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## Towards a Fair Global Economic Regime?: A critical assessment of Fair Trade through the examination of the Argentinean wine industry

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EXAMINATION OF THE ARGENTINEAN WINE INDUSTRY**

PhD School in Organisation and Management Studies

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PhD Series 38-2015

# **Towards a Fair Global Economic Regime?**

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## Abstract

This dissertation offers an assessment of Fair Trade's transformative potential through an empirical examination of the case of Fair Trade wine produced in Argentina and consumed in the United Kingdom. Guided by a dialectical understanding of the research process, the analysis is done at various levels of generality, offering both case-specific and universal arguments about the Fair Trade system as a whole. Theoretically, the dissertation develops a regulationist framework based on a critical engagement with the French Regulation Approach and the Amsterdam Project in International Political Economy. The proposed analysis of Fair Trade as a 'mode of regulation' makes possible: (i) an examination of specific ways in which this initiative institutionalizes key socioeconomic relations, (ii) a comparison of Fair Trade with the 'conventional' economy and (iii) a discussion of its concrete effects. The further exploration of Fair Trade's political and ideological dimensions sheds light on the reasons behind the system's current limitations. The analysis shows that Fair Trade offers very limited improvements compared to the conventional economy. Additionally, for the Argentinean wine industry, Fair Trade further marginalizes the most vulnerable groups. These findings, it is argued, are a consequence of Fair Trade's acritical acceptance of the main capitalist contradictions, which importantly limit the transformative aspirations of its supporters.

Afhandlingen vurderer Fair Trades transformative potentiale gennem et empirisk casestudie af Fair Trade-vin produceret i Argentina og konsumeret i Storbritannien. Analysen bygger på en dialektisk forståelse af forskningsprocessen, hvorfor analyserne er gennemført på forskellige niveauer af generalisering, således at der udvikles både case-specifikke og universelle argumenter om Fair Trade-systemet som helhed. Teoretisk udvikles der i afhandlingen en regulationistisk begrebsramme på grundlag af et kritisk engagement med den franske reguleringskole og "The Amsterdam Project in International Political Economy". Den foreslåede analyse af Fair Trade som en 'mode of regulation' – en særlig form for regulering – muliggør: (i) en undersøgelse af de specifikke måder, hvorpå dette initiativ institutionaliserer centrale socioøkonomiske relationer, (ii) en sammenligning med den "konventionelle" økonomi og (iii) en diskussion af dets konkrete virkninger. Den videre udforskning af Fair Trades politiske og ideologiske dimensioner kaster lys over årsagerne til systemets nuværende begrænsninger. Analysen viser, at Fair Trade tilbyder meget begrænsede forbedringer i forhold til den konventionelle

økonomi. I den argentinske vinindustri tilfælde viser det sig desuden, at Fair Trade yderligere marginaliserer de mest udsatte grupper. Der argumenteres for, at disse resultater er en konsekvens af Fair Trades ukritiske accept af kapitalismens grundlæggende modsætninger, som i centrale henseender begrænser reguleringsmetodens tilhængeres transformative aspirationer.



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## Introduction

*Nicaragua, 1979*: a revolutionary movement, the hard core of which was made up of the Sandinista National Liberation Front, ended the Somoza dynasty's dictatorship that had persisted since 1936. The decade-long Sandinista government that followed, under the leadership of Daniel Ortega, represents one of the last landmarks in the history of socialist-inspired Latin American revolutionary movements. By the beginning of the 1980s, Nicaragua not only represented an opportunity to develop an alternative political and economic project; for many it served as a beacon of hope in a continent riddled with dictatorships. The United States actively opposed the Sandinista adventure from its inception, and provided support and funding to the so-called *contras*, the counter-revolutionary armed forces that opposed the government. The US-led international opposition, the violent means used by the *contras* – who combined guerrilla warfare with plainly terrorist actions – and the Sandinista counterhegemonic discourse attracted the sympathy of many progressive forces around the world, who saw the Sandinistas as an anti-imperialist force.

The Sandinistas' attempt to impose a mixed economy had its backbone in agrarian reform. Vast lands that belonged to the Somozas and other oligarchic families – 25% of the country's total (Bacon, 2010:54) – were expropriated and, together with other idle properties, either incorporated into major State Productive Units or redistributed among smallholders grouped into cooperatives. Within this revolutionized agricultural context, the production of coffee acquired great importance. Given the high prices that this commodity enjoyed during most of the 1980s, coffee became responsible for more than one-third of the country's total exports. Coffee exports thus became a key element of Nicaragua's strategy to increase its stocks of foreign currency, which were particularly scarce given the context of international hostility. Yet the country constantly faced a labor shortage after the introduction of the agrarian reform, especially during the harvest season, as many smallholders preferred to work their own property to someone else's plantation. Because this shortage of manpower constituted a threat to one of the country's main economic sectors, finding solutions became paramount. Sympathizers of the Sandinistas in Europe and across the Americas saw a concrete opportunity to move from passive supporters to engaged actors and contribute to the development of alternative political and economic structures. Peru, Chile, Argentina, Colombia, Spain, France, Austria and Ireland, for example, were among the most popular countries of origin where activists organized and formed

what came to be known as international coffee brigades. These groups of volunteers expressed their solidarity with the Sandinista project by travelling to an unknown place that was undergoing a civil war to join state-owned plantations or cooperatives and help in the production process. They perceived doing so as facilitating the struggle against imperialism by contributing to the solidification of the country's main source of international revenue. Of course, the thousands of volunteers who joined the international brigades during the 1980s did not solve the labor shortage. However, their actions represented an important channeling of the desire for transformation and international solidarity.

*Nicaragua, 2015:* the tumultuous decade of Sandinista adventure came to an end in 1990 when Ortega failed to be reelected. Since then, Nicaragua has followed the same neoliberal path that most Latin American countries did during the 1990s, characterized by the privatization of public property and assets, the contraction of the state and the reduction in the provision of social protection. As a consequence, the state-owned plantations, as well as several of the coffee cooperatives promoted by the Sandinistas, have disappeared. Nevertheless, more than 20 years later the Sandinista National Liberation Front returned to power when Ortega became president again in 2006. This time, however, he did not do so as the outcome of a revolutionary upsurge, but through elections. This time, however, his political program resembled much less Castro's communism than Chavez' 21<sup>st</sup> century socialism. Under a "program of reconciliation and national unification" – and accompanied by a former spokesman of the contras as vice president – Ortega's new period as president relegated the revolutionary aims of his previous experience to the rhetorical level, replacing them with more modest redistributionist ambitions.

Like the Sandinista metamorphosis, today's Nicaragua is also a clear example of the transformation in the forms through which international solidarity and support are expressed. In Nicaragua's coffee cooperatives, international brigades are gone; they have been replaced by Fair Trade officers and auditors. A report published in 2014 by Fairtrade International shows that Nicaragua has become one of the Fair Trade movement's leading players. It currently has the fifth-highest number of Fair Trade coffee producers and, when considering all types of products, it is ranked 10<sup>th</sup> in the number of certified producers and 9<sup>th</sup> in exports per value (Fairtrade International, 2014). This transition has involved replacing the role of the volunteer with that of the consumer. While in the 1980s activists travelled to Nicaragua in order to contribute to its anti-imperialist struggle by participating in the coffee harvest, in the 2010s socially concerned consumers support the

empowerment of small producers by purchasing Fairtrade-certified coffee without even having to leave their neighborhoods.

The case of Nicaragua, while in many respects embedded in its own historical circumstances, illustrates a broader trend: contributing to social change through market relations. In this way, the mysticism built around the direct commitment that characterized the international brigades is replaced by a very different approach that invites consumers to – more easily – use their day-to-day purchases to contest unfair trade and productive relationships. While revolutionary aims and direct forms of engagement are less and less a part of today’s internationalist spirit, we witness the constant increase in popularity of this new, consumption-led and market-based, strategy. While Fair Trade is still undoubtedly minuscule as a proportion of total world trade, its steady growth is undeniable, especially among socially concerned citizens in the global North: while the estimated total retail sales of Fairtrade-certified products in 2004 were 0.83 billion euros, almost 10 years later they grew more than six-fold, to 5.5 billion euros in 2013 (Fairtrade International, 2014). The fast pace at which Fair Trade has grown in the last decade is an important indicator of its growing popularity; each day, more people and organizations seem to accept and engage with its underlying logic of *shopping for a better world*.

But what is Fair Trade about? Even if it would be impossible to reduce the Fair Trade movement to a single organization – in fact, it is characterized by multiple institutions and associations – in the search for a definition, we can rely on one provided by FINE, the most important network of Fair Trade organizations, which has described its goal and scope in the following terms:

Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers, especially in the South. Fair trade organisations are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (www.ifat.org, accessed 27 July 2010).

Going a step forward, the Fairtrade Foundation has said that this regime “provides a genuine alternate, a means of ensuring that growers benefit as they should from their crops” (Fairtrade Foundation, in Whisler, 2009:2). The idea of alternative methods and the strong emphasis on producers’ rights are common themes throughout the movement. Fair Trade presents itself as an alternative approach to commerce, in which producers are expected to fulfill certain minimum production

conditions, and in exchange receive long-term agreements with buyers who are willing to pay a price high enough to cover the so called costs of sustainable production.

Fair Trade, though clearly an economic initiative, is also a geopolitical project that articulates its discourse using important normative elements. It begins by stating there are two poles in the world system: the south (poor and marginalized societies) and the north (rich societies benefiting from the exploitation of the former). The claimed aim of this emerging alternative approach is to achieve a new integration of both parts of the system through a new kind of globalization, which is not only economically driven, but also introduces moral and political concerns. The world becomes linked not only through exploitative economic rationality, but also by social responsibility and solidarity through the globalization of fairness. Consumers in the north, simply by buying a Fair Trade product in their own neighborhood, are contributing to the development and prosperity of producers in the south; this is what their globalization is about.

Nevertheless, the novelty does not stop here. The idea of Fair Trade permeates the whole economic circuit and seeks to guarantee not only certain conditions of production and exchange, but also works as an interpellation to the consumer. Labeling products with the Fairtrade logo is much more than a way of informing; it is fundamental to promoting the ideology. Consumers are invited to go beyond mere economic agency when choosing their favorite product: introducing a moral element causes the consumption of goods to transcend economic rationality (Bryant and Goodman, 2004). For a growing number of people, this has even acquired a political dimension. Choosing Fair Trade products is a way of expressing their views about a fair society, and buying them involves taking part in an action that supports an alternative system: they are doing, not just thinking (Clarke et al., 2007). As a consequence, “political action and consumption become fully merged” (Žižek, 2009:430)

This dissertation contributes to a broader inquiry of the options and possibilities for transformative praxis at the global level. It departs from the assumption that replacing international coffee brigades – or any other form of engaged political activism – for Fair Trade consumers has deep political consequences. The more general goal of this research, hence, is to explore and critically examine what these consequences are, at the levels of effectiveness (what changes are being delivered?) and tactics (how are these changes produced?) using the case of Fair Trade wine produced in Argentina and consumed in the United Kingdom.



Working with a case, as will be explained in depth in the methodological chapter, offers the opportunity to simultaneously study elements that are unique to the case and more general ones. In this way, while the main focus of my investigation will be the empirical analysis of the chosen case, its examination will also be able to draw some more general conclusions about the Fair Trade system as a whole. Hence, the case of Argentinean Fair Trade wine is to be understood as an entry-point to the wider phenomenon of Fair Trade.

Wine, though still minor within the entire Fair Trade constellation of products, became standardized and certified in 2003, showing a strong tendency towards growth since then – 611,744 liters were sold in 2004, while in 2013 the total was almost 21 million liters (Fairtrade International, 2014). With the three main producer countries (Argentina, Chile and South Africa) being part of the globally recognized “new world wines” segment, it is expected that the volumes sold and the revenues produced will continue climbing in the years to come. Its relative newness and high pace of growth makes wine an interesting product to examine. Focusing this analysis on the Argentinean wine sector allows a comparison of the implementation of Fair Trade practices in small producer organizations and conventional firms within the same context – a topic that has been neglected by most of the literature, which has mostly been concerned with commodities produced in cooperatives. Furthermore, Argentina is the only relevant Fair Trade wine producer whose experience has not been systematically analyzed. In this way, it provides an opportunity to contribute to a more complete understanding of this field. Lastly, the United Kingdom has been chosen because it constitutes the biggest world market for Fairtrade-certified products more generally (its more than 2 billion euros in retail sales in 2013 represented 37% of the world’s total) – and wine in particular – with its almost 11 million liters sold representing more than half of the world’s total (Mercer, 2014).

My main research question has been framed within this empirical context:

*How successful is Fair Trade in providing alternatives to conventional economic relations in the case of wine produced in Argentina and consumed in the United Kingdom?*

In order to answer this main research question, a set of secondary research questions follows:

- What are the main transformations that Fair Trade produces in conventional economic relationships?

- How does Fair Trade affect the socioeconomic position of marginalized producers and workers in the Argentinean wine sector?
- How does Fair Trade attempt to gain legitimacy as an alternative system?
- What type of politics are promoted by Fair Trade?

