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Article — Published Version

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Journal of Economic Geography

Provided in Cooperation with:

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Suggested Citation: Raj-Reichert, Gale (2020) : The powers of a social auditor in a global production network: the case of Verité and the exposure of forced labour in the electronics industry, Journal of Economic Geography, ISSN 1468-2710, Oxford University Press, Oxford, Vol. 20, Iss. 3, pp. 653-678, <https://doi.org/10.1093/jeg/lbz030>

This Version is available at:

<https://hdl.handle.net/10419/206686>

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The powers of a social auditor in a global production network: the case of Verité and the exposure of forced labour in the electronics industry

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Abstract

Research on labour governance actors in global production networks (GPNs) has been limited to civil society organisations, firms and governments. Understanding the influence of actors in GPNs has been dealt with singular and overt modes of relational power. This paper contributes to both debates by examining an intermediary actor—the social auditing organisation Verité—and its exercise of multiple modes of overt and covert powers to illustrate the complex terrain of change in GPNs. Verité, whose exposure of forced labour in Malaysian electronics subsequently changed labour governance practices in the electronics industry, mobilised power resources of credible information to exercise powers of expert authority and acts of dissimulation across various networked relationships in the GPN. This paper puts forth a multi-power framework of analysis to understand the micro-politics of GPNs.

Keywords: Power, social auditor, forced labour, global production network

JEL classification: 01

Date submitted: 27 June 2018 **Editorial decision:** 24 September 2019 **Date accepted:** 9 October 2019

1. Introduction

Research on labour governance in global production networks (GPNs) has largely focused on firms, civil society organisations (CSOs) and government agencies using a relatively limited view on modes of relational power (Locke et al., 2009; Cumbers et al., 2008; Coe and Hess, 2013; Lund-Thomsen and Lingreen, 2014; Scheper, 2017). This paper contributes to these debates in two ways. First, it broadens the view of actors influencing labour governance in GPNs to include social auditing organisations (SAOs). In GPN research SAOs are generally considered for their product—the social audit—and/or their process—the audit methodology within a wide literature on the challenges, limitations and uselessness of social auditing for improving working conditions in GPNs (Hughes et al., 2008; Locke et al., 2009; Anner, 2012; Barrientos, 2013; Raj-Reichert, 2013; LeBaron and Lister, 2015; Bair, 2017). As actors SAOs have been considered ‘neutral’ in line with accepted norms of their unbiased ‘professionalism’. They are seen not raising questions outside the scope of their audits or conducting investigations beyond audit protocols (LeBaron and Lister, 2015). Auditors who discover cheating by factory managers are said to ‘lack sufficient incentives to “rock the

boat” by demanding significant changes in working conditions from either buyer or suppliers’ (Lund-Thomsen and Lindgreen, 2014, 13). This implies a lack of or suppression of their agency reflecting a limited view on the power of SAOs. Indeed, we know little about how SAOs exercise modes of power as ‘intermediary actors’ in labour governance processes in GPNs (for an exception see Fransen and LeBaron, 2019). This paper aims to fill this gap by examining how a SAO with firm and extra-firm like characteristics and strategic and diverse networked relationships can be a political actor in GPNs.

The paper makes a second contribution by widening our consideration of modes of relational power in GPNs. Relational power is understood as an effect and outcome of social interactions or relationships and not simply a given property or amassed resource, attribute or capability (Allen, 2003). From a geographical lens the analyses of relational power are concerned with how different modes of power are exercised not only in the near but also how they reach and stretch across distances where the lives of others far away are shaped by those nearby and vice versa (Allen, 2003, 2016). While there is a diversity of GPN research on relational power (Gibbon and Ponte, 2008; Hess, 2008; Ouma, 2015; Arnold and Hess, 2017; Dallas et al., 2019), there is less examination of multiple modes of relational power exercised simultaneously by a single actor. This is important for intermediary actors like SAOs who can occupy various roles and straddle multiple relationships across different geographies at any one time in GPNs. Actors can gain different resources for the exercise of different modes of power across varying actor constellations. Discussions of power in GPNs have also tended to focus on overt forms of power such as market power of multinational corporations squeezing suppliers, boycott power by CSOs engaged in global public campaigns or collective bargaining power by trade unions in wage negotiations. Less attention is paid to covert or ‘quieter’ modes of power exercised behind the scenes akin to manipulation and deception. This is an important terrain to decipher as ‘power is at its most effective when least observable’ (Luke, 2005, 1). Allen (2016) finds that covert modes of power exercised in conjunction with overt modes of power are necessary for maintaining and stretching power relationships across geographical spaces. Thus, the paper makes a distinct contribution in advancing how power is conceptualised in GPN research by considering the simultaneous exercise of different overt and covert modes of relational power by a single actor across geographical spaces within a GPN.

The paper sets out a multi-power framework to examine the case of the SAO Verité and its power relationships which culminates around its release of the report ‘Forced labor in the production of electronic goods in Malaysia: A comprehensive study of scope and characteristics’ (hereafter ‘the Verité report’) in September 2014. The investigations, funded by the US Department of Labor Bureau of International Labor Affairs (ILAB), found workers in the electronics industry in Malaysia to be in forced labour. The findings were damning to American firms and led to rapid changes to private labour governance practices by the electronics industry. The analysis shows how Verité, as an intermediary actor in the GPN with a hybrid profile of firm and extra-firm characteristics, harnessed and mobilised the power resource of credible information on forced labour in Malaysia from local auditors—to exercise the overt mode of the power of expert authority which was legitimated through its connections with the US federal government, and simultaneously exercised the covert mode of the power of dissimulation among electronic firms through confidential client relationships in order to gain

access to workers in factories. These outcomes led Verité to become an important player in private and regulatory labour governance processes in the GPN.

The paper proceeds with Section 2 setting out a conceptual lens on SAOs as intermediary actors in GPNs and Verité assuming a hybrid firm—extra-firm profile. Section 2 also reviews the theoretical literature conceptualising modes of relational power in GPNs and develops a multi-power framework used in the case study analysis. Section 3 details the research methods. Section 4 discusses the Verité report findings, its contexts and the subsequent changes to private labour governance practices by individual firms and an industry self-governing organisation. Section 5 presents the multi-power analysis of Verité. Section 6 concludes the paper.

2. SAOs and modes of relational power in GPNs

2.1. GPNs and SAOs

The GPN framework was introduced in the early 2000s as an analytical tool for understanding processes of global production fragmentation in the era of globalisation through outsourcing and offshoring across borders by firms and its economic, social and environmental impacts across geographical spaces (Henderson et al., 2002). In contrast to earlier global commodity chain and global value chain (GVC) approaches (Gereffi and Korzeniewicz, 1994; Gereffi et al., 2005), the GPN framework aimed beyond a linear ‘chain’ analysis of inter-firm relationships to incorporate a network of extra-firm actors, such as CSOs, trade unions and government agencies, as integral players shaping the outcomes of global industries on communities at various scales (Coe and Yeung, 2015).

A key strand of research on GPNs is labour governance in industries with poor working conditions and labour violations. Discussion has focused on firm actors in terms of self-regulatory corporate codes of conduct, on extra-firm actors such as trade unions and CSOs and their activism and campaigns to pressure firms to comply to labour standards, and on states to improve and enforce labour laws (Hughes et al., 2008; Raj-Reichert, 2013; Selwyn, 2013). Within this strand of research, there has been less focus on the role of SAOs and hence their role in GPNs is less well understood. Within the GPN framework, SAOs are conceptualised by their functional roles as intermediary actors. Intermediaries’ functions involve bridging or connecting multiple actors through the provision of services and activities which ensures the effective functioning of GPNs (Coe and Yeung, 2015). Within labour governance practices in its neoliberal and self-governance forms SAOs act as ‘inspection agencies’ assisting industry and governments using their specific knowledge of compliance and verification of labour standards through audits and provision of certificates for industry codes of conduct, and act as consultancies or ‘advisory agencies’ assisting firms with self-governance measures and training social auditors (Coe and Yeung, 2015). Through these functions or services, SAOs intermediate between lead firms and campaigning CSOs or shareholders over pressures to improve working conditions in outsourced factories and increasingly between lead firms and governments over regulatory demands for global supply chain responsibility (Fransen and LeBaron, 2019). Hence, lead firms are dependent on the services of SAOs to operate in GPNs. In other words, SAOs intermediate the reputational risks of firms over labour violations from increasing public scrutiny by CSOs, consumers and the media, and the threat of

regulation by governments on labour conditions in global supply chains (see also Ngai, 2005). SAOs are also both recipients and generators of ‘proprietary information’ over working conditions for the firms they audit (Coe and Yeung, 2015). As discussed below, such information can be used for political means.

