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Social Movements and NGOs in the Construction of New Market Mechanisms

By Ricardo Abramovay, Maurizio de Almeida Voivodic, Fatima Cristina Cardoso, and Michael E. Conroy

What is behind the proliferation of initiatives directed at improving the social and environmental governance of strategic sectors of the Brazilian economy such as soy, bio-fuels, livestock, wood, paper and cellulose? Round-tables involving the private sector, non-governmental organizations, and research organizations are coming together to insert themselves into what, up until recently, fell strictly under the aegis of corporate boards. It is still too early to assess the practical consequences of these processes. But it has become sufficiently well defined to allow analysis of what motivates it and what its more important mechanisms may be. A study of those mechanisms could well contribute toward elucidating some of the probable results. This text draws attention to an issue that is increasingly important for contemporary social science and even more so for economic sociology: the emergence of the non-state market-driven (NSMD) governance systems (Cashore, 2002) of global action networks (Glasbesrgen, 2010); a quest for “ethical quality” branding capable of changing predatory corporate behavior (Conroy, 2007), or as Hommel and Godard (2001) would have it, the proactive management of contestability. In Brazil, this is one of the themes to which part of the current production in economic sociology is being devoted.

At first sight it might seem to be merely a strategy to differentiate products by endowing them with a quality brand as typically occurs in situations of intense competition, traditionally studied in microeconomics under the heading “industrial economics.” What calls our attention in the cases briefly outlined in this text is that it is not a question of organizing productive niches or highly differentiated luxury markets. Quite the contrary, the intention of the round tables (and to some extent, the very reason for their existence) is that their results affect all the elements that make up the supply chain. Were that not the case, the outreach of the environmental governance they seek to implant would be seriously jeopard-ized. Four fundamental features link these initiatives to an international tendency, admittedly incipient, but rapidly gaining force: they are voluntary processes; they engage the full range of stakeholders; they tend to expand their fields of action way beyond the products of the niche in question; and they interact dynamically with government policy formulation processes.

There are at least two tentative lines of thought that explain these new ways of organizing markets that partly incorporate the aspirations of the social and environmental movements. The first can be described as “functional” and shows the importance of business networks in stabilizing the social bonds that are typically part of corporate functioning in contemporary capitalism.

The core idea is that there is a tendency for the reputation associated with products and services offered to be increasingly externalized and become subject to parameters that are no longer entirely controlled by the companies themselves. As the weight of the business networks articulated around brands increases in contemporary capitalism (Davis, 2009, Laville, 2009), so do the demands for certification and traceability that the brands rely on. The Global Reporting Initiative is just one example of a tendency that is visibly on the increase.

Another approach really needs to be added to that functional and macro-structural explanation: a theory of action. It means envisaging corporate social-environmental responsibility as a social field (Bartley, 2007). Indeed, there is a vast amount of literature interpreting what corporate boards do as a result of what they have learned from the cooperative dimensions in which their competitive processes are immersed. The literature is notably less abundant, however, when the focus is not restricted to the direct protagonists of competition (the companies) but gives equal attention to social actors belonging to social spheres that are not primarily dedicated to obtaining economic gains, such as civil society organizations, unions, and social movements (Cashore, 2002; Conroy, 2007, Bartley, 2007) and even the agencies of the State itself.
Roundtables offer excellent opportunities for observing the workings and transformations of social fields (Bourdieu, 2005). Studying them basically implies describing the cognitive arrays that make up the fields in question and how they have evolved. The central idea is to denature the elements around which the protagonists define the field itself, as much in response to objective circumstances associated with the evolution of the markets as to the discussions and conceptions of control that prevail in the interior of the field (Fligstein, 2001a). Each field structures itself on bases that consist of the actors’ mutual commitments, the information and material resources that circulate among themselves, the social control mechanisms on which they support their actions, and the way they solve their own conflicts and those that arise with participants from other fields. In other words, far from being clear, distinct, and ready-made technical parameters waiting to be discovered and revealed, the social-environmental requirements that are increasingly being incorporated into contemporary markets are the object of intense disputes around their definition, their reach, and their scope. They cannot be addressed as if they were mere rhetoric, in spite of the admitted risk of the presence of ‘greenwashing’ in any private doers, and claims to do, announcing its performance in this field. What it means is recognizing that the markets are in fact susceptible to social pressures and that they undergo transformation as a result of the negotiations that result from those pressures.