To answer these questions, I have formulated one main and four secondary research objectives that need to be fulfilled:

*To assess the success of Fair Trade in providing alternatives to conventional economic relations in the case of wine produced in Argentina and consumed in the United Kingdom.*

- To elaborate a theoretical approach in order to conceptualize Fair Trade from a holistic perspective and grasp its multidimensional nature;
- To develop a methodological strategy capable of discriminating between – and working at – the various levels of singularity and generality in which the case is embedded;
- To understand Fair Trade’s particular articulation of production, circulation and consumption through the analysis of the case; and
- To determine the socioeconomic effects and political implications of the Fair Trade system.

## 1. Assessing Fair Trade: fragmentation, monism and utilitarianism

Empirical research on Fair Trade has been advancing for more than a decade. Many studies have attempted, in various ways, to evaluate the strengths and weaknesses of this initiative. However, the conceptual and analytical framework put forward by this dissertation represents an original proposal for the assessment of Fair Trade that seeks to overcome the three main weaknesses evidenced in the current literature. Previous research has represented: (1) a fragmentary approach that privileges the analysis of one economic sphere at the expense of a holistic conceptualization of the Fair Trade system, (2) a narrow understanding of Fair Trade that fails to grasp its multidimensional nature and (3) a utilitarian perspective that is only concerned with measurable outcomes, which avoids critical scrutiny of the means by which they are achieved. In what follows, I describe these three trends and their main limitations.

First, several studies on Fair Trade can be criticized for their tendency towards *fragmentation*, since most research has centered only on one particular moment of

the economic circuit: i.e., production (for example, Utting-Chamorro, 2005; Pirotte et al., 2006; Jaffee, 2007; Bacon, 2010; Vásquez-León, 2010; Hanson et al., 2012; Jari et al., 2013), circulation (for example, Moore et al., 2006; Macdonald, 2007; Doherty, 2008; Fridell et al., 2008; Kurjanska and Risse, 2008; Davies, 2009; Vakila et al., 2010; Le Velly, 2011) or consumption (for example, Bryant and Goodman, 2004; Clarke et al., 2007; Shah et al, 2007; Goodman, 2010; Kim et al, 2010; Bray et al, 2011; Dubuisson-Quellier et al., 2011). Even if very interesting analyses have been conducted and innovative conclusions offered, the excessive emphasis that these fragmentary approaches place on isolated economic moments makes it difficult to acknowledge that Fair Trade works as a system, as a whole, and is much more than the sum of its different spheres. Limiting our research to a single part of the whole prevents us from understanding and assessing Fair Trade's potential as an alternative economic system. If we continue ignoring the interactions among these levels and the analogies they share, it will be impossible to produce a clear and comprehensive overview of the regime.

Second, it can be argued that in part of the current literature fragmentation takes a step forward. In this process of division and partition, it is not only the system as a whole that has been lost, but also one of its main characteristics: its multidimensional nature. Hence, part of the literature seems to be guided by a principle of *monism*, as it assumes that Fair Trade is only an economic, political, ethical or ideological phenomenon. While relevant attempts to overcome disciplinary divisions need to be highlighted (some of the best examples are: Goodman, 2004; Watson, 2006; Fridell, 2010; Goodman et al., 2014), it seems to be the case that a split between economic (for example, Hayes, 2006; Balineau and Dufeu, 2010; Johannessen and Wilhite, 2010; Annunziata et al., 2011; Bondy and Talwar, 2011; Doherty, 2011; Vagneron and Roquigny, 2011) and more culturally oriented (or extra-economic) perspectives (for example, Wempe, 2005; Béji-Becheur et al., 2008; Zick Varel, 2008; Brown, 2011; Le Mare, 2012; Stenn, 2013) still characterizes a good part of the literature. The main problem with such an approach is that Fair Trade has defining elements that belong to these different realms simultaneously. Fair Trade seeks to articulate alternative economic relations that would differentiate it from "ordinary capitalism" due to the inclusion of some moral minimums. But in doing so, it immediately acquires a political dimension: a sense of opposition to the system underlies its genesis, and optimism about a new system feeds its institutionalization. For its supporters, entering this economic system means much more than entering the "old" market; it means

making a political choice. Very closely linked to this we find the ideological constructs that Fair Trade continuously elaborates and reinforces in order to justify its existence and growth, seeking to legitimize its position across society at large. A whole set of symbols, values and messages is interconnected in the creation of a vision of the world that seeks to increase the number of supporters and foster the reproduction and expansion of the system. As a consequence, we can only understand Fair Trade's specificities from a multidimensional perspective that dynamically accounts for the various codeterminations among its economic, ethical, political and ideological elements.

Third, I have brought together under the label of *utilitarianism* a broad variety of publications that constitutes what can be considered the dominant approach to the assessment of Fair Trade: impact studies (for example, Arnould et al., 2009; Bacon, 2005; Bacon et al., 2008; Barham et al, 2011; Becchetti and Costantino, 2008; Becchetti et al., 2013 Costantino, 2013; Méndez et al., 2010; Ruben and Fort, 2012; Ruben et al., 2009). Most impact studies follow the same overall logic: they take for granted that – after a certain period of time – Fair Trade regulations have been implemented and are in place. Therefore, their main objective is to evaluate whether production and trade under Fair Trade norms have been successful in providing certain benefits. To do so, they identify a number of key indicators to account for those benefits (for example, changes in income, investment, consumption patterns, skills development, among many others) and seek to measure them. This is usually done in a comparative manner, either diachronically (comparing the situation of those indicators before and after Fair Trade's implementation) or synchronically (contrasting the magnitude of the chosen indicators in producers that have adopted the Fair Trade standards with those from a comparable group of producers that does not participate in the Fair Trade system). The conclusions, then, are based on the measurements obtained: Fair Trade will be positively evaluated if producers have improved their conditions or enjoy a better situation than non-certified producers.

At this point it may be clear why I describe these publications as utilitarian: their main focus is on outputs, on the quantifiable utility (however it is understood by each researcher) that Fair Trade beneficiaries obtain. There are two main reasons why I find these utilitarian approaches to Fair Trade's assessment problematic. First, because they take for granted (and do not analyze) the actual implementation of Fair Trade – they are not concerned with whether the standards are being fulfilled or the differential relevance that certain aspects may acquire in the case under study. This can be easily seen in the usual “gap” that these studies evidence

in between a section in which they present Fair Trade's main elements (as in the standards) and the results of their measurements. As a consequence, they cannot provide causal explanations for their findings (can higher levels of investment be explained by Fair Trade's promotion of low-interest credit? Are producers actually making use of this possibility?). Second, and closely related to this, the typical utilitarian concern with outputs overshadows the importance of analyzing the mechanisms through which those results are obtained. In this way, impact analyses avoid discussing, for example, the particular ways in which the Fair Trade price formation is presented in the standards, how it actually takes place in practice, and the variable impacts it might have on different actors, products and geographical contexts.

All in all, much of the current literature that has sought to assess the Fair Trade certification-based initiative has so far suffered from three main problems: a fragmentary perspective of analysis, a unidimensional understanding of Fair Trade and a utilitarian criterion of evaluation. The following subsection describes the way in which the assessment proposed in this dissertation attempts to overcome these weaknesses.

## 2. A regulationist framework

In order to provide an analytical strategy capable of overcoming the main weaknesses in the current literature, my perspective of analysis is informed by what I call a *regulationist framework*. Its name is a consequence of the centrality it gives to the main concepts and assumptions developed by the French Regulation Approach. However, the latter has been critically appropriated, as its original version suffers from some limitations in the appraisal of Fair Trade. Hence, my regulationist framework emerges from two critical operations. First, the adaptation of the Regulation Approach, a perspective of analysis typically applied at the macroeconomic level, to a sectorial scale. Second, complementing the Regulation Approach with the work of the Amsterdam Project in International Political Economy. This subsection briefly describes the main features that characterize this conceptual framework and explains how they contribute to overcoming the main weaknesses in the current literature.

While the concept of Fordism is undoubtedly the most famous contribution put forward by the Regulation Approach, it would be misleading to describe this

perspective as a theory of Fordism. As Robert Boyer (1990a:xviii) has clarified, “the concept of Fordism is a product of the regulation approach (...) It is not the point of departure of the theory of regulation, much less the sum total of its results.” Fordism, therefore, is one particular historical finding, one result among others, which has been achieved through the use of the Regulation Approach, which is better understood as a method of analysis. It is important, hence, to distinguish what constitutes the core analytical and methodological elements of this perspective from the substantive historical forms that have been identified in different studies.

The Regulation Approach understands social relations as essentially contradictory (Billaudot, 1996:32), which is why it emphasizes the fragility of social arrangements and the always-present possibility of conflicts and transformations. While social reality is characterized by change and underlying tensions, it is also true that certain periods of stability can be achieved, and this is what the Regulation Approach attempts to explain. Within the field of political economy, this concern can be summarized by the question: how is accumulation achieved in spite of the contradictory social relations that constitute it? According to the Regulation Approach, accumulation becomes possible only when the tension inherent in its contradictory social relations can be channeled in a way that makes them compatible with regular accumulation. It is the regulation of social relations that makes it possible to provisionally solve capitalist contradictions and, therefore, stabilize accumulation for a certain period of time (Lipietz, 1995:41). The Regulation Approach has developed its main concepts within this framework.

Most of the literature on Fair Trade presents a major weakness: it focuses only on one part of the economic process (i.e., production, circulation or consumption), reifying a single sphere as an independent arena when it is actually only one part of an interconnected system. My main objective in this research will be to grasp Fair Trade as a whole, to understand how these different economic spaces are structured and work, how they relate to each other and, most importantly, how they are regulated in order to be compatible and assure stability. Thus I have chosen to conceptualize Fair Trade as a *mode of regulation* in order to (a) determine the degree of innovation it entails compared to the conventional mode of regulation currently in place in the Argentinean wine sector and (b) analyze its effects when coupled with its respective sectorial *regime of accumulation*. These two concepts are the theoretical core developed and commonly used by the Regulation Approach. A regime of accumulation is understood as a complementary pattern of production and consumption that is reproducible over a

long period; however, if it is to be successful, it requires a particular mode of regulation to realize and reproduce it over time. The latter is understood as a set of institutions, procedures, rules and habits that has the capacity to guide individual actions in a way that is compatible with accumulation. This concept goes beyond the material conditions and processes of production and refers to the social and political institutions and structural forms that seek to regulate conflicts and contradictions within the system.

Therefore, the main concepts developed by the French Regulation School provide the macro perspective necessary to examine Fair Trade from a holistic point of view. However, this approach still suffers from some problems, namely: it tends to economic determinism, its usual unit of analysis is the nation-state, and it underestimates the role of actors and their strategies. In order to overcome these limitations, my regulationist framework includes the main concepts and assumptions developed by the Amsterdam Project. The notion of *comprehensive concepts of control* – understood as a world view promoted by certain social groups, but with the potential to integrate other ones – allows us to complement the economic concerns of the Regulation Approach with important ideological, political and cultural elements that the French scholars tend to undervalue. Additionally, the Amsterdam perspective, unlike the structuralist tendencies of the Regulation Approach, proposes to understand politics as a dynamic process that is mobilized by *class fractions*, their main units of analysis when it comes to agency. Lastly, the regulationist fixation with the nation-state as the scale of analysis is left behind with the conceptualization and deployment of *the transnational* level of analysis.

The analytical perspective proposed by this dissertation will attempt to overcome the main weaknesses highlighted in the literature. Unlike fragmentary approaches, the main concepts developed by the Regulation Approach offer a macro perspective that understands economic phenomena from a holistic point of view, making of the interrelationship of production, circulation and consumption one of its main features. In this way, conceptualizing Fair Trade as a “mode of regulation” (and not just a differential characteristic of production, circulation or consumption) makes it possible to assess this initiative and its logic from a systemic point of view. The further development of the Regulation Approach with the introduction of the Amsterdam Project makes it possible to grasp the multidimensional nature inherent in Fair Trade through the inclusion of ideological, cultural and political elements. Lastly, and in contrast to utilitarian approaches, a regulationist perspective privileges a more qualitative analysis of the

structural changes that Fair Trade has (not) produced. Since structural changes are understood here as transformations in the way in which socioeconomic relations are structured or institutionalized, the focus shifts from the specific outcomes of Fair Trade to the process through which these outcomes are obtained. A regulationist perspective, therefore, proposes to assess the ability of the Fair Trade system to transform the socioeconomic relations in which workers and producers engage – and not merely its capacity to provide results.

### 3. Overview

The dissertation will be structured as follows.

*Chapter 1* presents the conceptual framework that will guide my research process. It has two main parts. The first introduces the French Regulation Approach and explains its most important concepts. This presentation is followed by a discussion of how to adapt this macroeconomic perspective to the study of (agricultural) sectors and the implications of such a transition. The first part of Chapter 1 concludes with a critical appraisal of the Regulation Approach, in which its main weaknesses are identified. The goal of the second part of this chapter is to introduce the Amsterdam Project in International Political Economy, a neo-Gramscian perspective capable of overcoming the limitations of the Regulation Approach. After presenting its main concepts and explaining how they complement the original regulationist perspective, I propose some ways in which the Amsterdam Project should be developed in order to better account for the specificities of Fair Trade.