As noted by Coe and Yeung (2015) intermediaries can be either firm or extra-firm actors, which is also the case for SAOs. Indeed, SAOs are not a monolithic group of actors and involve a mix of firm, extra-firm and hybrid actors. This can create challenges of pinning down within which categories specific SAOs occupy in GPNs. Also, for hybrid intermediary actors, the opaqueness of these lines and the ability to shift or occupy different actor-types depending on the context, networked relationship or geography contributes to their ability to exercise different modes of relational power in GPNs.

Generally, SAOs fall into the categories of private multinational auditing firms (firm actors), multi-stakeholder initiatives (MSIs) (extra-firm actors) and consultancies (firm actors and hybrid firm—extra-firm actors). It is important to distinguish SAOs by their actor types, which is based on their networked relationships, because it determines which power resources they hold that can be mobilised for exercising different modes of relational power. Private multinational auditing firms such as the ‘Big Four’ auditors (PriceWaterHouseCoopers (PwC), KPMG, Ernst & Young and Deloitte) and others like SGS¹ primarily hold business-to-business relationships as audit and advisory service providers to firms. Established originally as financial accounting firms, these firm actors conduct a range of additional services that include financial auditing, risk assessments, management services and business strategies consulting in addition to social audits (Lund-Thomsen and Lindgreen, 2014; Fransen and LeBaron, 2019). These auditing firms are arguably highly dependent on their client relationships and rarely engage with other extra-firm actors, such as CSOs, in labour governance processes. MSIs are extra-firm actors established as memberships which can include CSOs, trade unions, academic institutions, lead firms and suppliers. MSIs provide an audit service against their own code of conduct and other advisory services to lead firms and suppliers. Examples include the US-based Fair Labor Association and the UK-based Ethical Trading Initiative, which were initiated by government administrations during the 1990s and today function as independent non-governmental and non-profit organisations. Finally, more recently consultancies appear to blur the lines of actor types. Consultancies have service-oriented relationships with firms that include social audits, advising and delivering programmes to monitor working conditions in global supply chains. They can also have relationships with CSOs on specific projects. Examples include IMPACT and ELEVATE which are actual companies or firm actors in GPNs. Within this group, however, one SAO in particular—Verité—holds a hybrid profile. Verité is a non-profit non-governmental organisation (NGO) conducting research and monitoring to improve working conditions in global supply chains and as such is an extra-firm actor. In the wider literature on labour governance and in the media Verité is referred to as a NGO (see Kelly, 2014). The former Executive Director of Verité, Dan Viederman,² however did not consider the organisation to be a

1 SGS is one of the largest commercial auditing firms used in the electronics industry and in Asia in particular (Interview, 2016).

2 In 2016, Viederman left Verité to become the Managing Director of the American based foundation Humanity United.

campaigning NGO because it does not conduct public campaigns targeting companies and does not reveal firm identities in its reports. Rather Viederman classified Verité as a research NGO (Viederman Interview, 2015). Nevertheless, its strong business–client auditing, consulting and training services, close and long-term relationships with firms and industry groups and main sources of revenue from business clients (see <https://projects.propublica.org/nonprofits/organizations/43304538>) portray a mix between firm and extra-firm characteristics depending on its different relationships in the GPN (see also Esbenshade, 2004). Verité also stands apart from other SAOs with its relationship to the US government as a subcontractor—transforming it further into a quasi-state actor at particular periods of time. As a result, Verité can be politicised via government agencies while intermediating regulatory pressure on lead firms through its outsourced governance functions, such as policy advice and development and investigations into working conditions in global supply chains. Also, Verité is itself a subcontractor to locally based auditors, it hires in the production locations to conduct audits and from whom it harnesses credible information on working conditions. The ability of Verité to take on different roles depending on its relationships with firms, industry groups, government agencies and local labour auditors in the GPN affords it different power resources for exercising various modes of power. The significance of this is discussed in Sections 4 and 5.

Finally, it is important to emphasise that the nature of the relationships SAOs hold is shaped by their belief in audits (even if they have a particular ‘critique’ of audits or have developed ‘improved’ audit methodologies), which serve as their proprietary service and business model, to bring about positive change. SAOs are ultimately in the service of assisting firms to operate in GPNs. Hence, the politics of their relationships with firm and extra-firm actors are to support the overall functioning of neoliberal processes of private self-governance in those GPNs characterised by governance gaps over labour exploitation. Indeed, wider support for self-governing mechanisms continues to create and maintain a market for services provided by SAOs (see Fransen and LeBaron, 2019).

2.2. Conceptualising modes of relational power in GPNs

One of the earliest conceptualisations of power in GPN research sets out a network methodology to understand power asymmetries as relational processes which shape and produce specific structural outcomes (Dicken et al., 2001). Knowing the intentions of and roles different actors play within their networks is important for understanding their modes of relational power (Dicken et al., 2001; Coe and Yeung, 2015). Modes of relational power are based on relationships, interactions and connections between actors, their collective aims and their ability to mobilise resources in their networks (Allen, 2003). ‘When power is mobilized in networks it is the patterns of association and interaction which connect people and things together in the pursuit of certain ends that hold centre stage’ (Allen, 2016, 25). Allen (2016) in discussing networked relationships does not refer to the strength of relationships but rather ‘patterns’ and particular types of interactions. Hence, weaker ties can be as important as stronger ones for reaching certain goals or intended outcomes. Using this perspective, relational power in GPNs is not exercised by actors alone in a hierarchical manner, rather it depends on the interactions among a diverse set of actors in coalitions or ‘collectives’ to bring about certain political ends (Hess, 2008).

The relational approach allows the possibility for ‘weaker’ actors, such as CSOs, trade unions or small suppliers, to exercise power in GPNs and hence provides the opportunity to discuss power among a range of extra-firm actors (Henderson et al. 2002; Franz, 2010; Coe and Jordhus-Lier, 2011; Rainnie et al., 2011; Bolhorn and Franz, 2015). Networked relational power can be exercised in various modes such as authority, domination or persuasion to name a few. Relational power is mobilised across geographies through various power resources such as knowledge, information, ideas, people and money, which make up the flows of material and non-material components of GPNs. The power resources available to an actor depend on its networked relationships and determine which modes of power are effective in particular locations, situations and contexts.

A key argument in this paper and contribution to studying power in GPNs is to consider: (1) multiple modes of relational power exercised simultaneously by an actor in the network and (2) a better understanding of ‘quieter’ or covert forms of power. In the next sub-sections (given space constraints) we discuss the making of two modes of power—one exercised overtly, the power of expert authority and the other covertly, the act of dissimulation. Their combination and interaction tell the story of how Verité, as a politicised intermediary actor in the GPN, influenced labour governance practices in the global electronics industry.

2.2.1. Power of expert authority

A power resource SAOs possess is information (over working conditions in audited factories) that is considered by the general public or wider group of stakeholders to be truthful and credible. This is similar to the power resources of CSOs and global social movements. This power resource is important when firms and/or states hide or lie about the harms of global economic processes on people (and the environment). To hold truthful and credible information is not enough to bring about change, however. Information must be used strategically or mobilised through specific modes of power. A way information can be mobilised is through the power of expert authority. This is the case for example when CSOs use their expertise over labour or environmental issues to campaign governments and pressure for policy changes (Beck, 2005). Similarly, banks use their expertise on financial matters to convince and sell various financial services to clients (Allen, 2016).

