVC and GPN literature acknowledge the relevance of global–local interactions and power dynamics. These interactions take place within and across the global value chains, but the theories are scant on the issue of how the crossing of value chain boundaries occurs. Also, less attention has been given on the issue of how the emergence of multi-stakeholder partnerships affects global–local interactions.

Drawing on both the GVC and GPN literature we can construct a conceptual framework that comprises three types of relationships. The first includes relationships among the private sector actors in (global) value chains. Buyers in the chain have an incentive to govern their supply, while suppliers are often motivated to upgrade. Depending on their market power, either as buyer or seller, chain actors may dominate over another. Sustainability standards typically emerge in demand-driven chains where they constitute value chain governance because they comprise codified rules and norms that apply to all suppliers in the chain.

The second type of relationships involves a collaborative arrangement of at least one salient NGO and one MNE that is a lead firm in a global value chain. This partnership is responsible for the birth and implementation of global standards. We label this arrangement, which emerges in consumer markets, the ‘global

partnership’. It combines the market-based, coercive power of the firm with the public legitimacy of the NGO to enhance environmental and/or social sustainability of products or production processes in the value chain. The influence of a non-chain stakeholder, the NGO, in chain governance can be explained by GPN theory as a form of embedding of the downstream end of the value chain in the institutional contexts of the consumer market. The partnership has a global reach because it designs sustainability standards that apply globally and equally to diverse producers in various regions in the world. The resulting quality standard includes now both private and public values.

The third type of relationships comprises those among the value chain stakeholders in producer regions. Whereas the design of the sustainability standard results from institutional embedding in the consumer market, the immediate and intermediate consequences of the value chain and its standard depend importantly on how they ‘touch down’ in practices, networks and strategies of local actors in a diversity of producer regions across the world (Helmsing and Vellema, 2011). Hence, the sustainability standard is subjected to a second stage of institutional embedding in local regions when the standard is implemented among producers that are supplying the chain.

This conceptual framework addressing the interaction of value chain governance, global partnerships, and locally embedded forms of collaboration and governance leads to two questions. First, how does embedding of value chain governance take place via global and local partnerships? Second, how do both stages of embedding – at the global standard-setting level and the local implementation level – relate to each other, and how do they make internationally constructed standards fit local norms, rules and practices in producers’ regions?

We employ the framework and the two questions as a theoretical guide in the cross-case analysis of two cases of the interactions between globally induced sustainability standards and locally embedded partnerships.

### 3. Methods

The study is based on two comparable cases to follow a replication logic (Yin, 2009: 54). Even though the cases differ in industry sector, the specific MNEs and NGOs and location in the world, they show a high similarity in the way global partnerships designed and implemented sustainability standards. The cases involve groups of agri-food suppliers that have been engaging with global sustainability standards for their respective industries. Stakeholders in the South African Fynbos area, where rooibos tea is being produced, have engaged with the Utz Certified standard, and players in the shrimp industry regions in Indonesia have been considering the adoption of the new Aquaculture Stewardship Council (ASC) standard. Both industries are located on vulnerable landscapes that they depend on and that make environmental protection urgent. Tea producers need to maintain their rooibos biodiversity and the shrimp sector its mangrove forests. Both industries are highly dependent on exports to high income countries (Table 1).

In both case studies multiple sources of information were used to identify immediate and intermediate outcomes of partnering (Ton et al., 2011), and to discover rationales underlying interventions and partnerships (Vellema et al., 2013). The authors of this paper have been intensively involved in the case studies that were conducted in 2010 (rooibos) and 2011 (shrimp) published as research reports (Arendse, 2011a, b; Douma et al., 2010; Douma and van Wijk, 2012; Hawkins, 2011).

The Rooibos case study was conducted in cooperation with the NGO GreenChoice/Conservation South Africa in 2010. Documents, written or spoken statements (website, meetings, newsletters, etc.)