*Chapter 2* constitutes the roadmap of this dissertation: it describes and justifies the overall logic of inquiry followed by my research process. It begins with a discussion of different views on case study and, after showing their limitations, presents the dialectical approach that informs my understanding of case-based empirical research. The selection of my case is justified within that framework. The chapter continues with an explanation of the way in which this dialectical approach has been applied to my process of research, distinguishing between its main moments and describing their presentation throughout the dissertation. Finally, this chapter finishes with a detailed explanation of the methods of data collection and analysis applied, and the different uses they were given at each point of the research process.



This dissertation has been organized in the form of a dialectical movement from the general to the particular in order to return to a general level and contrast it with the new knowledge produced. Within this schema, *Chapter 3* offers the highest level of generality. It is divided into two main parts; the first offers an overall view of the main features of the Fair Trade system, and the second reviews the state of the art among those inquiries that have sought to assess Fair Trade's transformative potential, in general, and in relation to the wine sector, in particular.

*Chapter 4* analyzes the recent historical evolution of the *regime of accumulation* in Argentina's wine sector. Its main features and transformations are explained in relation to the changes experienced at the country's macroeconomic level and the global tendencies in the wine world. This chapter concludes with a description of the sectorial regime of accumulation's current structure and the relationships of domination that characterize it.

*Chapter 5* complements Chapter 4 by examining the Argentinean wine sector's *mode of regulation*. By considering specifically sectorial processes and global transformations, this chapter describes the six structural forms that characterize today's sectorial mode of regulation and the ways in which they relate to its regime of accumulation.

While Chapter 4 and 5 describe the conventional Argentinean wine sector, *Chapter 6* offers a detailed description of the characteristics that the *Fair Trade mode of regulation* assumes in this context. The chapter, differentiating between the more general regulations included in the standards and the particular ways in which they are implemented in practice, looks at the most relevant features that each of the six structural forms display in the Fair Trade mode of regulation. The chapter concludes with an assessment of the Fair Trade system's capacity to structure alternative socioeconomic relations by comparing the conventional and Fair Trade modes of regulation and analyzing the effects produced by the coupling of the latter with the sectorial regime of accumulation.

*Chapter 7* explores some of the processes that are responsible for the outcome described in Chapter 6. Here, I analyze the class fractions involved in the system and their power relations, the most relevant elements that compose Fair Trade's ideology and the specificities of Fair Trade politics. Describing how the Fair Trade system is governed, its core principles, and internal contradictions and limitations helps explain the reasons behind the findings presented in Chapter 6.

Lastly, the *Conclusion* offers a final assessment of Fair Trade, distinguishing between the case-specific conclusions and those that apply to the whole Fair Trade universe. The arguments provided in this section are used to return to the question of contemporary options and possibilities for transformative praxis at the global level presented at the beginning of this introduction, and, consequently, a discussion of the political implications of a Fair Trade strategy for social change is offered. The conclusion finishes by reflecting on the theoretical and methodological dimensions of this work and presenting some possible paths of future inquiry.

## Chapter 1: A Regulationist Conceptual Framework

The goal of this chapter is to introduce the main theoretical insights that will guide my empirical analysis. As has been explained in the introduction, I am building a framework based mostly on the original ideas developed by the Regulation Approach. Though this label might give the idea of a unitary trend in political economy, regulationist perspectives cannot be said to compose a homogeneous body of literature. Different regulationist schools or groups can be identified that, even if sharing the same concern with the explanation of the exceptional moments of stable accumulation in capitalist economies, differ in many of their assumptions, use of concepts and analysis strategies. Heterogeneity goes one step further by taking into account the diverse positions that different researchers within the same school present and how regulationist perspectives have evolved in time. The consequence is the impossibility of postulating a single Regulation Approach or “the” true regulation theory. In this chapter, I offer a regulationist conceptual framework that builds on, and is inspired by, concepts, underlying assumptions and analytical strategies developed by different regulationist authors, some of whom would not even describe themselves as such. Far from trying to ascribe my position to a particular stream, I propose my own (re)construction of a regulationist perspective that draws on insights and concerns that can probably be shared by many different positions, but without necessarily identifying with any of them. This is done with two objectives: first, the theoretical concern of advancing and combining regulationist streams to develop a solid and comprehensive perspective of analysis within critical political economy; second, the analytical development and articulation of a set of concepts that will make my critical assessment of Fair Trade possible.

In what follows, I present my own version of such a regulationist perspective. The main focus in the first part of this chapter is centered on the group of authors who are most commonly identified with this perspective. I begin by describing the context in which the French Regulation Approach emerged, the theoretical positions it contested at that time and how it evolved during its first years. I then offer an account of the assumptions that most regulationists share, and I use this as my point of departure. After presenting the main regulationist concepts I will work with, I discuss how I propose to apply them at the sectorial level. Lastly, I provide a critical assessment of the shortcomings and weaknesses of this theoretical perspective. The second part of this chapter looks at how the Amsterdam Project in International Political Economy complements the French Regulation Approach.

I explain the most central concepts – class fractions and class formation, comprehensive concepts of control and the transnational – in order to offer an alternative for overcoming the problems that the Regulation Approach suffers when accounting for agency, political and ideological elements, and a scale of analysis that transcend the nation state. Lastly, I propose some developments and modifications to the Amsterdam Project to grasp better the specificities presented by the case under examination.

## 1. The emergence of the Regulation Approach

The crisis of the 1970s put an end to the uninterrupted period of prosperity that the most developed capitalist economies had experienced after the Second World War. “Les trente glorieuses”, as it was baptized by Jean Fourastié (1979), was a period of approximately three decades during which the French economy (along other OECD countries) grew at unprecedented rates, obtaining not only high levels of production and profits, but also developing a strong system of social benefits and protection. The 1970s caused a shock, as they represented the first structural crisis after a long period that had faced only minor ones. Characterized by stagnant growth rates, rising unemployment and high inflation, the originality of the crisis rejected the Keynesian explanatory schemas developed after 1929 and demanded new analytical efforts.

In the social sciences, the 1970s stressed the difficulties of the up-to-then dominant approaches in explaining change (Dosse, 1992:334). During a relatively stable and prolonged period of capital accumulation, the neoclassical concept of self-regulation and the Althusserian notion of reproduction faced only minor challenges in their attempt to describe how the capitalist economy worked and perpetuated itself. Nevertheless, the crisis showed how idealistic it was to rely on a law of general equilibrium and how problematic it could be to conceive of the conditions for reproduction as already-given systemic elements. The Regulation Approach originated in this period of crisis as an attempt to overcome the functionalist views that stressed the role of coherence and stability while overlooking the contradictory and changing nature of economy and society (Lipietz, 1988:16).

Three decades of constant growth had given the illusion of an economic system that was able to generate unlimited prosperity, as if it were autonomous of external factors and just depended on its own imperatives. The crisis, however, made clear

that capital accumulation was far from being an automatic process and that, as regulationists would argue, it actually relied on the maintenance of the smooth functioning of a specific set of capitalist relations. The crisis triggered the question of why things no longer worked. However, to answer this, it was necessary first to reconsider how things had worked before (Ibid:14). It is within this context that the regulationist perspective begins its development with a threefold effort: 1) to show that capitalist reproduction is not an automatic process that runs by itself; 2) to understand how, nevertheless, it is pursued during specific periods of time; and 3) to explain why these relatively stable periods of reproduction are ended by crises (Lipietz, 1993:131). From a regulationist point of view, stability in the accumulation of capital is not the result of a natural tendency to equilibrium or an automatic process of reproduction, but a rare moment within what is actually a contradictory and changing system. In their attempt to understand the crisis, they were not trying to explain it as an extraordinary moment that interrupted how the system normally operated. On the contrary, they perceived the long period of stability that preceded crises as exceptional: “Crises, understood as a process that brutally restores the contradictory unity of the various stages of the accumulation process, ought to be the rule, not the exception” (Boyer, 1990a:35). This dynamic and conflictive conception of social relations was foundational for their approach to their historical moment: “The main idea was not to pose the question ‘why crisis?’, as if stability was the rule, but ‘why not before?’” (Lipietz, 1995:40). It is in the attempt to conceptualize how capitalist relations are contingently normalized and reproduced in stabilized ways that the concept of “regulation of social relations” arises (Lipietz 1988:14).

To understand fully the main body of regulationist literature, it is necessary to review the context in which it appeared. Before moving to the emergence of “regulation”, I explain how it was shaped by a critical relation to structural Marxism and a rejection of the main neoclassical postulates.

### **1.1 Beyond reproduction and general equilibrium**

The Regulation Approach’s early filiation is illustrated well by the definition that Lipietz (1993:99) coined and popularized: “the rebel sons of Althusser”. Though initially inspired by his innovative approach to Marxism, they soon found that the only way to explain transformations and crises of social orders was by building critically on Althusser’s initial foundations. The events of May 1968 in France had proven to be a challenge for structuralism in general and for its most prominent

Marxist figure in particular: the enormous mobilizations – the biggest in post-war history – cast doubt on a line of thought that had fossilized structures in detriment of action and agency. Just a few years later, evidence of macroeconomic stagnation and the beginning of the end of the so-called golden age of capitalism would add to the criticism of a too static depiction of the world, where capitalist reproduction had been understood up to then as being quasi-automatic. Within this context, the critical appraisal of Althusser by the regulation scholars comes as no surprise.

The Regulation Approach highlights Althusser's rupture with an orthodox form of understanding Marx: the promise of a revolution being mechanically unleashed by the clash between the dominant relations of production and the development of productive forces (Ibid:106). The structuralist break provided new foundations for understanding and working with classical Marxian concepts such as modes of production and relations of production (Boyer, 1990a:vii). Althusser's ontology was one of the main innovations that the *approaches in terms of regulation*<sup>1</sup> adopted. By rejecting vulgarized conceptions of Marxism (in which economic relations determine the social and political spheres), a social formation is understood as a fabric of contradictory relations with a certain degree of autonomy from each other, but still connected by relations of overdetermination, not just a simple reflection or translation (cf. Althusser, 2005). From this point of view, the economic domain does not possess analytical preeminence; instead, certain political-ideological-economic configurations emerge, where a particular element might achieve dominance over the others. During the 1960s, structuralism became a way of revitalizing Marxism and criticizing the "poor version" (Lipietz, 1994:72) that was defended by the French Communist Party (PCF, from its initials in French). Some of these Althusserian ideas became conditions of possibility for the Regulation Approach to develop. However, as Lipietz highlights, Althusser's shift from understanding social relations as contradictory and unstable to their conceptualization as structures (Lipietz, 1993:100) – which can be clearly appreciated when comparing the compilation of his texts between 1960 and 1964 in *For Marx* ([1965]2005) to the collective work written under his direction, *Reading Capital* (Althusser and Balibar, [1968]2009) – was at the base of a theoretical approach unprepared to deal with a conflicting and changing reality.

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<sup>1</sup> "Approaches in terms of regulation" (approches en termes de régulation) is the expression commonly used in the francophone literature to underline the plurality and diversity of streams that constitute the Regulation Approach.

Having begun working under this paradigm, the regulation perspective could only continue by criticizing it: what began as filiation led to rebellion.

Althusser's structuralism had conceived social orders as ultimately coherent and stable entities. Though power relations and class exploitation were at the heart of structures, the capitalist formation had been successful in achieving domination and enjoyed a little-contested supremacy. What Lipietz (1995:42) describes as the conception of a structure "without inherent contradiction" leads to an immobile representation of society, where social relations lose their conflictive nature and class struggle seems to be indefinitely postponed. Althusser's concerns with the conditions that make social reproduction possible are in line with that image: the capitalist system can endogenously reproduce itself through social structures and ideological apparatuses in quite an effective manner. Once the social relations have been structured in the right way, reproduction seems to happen automatically, making futile every attempt to revert the system. This vision not only reinforces the already mentioned tendency to overlook conflict, but also reifies the nature of reproduction. Basing their claims on long-term historical surveys, the Regulation Approach described how continued reproduction of an economic mode of development is rare or exceptional. As I will explain in further detail later, capitalism is characterized by conflict and change, with brief and occasional moments of stabilized reproduction and accumulation. Althusser, thus, denies the "conflictual, contradictory, improbable and risky character of the reproduction of practices" (Lipietz, 1988:17) and even more importantly, the historical changes and transformations that are necessary to secure a "surprising resistance to economic crises and conflicts" (Boyer, 2002b:21).

As a logical consequence, Althusser's structuralism leaves no place for agency. Individuals are considered to be mere bearers of structures and are denied any transformative power. They take part in history, but only following the script that is dictated by the position they occupy in the social totality. They express structures and nothing else. A structure without an inherent contradiction is a structure where class struggle does not take place; hence, there is no room for action and change driven by social groups. However, if social relations are to be understood as conflictive, if reproduction is claimed to be improbable and contradiction seems to lie at the heart of the system, a place for individual autonomy has to be found and the transformative potential properly conceptualized.

This rebellion against Althusser launched a transition “from reproduction to regulation”, as François Dosse (1992) stated in his *History of Structuralism*. To account for contradiction, conflict, transformation, crisis and agency, it became necessary to produce a double break with Althusser. As Lipietz (1995:42) explains: on the one hand, vertically, they would keep the idea of domination and exploitation already present in his work, but putting it back in movement, understanding regulation as a field of struggle. On the other hand, horizontally, the holistic approach had to be nuanced by reintroducing subjectivity, divergence of interests and the possibility of a plurality of strategies adopted by different actors.