The exercise of expert authority is dependent on the legitimacy of the actor (Beck, 2005). Legitimacy can be gained in different ways. One way is through consistent mobilisation of truthful and credible information over a long period of time, which produces ‘legitimatory’ capital. Another way is through links with government for example providing social services or as a knowledgeable expert on a governance issue. Indeed, the neoliberal shift from government to governance (Jessop, 2004) to reduce the size of government and their direct interventions has increased states’ reliance on non-governmental actors to perform functions of governance over a number of concerns such as the economy, education and public health. Downsized states depend on doctors, lawyers and CSOs for their information/data, measurements of problems and development of (self-governing) solutions. This ‘governing at a distance’ in turn legitimises these non-state actors as experts to governments and the wider public (Rose and Miller, 1992; Rose, 1999; Beck, 2005; Raj-Reichert, 2013).

Discourse and context are also important for the power of expert authority. This is because claims made by experts must coincide with interests or beliefs of others in society in order to be accepted as truth. Regarding labour governance in GPNs, for example, discourse on the eradication of ‘forced labour’ in global supply chains has been ‘in vogue’ in recent years (Lerche, 2007) including increasing coverage in the news media of its discovery in global supply chains.³ Terms such as ‘modern slavery’ and ‘forced labour’ evoke a heightened sense of immorality. Public awareness of forced labour is also supported by governmental and legislative discourses through the rise of new regulations in the USA and the European Union⁴ to eradicate forced labour in global supply chains. SAOs can harness favourable political discourse from different channels to increase their leverage, with credible information, as experts with the know-how to discover, understand and tackle a severe and complex problem.

2.2.2. Power of dissimulation

Largely absent in analyses of power in GPNs is covert modes of power or what Allen (2016) calls ‘quieter registers of power’. These modes of power, which include manipulation, inducement, seduction and dissimulation, are actions which conceal intentions yet achieve the same outcomes as more obvious displays of power. According to Allen (2016), they are most effective when exercised alongside other modes of power and have become more relevant to social groups and institutions in the era of globalised processes because they can more easily stretch their geographical reach across distances and for longer periods of time. This is also the case especially when other overt modes of power, such as domination, are less effective.

A sophisticated mode of these quieter forms of power is the act of dissimulation. Dissimulation is a form of manipulation, similar to deception, which involves a particular way of concealing intent. ‘Getting others to want what you want by dissimulation often involves holding back what is fully at stake, with the express purpose of taking people in a particular direction that is not always in their best interests . . . [It] represents a subtle way of concealing what one is up to without the need for disguise . . .’ (Allen, 2016, 74, 81). As such, dissimulation does not involve overt forms of disguising or hiding one’s intent for example by lying, but rather avoiding discussing it. In describing this particular management of power, Allen (2016) refers to the example of the negotiations to privatise Thames Water in the UK which was done in the guise of benefits to everyone (investors and household customers) involved. The fact that the arrangement was to benefit investors more (via increased revenues) than household customers (facing increased water prices) was neither revealed nor concealed during negotiations. The intended outcome was not covered up or disguised by investors—rather it was not disclosed. Supporting neoliberal discourse that water privatisation was ‘good for everyone’ largely prevented widespread disagreements or contestation. This act of dissimulation was combined with and made effective with the

3 See for example regular reporting in The Guardian under the ‘Modern-day slavery in focus’ column which began in November 2014. As of 8 May 2019, there were 443 articles.

4 These regulations include The California Transparency in Supply Chains Act of 2010, the Executive Order ‘Strengthening Protections against Trafficking in Persons in Federal Contracts’ (E.O.) of 2012, the Federal Acquisitions Regulation (FAR) and Defense Acquisition Regulations Systems of 2015 and The Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) by the US government; the UK Modern Slavery Act of 2015 and the EU Directive non-financial reporting directive of 2015.

exercise of the power of expert authority by the financial institutions. Referring to bankers and fund managers as powerful and strategic knowledgeable experts in the negotiations, Allen noted ‘in such subtle ways, the “power to” bring a set of varied interests into alignment may mask the fact that not all returns are of equal value . . .’ in a network setting (Allen, 2016, 85).

In a GPN, the act of dissimulation can be used by an actor to be a ‘middle-man’ or intermediary playing out different roles to different actors. This can involve strategically deceiving some in order to achieve a particular outcome. It is because ‘. . . not actually revealing all there is to know about yourself or your motives leave you free to be open about your role in the public domain.’ (Allen, 2016, 93). An intermediary role, particularly one that allows for different relationships within a network, allows an actor wide space to manoeuvre, including ‘playing off’ or leveraging one set of relationships over another.

2.2.3. Multi-power analysis in GPNs

Actors in a network like GPNs can mobilise power resources from different relationships and functions to exercise different modes of power simultaneously. Because an actor in a GPN, especially in an intermediary role, straddle multiple relationships, their power resources can be many which can enable them to exercise various modes of power. This article argues that precisely because an actor in a GPN has multiple and varied relationships, a multi-power analysis is important for understanding how actors exercise leverage, influence and bring about change. Because networked relationships are dynamic, the modes of power an actor can execute can change and transform with a particular context at any given time. In this sense, no ‘type’ of relational power by an actor or group of actors is a priori excluded in GPNs. This is reflective of the various modes of relational power conceptualised in the literature so far (Raj-Reichert, 2013; Arnold and Hess, 2017; Dallas et al., 2019; Grabs and Ponte, 2019).

Figure 1 provides a stylistic diagram of the ways in which an actor can harness different power resources to exercise different modes of power across relationships in the GPN. There are three key factors in understanding a multi-power dynamic in GPNs. First, it is important to highlight the fact that GPN actors typically hold different types of relationships within the network. An actor can be a service provider to one actor and be an employer to another. Each of these relationships will be governed by different modes of power and power resources. While Figure 1 is depicted for an intermediary actor (we will revisit this figure for the case of Verité in Section 5), one can map out the power resources and power relationships for any actor in a GPN. The thick lines depict the exercise of power within a bilateral relationship. Asymmetrical power relationships in a particular time would normally depict one actor having more leverage over the other, however, because power relationships are dynamic, the direction of leverage can change depending on circumstances.

Second, power resources (shown by the dashed lines) an actor can mobilise can be gathered directly and indirectly across a variety of sources and relationships. Power resources from one set of actors can be used to exercise a mode of power vis-à-vis a different set of actors within the network. In Figure 1 media and NGO campaign discourse in line with an actor’s interests can be harnessed to exercise modes of power

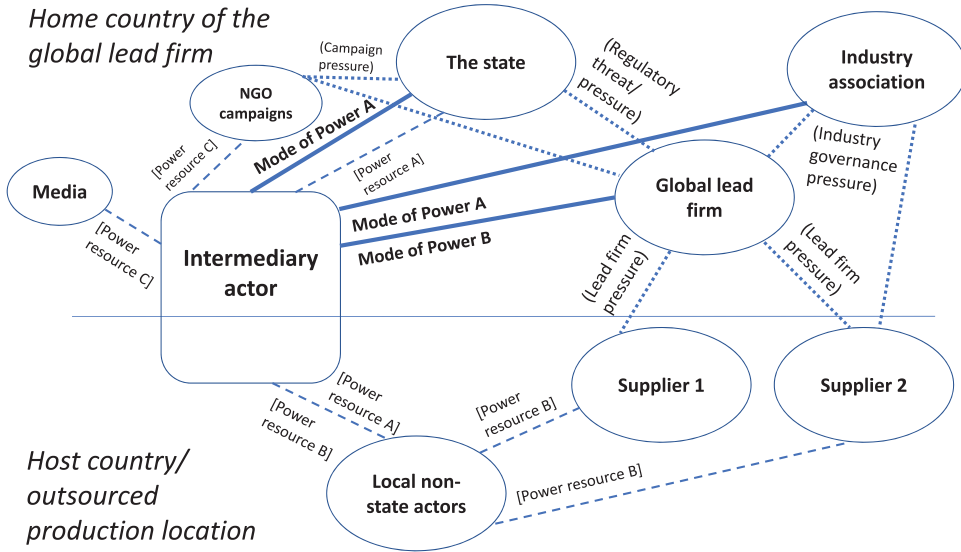


Figure 1. A multi-power framework analysis of an actor in a GPN.

over firm actors. Mapping out both resource and modes of power connections shows the varied and multiple ways in which power can be enacted in a network.