**Table 1**  
Characteristics of the two case studies.

	Rooibos tea production in Fynbos region, South Africa	Extensive (traditional) shrimp production in East Java and Kalimantan, Indonesia
Value chain: governance	- Major international tea buyers/food manufacturers serving EU markets	- European retailers, international fish processors and national exporters serving markets in EU and USA and in Asia.
Global partnership	- Competing global standards, Utz Certified and Rainforest Alliance, and locally initiated codes.	- Combination of FAO standard, GlobalGAP, ACC, ASC, and national food safety regulations
Value chain: upgrading	- Multinational retail and food company initiated standard (Utz Certified) aligned with NGOs	- NGO initiated standard (Aquaculture Stewardship Council) aligned with European retail and processing firms, linked to regional dialogues
Local partnership	- Locally initiated certification initiatives to develop an industry based on claim unique qualities and origin of Rooibos	- National initiatives to ensure food safety and to diversify for different markets in order to maintain mass employment and position as one of the world's leading shrimp suppliers
Vulnerability resource base	- Established industry-based public–private partnership working to conserve biodiversity rich area.	- NGO network working to protect mangrove forests and to support communities interacting with government
	- Diminishing biodiversity rooibos species	- Destruction of mangrove forests, coastal water pollution, exploitation fish resources for fishmeal

were used to construct a time path of events, activities and decisions made during the implementation of certification. Documents included meeting notes, project proposals, evaluation forms, reports of phone meetings, and website texts of Right Rooibos, the public private partnership that was established to develop the sustainable development of rooibos in South Africa. Semi-structured interviews were held with 13 key informants: local tea producing companies and their association (6), local NGOs (3), government representatives (2), an industry expert, and an Utz representative. They further clarified details of instructive events and documented perspectives of different stakeholders. Documents and interviews were analysed by the construction of a time line, mapping the involved stakeholders, activities and decisions made. All interviews were recorded, and transcribed and coded to indicate frequency and number of interviewees that mentioned a specific theme.

The shrimp case in Indonesia started with a desk study of relevant programme documents of the ASC initiative and documents on the shrimp industry in Indonesia. Stakeholders were identified with the help of the NGO Oxfam-Novib and its local partners. In the period October and December 2011, in-depth interviews were carried out with 25 informants representing 17 organisations in both the Netherlands and in Indonesia. The majority of interviewees were conducted with Indonesian stakeholders: local processing companies (7), NGOs (8), government officials (5), and a shrimp farmer (1). Four interviews were conducted with a retailer, a processing company, a NGO and ASC in the Netherlands. Observations were made during one of the ASC's regional meetings, in Bali in November 2011. All interviews were extensively summarised in digital files, sent back to interviewees for feedback, and later coded by two researchers during the analysis process.

#### 4. Analysis: partnerships and sustainability for Rooibos tea and shrimp

The following cross-case analysis first describes the governance of both value chains (Section 4.1) and how this chain governance is constructed by global partnerships embedded in consumer markets (Section 4.2). We then describe how upgrading endeavours of local suppliers of the value chains (Section 4.3) are linked to locally embedded public–private partnerships that seek to sustain the environmental conditions under which production takes place (Section 4.4). Next, the analysis presents the emerging outcomes of the interaction between the global and local partnering processes (Section 4.5).

##### 4.1. Value chain dynamics: governance

The first case involves the Rooibos value chain that begins in South Africa: the sole exporter of Rooibos tea. Rooibos is a natural herb unique to Fynbos region in the Western Cape Province. Rooibos can be cultivated or harvested from the wild and is sold as a tea or herbal infusion known for its specific anti-oxidant, anti-ageing and anti-allergenic properties. Although constituting less than 0.3% of the global tea market, Rooibos amounts to 10 per cent of the global herbal tea market that is rapidly expanding. South Africa exports over half of its 12,000 tonnes of Rooibos production, primarily to Europe (DAFF, 2011: 11). The growing popularity of herbal teas opened new market opportunities for international firms. Before the entrance of global tea brands, owned by lead firms that dominate mainstream tea chains destined for Europe, most Rooibos was sold domestically or exported in bulk to a few leading European tea importers based in Germany (Biénabe et al., 2009). Unilever, the owner of the Lipton brand and the biggest player in the global tea industry, has committed to certify all its tea products under the Rainforest Alliance standard by 2015 (TCC, 2013). At the end of 2011, at least a quarter of all Lipton tea was certified (Rank-a-Brand, 2013). D.E. Master Blenders 1753 is the present owner of the Pickwick brand and a small player globally, but strong in some European countries. In 2011, 40 per cent of all its tea was sold under the Utz Certified label. The rest of its tea is produced under the conditions of the Ethical Tea Partnership (Rank-a-Brand, 2013) to tackle issues that affect the strategic, long-term sustainability of the tea supply chain and that go beyond the normal scope of auditing, such as climate change and social development (D.E.-MasterBlenders-1753, 2013).