That also means that formal contracts and business relations can only be understood in the light of social exchanges that entrepreneurs make among themselves and with other social actors that make up the field in which they operate (Bruni and Zamagni, 2007, Bruni and Sugden, 2008). In that specific sense markets are social constructions: in each case they are conceived as an intermediate sphere that neither dissolves itself into a set of macro-structures nor reduces itself into the actions of a supposedly “maximising” individual agent. Furthermore, the study of such social constructions necessarily involves an empirical examination of the skills of the various actors that constitute the field and the tactics they use. Thus the roundtables could be seen as excellent examples of the ‘strategic action fields’ that Neil Fligstein (2008) defines in his recent work.

It is also important to remember the parameters that will emerge from the various roundtables cannot be seen as technically irrefutable expressions of practices that could lead the way to social-environmental sustainability. Quite the contrary, since they depend on the relative power of the various actors, achieving them will always be the object of intense negotiation; so much so that in each of the cases examined, the initiatives are significantly different in terms of their organizational composition, agenda and ambitions. In each field it is possible to study the way the actors organize their social bonds around the four basic concepts that Fligstein (2001b) uses to study the subject: property rights, governance structure, rules of exchange, and concepts regarding control over the available resources. At the same time, the entry of new actors, above all those whose existence is associated with interests that are not strictly economic (like NGOs, indigenous organizations, unions and various other social movements), stamps new features on the hierarchies in the formations of the fields (relations between dominators and challengers) that so far have been studied little in the respective literature.

Skepticism surrounds the term ‘corporate social-environmental responsibility’. On the one hand, even authors strongly connected to important corporate consultancy activities (Porrit, 2007, Speth, 2008) offer abundant examples that the real meaning of changes in behavior adopted by companies is practically irrelevant. The British newspaper The Guardian has run an impressive series of articles and interviews showing very clearly how corporate practice can be a long way off from their often edifying rhetoric. In that sense The Guardian’s texts and videos on the petroleum sector make a strong impression.

Furthermore, even though there may be some occasional, topical positive examples, it is impossible to avoid questioning seriously the general outreach of new corporate administrative practices in regard to the more serious global problems such as climate change, loss of biodiversity, and the worsening of the already precarious water resources in much of the poor and developing countries.

What that critical stance often underestimates, however, is the capacity of civil society organizations to insert themselves into the very way that contemporary markets organize themselves. Such skepticism is rooted in a vision of markets as autonomous spheres of social life, a view that economic sociology does its best to oppose in the various approaches it adopts. Studying markets on the basis of their social insertion means abandoning a posture that pre-classifies them as inherently evil fields.
entirely devoid of any aspirations to emancipation associated with contemporary social struggles (Zelizer, 2005).

What is extraordinary in Brazil’s case is that one of the most conservative sectors of social life linked to the tradition of huge land holdings that has marked the country’s historical formation is exactly where this particular model of social insertion in the organization of markets, the sectoral roundtables, is concentrated. Presently roundtables are influencing four sectors that are fundamental to the Brazilian economy: soy, bio-fuels, livestock production, and forests/paper/cellulose.

We will set out here only some information on each of these sectors which form part of a research program, still underway, that involves the Nucleo de Economia Socioambiental at the University of São Paulo – NESA (nesa.org.br) and the Lozano Long Institute of Latin American Studies at the University of Texas at Austin (LLILAS) (http://www.utexas.edu/cola/insts/llilas/).