Third, the geographical stretching or reach of influence within a GPN can depend on the mode of power exercised (Allen, 2016). In Figure 1 the horizontal line in the middle separate relationships based in the home country location of the global lead firm above the line from those in the outsourced production location below the line to help illustrate the geographical reach of the effects of power. It shows power relationships at one geographical location (thick lines) having an effect (dotted lines) on another set of relationships hence reaching the host country/outsourced production location. One can also imagine a flipped outcome whereby the exercise of power in relationships in the outsourced production location resulting in changes in the home country or a third location. Or in a more complex setting, a combination of different modes of power exercised in the home and host country locations could result in changes in different geographical locations. Here, an actor can influence the outcomes of other actors with which it has direct relationships as well as others indirectly in ‘far’ away locations. In the case of the intermediary actor example in Figure 1, its influences are the intermediated outcomes (depicted by the dotted lines) between state regulatory and CSO campaign pressures over global lead firms in the home country and their suppliers in the production location.

A challenge to a multi-power analytical approach is teasing out how different modes of power an actor exercises interact in complementary or contradictory ways for a particular outcome. In a GPN, this requires ‘following’ the strategic actions of an actor in different places and across geographic scales, with different actors, and over a sufficient period of time for causal analysis. In the case study below, discussing how the power of expert authority and dissimulation were exercised, combined and interacted

largely in a supportive manner vis-à-vis different actors and geographies illustrates the use of a multi-power framework of analysis.

3. Methods

This paper was spurred by the impact the Verité report had on labour governance processes by electronic brand firms and their contract manufacturers (CMs) in headquarter locations and factories in Malaysia, and the electronics industry corporate social responsibility (CSR) group Responsible Business Alliance (RBA⁵). The case study of Verité is part of a larger research project (from 2014 to 2016) on labour governance in the electronics industry GPN focusing on North American brand firms and CMs and their operations in China and Malaysia. Qualitative research was conducted using semi-structured interviews with firms, extra-firm actors and government agencies in the USA, Canada, China and Malaysia.

Firms interviewed were the top three American computer brands (referred to as Brand1, Brand2 and Brand3), the top three North American CMs (referred to as CM1, CM2 and CM3) and an American first-tier supplier. All brand firms were or had subcontracted relationships with the three CMs. All three CMs had large factories in export processing zones (EPZs) in Penang, Malaysia—a hub of outsourced electronics production in the country and the state with the largest number of electronics firms. Firm respondents were managers of CSR, human resources (HR) and occupational health and safety. Within each brand firm, a manager responsible for global supplier governance was interviewed in a headquarter location in North America. For Brand3, a manager in an office in China was also interviewed. All managers except one Brand3 manager were interviewed more than once between 2014 and 2016. Many more respondents were interviewed across the CMs. Within CM1, the vice-president for CSR was interviewed twice in the headquarter location in North America in 2015. In its Penang factory location, a regional CSR and an HR manager were interviewed in 2015. Two CSR managers in China were interviewed in 2016. Within CM2, the director of social responsibility at the headquarter level and a regional director for HR and CSR compliance manager were interviewed in 2015. Three additional CM2 respondents—a business unit manager, an HR manager and CSR manager—were interviewed in China in 2016. Within CM3, interviews were conducted at the headquarter location in North America with a manager for sustainability, a manager for supplier responsibility, CSR compliance manager, HR director and vice-president for sustainability. An engineer responsible for sustainability programs was interviewed at the Penang location of CM3. An HR Director within a large American first-tier supplier in Penang, which was a supplier to some of the brands and CMs interviewed was interviewed in Penang in 2015. Interview questions focused on previous and current labour governance practices and changes in response to the Verité report and their motivations. Firms were also asked about their networked relationships concerning labour governance activities in the GPNs.

While the findings from the larger research project primarily inform the discussions in this paper, interviews with many of the same firm actors were held in previous years as part of doctoral and postdoctoral research projects in 2008, 2010 and 2013 whose

5 At the time, RBA was the Electronics Industry Citizenship Coalition.

findings provided a longer-term perspective important for understanding causal mechanisms of change to labour governance practices within the industry. The authors' long-term relationship with many firm respondents was also important for ensuring trust and openness on discussions on the difficult issue of forced labour in the industry.

All interviewed firms were active and long-term members of RBA. RBA is a key industry organisation for private labour governance in the global electronics industry with its own code of conduct on social, environmental and ethical standards and an audit protocol and audit processes (see Raj-Reichert, 2011). Many respondents were responsible for assuring compliance with the RBA code in their factories and by their suppliers. An annual RBA meeting with firm members and wider stakeholders in Brussels in March 2015 was attended where discussions focused on the Verité report, individual member firm reactions and forthcoming changes to RBA's conduct. Informal discussions with various respondents (RBA personnel, firms and CSOs) were conducted at the meeting.

Non-firm actors interviewed were CSOs in the USA and Malaysia; an American trade union federation; labour union representatives for the electronics industry in Penang; a local politician in Penang representing an area housing EPZs and who was publicly outspoken on the reputational effects the Verité report had on the local electronics industry; a US government agency respondent, a US law professor and the director of Verité at the time, Dan Viederman. Two interviews were conducted with Viederman (in February and September 2015). CSO actors, and a trade union representative in Penang had also been interviewed in previous years of research.

In sum, information from over 30 interviews directly inform the findings and analysis in the paper. Secondary data included reports and publications from firms and RBA, CSOs, trade unions and government agencies and the press. The methods of analysis is based on the GPN framework which aims to understand the roles, interactions and relationships Verité had with different key actors in the GPN. Interviews were coded and classified using themes and sub-themes related to the concepts of power to generate theory in a deductive manner (Blaikie, 2010).

4. Verité's report on forced labour in Malaysian electronics and its effects

In order to examine the power resources and modes of power exercised by Verité through its forced labour report, it is important to understand the composition of this intermediary actor through its various networked relationships in the electronics industry GPN, and the specific context and time in which the case studied occurred. However, before we begin to examine the power relationships, it is important to first understand the significance of Verité's exposure of forced labour in Malaysian electronics to the industry.

4.1. Verité's report findings

The Verité report was damning and posed risks to industry for three reasons. First, the report concluded over a quarter of electronics workers, the majority foreign workers, in Malaysia to be in situations of forced labour. Investigations comprising undercover interviews with 501 workers (87% foreign workers) in over 100 factories throughout

Malaysia found 28% of all workers (32% among foreign workers) in forced labour. Using guidelines set by the International Labour Organisation (ILO), the report focused on six aspects of forced labour: (1) high recruitment fees resulting in debt bondage through over-time work and wage deductions; (2) withholding foreign worker passports by labour agents; (3) restricting movement and instituting fear and insecurity by employers; (4) prohibiting foreign workers from breaking employment contracts, changing employers or returning home before the end of their contracts; (5) deceptive recruitment on wages or type of work and (6) excessive dependency by foreign workers on labour agents for housing, medical care, food, transport, legal status, employment status and other welfare issues. Although the names of firms, their factory locations or the outsourcing firms to suppliers were not revealed, because forced labour was found to be ‘widespread’ and in different locations, factory sizes and production lines of goods and components, the findings casted a wide net implicating many types of firms from brands to first and lower tier suppliers operating directly or outsourcing in Malaysia (Verité, 2014). ‘What was most shocking to us was that this was happening in modern facilities, some of which were owned and operated by major international brands. This work has led us to conclude that forced labour in this industry is systemic and that every company operating in this sector in Malaysia faces a high risk of forced labour in their operations.’ (Viederman in Kelly, 2014).