The second case on shrimp concerns the value chain of farmed shrimp between Indonesia and Europe. To secure food safety at farm level, and to set minimum conditions in respect of environmental impact, worker safety and welfare, European retailers have designed an international retail standard for shrimp farming, which built on the food retail standard GlobalGAP (Good Agricultural Practices). The GlobalGAP-shrimp was completed in 2008 (GlobalGAP, 2008). During interviews with two major European firms, a retailer and an importer, both interviewees pointed at their strategic interest in securing shrimp supplies for the mainstream market in the long term.

Throughout Asia and particularly in Indonesia basically two types of shrimp production can be found: intensive and extensive (traditional) shrimp farming. Intensive farms are owned by companies that may operate with 10,000 ha of ponds with a high shrimp density per m<sup>2</sup> and highly controlled water and feeding systems. Traditional, extensive farms and semi-intensive farms are

mainly owned by households that have five or less hectares of ponds, a low shrimp density, and little or no water and feed control. The latter group comprises 70 per cent of the farms, but contributes only 30 per cent of total shrimp production (van Duijn et al., 2012:31–32). The European firms consider both types of farming to be indispensable to meet European demand in the future. For this reason the European retailers agreed to adjust their governance system (GlobalGAP-shrimp) so as to enable extensive shrimp farmers to become certified producers. GlobalGAP allows for group certification to reduce costs for farmers and retailers invest more in their suppliers, among others by hiring NGOs that can support extensive farmers to meet the global standards.

The two case studies reflect a situation of lead firms operating and competing in the European market. The governance of the value chains is anchored in the supply chain strategy of these firms and in part takes the shape of sustainability standards that require supplying farms to be certified. Both the specific Utz standard for Rooibos and the new ASC standard are additional governance elements that underscore the lead firms' strategic interests. On the one hand the European food manufacturers and retailer had to demonstrate in consumer markets that their suppliers employ good production practices intended to minimise negative environmental or social impacts. On the other hand, market pressures motivated the firms to secure the long-term supply of raw materials sourced in environmentally vulnerable areas. The chains' lead firms teamed up with non-governmental organisations to construct global standards designed to influence practice and behaviour in producing regions.

#### 4.2. Embedding in consumer markets: standard-setting in global partnerships

The Rooibos case involves Utz Certified Rooibos tea sold under the Pickwick brand. Utz Certified was designed as a standard for sustainable coffee by Guatemalan producers and the Dutch Ahold Coffee Company in 2002, but later expanded its commodity scope to tea and cocoa. Utz Certified labels itself as a social enterprise collaborating with international lead firms, which owns a standard and generates fees from certified buyers using its traceability system. The organisation directly addresses consumers: "The UTZ logo on your product ensures that your favorite brand supports sustainable farming" (UtzCertified, 2013). In addition, the organisation is part of a global NGO-network implementing projects and training related to certification, and is a prominent member of ISEAL, a global non-governmental alliance of sustainability standards. Hence, Utz Certified represents an evolving collaborative arrangement that can be defined as a global partnership.

The Utz Certified generic 'Code of Conduct for Tea' is a global standard, anchored in third-party auditing of suppliers in the chain (UtzCertified, 2011). In its standards, Utz adopts a strong focus on helping producers to improve their farming methods and working conditions, and to develop managerial capacity in primary production. In 2011, Utz Certified launched an additional tea standard, the 'Utz Certified Good Inside Code of Conduct for Rooibos Production'. This standard "has been developed in close cooperation with local stakeholders and local initiatives and is well adapted to the very specific issues in the Rooibos sector." (UtzCertified, 2011).

The second case study is about the new Aquaculture Stewardship Council (ASC) standard for farmed shrimp. The ASC is rooted in international NGO campaigns against the environmental destruction caused by the global boom in shrimp farming. The WRM (2002) and others (e.g. Dewalt et al., 1996) associated shrimp farming with coastal water pollution, exploitation of the globe's scarce resources for fishmeal purposes, and with the destruction of mangrove forests that declined from 3.2 million hectares in 1986 to

2.4 million in 1996 worldwide. NGOs also reported about abuses of human and labour rights in the industry (MAP, 2011a; WRM, 2009).