**Soy, bio-fuels, beef-cattle production, forests, paper and cellulose**

There are two important initiatives related to soy. The first was formalized in 2006 and concerns what the corporate sector once considered taboo: allowing social and environmental considerations, other than those imposed by the law, to interfere with the organization of private business. It is exactly this that the Brazilian Moratorium on Soy Purchases has started to do. From June 2006 on, no company that was a signatory to the moratorium would purchase soy coming from farms located in recently-deforested areas of the Amazon. That decision led to the drawing up of a protocol that was signed by a group that brought together renowned nongovernmental organizations, some of the main vegetable oil manufacturers, the most important soy traders and exporters, and a rural workers union. This multi-stakeholder group committed itself to implementing a control system and for monitoring its performance for a period of two years to ensure that the soy that was purchased could not be associated with the further devastation of the Amazon Basin. As Cardoso (2008) makes very clear in his work, behind the initiative is a campaign unfolded in various McDonalds outlets in Europe that reveals the connection between meat production and consumption and the destruction of the forests in the Amazon.

The control envisaged by the initiative was accompanied with aerial photography and satellite image monitoring which meant that for the first time the way farmers used the land was exposed to a participative forum. Follow up on the moratorium showed that in the area that was monitored there were very few property owners that disobeyed the determinations that were the result of the agreement. The moratorium was later extended for a further two-year period, and a report is expected in 2010.

The second initiative, which also concerns soy, is more far-reaching and difficult. The Round Table on Responsible Soy-RTRS (http://www.responsiblesoy.org/) involves important Brazilian, Paraguayan, Dutch, Indian and North American NGOs like WWF and The Nature Conservancy, in addition to private sector participants like Bayer, Cargill, Carrefour, ADM, Marks & Spencer, IFC, and Shell, as well as Brazilian, Paraguayan, Argentinean, and Indian soy producers and cooperatives. One notable aspect is that the two initiatives (the moratorium on soy and the Round Table on Responsible Soy) differ not only in regard to the spheres they address (one is Brazilian and the other is international) but also in their composition and objectives. The RTRS seeks to establish international standards of responsibility for the sector; the way soy is produced, labor relations, and the way the various plantation ecosystems are treated. All of these characteristics of soy production are to be submitted to public scrutiny and analysis. In May 2009, an RTRS working group published a document setting out the principles that would be applied in the field “in order to permit producers of all types and sizes in a great variety of places to test the implementation of the requirements and to provide comments on the results of their experiences”.

What is at stake is a quest for certification based on voluntarily determined standards. The system does not set out to become a legal imposition. There can be no doubt that predatory forms of production may continue regardless of the limits and new directives implicit in the parameters that the RTRS is establishing. In a final analysis this underscores the basic idea being put forward by contemporary economic sociology that the market is actually a socially-created field. It is impossible to know in advance which production patterns will in fact prevail. What is interesting is that most economic groups connected to soy production are part of the initiative and actively participate in the formulation of the standards. It must also be noted that by spelling out standards for...
Those principles and criteria are preliminary and subject to change, for they can be modified in response to the participation of a variety of social forces and organizations in their implantation and control. What actually defines them — and this is the where our research comes in — are the strengths and capacities (“capitals,” according to Bourdieu, 2005) brought to the table by the various protagonists which they make use of as the process unfolds. Some of the issues involved are technically complicated like those surrounding the indirect effects of the expansion of agro-fuel production. Sugarcane, for example, does not interfere in Amazon forest ecosystems directly; but it does have an indirect impact insofar as it displaces cattle ranching, which can and does occupy space in a variety of Amazon biomes. The RTSB is addressing that by means of a consultancy conducted by specialists, and the results will come up for discussion by all the protagonists. Obviously the product of that discussion is far from being a technically irrefutable consensus; for it depends on the ability of the various protagonists to persuade, put forward arguments, formulate agendas, describe occurrences, and come together and make sense of all the information gathered and contributed by the protagonists of the discussions. It is exactly in that sense that Neil Fligstein insists on the importance of social skills in the formation and functioning of markets.