The Verité report was the most comprehensive on the details of forced labour in the electronics industry thus far. Before the report forced labour was rarely publicly associated with the electronics industry. It was more often reported in lower value added or lower cost industries, such as agriculture, fishing, domestic work, mining and garments (ILO, 2013; McGrath, 2013; Phillips, 2013). Verité’s report, however, showed forced labour occurring in a high value added and technologically advanced industry. It was not hidden away but occurred in sprawling modern EPZs in a middle-income country where hi-tech factories, surrounded by electronic gates, barbed-wires, metal detectors and security guards were monitored and audited multiple times a year by social auditors and government agencies (Raj-Reichert, 2013).

The political economic explanation for forced labour in the electronics industry GPN has to do with the dynamics of poverty where high or extreme levels of poverty lead workers to be ‘adversely incorporated’ into economic systems through highly exploitative work. In GPNs adverse incorporation is linked to the creation of cheap, flexible and precarious work through outsourcing to developing countries. Lead or brand firms at the top of global supply chains drive down production costs and increasingly shorten production deadlines stoking competition among outsourced suppliers. Suppliers translate these pressures by squeezing workers through low wages, long hours, lack of or little benefits and insufficient health and safety equipment. When this GPN competitive dynamic reach workers in high or extreme levels of poverty and who are desperate for jobs, there is an increased risk of forced labour (Simpson, 2013; Phillips and Mieres, 2015).

This is a plausible explanation for the situation in Malaysia, where foreign workers originate from poor neighbouring countries such as Nepal, Bangladesh and Cambodia (CM Interviews, 2015; Raj-Reichert, 2019). Facing a severe worker shortage, it is common practice among firms to subcontract temporary foreign workers from labour agents (Barrientos, 2013; ILO, 2014; Phillips and Mieres, 2015; Raj-Reichert, 2019). Contracted workers are cheaper because firms do not pay health care and other forms of social insurances including severance pay. Temporary work contracts, between 2 and

3 years, allow firms to easily let workers go or not renew contracts during production cycle downtimes or loss/non-renewal of outsourcing contracts. Labour agents, to the convenience of firms, also provided housing and managed administrative paperwork, such as worker visa applications and renewals (firm interviews, Malaysia 2008; 2015).

Because labour agents also search for the lowest cost possible, they increasingly use deceptive practices to recruit workers (Phillips and Mieres, 2015) and have become implicated in the rise of forced labour in GPNs as ‘local labour markets are often unable to provide a sufficient supply of casual labour with the right skills on a “just-in-time” basis’ (Barrientos, 2013, 1065). A detailed story of the journey of a foreign migrant worker into bonded labour in the electronics industry in Malaysia illustrates the point. It involved a frantic search for workers for a Flex plant that received a sudden rise in orders with a short deadline for Apple’s iPhone 5 cameras. This led a network of labour agency recruiters and sub-recruiters to a Nepalese worker in Kathmandu who left his village in the Himalayas as a subsistence farmer in search for a job in the city. After making a chain of payments to different recruiters, the worker incurred a USD\$1,000 debt before starting his job in Malaysia. Part of his wages in Malaysia was withheld to pay off the debt (Simpson, 2013).

The second reason for the increased risk to industry from the Verité report was the potential implications, at the time, from reforms to the US Federal Acquisitions Regulation (FAR) and Defense Acquisition Regulations Systems legislation which in January 2015 placed responsibility on contractors and subcontractors to actively prevent human trafficking and forced labour in goods and services purchased by the US federal government domestically and abroad (Verité, 2012; Simpson, 2013). During public remarks introducing the reforms then Secretary of State John Kerry in January 2015 implicated the electronics industry as a violator,

Now some of the worst abuses happen in places that we rarely think about within the supply chains of electronic companies . . . Governments can lead the way in ensuring that suppliers and contractors are held to the highest standards . . . Companies can enforce regulations against human trafficking throughout their supply chains . . . Companies must also expand their knowledge and understanding of how their workers are recruited and they cannot just turn a blind eye to it . . . It’s really easy to find out. The President’s directive prohibits federal contractors and subcontractors from deceiving employees about key terms and conditions of employment, and it prohibits federal contracts from charging employees recruitment fees and denying them access to identity documents.

The potential effects of the FAR reforms could not be ignored by the electronics industry as the US federal purchases of computers and related equipment totalled USD\$5.31 billion in 2013⁶ (Verité, 2015). Verité’s findings provided hard evidence that FAR would be tackling a ‘real’ problem in the electronics global supply chain. FAR also set out a context by which state power could be wielded through the threat and enforcement of regulation, increased scrutiny or boycott by a public-sector buyer (Hughes et al., 2019).

The third reason was the repercussion the report’s findings had on the Trans-Pacific Partnership (TPP) trade agreement negotiations, between the USA and a group of

6 This amount is under-estimated because it does not capture the purchase of electronics inputs for certain types of hardware purchases (Verité, 2015).

countries including Malaysia (negotiations were held from 2008 to 2015 and suspended in 2016). This geo-political economic context involves a history tying the USA and Malaysia in significant ways. In brief, since the early 1970s Malaysia was a key production location for American electronics firms as the first foreign direct investment operations in the electronics industry in the country. Foreign firms were supported by multi-year foreign investment friendly policies and packages. The Malaysian government has a history of overly accommodating to foreign firms for example through multi-year tax breaks and denying basic labour rights of workers (a national trade union for the electronics industry was banned until 2010). In recent years, in order to keep wages low in the industry, the government enabled a massive inflow of low-cost (and vulnerable) foreign workers from neighbouring countries (Raj-Reichert, 2019).

Since the 1990s, Malaysia became an important sourcing location for many American firms (Chalmers, 1991; Narayanan and Rasiah, 1992; Lüthje et al., 2013). In 2012, the top 10 American companies operating in Malaysia were mainly in the electronics industry. They included Intel, Western Digital, Dell, Flextronics and AMD (MIDA, 2012). At the time of the Verité report, several large American brand firms, such as Apple, HP and Dell, had either outsourced production to suppliers in Malaysia or had their own production facilities in the country. The largest American CMs in the industry also had very large factories in the country.

During the TPP negotiations, the USA was the fourth largest export market for Malaysian goods and the fourth largest supplier of imports with the electronics industry dominating these trade flows (Rinehart, 2015). As part of the liberalisation commitments the USA, which has since the North American Free Trade Agreement in 1994 included labour standards in free trade agreements in response to trade union concerns to protect American workers from unfair competition of low-waged developing country trading partners, developed bilateral agreements over domestic labour law reforms which the Malaysian government had to comply with before receiving US market access commitments. The specific labour chapter would have required the Malaysian government to abide by the ILO Core Conventions, pass regulations on minimum wages, working hours and occupational health and safety including in EPZs. The TPP would have also encouraged member countries to stop importing goods and parts and components produced using forced labour (Charnovitz, 2016; Santos, 2018).