The ASC is an NGO-initiated sustainability standard founded by WWF (World Wildlife Fund) and the Netherlands-based IDH programme (Initiative for Sustainable Trade) in 2009. The standard focuses on environmental sustainability of production stages and is linked to the 'International Principles for Shrimp Farming' as well as to the Decent Work norms, both internationally accepted in the United Nations. Certified shrimp farms must comply with the standard's formal conditions that are eventually enforced by foreign retail firms. The anticipated obstacles to certify extensive farms led the ASC organisation to target intensive shrimp farms, which in Indonesia are small in number but generate the bulk of national shrimp production.

The ASC standard-setting process comprised among others things, the 'Aquaculture Dialogues' programme of multi-stakeholder roundtables on various fish species initiated by WWF. WWF's 'shrimp Aquaculture Dialogue' (shAD) that started in 2007 generated ideas for transforming shrimp farming towards environmental and social sustainability. Regional shAD dialogues were organised in the main producer areas in Africa, Latin America and Asia. All stakeholders were invited and had a say in the dialogues: NGOs, conservationists, companies, academicians, governments, and shrimp farmers. Two major Dutch companies were involved in designing the standard's monitoring and certification process. Oxfam Novib (ON) and the IUCN are international NGOs that have engaged themselves in the ASC initiative. The influence of the various stakeholders on the standard-setting process is difficult to detect. One NGO report that compared the three drafts of the ASC standard, released in March 2010, December 2010 and December 2011, points to a gradual dilution of ASC principles that would make the standard more acceptable to the shrimp industry (Global-CO-Alliance, 2012). In the subsequent draft texts of the ASC standard the wording was modified, with the final draft reportedly better fitting the interests of the regional shrimp processors and traders. In this way at least one stakeholder group of suppliers was able to influence the standard's design.

Looking at both cases a few conclusions can be drawn. The Utz Certified and ASC standards have emerged from environmental and social concerns in major consumer markets for food products. Both address these concerns and require suppliers to change the ways they produce. The standards have been designed at the global level, but with input from supplier regions: Utz negotiated with Rooibos producers and accepted a product-specific standard, while the ASC invited stakeholders around the world to give their views. Hence, for both cases the findings suggest that suppliers may not necessarily be just standard-takers. On the other hand, the control of the standard, the monitoring and enforcement remain in hands of the global cross-sector partnership of lead firms and international NGOs.

#### 4.3. Value chain dynamics: upgrading

Suppliers in both cases play a substantial role in the local or national economy, and made various efforts to upgrade primary production. The South African Rooibos tea market amounted to an estimated \$48 million annually, and employed more than 5000 people both in the farms and processing plants in 2011. Since most Rooibos was exported in bulk and supplied to a few leading European tea importers based in Germany (Biénabe et al., 2009), one important step towards upgrading was to increase value added by having a part of production certified under specific international quality standards. A number of producers agreed to produce under the Rainforest Alliance standard, used by the Lipton brand, while two cooperatives of small-scale Rooibos farmers and harvesters

managed to become certified producers of Fair Trade Rooibos tea (Arendse, 2011a, b). Other larger Rooibos producers, in alliance with a select group of South African Rooibos farmers, environmental NGOs, and semi-public organisations, opted for the Utz Certified standard linked to the Pickwick brand.

Another related upgrading strategy concerned the protection of the Rooibos resource base itself. Due to its success, the estimated cultivated Rooibos area increased by more than 150 percent, from 14,000 ha in 1991 to 36,000 ha in 2006 (excluding the land with a rest period of two years) (Hansen, 2006). This growth eroded the Rooibos biodiversity in the area. South African environmental NGOs, linked to a strong international network of NGOs, put biodiversity conservation on the agenda, and aligned with the private sector to conserve the unique landscape. Former state officials who were deeply embedded in the Rooibos industry also joined this evolving alliance. Moreover, there was a need for governmental involvement to regulate biodiversity conservation. Eventually, despite ongoing competition among Rooibos exporters and disagreements among farmers on how to cultivate Rooibos, a local partnership emerged.