While the criticism of Althusser and structural Marxism acknowledges the initial strengths and a certain common ground, the opposition to neoclassical economic theories assumes a much more radical stand. Aglietta’s ([1976]2000) *A Theory of Capitalist Regulation* begins with a criticism of what he calls the dominant economic theory and states that his “theory of social regulation is a complete alternative to the theory of general equilibrium” (Ibid:13). Later regulation-inspired work has kept this approach and made the mainstream economic literature its main rival. What Boyer has described as a “radical and severe critique to the neoclassical programme” (Boyer, 2002a:21), is presented in four main points in the remainder of this subsection.

First, the approaches in terms of regulation reject the neoclassical indifference to history, a weakness that was also highlighted in the Marxist structuralist stream. The dominant economic theory has developed universal rules and explanation schemes that are applied to any case, irrespective of the space or time in which it is situated (Lipietz, 1988:21). Furthermore, this emphasis on atemporal axioms makes any attempt to introduce historical accounts of economic facts futile, resulting in an approach that is foreign to history (Aglietta, 2000:14). In opposition to this, the Regulation Approach seeks to develop a “local theory” (Boyer, 2002a:11), spatially and temporarily situated and conscious of the historicity of different modes of regulation and development. The regulationist heterodox contribution rejects the proposition of universal laws and develops instead an approach capable of discerning variations across time and space (Vercellone, 1994:12,13). In this respect, the influence of the Annales School is acknowledged as a guide to studying different stages of capitalism, their specific economic structures with their respective crises (Boyer 2002b:24) and the different historical forms that a social relation can take (Boyer, 1990a:vii).



Second, regulationists reject the neoclassical project of establishing a “pure economics”: a self-closed discipline kept at a distance from the other neighboring social sciences (Ibid:8,9). This epistemological position is derived directly from their ontology: the neoclassical perspective thinks of economic relations as unique, different and autonomous from other social relations, making their study the exclusive field of economics. Having “pure economics” as a point of departure leads to what Aglietta (2000:10) describes as the “totalitarian” aspect of the dominant theory, the practice of reducing and excluding any piece of empirical evidence that contradicts their assumptions as being mere “imperfections”. When extra-economic institutions are taken into account, they are described as perturbations and therefore causes of crises (Coriat, 1994:108,109,127). “Pure economics” is detached from social conditions and temporal restrictions: “the goal of theory is to express the essence of its object by stripping it of everything contingent; institutions, social interactions, conflicts, are so much dross to be purged to rediscover economic behaviour in its pure state” (Aglietta, 2000:14). The Regulation Approach energetically denounced this position and proposed a perspective in which the economy is inherently structured by social relations and therefore cannot be just explained through pure exchange relations in idealized markets.

Third, the Regulation Approach questions the anthropological assumptions of neoclassical economics: that economic agents are those who put the economy to work. Essentially, they are rational individuals who pursue their own stable preferences with strategies that maximize benefits and minimize costs. This principle of universal rationality works as an a priori axiom. It is thus assumed as pre-given and as a permanent and unalterable aspect of human nature (Ibid:13). Coherently, the neoclassical perspective postulates an individualist methodology as the best way of studying economic processes, a perspective that after achieving a hegemonic position in economics began to expand to other social sciences.<sup>2</sup> Regulationists reject the transhistorical economic rationality proposed by this paradigm and seek to re-frame it in particular spatial-temporal contexts, taking into account the social and political interests that transcend mere economic calculation. Even though they, as previously explained, had criticized structuralism for ignoring the role that social groups and agents play in their theory, regulationists also rejected methodological individualism for reducing structures to the contingent result of individual interactions: “It is not easy to

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<sup>2</sup> For analyses of how the neoclassical micro-foundations have been at the base of economic imperialism, see Fine (2000) and Fine & Milonakis (2009).

apprehend the dynamics of an economic system as a derivate of bilateral interactions between individuals deprived of any social and political substance” (Boyer, 2002a:8).

Fourth, and at the heart of the regulationist assault, is the concept of general equilibrium. If rational, self-interested, individuals are the unit of analysis and the driving force of the economic system, the question that follows is: why does this anarchy not collapse? This question is answered through automatic regulation. According to the neoclassical explanation, individuals seeking their own interest are put in relation through a market that functions as a coordinating mechanism. It is through it that agents exchange values and information and are able to achieve a systemic equilibrium even without consciously trying to do so. The idea of general equilibrium, then, describes the viability of an economy that is entirely composed of units moved only by their own interests (Boyer, 2002a:9). Economic relations from this perspective are reduced to mere modes of coordination (Aglietta, 2000:13) and are thus deprived of any conflictive or destabilizing attributes. The idea of self-regulation possesses here the same vices that the concept of reproduction had in the structuralist framework: an excessive emphasis on its functionalist dimension and a neglect of the system’s contradictory nature. The inherent tendency to equilibrium of the market, on the one hand, guarantees the compatibility of ex post rational calculations while, on the other hand, leaves historicity out of the scene, since an atemporal equilibrium allows agents to follow their maximizing strategies without needing to change them. The enormous importance and explanatory power of general equilibrium in the neoclassical framework leads Aglietta (Ibid:10) to characterize this theory as “totalizing”, because it is exclusively devoted to the elaboration of a single concept.

The authors involved in the development of the Regulation Approach, as can be seen, produced a comprehensive criticism of the dominant economic theory. Having understood what was to be rejected, the next task was to decide how to follow. As Aglietta (Ibid:15) put it: “The way forward does not lie in an attempt to give a better reply to the theoretical questions raised by the orthodox theory, but rather in an ability to pose quite different theoretical questions.”

## **1.2 A brief history**

The notion of regulation, as Boyer (1990a:15) acknowledged, was applied to political economy by Destanne de Bernis (1975), one of the first social scientists

to make use of it. In importing this concept originally developed in the natural sciences, he sought to update Marxist economic analysis by freeing it from determinist constraints, offering thus a solid alternative to neoclassical theories. With this goal in mind, he founded the Research Group on the Regulation of Capitalist Economy (GRREC, from its initials in French) – also known as the Grenoble Regulation School – which studied the different norms and arrangements in the regulation of capitalist relations. Inspired by systems theory, the main concept was initially defined as “the adjustment, in conformity with certain rules or norms, of several movements or acts, and their effects or products, which are initially distinct due to their diversity or succession” (Canguilhem, quoted in Boyer, 1990a:15,16).<sup>3</sup>

Though Destanne de Bernis and the Grenoble School can be identified at the origin of these developments, the so-called Parisian school – which would become dominant – followed its own path. Destanne de Bernis’ approach was considered to be too static, as his accumulation regime seemed to be unique and invariant, while the institutions supporting it were the only elements evidencing change (Ibid). Another important difference was the Parisians’ mistrust in the elaboration and application of “general laws of capitalism” (Lipietz, 1983:xv) – namely, the tendency of the rate of profit to fall and the equalization of profit rates. The particular articulation of these at a given moment in history was understood by the Grenoblois as the main object of regulation (cf. Destanne de Bernis, 1983). These features, combined with a powerful state that is able to normalize capitalist accumulation through an alliance with monopolistic or oligopolistic businesses – in consonance with the theory of state monopolist capitalism defended by the PCF – placed Destanne de Bernis closer to an orthodox Marxist position than an innovative one (Coriat, 1994:115,116). These elements were at the base of what was perceived as the teleological character of Destanne de Bernis’ approach (Boyer, 1990a:15) and led to the objective of elaborating intermediate categories to make better use of the concept of regulation. Though criticized, Destanne de Bernis’ work was an initial step in conceptualizing a “mode of regulation”.

Sharing Destanne de Bernis’ goal of proposing an alternative to the general equilibrium theory, Michel Aglietta devoted his doctoral thesis to long-term capitalist evolution in the United States and produced what is nowadays recognized as the first (Parisian) regulationist work. While the perspective adopted

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<sup>3</sup> For a discussion of Canguilhem’s concept of regulation, its reception by Destanne de Bernis, and later criticism by regulationist authors, see Troisvallets and Di Ruzza, 2008.

in his dissertation was still closely linked to structural Marxism and could not be said to be properly regulationist (Jessop, 1990:171), he spent a year rewriting it<sup>4</sup> to include elements related to the market's contradictory dynamics and the circulation of commodities that Althusser had so rigidly discarded as a superficial phenomenon (cf. Althusser and Balibar, 2009; Lipietz, 1979:16,17). This led to the publication in 1976 of *A Theory of Capitalist Regulation*, which would become the initial landmark of what nowadays is known as regulation theory.

At this point, Aglietta's work had not achieved the conceptual complexity that currently characterizes the Regulation Approach. However, he defined the main features of a perspective that studies capitalism in engagement with the idea of regulation. He attempted to show how political economy had been too concerned with accumulation while neglecting the role that social regulation plays in making it possible and stabilizing it. Regulation is not a resource exogenous to the economic system, but a set of social arrangements that are strongly involved in shaping it. Therefore, his concept of "structural forms", defined as "complex social relations, organized in institutions that are the historical products of the class struggle" (Aglietta, 2000:19), highlights the extra-economic dimensions of accumulation. These structural forms are those social relations that at a certain time in history become fundamental for codifying rules and institutionalizing practices and norms of behavior in society (Vercellone, 1994:14). The coherence among different structural forms makes possible the appearance of economic regularities that are at the base of relatively extended periods of economic growth and the reproduction of social relations (Coriat, 1994:117). The idea of structural forms was further refined and operationalized in relation to the concepts of "regime of accumulation" and "mode of regulation", providing the most visible common background for the variety of "approaches in terms of regulation" that would later appear (Ibid:119). These intermediate categories – in between abstract invariant notions and empirical facts – were the regulationists' alternative to the universal laws and the main tools used to analyze stability, crises and their specificities.

Aglietta was soon joined by fellow "polytechnicians" at the Center for Economic Research and its Applications (CEPREMAP, from its initials in French), most notably Robert Boyer and Alain Lipietz, but also Jean-Pascal Bénassy, Rosa María Gelpi, Jacques Mistral, Carlos Onamini and Juan Muñoz among others. This core

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<sup>4</sup> This happened within the context of a seminar organized at the Institut national de la statistique et des études économiques, where Aglietta discussed his work with, among others, Alain Lipietz and Robert Boyer.

group shaped the “standard” regulation perspective and was responsible for developing and popularizing the approach in France and abroad. This is why the so-called Parisian School is commonly assumed to be “the” Regulation Approach. That this theory was originally developed within the state apparatus, and not in a university, is not unimportant. The main goal of CEPREMAP was to make use of economic research in the planning activities of the state. In this sense, regulationists were technocrats working within the organs that had inherited the idea of a “concerted economy” to be secured by state policy (Vercellone, 1994:8,9). At the same time, many recognized themselves as sixty-eighters, having been active during the May events and involved in Maoist, communist or other radical organizations. Being reformist technocrats, they were fully aware of the neoliberal outburst that the crisis had generated and saw this as a major threat to their country’s future developments. Thus, the Regulation Approach not only had theoretical concerns at its origin, but also political ones. Their goal was to provide a diagnosis of the failures that led to the 1970s crisis in order to propose an alternative leftist economic policy where planning would assume a leading role based on wide social agreement (Ibid:9–11).

Being high-ranking civil servants in the influential planning apparatus of the developmental state, the regulationist interest in transcending economic theory and translating it into practice was fundamental. Their best opportunity to do so arose in 1981, when they were asked to act as advisors to the newly elected socialist government led by François Mitterrand. Invited to “criticize” and tell the government “what works and what doesn’t” (Lipietz, 1994:75), Aglietta, Boyer, Lipietz and Coriat accepted the challenge and took part in bi-weekly meetings at the Élysée Palace. Though initially optimistic about the possibility of structuring an updated mode of regulation to deal with a new reality, they soon became disappointed. They began by warning the government that the Keynesian policies that had been successful for more than two decades were at the roots of the crisis and that a simple replication of these policies would therefore not solve it. The government did not follow their advice and applied the well-known expansionist policies that seek to increase aggregate demand. After their failure, in 1983 Mitterrand took an “austerity turn” and the socialist government began with neoliberal reforms. At this point, the regulationists chose to leave this association and there was a rupture within their school.

The aftermath of this experience, as Lipietz has described, was a situation in which “each of us had to choose their own way” (Lipietz, 1995:43). The exhaustion of the radical reformist project had fueled the development of the

Regulation Approach. From this moment, there would be no more shared political ground for the group as a whole (Vercellone, 1994:6). During the 1980s, differences among the regulationists arose, not only politically but also theoretically (Coriat, 1994:132,133; Vercellone, 1994:24; Lipietz, 1994:76). Conflicting views of the Marxist foundations of the theory, discussions about the most relevant dimensions of analysis and disagreements around the need for a renewed micro-perspective were at the base of a fracture that would become increasingly evident with the years. In this respect, there are different ways of understanding these divisions. According to Boyer (1990a:26), it was impossible to deny the tensions within the Regulation Approach, but these seem to be due to the most abstract levels of economic theory. Regarding the more intermediate concepts that the regulationist researchers used in their empirical work, Boyer affirms that there is broad agreement. He argues that these contradictions do not threaten a unified Regulation Approach, since the shared intermediate categories are compatible with a set of different more abstract contexts. From a less optimistic point of view, Lipietz affirmed that there is not one regulation school but “a number of little streams which have either merged into larger currents or split up into even smaller trickles” (Lipietz, 1983:xv). More than ten years later, within the debate around the potentiality of working closer to Convention Theory, he had no doubts about being more radical about the lack of homogeneity: “It is not possible to speak anymore of different preferences sharing a same common theoretical base. It is the base itself that has been shattered” (Lipietz, 1995:44).