The Verité report raised Malaysia's profile, which was linked to the operations and global supply chains of American firms, as a government unable to regulate against forced labour, at best, or one that either enabled or looked the other way on forced labour practices by firms, at worst. The political situation was also worsened by two separate US governmental classifications. In June 2014, the Trafficking in Persons (TIP) report by the US State Department in June 2014 listed Malaysia in the Tier 3 category (the first time since 2009) as a 'violator' in human trafficking due to insufficient progress by the government in reforming regulations and protecting victims and prosecuting perpetrators of trafficking. In December 2014, partly based on the findings from the Verité report, the electronics industry in Malaysia was added to an annual List of Goods Produced by Child Labor or Forced Labor by ILAB. These events created a political fall-out for President Obama during the TPP negotiations. He received 'fast-track' negotiating authority, however, with the condition that countries in the Tier 3 category could not join in the negotiations. Rumoured as a politically motivated decision, in June 2015, amidst criticisms of inadequate regulatory reforms by the Malaysian government and the discovery of corpses of trafficked persons on the

Thai border, Malaysia was upgraded to the Tier 2 Watch List category, allowing for the finalisation of TPP negotiations (Szep and Spetalnick, 2015; Toosi, 2015).⁷

The effects these outcomes had on the US government's political-economic goals in Malaysia and the region revealed the contradictory objectives across different arms of the government. These outcomes reveal states caught in the contradictory roles of being 'both enabler of market systems and capital accumulation and guarantor of social and individual (human) rights' (Arnold and Hess, 2017, 2186). Caught in this complex and ambiguous political scenario were American electronics firms who had been operating for many years in Malaysia and whose large investments, either physically or through long-term outsourcing relationships, could not easily leave the country.

4.2. Firm responses and industry changes to self-governance

Following the Verité report rapid changes to self-governing processes were made by RBA and individual firms. RBA was exposed as incompetent by Verité's findings because audits against the RBA code had not detected forced labour in Malaysia across its over 100 electronics brand and supplier firm members. At a public forum attended by industry and other stakeholders in March 2015 RBA Executive Director Rob Lederer stated, 'our suppliers don't want to be a part of it and governments don't want to be a part of it [forced labour]'. Subsequently and to prevent diminishing its credibility as an effective self-governing industry association, RBA changed its audit methodology and revised its code of conduct (through a majority vote by members) less than a year after the Verité report. Code revisions included prohibiting restrictions on workers' freedom of movement, confiscation of identity documents unless required by law and charging recruitment or other fees to workers (and to repay them); and ensuring foreign workers' contracts are in their native language. In August 2015, RBA developed its first grievance mechanism for foreign workers and launched the pilot programme in Malaysia. In 2016, RBA revised its code again with stronger language prohibiting 'forced, bonded (including debt bondage) or indentured labour, involuntary prison labour, slavery or trafficking'. According to Viederman, the report led to more rapid changes by an industry than any of Verité's previous work. Viederman said RBA had 'realized the inadequacy of their work' (2015).

Soon after the Verité report electronics brand firms also changed their supplier governance processes. One month after the report Apple banned recruitment fees in its supply chains (BBC, 2015). Two months after the report HP banned forced labour and recruitment fees in its supply chains and promoted its suppliers to hire workers directly instead of using labour agents. Brand2 had to respond to a spike in customer inquiries on what it was doing to remedy the situation of forced labour (Interview, 2016).

Down the global supply chain, changes were also made by suppliers in Malaysia in response to headquarter or customer firm demands. According to Brand3, the US government had applied a lot of pressure to American first-tier suppliers (Interview, 2015). In February 2015, interviews with CM1 and CM2 in Penang revealed rapid and significant changes. Company budgets for labour governance activities had increased significantly after the report for both suppliers. According to a CM1 manager, 'There

7 Senators wrote to then US Trade Representative regarding Malaysia on the ILAB list in December 2014, see <https://shenglufashion.files.wordpress.com/2014/12/tpp-labor-letter-12042014.pdf>.

were immediate inquiries. HP had tailored a questionnaire on Malaysian [foreign] migrant workers.’ (Interview, 2015). The report also gained attention of brand firm CEOs and Vice Presidents (VPs) who requested additional audits by the CM. Some CEOs and VPs were said to have personally visited its worker accommodations and ate at factory cafeterias alongside workers. One CMI facility began recruiting foreign workers directly in Nepal. This involved establishing a new hiring division with 100 new personnel in a short period of time.

Like Viederman, who noted that forced labour in Malaysian electronics was well known for a long time, the majority of firm respondents in headquarter locations and in Penang were not surprised by the report’s findings. Brand3 pointed out that Verité’s findings ‘was not an isolated incident’. Brand1 had known about it for a while and when caught in their internal audits, it was said they ‘don’t see it again in the next audit.’ (Interviews, 2015). Interviews revealed widespread knowledge of forced labour in Malaysia including among leading global firms in the industry. This is because American firms have been operating their global supply chains in Malaysia for many years and forced labour has been a historical practice in the country. The normalisation of passport confiscations, for example, was revealed during research in Penang in 2008 when a second-tier supplier managing director openly spoke of it as common practice for ‘their [the foreign workers] own safety’ in the country.

The release of information on forced labour itself does not explain what led to changes by industry actors. Rather, how and through which networked relationships that information was mobilised explains the exercises of power, which we turn to next.

5. Verité’s modes of relational power in a GPN

5.1. Telling ‘truth’ credibly: power resources of information

Power resource of information must be perceived by those on the receiving end of its mobilisation as credible and ‘truth’. For Verité this has to do with the way it gathers information through its audits and its characteristic as an independent ‘NGO’. Verité’s audits, unlike other SAOs, are conducted by local auditors employed as consultants in developing country regions. According to Verité, local auditors speak the local languages of workers, engage in worker communities, better understand local contexts of worker abuses and are less intimidating than foreign-based auditors to workers. Verité’s participatory audit methodology involves interviewing local CSOs, government agencies, trade unions and labour agencies. Auditors are said to be trained to recognise management methods of worker coaching and worker intimidation to help identify labour violations not caught by audit checklists (Verité, 2009). In Verité’s audit reports 50% of information is based on worker interviews (Hirt, 2007; Verité, 2019). Through its relationships with locally based auditors, Verité as their employer receives credible information for ‘truth-telling’ on working conditions in electronics factories.

Investigations for the report on forced labour in Malaysian electronics also involved local auditors. Some investigators (whose identities were not revealed), it was said, conducted secret investigations at high personal risk (Viederman Interview, 2015). A localised team of dozen researchers included CSOs and worker organisations from Nepal, Burma, Vietnam, the Philippines, Bangladesh, Indonesia and Malaysia and data collection was managed out of an office in the region.

Verité's credibility as an auditor is measured and assessed against other SAOs. Its largest competitors, multinational auditing firms, have been found to be ineffective in various ways. O'Rourke (2002) found their conduct using 'snapshot' audit checklists focused more on quantitative measurements of record-keeping. Worker interviews were brief and limited, and other local actors were not included in audits. A study on PwC's audits showed a heavy reliance on management produced data and management-controlled access to worker interviews resulting in problematic findings. 'The PwC auditing methodology largely ignores these crucial, non-management, sources of information [from workers]. Factory managers have incentives to cover up or hide problems, and they are given ample opportunity to do just that . . . No effort was made to get information through . . . NGOs, neighborhood organizations . . . unions, local researchers . . .' (O'Rourke 2002, 203, 204).

Verité has also been evaluated against other SAOs in the press. In 2013, a New York Times article exposed the failures of a 1-day audit by SGS on a knitwear supplier factory in Bangladesh. SGS passed the factory audit with flying colours. However, 10 months later workers went on a rampage due to unmet promises of raises, bonuses and overtime pay, and sexual harassment and beatings by guards—issues not picked up by the SGS audit. Verité was asked to re-audit the factory and after a 3-day long audit it, unlike SGS, found widespread labour violations (Clifford and Greenhouse, 2013).

Verité is also contrasted with the FLA, an MSI comprised of firms, universities, CSOs and apparel licensors, with its own code of conduct and audits. Its fee-paying firm membership structure, however, has raised questions on its independence. After a spate of worker suicides in Apple's supplier Foxconn factories in China in 2010, Apple chose FLA to conduct an audit and subsequent reviews of improvements to Foxconn's working practices. FLA's findings were critiqued for showing substantial progress despite continuing violations of local laws and intense working pressures (Nova and Shapiro, 2012). FLA failed to understand the local context in China, specifically that independent trade unions and the right to strike are not legally allowed and that all unions must be affiliated with the state (Anner, 2012). Anner (2012) also found a lack of alternative monitoring methods, for example by labour activists, prevented FLA from uncovering freedom of association violations.