The shrimp case involves an industry that is far bigger than Rooibos. Indonesia is the world's third shrimp producer after China and Thailand (Florentina, 2012 :1) with shrimp exports worth US\$1.58 billion in 2010. In 2010, 75 per cent of exported Indonesian shrimp was sold at markets in the USA and Japan; 14 percent was shipped to Europe (van Duijn et al., 2012 :1). Upgrading strategies were first triggered in the early 1990s when most of Indonesia's shrimp production was destroyed by viral diseases, and a trade problem followed in 2001 when residues of prohibited antibiotic chloramphenicol were found in farmed shrimp and the European Union banned imports of cultivated shrimp from Indonesia (Gillett, 2008). As both the Indonesian industry and government realised that complying with the requirements of foreign markets is a condition *sine qua non* for the further development of the shrimp export sector, they engaged in initiatives to upgrade shrimp farming and address food safety issues. According to the interviewee from the Indonesian Ministry of Marine Affairs and Fisheries, more than 70 per cent of total shrimp supply was GlobalGAP certified in 2011.

The ASC-shrimp standard has only recently landed in Indonesia and has not yet been implemented, but interviews with representatives of the shrimp processing industry, farmers and experts showed that the initial interest in the standard is low. The interviewees consider ASC certification primarily a European industry standard and an extra burden that they want to avoid. Many exporters can do so because the majority of the exported shrimp is sold at the Japanese and North American markets under less demanding standards in respect of environmental and labour protection. The interest among traditional shrimp farmers was not different, according to the explanations of two NGOs, an industry expert, and a shrimp farmer. The conditions for ASC certification were considered to be too demanding. Farmers generally do not believe that replanting mangroves, as required by the ASC, improves productivity of extensive shrimp farming. They also tend to emphasise the negative aspects of mangroves: they attract predators - wild animals and birds that eat the shrimp-, and they are inconvenient because their roots grow upwards in the ponds around the tree. The ASC standard also requires bookkeeping and formal contracts with employees, while labour relations between pond owners and workers are usually family-related, maintained on the basis of informal and trust-based contracts. Further, the ASC does not appreciate middlemen, collectors forming the link between producers and local processing firms and fulfilling an important social function for producers. Finally, both government officials

and processors that were interviewed doubted that traditional farmers could afford the cost of ASC certification.

The analysis suggests that in both cases the suppliers – comprising farmers, their cooperatives, and processors – were proactively involved in upgrading processes. By engaging in specialty products (Rooibos) suppliers acquired higher-value added activities in their chain. Indonesian shrimp processors and exporters, and through them also the farmers, improved their negotiation position in the chain by ensuring food safety and by adopting different quality standards that enabled diversification in global markets. The market-based power that they have been developing in this way, in conjunction with the governmental support they receive seem to have provided the suppliers with some flexibility vis-a-vis the lead firms in their chain. Hence, governance is a process that is constantly constructed and relies on how lead firms interact with other powerful players (in the shrimp case) or how sustainability standards compete or interact with other international or local standards (in the rooibos case). The Rooibos industry could eventually negotiate and fit a tailor made standard in its upgrading strategy; the Indonesian shrimp suppliers created room for manoeuvre to neglect the ASC standard, at least for the time being. However, these opportunities for co-creation or rejection cannot be exclusively attributed to the capacities of the private sector suppliers to act within the setting of a hierarchically governed value chain; their responses and strategies also relied on local alliances with other firms, governments and NGO's.

#### 4.4. Embedding in supplier regions: local partnerships

In South Africa, discussions with Utz Certified started at a time that local stakeholders, and in particular larger Rooibos producers, had already collaborated in the industry for over a decade. A consensus had grown about the urgency of conserving the biodiversity-rich area. Cross-sector collaboration on this issue was formalised in 2005 when the private sector-based South African Rooibos Council (SARC) entered into collaboration with the Greater Cederberg Biodiversity Corridor (GCBC) initiative, which was co-ordinated by a public organisation named Cape Nature. Cape Nature is dependent on partnerships with other stakeholders for the implementation of its mandate to ensure a successful conservation economy (Cape-Nature, 2013). The public-private partnership of SARC and GCBC started to design and promote voluntary guidelines about how to harvest, plough, and manage rest-periods and invasive plants. These guidelines were expected to complement provincial and national regulations (Hansen, 2006) to conserve the area while promoting the Rooibos industry. In 2010 the public-private partnership adopted the name Right Rooibos and aimed to set a biodiversity conservation standard for the entire industry.