As a consequence, there is no single unequivocal regulation theory, school or approach. In France alone, it is possible to identify three different groups: to the already mentioned Parisian and Grenoblois clusters, one can also add a group formed around the PCF, whose main figure was Paul Boccara. Bob Jessop, responsible for some of the most distinguished reviews of the Regulation Approach, has differentiated a total of seven regulation schools (Jessop, 1990, 1997; Jessop and Sum, 2006). A plurality of schools and perspectives combined with the already heterogeneous itineraries followed by the different founding figures make it difficult to describe this theoretical position as unitary. In this dissertation, though I will begin by basing my theoretical framework on the work of the Parisian authors, I do not plan to work within a single trend. My objective is not to find the “real” or “original” stream; my goal, instead, is to build a regulationist perspective based on different contributions, concepts and developments by researchers working within a variety of traditions. The result should be a regulationist theoretical framework compatible with many of the

assumptions and main concepts of the already existing positions, but not necessarily being ascribed to any of them or reflecting a specific trend or author. In this sense, I will follow Lipietz (1994:78), who not only questions the idea of a regulation “school” but also affirms that there has never been a unified regulation *theory*. With him, I rather propose considering the regulationist developments more as an approach or perspective, that is, a group of ontological assumptions, theoretical concepts and methodological premises that lead our understanding of what reality is and how to understand it better.

## 2. On regulation

To understand the questions that the approaches in terms of regulation raise, it is necessary to make clear the main assumptions they rest on. The regulationist perspective understands social reality as an ensemble of contradictory social relations and its main object of study is their institutionalization, crises and change (Billaudot, 1996:32). A contradictory social relation can only be understood as the coexistence of struggle and unity between the two elements that compose it. Bourgeoisie/proletariat and private/social are opposing elements that constitute capitalist relations; they are the poles in a contradiction put together through their unity and struggle. The two elements are connected because they need each other (for example, proletarians need to sell their labor to capitalists, while capitalists extract surplus value from this work), but this connection is intrinsically conflictive (for example, the distribution of value between labor and capital). It is this dual, contradictory relationship, nevertheless, that makes them what they are (Lipietz, 1979:27–9). In their conflictive relation, the two poles do not have symmetrical power, and that is why at certain moments one of them acquires dominance over the other, imposing unity in the struggle in their relationship. The institutionalization of a social relation assumes a particular form that stabilizes it transitorily but does not eliminate the contradiction(s) inherent in the social relation (Billaudot, 1996:32). When a social relation can be identified, it is because it has been reproduced during a certain period of time (Lipietz, 1988:18), meaning that a unity between the two aspects could be achieved. The attribution of a unitary character to a structure allows a contradiction to be established; thus, it can be studied better and it is in this sense indispensable. However, this has to be understood as a single moment in a dialectical process of apprehending reality, since struggle, the specifically contradictory element, is always there, threatening the structure from the inside (Lipietz, 1979:35).

To say that unity is always unity in struggle, to say that a social relation is always contradictory, is to highlight the fragility of arrangements, to depict the instability and always present possibility of change that constitutes social life. However, at the same time it is to say that unity, a certain social relation at a moment in history, was shaped by and is the result of struggle. It is the struggle derived from the contradictory relations that constitute it that makes capitalism unstable. The conflict is placed in the very heart of the mode of production, opposing the contradictory interests of bourgeois and proletarians (Boyer, 2004:22). This assumption leads Aglietta to affirm that class struggle “determines the actual movement of history” (Aglietta, 2000:66). Capitalist social relations are based on poles of opposition, which will never be conciliated. Though unity can be momentarily achieved and conflict postponed, the contradictory nature of the structure always keeps the possibility of unity succumbing to struggle latent. Hence, it becomes necessary to understand both poles of the process simultaneously: change and invariance (Boyer and Saillard, 2002:60). Reality is always changing and conflictive; however, some periods of stability can be achieved and this is what the Regulation Approach wants to explain. This is the radically different question they propose against those raised by neoclassical theories: how is accumulation possible in spite of the contradictory social relations that constitute it? It is here that the concept of regulation comes into play.

In his foundational text, Aglietta explains:

This movement [the movement of history] is all the more governed by the logic of accumulation, the more the class struggle occurs in modalities that are compatible with the extension of commodity exchange. The conditions for such a canalization of the class struggle involve the totality of social relations at any given time, and it is their study that forms the content of the theory of capitalist regulation. (Aglietta, 2000:67)

This is the assumption that underlines the work of the different regulationist perspectives. Accumulation becomes possible only when the struggle inherent in contradictory social relations can be channelized in a way that, though not eliminating it, makes it compatible with regular accumulation. A theory of capitalist regulation will therefore, study how, at a certain point in time, social relations are institutionalized in such a way that the risks that the class struggle may pose to accumulation become diminished and cannot critically affect it. The particular form that such institutionalizations might assume is, of course, the contingent result of struggle. It is through the opposition and conflict of social groups that social relations are transformed and regularized in specific ways, some



of which might make possible the process of reproduction (Ibid:29). Unlike a structuralist fashion, reproduction cannot thus be understood as an endogenous capacity of the economic system, but becomes actually a “social creation” (Ibid:19). Understood in this way, it is possible to conceive of it as a process that, on the one hand, involves both economic and extra-economic elements and, on the other hand, does not happen automatically, but is subject to crises and ruptures. Capitalism, consequently, cannot rely on a natural tendency to general equilibrium or a self-regulating capacity. On the contrary, it depends on the continuity of a struggle to maintain the specific capitalist social relations that make it possible.

In another classical regulationist text, Lipietz (1979:36) proposes to use the concept of regulation as “the process in which unity imposes itself through the struggle of the elements”. The task of a regulationist perspective will then be to understand the different ways in which unity in struggle is achieved, but always taking into account that there is a dimension in the struggle that far from leading to reproduction, tends to undermine and threaten stability and the configuration of the very same social relations. The regulation of social relations makes it provisionally possible to solve capitalist contradictions and, therefore, stabilize accumulation for a certain period of time (Lipietz, 1995:41). In agreement with Aglietta, Lipietz highlights that “the possibility of economic regulation is therefore overdetermined by the possibility, and the fragility, of a social regulation” (Lipietz, 1979:56). What up to had then been understood as the reproduction of a pure economy, depends actually on the existence of a “consensus” (Ibid) or “great compromise” (Lipietz, 1987a:2) between the different social classes, which is built through the regulating agreements that institutionalize certain forms of social relations.

Unlike what consensus and compromise would suggest, these arrangements are never the outcome of conscious negotiations and agreements but, as in Aglietta’s explanation, a place where hostile forces are encountered (Lipietz, 1995:41), the product of class struggle and, as such, the present expression of the balance of forces. This conflictive constitution of social relations rejects any functionalist reading of the way in which regulation is achieved. Regulatory forms were not created to solve contradictions, but could continue to exist because they contributed to their resolution (Lipietz, 1988:20,21). Such a perspective could be classified as “functionalism after the fact” (Lipietz, 1993:129) because it does not presuppose that history has as its goal the development of certain social relations, but sees consequences of certain institutional forms as the possible effects among a wider variety. Since regulatory forms emerge contingently, many times without

the intention of their “creators”, they do not have a priori reason to stabilize accumulation or work together (Boyer, 2002a:7). They could therefore be described as “chance discoveries” (Lipietz, 1988:21), structural forms that most of the time have been shaped with different expectations in mind but have over time proved efficient in reabsorbing conflicts.

As I mentioned at the beginning of this chapter, the Regulation Approach found the most effective way of working with this idea of regulation in the development and application of intermediate concepts. In the next section, I will develop the most important of these and explain their interrelations.

### 3. Regulation Approach: main concepts

In this section, I present the main concepts of the French Regulation Approach.

#### **3.1 Regime of accumulation**

A *regime of accumulation* describes a long-term macroeconomic situation in which the allocation and distribution of social production have been stabilized so that the transformations in the conditions of production and the transformations in the conditions of consumption evolve in parallel, maintaining a complementary pattern (cf. Lipietz, 1983:xvi, 1986:15). When such a regime is settled, the distortions and disequilibria that are inherent in the process have been reabsorbed, allowing accumulation to occur in a relatively coherent fashion. Such a stability in capital accumulation depends on the alignments of a set of regularities that have to do with: a specific way of organizing production and the relation of wage earners to the means of production, a temporal horizon of capital valorization upon which managerial principles are organized, a distribution of value allowing the reproduction and development of different social classes or groups, a composition of social demand that validates the evolution of productive capacities, and an articulation with non-capitalist economic forms when they are of relevance (Boyer, 1990a:35, 2004:36). The particular configuration that these regularities might assume and the different ways in which they can combine is not predictable, since different regimes of accumulation can emerge in different places or times, showing the compatibility of capitalist relations with a variety of macroeconomic arrangements (Boyer and Saillard, 2002:61; Boyer 1990a:35).

The Regulation Approach has empirically identified different regimes of accumulation out of which two appear as the most important. Historically

dominant by the end of the 19th century among the most advanced capitalist economies, an *extensive* regime of accumulation was characterized by the progressive imposition of capitalist methods and organization of production over alternative forms. Growth in capital stock was achieved by the expansion of capitalism into new areas of activity, while its techniques and organization of production remained unchanged. Thereby, it was the appropriation of absolute surplus value that generated accumulation. In such a regime, a developing industrial working class proved of importance in the formation of profit, but did not have enough weight to be decisive in the formation of demand. Given this situation, the extensive regime of accumulation was mainly based on the extended reproduction of the means of production, while the production of consumption goods remained secondary (cf. Boyer, 2004:54; Aglietta, 2000:71,72; Lipietz, 1987b:33). An *intensive* regime of accumulation, which became dominant at the beginning of the 20th century, was based on productivity gains achieved through the permanent development of production techniques and the reorganization of the productive process. This regime of accumulation was shaped by constant scientific and technical innovation. This phenomenon was critical in the emergence of new products and the rationalization of the productive methods that were at the base of an unprecedented rise in productivity gains. Growth in capital stock was not related to capitalist expansion, but to the extraction of relative surplus value due to rises in the level of productivity and the intensification of efficiency in the use of resources. A massive and more developed working class became one of the critical factors in the formation of aggregate demand. In this regime of accumulation, consequently, a process of mass production was matched by one of mass consumption. This was possible because the working class had not only become majoritarian and acquired the power to shape the main trends in demand but also because in this regime of accumulation, wages and productivity gains increased in parallel, ensuring a constantly growing purchasing power (cf. Boyer, 2004:54; Aglietta, 2000:71,72; Lipietz, 1987b:33).

### **3.2 Mode of regulation**

As I have described before, long-term capital accumulation is an unstable and highly improbable phenomenon, since the contradictory nature of the social relations that are at the heart of the capitalist mode of production frequently tends to disrupt its reproduction. A regime of accumulation can survive only because its schemas of reproduction are stable, which means that not all configurations are possible (Lipietz, 1987b:15). Stabilized regimes of accumulation do not create themselves, but are the result of “the specific coercive effects of institutional

forms which manage to create a coherence of strategies and expectations among agents living in a capitalist market economy” (Lipietz, 1988:32). It is this coherence – which can only be achieved as the result of social and political constructions – that ensures the stability and reproduction of a regime of accumulation. A smooth accumulation of capital is not achieved because of the spontaneous bilateral agreements made by agents in the market. On the contrary, the form that fundamental social relations assume at a certain time in history is the contingent result of the way in which class struggle has shaped them through institutions.

The key for success seems to rely on finding a suitable *mode of regulation*, which can be understood as a relatively coherent combination of compatible institutional or structural forms that at a certain point in history becomes able to adjust, guide or coerce individual and social behavior in such a way that the regime of accumulation becomes stabilized (cf. Boyer and Saillard, 2002:64; Lipietz 1983:xvi,xvii, 1987a:4). By ensuring over time the compatibility of multiple, decentralized and conflictive procedures and decisions, a mode of regulation is not only able to support and steer a regime of accumulation, but also enables the reproduction of the fundamental social relations (Boyer, 1990a:43). A successful mode of regulation is able to canalize the destabilizing effects that are the product of the contradictory constitution of its regime of accumulation, diminishing the threats that they might pose. Thus, an economic system can only be conceived of as socially constituted, since its conditions of possibility depend on an arrangement of institutions, networks, rules and norms that postpones its inherent tendencies to crisis and makes accumulation possible. Since the elements that compose a mode of regulation are social and political by nature, the illusions of a pure economy must be rejected. So too must the assumption of rational agency, since the idea of a mode of regulation implies that social elements are incorporated into individual behavior (Lipietz, 1987b:15).