Amidst the various comparisons among SAOs, Verité has competitively built credibility and trust in its relationships with electronics firms. Being an independent and non-profit organisation, conducting research and straddling characteristics of a CSO has also helped build a favourable reputation for Verité. Interviews with all firms showed Verité was trusted over other SAOs (Interviews, 2008, 2015). A Brand3 representative (who previously managed a SAO for the apparel industry) found Verité,

unique because their model is different . . . [and] very in depth. They have a larger [audit] team between 5 and 7 [persons]. Their costs are higher for that reason. Their report is a lot more elaborate . . . [and] is usually around 50 pages. They interview a lot more people. And they also come from a research background [and have] people that have been around doing these same things for a long time . . . Monitoring firms that are for-profit are trying to keep a staff that is lean and efficient. There are differences because of the nature of the company. (2016)

While some firms during interviews raised questions on the report's findings and methods, Verité has not faced public criticism by firms or RBA over the report. Viederman noted, 'No one has come out to try to poke holes in it' (2015). This was a result of a shared discourse and interest that 'no one wants there to be "slavery" in their industry' (Viederman Interview, 2015) and the trust in the investigations conducted by Verité which was legitimated by its association with the US government which I turn to next.

5.2. Gaining legitimacy and expertise

What explains Verité's powers to influence change to labour governance practices by industry has to do with its exercise of expert authority and acts of dissimulation in the GPN. In this sub-section I explore the former through its subcontracted relationships with the US government. This is followed by the subsequent sub-section on dissimulation vis-à-vis its client relationships with firms.

Verité has a portfolio of engagements with the US government which builds its legitimacy as an expert in the area of forced labour in global supply chains. Its engagement with the US government began in 2008 when it (with The Center for Reflection, Education and Action, Inc.) received a US federal grant from ILAB to develop universal standards for social auditors. This began a long-term relationship with ILAB—a federal government agency mandated to improve working standards globally 'to ensure a fair global playing field for workers in the United States and around the world' (Bureau of International Labor Affairs, 2019). ILAB advises on policy decisions concerning labour including trade negotiations. It is also mandated under the US Trafficking Victims Protection Reauthorisation Act to investigate child labour and forced labour globally. Part of this work is the annual publication of the List of Goods Produced by Child Labor or Forced Labor⁸ which aims to raise public awareness and which can also pose political embarrassment and pressure to countries on the list, as was discussed for the case of Malaysia during the TPP negotiations.

In 2012 Verité was called to work with the Obama Administration to develop the Executive Order (EO) 'Strengthening Protections against TIPs in Federal Contracts', strengthening its role as an expert in regulatory matters.⁹ It was also in 2012 when Verité was contracted a second time by ILAB with a USD\$450,000 grant from 2012 to 2014 for the project, Research on Labor Conditions in the Production of Electronic Goods in Malaysia, to 'examine labour conditions, identify specific electronics goods manufacturing associated with particular types of labour conditions and describe how widespread these practices were in Malaysia'. The project was in response to Verité raising concerns over forced labour in Malaysian electronics over several years and because there was a lack of data to substantiate its suspicions, ILAB relied on Verité as the 'expert' to produce credible information. As noted above, after the release of the Verité report ILAB listed the manufacture of electronic goods in Malaysia for the first time in the list of goods produced by forced labour.

After the report, further engagement with the US government raised Verité's profile as a regulatory expert. In January 2015, Verité participated in a White House Forum on

8 The list can be accessed at <http://www.dol.gov/ilab/reports/child-labor/list-of-goods/>.

9 See <https://www.whitehouse.gov/the-press-office/2012/09/25/executiveorder-strengthening-rotections-against-trafficking-persons-fe>.

Combating Human Trafficking in Supply Chains. During the opening remarks, John Kerry announced the government's partnership with Verité on research into human trafficking risks in federal procurement and supply chains (Verité, 2015).

Laws, regulations, and executive orders are necessary, but they are not sufficient . . . We've teamed up with the NGO Verite in order to develop a range of tools and resources for all businesses, not just federal contractors. And our Trafficking in Persons office has asked Verité and its partners to investigate and map out the risk of trafficking in global and federal supply chains.

The inclusion of 'NGO' in reference to Verité supports a discourse which communicates and emphasises the organisation as independent and on the side of workers. Verité's subcontracted work for ILAB is in line with the logic of modern forms of government with increased reliance on non-governmental actors for knowledge over a governance problem (Rose and Miller, 1992). The Verite-ILAB relationship not only advanced ILAB's political goals, as Viederman noted 'it [the report] helped put Malaysia on the forced labour list' (2015), and it also increased the legitimacy of Verité's expertise on forced labour as a governance actor in the GPN.

5.3. Acts of dissimulation across relationships in the electronics industry

Verité was dependent on the relationships with firms and the RBA, it conducted third-party social audits for, for access to factories and workers which led to the unearthing of forced labour by its local auditors. According to Viederman, forced labour in Malaysian electronics was not an issue Verité had originally sought to work on. Several years before the ILAB funded investigations, Verité's contracted local auditors noticed a correlation between a high usage of foreign workers and a high incidence of forced labour in factories. 'We first picked up the issue of foreign workers and forced labour from auditors. We were gathering information from these audits' (Viederman Interview, 2015). Indeed, the confidential client relationships with firms was necessary for Verité's access to factory workers for the production of credible information mobilised for the exercise of the power of expert authority.

Within this context, Verité carried out a careful balancing act between client firms, local auditors and ILAB, which illustrates Verité's quieter mode of relational power—its acts of dissimulation. Verité used the knowledge gained on forced labour through its confidential audit services to firms and their suppliers and as a third-party auditor to RBA to inform ILAB of the situation in Malaysia, which subsequently led to its funded project by the government agency. This deception to firms, made possible through confidential client relationships, was necessary for continued access to factories and workers while conducting secret investigations in conflict with industry. In fact, confidentiality across its different relationships in the GPN was used by Verité as an intermediary to harness a variety of power resources (information, funding and policy expertise).

After the report's release exposed its committed acts of dissimulation in the industry, firms and the RBA did not sever their ties with Verité. This is because Verité had already gained widespread recognition of credibility and legitimacy as the more credible SAO with expertise on forced labour in global supply chains. The revelation of forced labour in a geography in which they operated created a dependency by firms to the very

actor which revealed it through secret investigations into their supply chains. After the report firms needed Verité as a governance ‘expert’ to help them correct or improve the situation. Severing ties with Verité would have sent the wrong message about a firm’s ability to ensure its supply chain was free of forced labour. Verité’s conduct was rationalised as an actor with multiple roles in the GPN, bolstered by client confidentiality conditions it upholds as part of its business services,

I think people should differentiate between the different roles that Verité was playing in that situation. They were working on this investigation on migrant workers and that was not any company specific performance related issue like an audit is. If Verité is doing an audit in your facility... that is a one on one arrangement between Verité and the organisation ... and it is confidential. The other report was not to expose one particular organisation. We understand the differences.’ (Brand3, 2016)

This reveals a mutually dependent relationship between Verité and the electronics industry. It also points to how Verité occupied the position of a middleman wearing different hats across different relationships, shifting on a continuum between an ‘NGO’ extra-firm actor and an audit-as-a-service provider firm actor in the GPN. Viederman noted that before the report, Verité’s activities had not brought changes at the industry level. Verité had confidentially warned firms for many years about forced labour discovered through audits, however, with no effects (Simpson, 2014). Viederman recognised the limits of Verité’s influence as an auditor—that audits alone could not create ‘systemic changes’ in global industries (Viederman Interview, 2015). However, combining its auditor role with a different set of expertise tied to US regulations allowed Verité to exert more power on the industry with the additional quality of a quasi-state and hence political actor in the GPN.