The traceability of soy and sugarcane production is admittedly complicated; but even more challenging is the traceability of beef and leather production originating from cattle ranches. On the one hand, those ranches concentrate the majority of workers still subjected to precarious working conditions and, in some such ranches (a minority), working conditions analogous to slavery can still be found. At the same time, felling the forest to plant pastures, however illegal, is still one of the most common ways of adding value to land in the Brazilian Amazon. On the other hand, the mobility of the cattle and the presence of as many as fifteen intermediaries in the supply chain, from the moment a calf is born to the moment that the animal goes to the abattoir, adds further difficulties to the problem of traceability. In spite of all those difficulties, the issue has now burst to the fore in this sector with surprising force. Cattle raising is responsible for no less than 8% of the Brazilian GNP. However productivity associated with the activity in the Amazon region is very low and working conditions are extremely precarious. In that sense the Greenpeace report *Slaughtering the Amazon* (http://www.greenpeace.org/international/press/reports/s...
laughtering-the-amazon), which made explicit use of ‘naming and shaming’ tactics, has had a tremendous impact. In that report various big retailers like Tesco, Sainsbury’s, Asda, Morrisons, and Marks & Spencer, and shoe manufacturers like Nike, Adidas, Timberland and Clarks Shoes, are cited as contributors to the problem, in addition to the big meat packers and their financiers. For all of them purchased meat and leather supplies that only existed because of environmental devastation and people working in precarious conditions.

In June 2009 the Working Group on Sustainable Cattle Ranching was formed involving Greenpeace, Friends of the Earth, WWF, some of Brazil’s biggest meat packers, and some Brazilian banks. The focus of the meeting held in São Paulo in June 2009 was the idea that increasing the productivity of Brazilian beef cattle ranching (which currently occupies 200 million hectares to raise little more than 180 million heads of cattle) would make it feasible to halt the advance of the activity into the Amazon and even reduce the area it currently occupies. That however is contrary to the view of the larger packing houses that the excellent quality of the low-intensity Amazon Basin pastures is a critical economic foundation for meat production in the region.

In spite of such divergences, one of the first results obtained by the Working Group on Sustainable Cattle Ranching was that the municipal government of São Paulo approved a law that all meat sold within its limits should be traceable to ensure that it was not coming from areas of recent deforestation. It is impossible to say whether that law will be effectively implemented, or what effect it will have on the beef supply chain in the Amazon. But it does contribute insofar as it sends a message to the effect it will have on the beef supply chain in the Amazon.

These three cases (soy, biofuels and beef) have been strongly inspired by the precedents set by the Forest Stewardship Council, the most important and most studied mode of non-state regulation of a market. Created in 1993, the FSC currently certifies forest management activities in 120 million hectares of forest lands, arguably 12% of the world’s working forests, and more than 40,000 labeled products on the market. The FSC operates by means of certification bodies that are endowed with technical staff qualified to certify whether loggers and wood producers, and paper and cellulose manufacturers, have met the negotiated, stakeholder-based standards created by the FSC. Although the process depends on specialists, the certification process itself is substantially based on public consultations widely announced in the regions where the companies wishing to obtain FSC certification operate.

In essence the FSC was created by means of a ‘political construction’ process (Bartley, 2007) that involved various social actors in defining the governance mechanisms of a system of certification norms and regulations. Within that sector the relations among the environmental NGOs, social movements, and the logging and forest products companies, which has always been marked by contestation and boycotts, (Dudley et al. 1998) discovered a social field for negotiation in the form of the certification system. Within this system the rules of production are periodically revised and discussed, and the final results are obtained through equitable, democratic sharing of decision-making power among the representatives of the environmentalists, of the social movements, and of the forest products industry (FSC, 2006).