A mode of regulation is the contingent result of social conflicts and therefore depends not only on the regime of accumulation to which it is coupled, but also on the moment in history when it is developed, the society in which it develops and even sectorial differences. Therefore, there are no receipts or infallible modes of regulation, as they are the historical outcomes of (often unconscious) struggles, experiments and trial-and-error processes within specific social and political formations. The particular elements that compose them also vary, as does their hierarchy. A structural or institutional form may appear to be fundamental when working within a certain regime of accumulation, but as soon as the latter changes,

another one may take the leading role (Boyer, 2004:45). The universality of neoclassical models or structuralist conditions for reproduction appears as oversimplistic. Since different regimes of accumulation have specific schemas of reproduction, a variety of modes of regulation become possible. It is important to highlight, however, that modes of regulation not only change from society to society or within a society, but also in different historical periods (Lipietz, 1983:xvii); it is also possible to find heterogeneous modes of regulation coexisting in the same social and political formation. In most cases, one of them dominates because it has achieved a hegemonic status, while the others subsist in specific sectors or markets (Lipietz, 1988:34).

Empirically, the French Regulation Approach has mostly focused on characterizing two historical modes of regulation. The first, dominant in the most advanced capitalist societies from the second half of the 19th century until the Second World War, was the so-called *competitive* mode of regulation. Its main features are those that neoclassical approaches identify as typical of a market economy. However, it is important to highlight that the latter presents them as universal and atemporal while the regulationist perspective frames them in a specific period of time. In competitive regulation, nominal wages are based on fluctuations in industrial activity. This system of flexi-wage formation defined the individual nature of wage negotiations, linking their nominal values to the up and downs of industrial activities, the contingent relation between labor demand and supply, and the specific characteristics and circumstances of each sector. In a system where labor was sold at conditions that changed daily, with its price depending on market dynamics, the reproduction of workers became uncertain and an individual responsibility. State intervention and the role of monetary authorities were modest, and the collective organization of social forces was at this point quite limited. Competition between capitalists was driven by prices, which worked as the main adjustment variable. The primacy of metallic money over credit money and the co-variation of nominal wages, industrial prices and productive conjuncture, produced a very unstable system whose main variables were easily and drastically altered by the fluctuations in accumulation (cf. Bénassy et al, 1977; Lipietz, 1988:33; Boyer, 2004:46). The *monopoly* mode of regulation, articulated in the central capitalist economies by the beginning of the post-war era and effectively working until the crisis of the 1970s, emerged as the consequence of the development of new structural forms. At its heart, there was a new process of wage formation, where its actual price was determined by collective bargaining (which was largely extended and codified in parallel with the reinforcement of

workers' collective organizations) and taking into consideration norms of consumption. Wages left behind their individual character and started to be defined in collective terms, providing more homogeneous intra- but also inter-sectorial levels. The critical role of wages in securing reproduction was socially acknowledged and collective elements of wage earners' lifestyles were included in their formation. The settlement of minimum wages and longer-term contracts in combination with the indexation of nominal wages to productivity gains left behind the extreme fluctuations that were characteristic of the competitive mode of regulation. A new relation between the state and economy was conceived where the former intervened to protect social interests from the potential harmful effects of the latter. The state's role could be seen in different areas, for example, in the provision of social services and public goods or in the composition of indirect salaries. This last element was very relevant, as access to services such as education and health became widespread. Monopoly regulation was characterized by internal monetary expansion and the use of emission to cover deficits in the public finances. Credit and state money were the dominant money forms. Regulationist authors see a key feature of this mode of regulation in its relative autonomy from external constraints. Bretton Woods and a fixed system of currency exchanges provided a stable environment for international trade that nevertheless, even if permanently growing, was always secondary to the leading role that internal markets played in the determination of the overall economic activity (cf. Bénassy et al, 1977; Lipietz, 1988:33; Boyer, 2004:47–9).

### **3.3 Institutional or structural forms**

A mode of regulation is the conjunction of a group of coherent *institutional* or *structural forms*. As explained above, the latter term was at the heart of Aglietta's efforts to describe capitalist accumulation in the United States, while the concept of "institutional" forms was adopted by other regulationist authors. Nevertheless, they are synonymous in the research of most of these authors. What are then institutional or structural forms? Basically, they are the specific configuration or codification that fundamental social relations assume at a specific time in history and in particular geographical areas (cf. Boyer, 1990a:17, 37; Boyer and Saillard, 2002:61). They are the transitory arrangements that help social relations to reproduce (Aglietta, 2000:29), and are therefore the main formations that the approaches in terms of regulation seek to analyze: "It is then necessary to show why and how the inherent contradictions of these relations give rise to a process of institutionalization, or, as we put it in this work, to the creation of structural forms" (Ibid:27). They adjust the heterogeneous decisions of economic agents,

originating in this way regularities in individual and collective action and, ultimately, in the accumulation of capital. Institutional forms, as regimes of accumulation and modes of regulation, are subject to change, since the invariant aspects of the fundamental relations they shape “can only be reproduced through continual alterations of their forms and precise articulation” (Boyer, 1990a:37). There are three main ways (Billaudot, 1996:22) in which structural forms homogenize actions and produce regularities. First, they may resort to coercion through the application of collectively adopted laws, rules and regulations. Second, conflicts and struggles between private actors may lead to negotiations, compromises and agreements. Third, shared systems of values, customs or representations of realities can be at the base of routines that replace individual impulses and initiatives.

The fundamental social relations, and thereby the most relevant institutional or structural forms, are subject to change according to the particular mode of production and the specific characteristics that it might assume at a certain moment in time and a geographical space. The specificities of capitalist relations of exchange and production define a mode of production characterized by the primacy of exchange value over use value, the imperative of accumulation and three main inherent contradictions: between social and private, expressed through the commodity relation; between capitalists and wage earners, from the point of view of economic property; and as a result of the separation of producers from the means of production, from the point of view of possession (Lipietz, 1983:20,21; Boyer, 1990a:32,33). Most regulationist authors agree that the relations of exchange and production typical of the capitalist mode of production are mainly made viable and normalized by three structural or institutional forms: the wage relation, a monetary regime and a form of competition. These three forms express, respectively, the way in which surplus value is appropriated, how economic units are connected and the pattern in which centers of accumulation relate to each other (Boyer, 1990a:37). Two other structural or institutional forms have been identified – the state and the mode of insertion in the international context – completing what has come to be known as the five main institutional forms (Boyer, 2004; Boyer and Saillard, 2002; Billaudot, 1996).

### ***3.3.1 Wage relation***

Among these five structural forms, the *wage relation* is highlighted as the most fundamental by regulationists, since it is the social relation that best represents the essence and logic of the capitalist mode of production (Lipietz, 1988:26; Aglietta,

2000:380). Within capitalist societies, labor power appears to be a commodity because the wage relation has assumed the form of a commodity relation, though it is not truly one. In contrast, the wage relation does not involve the exchange of equivalents (Aglietta, 2000:31). In a capitalist economy, only a fraction of agents can take the initiative, while the vast majority of the population is relegated to a passive role. Because labor assumes the form of a commodity and is exchanged as such, it is subject to a process of social validation (Lipietz, 1988:27). If workers are to survive, they are compelled to sell their labor power to capitalists who, in contrast, are not compelled to buy it. The validation of labor power, and thus the social integration of the proletariat, is subject to the decisions that capitalist entrepreneurs will make in accordance with their own interests. This enormous asymmetry between the two poles in the productive process characterizes the basic ambiguity of the wage relation (De Vroey, 1984:46).

The wage relation has its origin in the separation between producers and the means of production, which has two aspects. On the one hand, the social relation of dispossession shows that the separation of productive activities into a manual component and a conceptual component favors the appropriation of knowhow by capitalists, giving them control over the organization and intensity of work and rendering workers into submission (Lipietz, 1988:26; Boyer, 2004:21). On the other hand, considering the ownership of the means of production, capitalists have the power to assign economic units to the productive process and still retain the right to dispose of the result of their work. The connection between producers and the means of production is mediated by a wage contract between those selling their labor and the owner of the means of production (Lipietz, 1988:27). The wage contract implies a double exchange. First, proletarians sell their labor power to capitalists, obtaining a certain amount of money. This payment, however, is always less than the actual value produced by the worker; the difference between them is the surplus value kept by the capitalist, which makes accumulation possible. Second, capitalists pay a salary to workers independently of the success of their production in the market. This means that they assume the risks linked to validation in exchange for the proletarians' surrender of surplus value and their submission to the rules of the workplace (Ibid). The contradictory nature of both the property and the dispossession aspects of the wage relation is the basis of the struggle between the two social classes. For the first aspect, there is confrontation over the division of surplus value (how much should go to wages and how much to profit), while for the second aspect, there is a struggle between the levels of



autonomy and submission that the workers are expected to experience (Lipietz, 1988:28,29; Boyer, 2004:21,22).

The inherently conflictive nature of the wage relation, however, faces a whole set of institutional, juridical and organizational arrangements that seek to overcome it and make accumulation possible: effort norms, control measures, incentivizing remunerations, collective negotiations, etc. (Boyer, 2004:22). The specific organization of the productive process, its duration, the level of wages, social benefits, the definition of rights and duties, and other similar conditions are not a free choice for each company, but the result of the capitalists' maneuvers within settled norms, rules and dispositions. Therefore, the wage relation form can be understood as the configuration of the labor/capital relation, composed of types of work organization, the modalities of the worker's reproduction and their lifestyles (Boyer, 2004:39; Boyer and Saillard, 2002:62). Boyer (1990a:38) has defined five components in the capital/labor nexus that are key in understanding the different historical specificities that the wage relation form has assumed: "the type of means of production; the social and technical division of labor; the ways in which workers are attracted and retained by the firm; the direct and indirect determinants of wage income; and lastly, the workers' way of life, which is more or less closely linked to the acquisitions of commodities or the use of collective services outside the market". The configuration of these elements changes with time and, at certain points in history, might prove effective in channeling the opposition between capital and labor in such a way that this conflict does not interfere with the process of accumulation.

### **3.3.2 Money**

*Money* is the institution at the base of market economies (Boyer, 2004:14). It has a fundamental role in regulating commodity relations, since it is the means through which the relations between centers of accumulation, wage earners and other commodity subjects are established (Boyer, 1990a:37). That is the nature of money. It is not a commodity in itself, but a general equivalent used to ensure the equivalence of values in the exchange of commodities (Boyer and Saillard, 2002:61; Lipietz, 1988:22). Economic subjects are constituted through money, since they cannot operate without it. Consequently, it can be said that money, within the economic realm, has the same function as language (Boyer, 2004:16). Commodities can be validated and exchanged for money and this is how social actors perceive that they have value. However, it is important to highlight that the intrinsic value of a commodity is given by the amount of socialized labor that was

necessary to produce it. This means that the “form” of the value expressed by money is determined through social relations at the level of exchange and does not necessarily reflect the “matter” of value, which was created in the process of production (Lipietz, 1988).<sup>5</sup>

Having such a critical role in the functioning of a market economy, the nature of money is subject to regulations that have an impact on its dominant form and emission. A whole hierarchical system is organized by commercial banks, that lend credit to consumers and firms under the conditions imposed by a central bank that is in charge of the emission of legal money. This last entity plays the role of the “market secretary” (Boyer, 2004:14), regulating the availability of money according to the changing conditions of the economic system. We can thus say that the monetary regime is the set of rules that organize and structure the system of payments and credits (Ibid:15,16).

### **3.3.3 Competition**

According to Boyer (Ibid:23), *competition* is the third institutional form that gives a distinctive character to market economies. Unlike the neoclassical positions, which affirm that market relations are driven by autonomous rational actors who take decisions based on their own interest, the regulation perspective affirms that there are certain patterns of relations among the different productive units. The competition form, consequently, seeks to answer the question about the way in which different centers of accumulation organize their relations (Boyer, 1990a:39). While the universal models of the dominant economic theory affirm that the formation of prices is the coincidental result of a specific volume of offer and another of demand, the regulation perspective finds different ways in which competition can occur, giving birth to various processes of price formation according to the specific ways in which the relations among the participants of a particular market are configured. Therefore, the competition form shows “how are organized the relations among a set of fractioned centers of accumulation, whose decisions are a priori independent from each other” (Boyer and Saillard, 2002:562).

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<sup>5</sup> Lipietz has studied the relation between what he calls the exoteric and esoteric levels in his book *The Enchanted World* (1983).

### 3.3.4 State

Most authors working within the Regulation Approach do not usually work with or have developed a theory concerning the fourth structural form, the *state*,<sup>6</sup> but have rather characterized the various configurations that it can assume and the effects they have on economic dynamics (Boyer, 1990a:41). Understood as a field of class struggle, the more general role of the state is concerned with its regulation, as it is one of the main institutions that contribute to the protection of the hegemonic configuration of social relations, supporting the dominance of particular classes or groups of classes over others (Lipietz, 1988:18, 1987b:19). Periods of intense class struggle come to an end or are pacified through the institutionalization in the state form of compromises adopted by the contenders, thus avoiding endless confrontation (Ibid). Though conflicts do not disappear, they are conducted through intra-systemic channels, reducing the potential damage of their effects. This pacifying role of the state is understood as the contingent result of institutionalized compromises and it should therefore, not be confused with a functionalist understanding of this structural form. Far from being conceived as a monolithic entity, a state often acts in contradictory and inconsistent ways (Boyer, 2004:29). This happens because in spite of its apparent unity – a single institution with a centralized direction – its actions are the result of social conflicts that underlie the social formation as a whole.