5.4. The politics of power

The different types of relationships, power resources and modes of power Verité exercised within the GPN is depicted in Figure 2. Here we can see Verité exercising the power of expert authority over a number of actors. They are the US government through policy advice and expertise on forced labour in the electronics industry and in Malaysia, and global lead firms and the industry association RBA by influencing their conduct on private labour governance processes. Its acts of dissimulation to gain information on forced labour were exercised vis-à-vis global lead firms within its confidential client relationships as a third-party social auditor.

Equally important to consider are the power resources which Verité mobilised through these and other relationships and connections in the GPN. They include the ability to gather credible information over working conditions via local auditors in Malaysia. It also gained legitimacy from credible information also as an independent non-profit organisation unlike other SAOs and from its outsourced governance relationship over policy matters with the US government. The role the media played to provide a favourable discourse as a power resource was also supportive to Verité’s exercise of the power of expert authority. Verité’s hybrid firm—extra-firm profile had an effect on power resources whereby legitimacy and credibility is tied to its extra-firm ‘NGO’ and quasi-state characteristics. Its exercise of power over industry actors was on

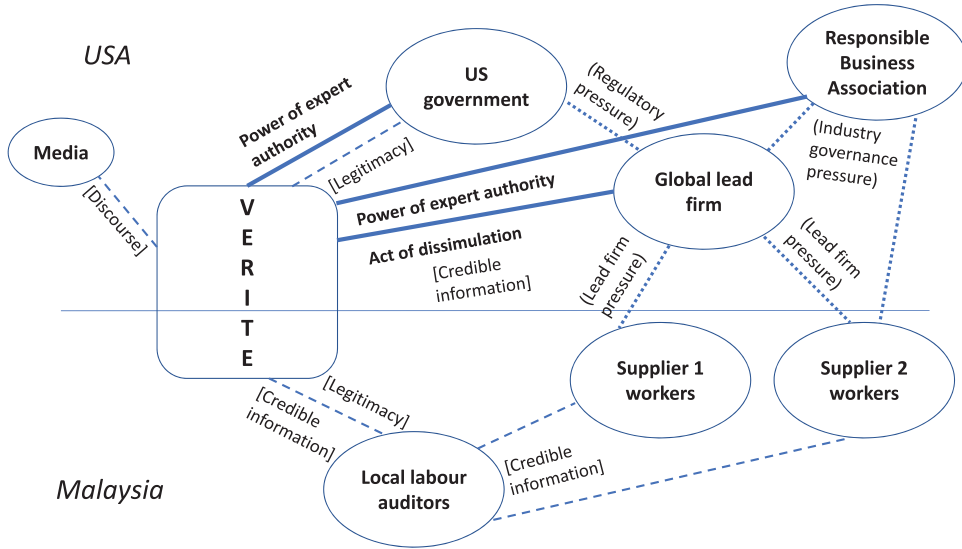


Figure 2. A multi-power framework analysis of Verité’s exercise of different modes of power in the electronics industry global production network.
Notes: Bold lines represent modes of power. Dashed lines represent power resources. Dotted lines represent relationships intermediated by Verité.

the other hand contingent on its firm-like profile as an audit service provider to business clients.

When it comes to geographical considerations, Verité’s outsourcing relationships with local auditors in Malaysia provided a critical and important power resource which was mobilised by Verité to directly exercise modes of power across relationships in the USA. In addition, the effects of its direct exercises of power in the USA indirectly influenced governance relationships between global lead firms and the RBA vis-à-vis supplier factory locations in Malaysia. Moreover because of Verité’s intermediary role in the GPN, the outcomes of power are seen across the intermediated relationships which are between the US government and global lead firms, and global lead firms and suppliers in Malaysia. It should, however, also be noted that the geographical reach of the modes of power here has been skewed in a particular direction of the analysis. It is clear that the focus of this case study has been on the exercise of power by Verité vis-à-vis actors based in the USA. This suggests the importance of the institutional setting, including the governance context, which these actors faced. However, one could have similarly aimed to understand the exercise of power between Verité and the local labour auditors and other actors in Malaysia that could further add to the multi-power analysis conducted in this case study. Hence, this is not to conclude that power in labour governance is more effective in host locations in the global North.

I conclude the paper by setting the events to the particular situation and political context in which Verité exercised its various modes of power as part of a collective of actors. Its ability to influence the industry was directly tied to actions by the US government, namely those related to the reforms to FAR. Viederman acknowledged that before the FAR amendments, industry did not have any incentive to address forced labour from debt bondage or recruitment fees (Viederman Interview, 2015). ‘There are

few, if any, brands that have taken up the mantle of eradicating trafficking, at any level, without first being prodded by potentially embarrassing and *illegal* (emphasis added) findings' (Viederman quoted in White, 2015). This points to the importance of (the threat) of regulation in bringing about change to labour governance practices in GPNs. The political motivations of ILAB, the US agency which entrusted Verité with a task that heightened its role as an expert, during a politically sensitive time of the TPP negotiations for Malaysia and firms operating within the country, highlights how contradictory and ambiguous political goals by a state balancing its roles as a regulator (of human rights) and facilitator of trade liberalisation in GPNs (Horner, 2017) can provide opportunistic moments or a favourable context for strategically networked actors to exert various modes of power for particular outcomes.

6. Conclusion

This paper contributes to research on labour governance in GPNs in two ways. First, it furthers our conceptualisation of a non-traditional governance actor—a SAO (Verité)—as an intermediary actor influencing labour governance processes in the GPN. The case study of Verité also showed that SAOs are not a monolithic group of actors. Verité straddles a hybrid SAO profile of firm and extra-firm characteristics which contributes to its ability to hold different types of relationships in the GPN, harness different power resources and exercise different modes of relational power. It is emphasised that actors in GPNs have multiple relationships and therefore need to be understood for their interactions and outcomes, through conflicts, tensions and cooperation, to reveal the micro-politics of GPNs. Thus, the second contribution is a multi-power analysis which examined overt and covert modes of power across Verité's different sets of networked relationships—namely the powers of expert authority and dissimulation—which brought about changes to labour governance practices by industry actors. Verité did so by mobilising power resources of credible information on forced labour in factories through its subcontractor relationships with local auditors. Its various subcontracted ties to the US federal government to investigate working conditions in Malaysian electronics and advising on forthcoming regulatory amendments aimed at banning forced labour in federal supply chains gave Verité the power resource of legitimacy. Both power resources were necessary for exercising the power of expert authority over the electronics industry's conduct of self-governing practices. More covertly, Verité simultaneously exercised acts of dissimulation through its confidential client–auditor relationships with global lead firms for access to factory workers in order to gain credible information on working conditions through its investigations. Hence, its hybrid profile helped Verité gain legitimacy and credibility as an NGO and a quasi-state actor (extra-firm actor characteristics) while its business client relationships as an auditor (firm actor characteristics) is tied to its exercise of power vis-à-vis global lead firms and the RBA. The case study illustrates how powers to change practices in a GPN can be a complex process involving different resources of power and the simultaneous exercise of different modes of relational power across varying sets of relationships.

The findings of the paper point to the need to better understand the complex terrain of power in GPNs by employing a multi-power framework of analysis. Such analyses require detailed case studies that can illuminate various roles, relationships and

connections an actor has in the network and the different political roles it has played within them over time. Deciphering the combinations of different modes of power an actor exercises and how is important for understanding the ways in which an actor can manoeuvre its influence across geographical spaces. For example, where overt forms of domination are not able to be received or stretched to far away locations, more covert modes of power, in the realm of manipulation, can be more successfully deployed instead. A multi-power framework of analysis allows for a finer grained analysis of the micro-politics in GPNs.

Acknowledgements

I would like to thank the British Academy Postdoctoral Fellowship and the Hallsworth Research Fellowship award for their support of my research. I would also like to thank comments by Khalid Nadvi, Martin Hess, Adrian Smith and the editor and anonymous reviewers for their assistance. All errors are my own.

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