It is precisely that mechanism of multi-stakeholder participation and decision-making that enables the FSC to respond to new disputes and challenges and to manage to maintain its legitimacy and its credibility (Gulbrandsen, 2008). In the absence of any state authority to establish norms and regulate private sector production, non-state mechanisms of certification are constructing pragmatic and moral legitimacy (Suchman, 1995) specifically through the participation and involvement of various social actors (Cashore, 2002; Bartley, 2007). That does not signify, by any means, a belief that those social-environmental certification initiatives substitute for the state’s duty to formulate policies that regulate production practices. But its role becomes clear in any analysis of the evolution of the FSC system in regions like the Brazilian Amazon, where the State is hardly present at all (Voivodic, 2009). What it does mean however, is that market mechanisms enable the social actors to discover a field of negotiations that they believe to be more efficacious than strategies of clashing and contestation.

In addition to soy, biofuels, beef, wood, paper and cellulose there are now round tables focused on cotton (involving India, Pakistan, Brazil, China, and West Africa), palm oil (Indonesia, Malaysia, Honduras, Brazil), bananas (Honduras, Belize and Guatemala), pineapple (Honduras,...
and Guatemala), shrimp (Belize, Indonesia, Madagascar and Mexico) and salmon (Chile, Norway, Canada, and the United States). The Marine Stewardship Council, founded in 1999, is another important certification organization and OXFAM/NOVIB (Netherlands), WWF international, Global Ocean (Great Britain) and innumerable private organizations and companies participate in it.

Effective reach and limitations

Round tables do not suppress the conflicts of interests among the stakeholders associated with a given economic activity. In every sector there is a multiplicity of initiatives in which competition and cooperation exist side by side. That competitiveness is not limited to companies; it also occurs among the non-governmental organizations and social movements themselves. In the roundtable on soy for example, there is one set of participants for whom the only sustainable soy is the soy that never existed because it is historically a crop produced on huge tracts of land under highly specialized conditions and it is increasingly based on the use of transgenic varieties. Some union organizations abandoned the RTRS when it became clear that the question of transgenics was not going to be banned from the likely outcomes of the discussions. European NGOs did the same. Similarly, representatives of some Brazilian farmers abandoned the roundtable when they realized that the tendency of the discussions was to prohibit any further expansion of soy into the Brazilian savannahs (Cerrado) based on the arguments that they are High Conservation Value Areas. From the angle of labor relations, what stands out is that protocols approved in the areas of soy and sugarcane allow for a working week of 48 hours, with an extra two hours a day during the harvesting period. If we remember that a cane cutter slashes his blade down 30 times a minute, then it is hard to imagine that ten hours of such work a day, six days a week, can possibly come under the heading of what the International Labor Organization refers to as ‘decent work’. Nevertheless, all the round table participants endorsed that clause, including those from the rural workers unions.

What is important and unprecedented in this extensive process is that, to some extent at least, it breaks with the notion of the fetishism of commodities, and Hayek expressed in his idea that each and every economic agent holds only partial, fragmentary knowledge, but sufficient to make it feasible for the market to coordinate them all in an efficient manner. The roundtables and the requirement of traceability associated with certification of products that are more extensive than simple niche products have managed to open, however slightly, the black box of markets. That opening is not, and never will be, complete; and they can never be expected to make entirely transparent the relations among the autonomous units that make up a capitalist society, much less their relations with the ecosystems on which they depend. Only a purely technocratic approach could envisage the possible the possibility of publicly exposing the definitive nature of all those connections. The novelty being introduced by the dynamics of the roundtables – and the object of the work being done by NESA and LLILAS – is a process whereby the mechanisms (Callo, 1998) on which the market functions can now include social-environmental dimensions that formerly were not a part of their determination.

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Endnotes

1http://cgse.epfl.ch/webdav/site/cgse/shared/Biofuels/Version%20One/Version%201.0/09-11-12%20RSB%20PCs%20Version%201.pdf
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