The state form is defined as the often contradictory totality of a set of institutionalized compromises that, once settled, create semiautomatic rules and regularities in the expenditures, public revenues and the orientation of its regulations (cf. Boyer and Saillard, 2002:63; Boyer, 1990a:41). The state is strongly imbricated with the economic sphere, as is evidenced by its relation to the other three structural forms already discussed (Boyer, 2004:27–9). The creation of a central bank responds to the need to include an actor that is not driven by the logic of profit or private interests, but which safeguards the always unstable viability of a system of payments. The choice of monetary policies and exchange regimes are other ways in which the political sphere is linked to the monetary form. The competition form works as a mediation between the private and public spheres, with states seeking to enforce and apply rules and firms adapting their strategies of accumulation as a reaction. Most states intervene in the settlement of particular wage relations providing (directly or indirectly) social services, recognizing workers' demands for social rights and sanctioning them, among other

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<sup>6</sup> With Bruno Théret being one of the few exceptions. See, for example, Théret, 1995; 2002.

ways. Overall, the strong interdependence between the state and the other institutional forms is nothing but clear evidence for the close relationship between politics and the economy.

### ***3.3.5 Form of insertion into the international regime***

The fifth main element of the mode of regulation is the *form of insertion into the international regime*. This includes the set of rules that organize the relations between the nation state and the rest of the world, encompassing commodity exchanges and the localization of production, direct investment, the financing of external flows and balances, and even migration policies (cf. Boyer, 2004:30; Boyer and Saillard, 2002:62). In this respect, the variables to be taken into consideration are many and relate, among others, with the establishment of financial, monetary or trading agreements and the adjustment of exchange rates, international commercial policies or conditions for international investment. Note, however, that this structural form should not be confused with the notion of an international order, which can be understood as “a particular configuration of trade and capital flows reflecting a hierarchy of competitiveness, and function according to certain implicit or explicit rules” (Glyn et al, 1990:61). The form of insertion into the international regime has to do with the position that a social and political formation occupies within this international context and how they relate. There are multiple possible combinations for this relation and it cannot be simply reduced to the exertion of national sovereign powers or the imposition of international forces; they are the result of the interplay between these two tendencies. Both spheres, however, should not be understood as dichotomous and mutually exclusive: regulation strategies adopted at the internal level cannot ignore the external context, while changes and disruption in the local domain will affect the international one.

Overall, the French Regulation Approach has developed, and commonly works, with five structural forms: wage relation, money, competition, state and international insertion. However, given the sectorial dimension of my research, a sixth structural form will be introduced: the *representation of the product*. An in-depth discussion of the use of the Regulation Approach for the study of sectors and the resulting need to include a sixth structural form will be provided in Section 4 of this chapter.

### 3.4 Mode of development

As I have explained above, the mode of development is a set of structural or institutional forms that, when they are coherent and compatible, constitute a mode of regulation. However, for it to last and prove efficient, it needs to favor the specific configuration that social relations have assumed in a given society and time to produce and accumulate capital. When a regime of accumulation is successfully combined with a mode of regulation, there is a *mode of development* (Boyer and Saillard, 2002:64), and it is the analysis of its emergence, regularities and crises that constitutes the regulationists' main object of study (Boyer, 1990a:48).

The *Fordist mode of development* is probably the empirical finding for which the Regulation Approach is best known. After the Second World War, an intensive regime of accumulation came to be coupled by a monopoly mode of regulation, leading to sustained production and distribution of value until the 1970s. This mode of development was the regulationists' explanation for the exceptionally prolonged period of stability that is commonly known as the golden age of capitalism (Glyn et al, 1990). The generalization of mass production that boosted an intensive regime of accumulation generated unprecedented growth in labor productivity and capital accumulation. This increase in productivity had led to a massive growth of production some three decades before, but at that point, it could not be sustained because the level of consumption was not high enough. However, the monopoly mode of regulation ensured there was a parallel growth of real wages and productivity, allowing capitalists to maintain their profit rates but also increasing workers' consumption capacity. Thus, a massive growth of production could be counterbalanced by an increase in consumption, stabilizing the regime of accumulation. Collective and centralized bargaining procedures were used in (re)negotiating wages, with increases based on the evolution of prices and productivity. Prices, wage formation, productivity gains and profits became interrelated and critical factors in the stabilization of the Fordist mode of development. The role of the state is among the most salient characteristics of Fordism, as it played a leading role in the formation of macro- and micro-policies. The state acted through collective agreements, minimum wage legislation, transfer payments, expansion of the public sector, provision of credit and fiscal policy. With these different elements, the state was key in guaranteeing the linkage between wages and productivity gains, which offered investors the potential for increases in consumption and diminished their perception of risks. Fordism is understood as a national mode of development. It took place in the leading

capitalist societies internationally, but the critical role that domestic markets played in the creation of growth placed international trade in a marginal position. The global order, organized under the United States' hegemony, provided a coherent institutional framework for international trade, finance and payments. Though international trade grew continuously during this period, it could never offset the dominant position of internal markets over growth and demand, making the nation state the main scale where regulation operated (cf. Boyer, 2004:57–63; Glyn et al, 1990; Lipietz, 1987b:29–46).

### 3.5 Crises

However, following the basic regulationist assumptions, this stability has to be understood as always transitory and subject to different threats. Most authors working within the Regulation Approach thereby work with two different concepts of crisis.<sup>7</sup> Cyclical or minor crises (Boyer and Saillard, 2002:65) are those that introduce temporary problems in the production and accumulation of surplus value but can be reabsorbed by the current mode of regulation. Since their resolution does not demand the transformation of the established set of structural forms, they can be classified as *crises in regulation* (Lipietz, 1987b:34). Structural or major crises (Boyer and Saillard, 2002:65; Lipietz, 1987b:34), on the other hand, appear when the mode of regulation and the regime of accumulation are no longer compatible and enter into conflict. These crises, which can be described as *crises of regulation*, may occur when the given mode of regulation exhausts the potential of a still viable regime of accumulation or when the emergence of a new regime of accumulation is being obstructed by an outdated mode of regulation. This type of crisis puts a mode of development under risk. Since crises depend on the specific configurations that modes of regulation and regimes of accumulation assume – and the articulation among both – at a given time in history, it can be said that there are no single and universal explanations of crises; each social formation will therefore have the crisis that corresponds to its structure (Boyer, 2004:38,39; Coriat, 1994:122).

## 4. The Regulation Approach and the study of sectors

As will be clear by now, the main concepts developed by the Regulation Approach belong to a macroeconomic perspective of analysis. However, in this dissertation,

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<sup>7</sup> Though, it should be highlighted, in their attempt to systematize the body of regulationist concepts, Boyer and Saillard (2002) analytically differentiate five types of crises.

I am applying them to the analysis of one particular sector: the Argentinean wine industry (Fair Trade and conventional). It is necessary, therefore, to discuss and justify how such a perspective can be adapted to provide an adequate framework for the analysis of the (agricultural) sectorial level.

The challenge posed is not a new one, since this issue has already received attention, with some of the main conclusions having been collected in “La grande transformation de l’agriculture” (Allaire and Boyer, 1994). However, only a few years earlier, it was Pierre Bartoli and Daniel Boulet (1990) who discussed the conditions for regulation in the agro-food sector and offered the first valuable contribution toward the establishment of sectors as scales of regulation. They did so by attempting to find a middle way between what they described as the two main risks of adapting concepts that were originally developed for the macroeconomic level to a sectorial scale. On the one hand, there is the possibility of a mechanical transposition from one level to the other. Such a perspective would identify a global<sup>8</sup> mode of regulation that is imposed on different sectors, simply reproducing the overall pattern without expressing any specificity. On the other hand, they identified the opposite danger, that of describing sectors as the primary level of regulation, assuming that regimes of accumulation and structural forms are originated and find their coherence there. Such a view cannot take into account the interdependence and domination exercised by the more general levels of capital accumulation or social reproduction (Bartoli and Boulet, 1990:18). Instead, they proposed beginning with the hypothesis of the existence of a specific sectorial level of regulation, but leaving the empirical case-by-case analysis to determine its nature and significance.

If this enterprise was to be successful, their use of the main regulationist categories had to be done through a process of adaptation because “at least in their initial formulation, the approaches in terms of regulation cannot be mechanically applied to the sectorial level” (Ibid:11). To deal with this shortcoming of the original perspective, they proposed working with the sector-adjusted equivalents of the central regulationist concepts: “functioning economic regimes” (*régimes économiques de fonctionnement*), understood as the “the group of economic mechanisms that ensure the reproduction of a sphere of activity during a period of time”, are the equivalent of regimes of accumulation; and “institutional arrangements” (*dispositifs institutionnels*), which are defined as the “group of

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<sup>8</sup> In the regulationist literature, the term “global” is usually used to differentiate the macroeconomic from the sectorial level. Within this context, it should not be confused with world or transnational levels.

institutions that produce norms, processes, interventions that frame and orient those [functioning] economic regimes”, replace the institutional or structural forms. Lastly, the way in which both elements are combined is presented as the “mode of sectorial regulation” (mode de régulation sectoriel).

In a similar fashion, Robert Boyer (1990b) described four different ways in which (agricultural) sectorial modes of regulation have been understood. First, many scholars have simply projected the global level into the sectorial one. This means that the changes in agriculture during the 1960s would have been a result of the adoption of the logic and structural forms characteristic of the Fordist mode of development, thus evidencing a homology between the sectorial and global levels. Second, some researchers have acknowledged the specificities of the agricultural sector, but have explained them from a functionalist point of view, in terms of a necessity imposed by the global level of accumulation and regulation. Third, the path opened by Bartoli and Boulet led to the assumption of the existence of specific institutional regimes within sectors, which enjoyed relative autonomy from the overall regime of accumulation. While Boyer criticizes the first two approaches for being unable to acknowledge any sectorial specificity (the first describing the sector’s structure as a reflection of the global mode of development; the second explaining the sector’s specificities in terms of the functional requirements of the mode of development), he considers that the third overestimates the autonomy of the sector and its originality. Alternatively, Boyer proposes a fourth approach, which he describes as “synthetic”. This perspective sees the sectorial mode of regulation as the result of the combination of sector-specific institutional arrangements and their articulation with the global mode of regulation. This possibility is expected to solve the tension between the global/sectorial divide by recognizing agriculture as a *specific* but not autonomous sector.

It is within this synthetic approach that Boyer frames the regulationist contribution in “La grande transformation”. This is exemplified by the way in which Lacroix et al (1994) postulate the inadequacy of the “wage relation” form for the agricultural domain and propose to replace it by the “social work relation”, which grasps more accurately the labor/capital relation in the sector. It can also be appreciated in Jean Marc Touzard’s (1994) proposal of overcoming the state as the dominant scale of analysis in the regulationist literature by focusing instead on sectors, regions and their articulation.



Even if there are some very interesting discussions in this realm in “La grande transformation”, it seems as if the regulationist debate on the agricultural sector was then abandoned. This is evidenced by the lack of major publications within this field since. The possible exception is “Secteurs et territoires dans les régulations émergents” (Laurent and du Tertre, 2008), a collective work focusing on the processes of re-sectorialization and re-territorialization of regimes of accumulation and modes of regulation – which, however, devotes only one chapter to the agricultural sector. It is against this contemporary background that I would like to inscribe this dissertation within Touzard’s recent call for a reinvestment of the Regulation Approach in the agricultural sector, which should be particularly welcomed within a context of “renewal of political debates on the agro-food sector, the diversity of its models and trajectories, the questions on the evolution of this sector’s specificities and its crises” (Touzard, 2009:1930).

This thesis seeks to make a contribution to what Boyer describes as synthetic approaches. The particular way in which I propose to adapt the Regulation Approach to the sectorial level is connected with the specific goal of my research and, therefore, is not presented as *the* solution to the debate, but *a* solution that contributes to my methodological strategy. Therefore, while it builds on some ideas and proposals presented by previous publications, it does so in a selective manner, adopting only those elements that will allow me to grasp better the specificities of the Argentinean wine sector that are relevant for the assessment of Fair Trade.

In this sense, unlike most scholars, I have decided to keep the original regulationist concepts instead of providing sectorial-adjusted versions. My approach to the sectorial level is not framed by an attempt to prove or refute its existence as a relevant mode of regulation or regime of accumulation. Instead, I use the notion of a mode of regulation, for example, as a heuristic tool, as a particular entry point to the reality I want to study. The concept of a mode of regulation, and the closely related five structural forms, provide important criteria for describing how the conventional wine industry in Argentina is regulated and what alternatives Fair Trade actually presents.

Since I am not focusing on the macroeconomic level but on a sector, I clearly need to adapt my understanding of a mode of regulation to that level. However, by doing so, I do not attempt to prove the existence of a coherent sectorial mode of regulation, specific and different from other sectors and with a distinctive autonomy from the global level. Instead, I understand a sectorial mode of

regulation as a meeting point between those features defined at the global level of regulation and others that are determined within the particular industry. Following Boyer, it will be seen as a *specific* form within the overall mode of regulation. This same understanding of the relationship between the global and the sectorial underlies my understanding of regimes of accumulation and structural or institutional forms at the sectorial level.