Right Rooibos convinced Utz Certified that a generic tea standard would not fit the specific challenges for Fynbos area, and that the locally developed guidelines for biodiversity conservation should be made part of the Utz system. One interviewee, a Rooibos farmer, explained that the evolving negotiations with Utz for recognition of the local achievements were motivated by the observation that “most certification systems have become a tick box and a top down process”. He criticised international standards because of raising unrealistic expectations and lacking practical relevance for concrete, contextual problems. Another interviewee, a public official, feared that “certification, if not properly implemented through technical support and with poor auditing, will become just another paper exercise that farmers prepare for a week before the audit, leading to no benefit for biodiversity and possibly further loss of biodiversity”. Right Rooibos therefore insisted the Rooibos sector required a separate and specific standard rather than the generic standard already in the market.

In contrast to the Rooibos case, the opinion local shrimp stakeholders on the value-added of the ASC standard varied substantially. The private sector showed little interest, and a number of Indonesian environmental NGOs campaigned intensively against the ASC shrimp standard via an international coalition of NGOs named the 'Conscientious Objectors'. The coalition feared the standard legitimates a further harming of the coastal environments and the rights of primary producers (MAP, 2011b). However, the Indonesian government and three NGOs saw opportunities if the standard's focus would broaden. Because the ASC explicitly targets the intensive shrimp producing companies, the majority of Indonesian shrimp farms and production area would not qualify for ASC certification. Interviews with government and NGO representatives revealed that this implication triggered a local Indonesian cross-sector coalition supporting the idea of making the ASC standard fit extensive shrimp farming as well. The partners in this collaborative arrangement included a consortium of three Indonesian NGOs and the Indonesian government.

The ASC standard was generally acceptable to the government because the standard explicitly recognises Indonesian legislation and adopted elements that were internationally agreed upon in the FAO Principles and in GlobalGAP. Moreover, the ASC had proactively reached out to the Indonesian government at an early stage. Governmental officials stressed that if the ASC were applicable to extensive shrimp production that employs 95 per cent of shrimp farmers, the standard potentially fits well the long-term policy to sustain and expand Indonesia's position as one of the world's major shrimp suppliers.

Similar views are held by the consortium of NGOs. They supported the ASC standard, because it helped them achieve their own goals of mangrove protection, defending ecosystems, and improving the well-being of communities. Mangrove destruction is particularly a problem in extensive farming. One NGO interviewee stated that if ASC certification were only relevant to capital-intensive shrimp farms the mangrove problem would persist. Another NGO interviewee said that governmental legislation promoting mangrove protection had not been effective. He expected more from the ASC because the enforcement mechanism of the standard can motivate shrimp farmers to better protect the environment. The community development NGO had no experience in the shrimp sector but was willing to broaden its range of activities and to achieve a more efficient utilisation of its expertise.

Both cases show an interest in the sustainability standard among local stakeholders because the standards fit their own agenda's. Existing networks of South African stakeholders that are working to conserve the world's sole biodiversity hotspot for rooibos, negotiated the terms of inclusion while capturing the opportunity to upgrade a part of the production from a bulk product to a certified product. In the shrimp case, a group of public stakeholders saw opportunities for production under the ASC. They considered the standard's principles fit their own development and environmental agendas, but only if certification is feasible for extensive shrimp farming. A group of environmental NGOs opposes the ASC but seems not influential enough to prevent the ASC from being adopted in Indonesia.

#### 4.5. Parallel global–local interactions: an emerging public domain

The findings above describe global–local interactions of two types of cross-sector partnerships connected via the governance and coordination mechanisms in the value chain. At the global level, partnerships of MNEs and NGOs design and implement a generic sustainability standard. At local level, suppliers tried to negotiate the terms of inclusion and compliance and allied with local public and private partners to achieve collective strategies

targeting either the conservation of a biodiversity rich area or building of a competitive and economically viable sector connected to different markets. However, the case studies also reveal direct linkages between the global and local partnerships through the international public domain.

The South African Rooibos industry negotiated with Utz in the value chain context on the basis of the locally developed, industry-based guidelines for biodiversity conservation. These voluntary guidelines did not automatically transform into certifiable standards because they were not compatible with the Utz standard in terms of control mechanisms, corrective measures and modes of policing. The local guidelines also lacked the socio-economic criteria that Utz required. On the other hand, the Utz Certified generic tea standard did not make use of hands-on local knowledge of biodiversity conservation. The emphasis on local ownership that is needed to create the shared commitment to experiment new practices of biodiversity conservation was also absent in the generic Utz standard. Interviews with the NGO involved and with Right Rooibos revealed friction between Utz and Right Rooibos stakeholders about how to govern the implementation and about who is in control of the monitoring and certification of the standard.

The global–local interaction via the value chain was paralleled by a public connection around the conservation of biodiversity, which was shaped by an international network of NGOs and local NGO-government interaction embedded in specific ecological areas. The South African Rooibos alliance was linked to Conservation International, an international NGO with a wide and diverse network organised around a public agenda connected to the international Convention on Biological Diversity and working on national action plans for the protection of biodiversity hotspots across the world. This international network involved partnerships of corporate, governmental, and non-governmental partners, and enhanced, in South Africa, the legitimacy of the environmental NGO involved in the process to construct local standards and modify international standards for the protection of the biodiversity-rich Fynbos area. The interaction via the public domain anchored the negotiations over standards in an acknowledged public interest in biodiversity, thereby creating space for tailor-made certification for sustainably produced Rooibos tea.

Parallel global–local interactions could also be detected in the ASC-shrimp case, even though the ASC value chain link was to be developed as the standard was not yet operational for shrimp. The ASC promoters, institutionally linked to consumer markets, proactively tried to involve stakeholders from producer regions through roundtables that were organised in their countries. Indonesian NGOs, including those who oppose the ASC, and government representatives attended two of the roundtables in Indonesia, which gave them at least a say in the design of the standard. European retailers and shrimp processors, forming a minority during the shAD, were also invited and attended these roundtables. Apart from the shAD, the Indonesian network participants were not directly involved in ASC's global lead organisations. The consortium of three Indonesian NGOs was only indirectly linked to the Global Steering Committee (GSC) and ASC office via the Dutch NGOs Oxfam-Novib and IUCN. The Indonesian NGOs were local partners of the two Dutch organisations that often represent them in the ASC network by "bringing the local context to the global debate" (Interviewee Dutch NGO). The ASC, in turn, needed both NGOs to enhance local Indonesian support for the ASC.

However, the presence of the ASC standards and its potential impact on the shrimp industry opened space for Indonesian NGOs (sometimes local partners of international NGOs) to sit at the table with government officials and representatives from the industry. Preliminary discussions on how to make environmental policy effective and how to accommodate the interests of different types

of shrimp producers originated at these encounters. The interactions at the local level partly reflected an endeavour to respond to an international standard constructed outside the national constituency. This was accompanied by a parallel global–local interaction between international and local NGO's who were driving another type of agenda with issues such as democracy, right-based strategies and representation of NGO's in negotiations and decision-making.

Both case studies reveal global–local relationships via the public domain, which indicate the existence of a parallel public communication line between NGOs in which the government is also involved. This global–local interaction via the public domain points at an unintended outcome of the design and implementation of global sustainability standards. The analysis signals triggering of goal alignment and partnerships around issues broader than the implementation of sustainability standards functional to value chain transactions: the viability of a natural environment or an industry. This would suggest the emergence of another relationship to our original framework based on GVC and GPN literature, namely a global–local interaction constructing a new public domain complementary to the relationships in the value chain and the partnerships embedded in both the consumer markets and producer regions.

## 5. Conclusions

Discussions on sustainable food standards commonly assume that the food industry that joins forces with international NGOs, are standard setters, with the primary producers being standard takers. The case studies at issue in this paper illustrate that this assumption is not always correct. The Rooibos case showed that the local embedding of the Utz Certified generic standard resulted in a substantial modification, i.e. a new product-specific standard. The Indonesian shrimp case revealed that local private sector support for the ASC standard was still absent, while public stakeholders made their support dependent on whether or not the standard would cover extensive shrimp farming also. In both cases the local stakeholders did not act as typical standard takers. Rather, they seemed to act as partners in a co-creating process. The analysis in this paper identifies conditions under which co-creation can occur and shifts the attention from an exclusive focus on buyer–seller relationships in the value chain to the functioning of global and local partnerships in standard-setting and certification.

The central question addressed in this paper is whether and how multi-stakeholder partnering makes internationally constructed standards fit local norms, rules and practices in producers' regions. To answer this question we first examined how the embedding of value chain governance unfolds via global and local partnerships. The analysis shows that at the international level lead firms and NGO's collaborated to negotiate and constructed global standards that intend to change practices in producers regions. Both stakeholders were strongly embedded in the consumer markets for internationally sourced food: the food firms are profit-oriented but also responded to specific ethical consumer preferences; the NGOs defined, prioritised and represented the wider public interest in the consumer region. The global standards became operational in producer regions via the governance mechanisms in the value chain *and* via a second stage of embedding in producer regions. Suppliers of the value chain and non-chain stakeholders collaborated to address local concerns and interests, and tried to translate these into adjustments of the standard's requirements. In contrast to the global MNE-NGO partnerships anchored in consumer markets and value chains, the local partnering processes in this study not only included companies and

NGO's but also linked with government to address sector or area-based problems.

Both stages of embedding have distinct dynamics. The paper investigated how these stages relate to each other and whether their interactions make internationally constructed standards fit local norms, rules and practices in producers' regions. The cross-case analysis showed that specific conditions allow global–local interactions to co-create standards.

First, our analysis indicates that threats posed to a sustained supply empowered both Rooibos and Indonesian shrimp suppliers in the chain to an extent that the standard setter-standard taker boundaries tend to blur. Lead firms may be forced to share more of their governance power in the chain with other actors upstream when the chain's resource is at stake. The higher the uniqueness of the natural resource base, the higher its strategic value to lead firms. The exclusive agro-ecology of Rooibos in South Africa and the specific problems attached to its conservation encouraged the standard-setting organisation to find compromises between generic and tailor-made components of sustainability standards. The shrimp case shows that retail companies require sufficient supplies, also in the future, for which they need both the intensive and extensive producers. These contexts have induced a shift from a dominant focus on compliance with standards responding to consumer demands towards a form of value chain governance that also values producer concerns. It creates room for the adoption of existing local rules and practices that target the sustainability and conservation of relevant natural environments and landscapes. Hence, the efficacy of standards is also determined by their flexibility to accommodate the actions and problem-solving strategies induced by local stakeholders.

Second, co-creation becomes more likely if global value chains touch ground in a setting wherein local partnership already have a history of alignment of different interest around a public goal. The pro-active actions of local networks to manage their natural resource base can improve their bargaining position. In the Rooibos case, a select group of larger producers prioritised and developed collective guidelines for sustainable harvesting, and elements of this knowledge was eventually used and incorporated in the new Utz standard. This suggests that rather than imposing generic standards, it is worthwhile for lead firms and international NGOs to identify and employ effective local problem-solving strategies. The reluctance of the shrimp industry to team up with ASC points at the importance to identify who has influence over production decisions; now a large part of the shrimp producers were not included while these strongly impact on the mangrove forests.

Third, the global–local interactions outside the boundaries of the global value chain may substantially support local partnerships to tailor global sustainability standards to their own problem-solving strategies, enabling global standards to fit the wide variety of producer contexts. In the Rooibos case, the public global–local interactions aligned local biodiversity conservation practices with national legislation and international conventions in this realm. In the shrimp case, the influence of the FAO principles on shrimp production, and the efforts of international NGO's to involve the Indonesian government at an early stage have enhanced the legitimacy of local NGO's involved in the conservation of mangrove forests, and supported governmental enforcement of existing environmental legislation. The touching down of such standards in local circumstances can strengthen existing or mobilise newly emerging alliances and partnerships to work on a collective interest and to modify their historically grown relationships. This process is encouraged by global–local interactions in the public domain and parallel to the span of influence of global value chains, which are organised around a public interest in the conservation of biodiversity or the civic interest in representation.

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