Bartoli and Boulet (1990:11) emphatically rejected the possibility of resorting to the traditional structural or institutional forms when analyzing a sector: “The notion of institutional form (...) is even less reducible to a sectorial level.” They gave the examples of the money form, which is regulated by the monetary authorities, and the state and wage relation forms, which respond to the global mode of regulation. Bartoli and Boulet’s reason for discarding the original conceptualization of the structural forms is based on their understanding of a sectorial mode of regulation: “One should account for the eventual relative autonomization of a specific sectorial level of regulation, and, therefore, analyze what, within the social formation, explains this autonomization.” According to their view, a sectorial mode of regulation can be considered as such only when it has achieved a relevant level of autonomy from the global mode of regulation. That is why many institutional forms – which according to Bartoli and Boulet are determined by the global level – are not relevant in a sectorial analysis.

However, while it is true that sectorial forces might not directly determine most structural forms, it cannot be denied that the particular institutionalization that the former require – combined with sectorial specific practices and tendencies – will have an impact on the latter, deeming them important for analysis. Thus, while structural forms might be highly dependent on the global mode of regulation, their implementation in concrete sectors will always offer certain margins for specificity and for adaptability. The empirical analysis will probably show that one structural form is more heavily shaped by the global level of regulation while another one responds to a greater extent to the sectorial level. Nevertheless, it will not be relevant for my analysis to find structural forms that have been determined mainly by sectorial forces, but, instead, to describe the effective characteristics that a mode of regulation acquires as a result of the interplay between sectorial and global regulatory forces. Furthermore, given that the main goal of this research is to assess Fair Trade’s capacity to structure alternative socioeconomic relations, my interest will be in describing the specificities of structural forms in the wine sector as they occur in practice – making irrelevant the global or sectorial origins of these features – to compare them with those displayed by Fair Trade.

While I have decided to preserve, and work with, the original five structural forms, I also consider it relevant to include a sixth that becomes of fundamental importance when applying a regulationist perspective to the study of a sector: the *representation of the product*. While there has not been much theoretical elaboration of this concept, different authors have highlighted its relevance, precisely because it is around a certain product that sectors are built. Touzard, for example, highlights the representation of the product(s) as one of the most relevant dimensions to be discerned within the “group of rules, norms and routines, more or less homogeneous, interiorized by the agents and that condition their economic choices” (Touzard, 1994:298) when studying the features that characterize a particular sector.

A sector is structured around a particular (or a group of) product(s). Therefore, important structural characteristics – and their changes – within a sector are closely related to the way in which the product at its heart is defined. Bartoli and Boulet acknowledge this: “The notion of sectorial regulation refers here to the sphere of activity in question. The sector (...) corresponds to the sphere of activities of production, transformation and distribution of the product in question” (Bartoli and Boulet, 1990:19). And while they do not go into more depth conceptually, they use the notion of “system of representation” to explain the different definitions that wine, the product they examined in their thesis, has received throughout history, and how those changes in the representation of the product have been accompanied by changes in sectorial accumulation and regulation.

In his discussion of Bartoli and Boulet’s doctoral thesis, Boyer highlights the relevance of the “social construction of use values”, which confers a “social and symbolic stratification to the product” (Boyer, 1990b:54) that is the determinant in the perception of the product and the definition of its social destination. Following Bartoli and Boulet, Boyer explains how the emergence of two different ways of representing wine and its consumers in France led to the development of two wine sectors with contrasting logics.

Therefore, it can be said that the representation of a particular product is a key feature in drawing the limits of a particular sector and, more importantly, in understanding the particular way in which the social relations of production, circulation and consumption are articulated in specific ways. This is not to say, in an idealist fashion, that the conception of the product will determine the material production within the sector. Instead, it attempts to highlight how different

material forces within the field need to engage in the struggle for a particular definition of the product to guide the sectorial regime of accumulation and mode of regulation in a direction favorable to their interests. Consequently, “sectorialization” is not objectively given by the existence of a functional division of the economy around a diversity of products, but emerges as the crystallization of the temporary balance of forces among the players in the sphere of activity:

Sectors, actually, do not only result from a functional partition of the national economy according to the final products. They can also represent domains of economic interests’ structuration, places for the formation of professional representation, fields of action for public policies, policies that can find the specific conditions of expression in this or that sector, or that can also proceed from sectorial situations and objectives. (Bartoli and Boulet, 1990:12)

The analysis of the representation of the product is of fundamental importance in understanding how production, exchanges and consumption are shaped within a sectorial regime of accumulation and how the main structural forms are articulated under its respective mode of regulation. Therefore, it will be considered in my analytical framework as a sixth structural form, together with the already mentioned wage relation, competition, money, state and international insertion forms.

## 5. Main shortcomings of the Regulation Approach

I have presented so far the main theoretical concepts, and their underlying assumptions, that I will use in my analysis of Fair Trade as it relates to Argentinean Fair Trade wine consumed in the United Kingdom. The concepts of regime of accumulation, mode of regulation, mode of development as well as the different structural or institutional forms appear as excellent tools for studying Fair Trade from a holistic perspective, unlike most of the literature on the topic that examines only one phase (i.e. production, circulation or consumption) of the whole economic cycle.

Nevertheless, it is important to highlight that the regulationist perspective presented up to now has some major weaknesses that need to be overcome to understand Fair Trade in its whole complexity. First, the French Regulation Approach tends to economism. While it is true that one of its major virtues has been that of highlighting the social nature of economic relations and phenomena, most regulationist work has failed to take into account the cultural, political and

ideological elements that interact with – and in many cases make possible – the economic ones. Second, it is possible to identify a tendency to structural determinism. Of course, most leading regulationist authors would argue that economic structures are shaped through class struggle and it is this phenomenon that ultimately gives form to regimes of accumulation and modes of regulation. The potentiality for explaining agency is thus there, but it has to be admitted that a) in their empirical work, the regulationists have not been primarily concerned with the actual political moment of agency and b) they have not developed theoretical or methodological insights to analyze it. Third, the Regulation Approach does not provide a scale of analysis that could be of use in understanding Fair Trade. Their initial concern with Fordism led them to focus mainly on the national level, as has been explained. Later regulationist work (for some examples, see Boyer and Saillard, 2002) has tried to conceptualize international regimes and local or sectorial regulation. However, the nature of Fair Trade cannot be understood within the national/international dichotomy that still underlies the Regulation Approach and which therefore rejects the scales of analysis that have been proposed so far. The challenge, then, is to build on a critical engagement with the French Regulation Approach, providing concepts and categories that would integrate political, cultural and ideological elements with the economic domain, offer a deeper understanding of the role of agency and its interaction with structures and, finally, provide a scale of analysis that transcends the national/international dichotomy. The second half of this chapter is devoted to the advancement of the French Regulation Approach through its complementation with the Amsterdam Project in International Political Economy.

## 6. The Amsterdam Project in International Political Economy

To overcome the economistic and structuralist tendencies of the Regulation Approach, I propose to develop this conceptual framework further along a path similar to what Antonio Gramsci proposed as an alternative to orthodox Marxism. This section begins with Gramsci's discussion of the relation between structure and superstructure, which provides a frame for the integration of cultural and political elements with economic analysis. The remainder of the section, however, continues with a neo-Gramscian perspective that has sought to adapt the Italian's main conceptual developments to contemporary transnational capitalism.

Crucial for my attempt to transcend the Regulation Approach's tendency to economism is Gramsci's notion of a *historical bloc* "in which in fact the material forces are the content and ideologies are the form. This distinction between form and content is just heuristic because material forces would be historically inconceivable without form and ideologies would be individual fantasies without material forces" (Gramsci, 2011c:172). With the introduction of the concept of historical bloc, Gramsci attempts to overcome simplified readings of the relationship between structure and superstructure, by emphasizing their interconnectedness and complex co-determination. In a draft note in his *Prison Notebooks*, he writes that an analogy with the relationship between skin and skeleton in the human body could contribute to the popularization of this conception:

It would be silly to say that a person stands erect on his skin rather than his skeleton, and yet this does not mean that the skin is merely an appearance and an illusion – so much so that the condition of a flayed person is not very pleasant. Similarly, it would be silly to say that the color of the cheeks causes good health rather than the other way around, etc. (...) One does not fall in love with a woman because of the shape of her skeleton, and yet that shape, too, is an element of sexual attraction since it contributes to the general harmony of external shapes and even to the disposition of the skin. (Gramsci, 2011b:157,158)

Applied to my topic of research, this means that the analysis of the Fair Trade mode of regulation and its material effects (content) would only be partial and incomplete if it were not complemented by the examination of those cultural, political and ideological elements that constitute it. Social reality can only be understood "in blocco" (Ibid:538), that is, as the outcome of a "necessary and vital connection between structure and superstructure" (Ibid:157). That is why the first part of my analysis, which focuses on the concrete ways in which Fair Trade structures socioeconomic relations and the specific consequences of these configurations, will then be followed by a second part that examines Fair Trade's dominant ideology and its associated politics.

In a note entitled "philosophy-politics-economics", Gramsci wrote:

If these are constitutive elements of a single conception of the world, there must necessarily be, in the theoretical principles, convertibility from one to the others, a reciprocal translation into the specific language of each constitutive part: each element is implicit in the others and all of them together form a homogeneous circle (...) For the historian of culture and of ideas, this proposition leads to some very important principles of research and criticism. (Gramsci, 2011a:196)

Following Gramsci, we can affirm that any conception of the world is composed of philosophical, political and economic elements that constitute a whole. While each dimension is, of course, irreducible to the others, the possibility of finding equivalent formulations in each of the elements, of discovering analogous ways of reasoning across this diversity of fields, makes it possible to develop a wider “Weltanschauung” (Gramsci, 2014:881) that at the same time comprehends and transcends particular philosophic, political and economic elements. What this triad also reaffirms is the constitutive interconnectedness of philosophical and political elements (superstructure) with economic ones (structure), as the concept of a historical bloc shows. As a consequence, any conception of the world cannot be considered as a “free-floating” element within the social formation but, instead, can only be understood in connection with the structure it organically belongs to.

The remainder of this section presents the theoretical perspective developed by the Amsterdam Project, which is inspired by Gramsci’s work and his understanding of the relationship between structure and superstructure. While building in the most relevant Gramscian concepts and assumptions, the Amsterdam Project has attempted to adapt them to today’s transnational capitalism, making this approach more suitable for the analysis of my object of study.

What Jessop and Sum (2006) classified as the “Amsterdam School” refers to a group of scholars who have come together to develop a perspective that could be described as “neo-Gramscian transnationalism” or “transnational historical materialism”. Bastiaan van Apeldoorn stated that: “Far from constituting a separate school – and certainly not aspiring to become one – this project must instead be seen as reflecting one particular contribution of what was originally a single group of researchers from the University of Amsterdam to what has since become a much broader perspective” (van Apeldoorn, 2004b:110). Thereby, I will not use the term school, but the Amsterdam Project in International Political Economy, as it was called in the seventh issue of the *Journal of International Relations and Development* (2004), a special edition whose guest editor was van Apeldoorn.

The initial landmark of the Amsterdam Project was Kees van der Pijl’s *The Making of an Atlantic Ruling Class* ([1984]2012), a volume that sought to explain the transnational nature of capitalist regularization and the importance that ideological elements play along with economic ones in the constitution of social classes as actors and the specific articulation that capitalist social formations assume. Van der Pijl was soon joined by a group of scholars working in

Amsterdam, who progressively developed a perspective that, working within the Marxist tradition, seeks to overcome its main shortcomings: “Such an integrated approach offers us an insight in how the structure/agency and economics/politics dichotomies can be overruled, and how we can transcend the so-called level of analysis problem as well as the question of external versus internal determination” (Holman, 1996:20). In doing this, they critically engaged with the French Regulation Approach. The Amsterdam Project shares their interest in understanding the processes through which capital accumulation is normalized and regulated and thereby builds on the main concerns of the regulationists. Nevertheless, they highlight three main problems that the regulationists have not been able to overcome in their appropriation of Marx. First, the Amsterdam Project criticizes the relative neglect of agency and the dominant role that structures play in regulationist accounts (Overbeek, 2004:123). Second, the Regulation Approach is seen as excessively economic, ignoring the fundamental role that consciousness, ideology and culture play in the regulation and transformation of social formations (Ibid:115). Third, the Amsterdam Project rejects the regulationist understanding of nation states as self-contained entities and the natural scale of analysis for regimes of accumulation and modes of regulation (Holman, 1996:11–13; Overbeek, 2004:115,123). These three main difficulties are to be tackled by returning to the main concepts that Gramsci developed in his reformulation of historical materialism and the adaptation that Robert Cox made of the Italian’s work in the field of international relations.

Though the Amsterdam Project rejects Jessop’s labeling of a “regulation school” (or any kind of school, in general), they acknowledge the fundamental importance that a critical dialogue with the Regulation Approach had in its development (Overbeek, 2004:122), and that is how I propose to read it, as a specific way of advancing the regulationist perspective. Van der Pijl was explicit about this by recognizing, for example, that their approach aims to “overcome the lack of elaboration of the political sphere as a terrain of struggle by the French regulation school, and its relative neglect of the transnational/international dimensions of political economy” (van der Pijl, 2004:182) or the way in which the Amsterdam notion of “concepts of control” adds “the dimension of (international) politics and (transnational) class struggle to what Aglietta and others call ‘mode of regulation’” (van der Pijl, 2005:51).

In what follows, I present the way in which the Amsterdam Project has proposed to overcome the three main problems of the Regulation Approach: first, by theorizing class (formation) and its relevance in the institutionalization of



capitalist societies; second, by showing the importance of categories such as concepts of control or struggles for hegemony for taking into account the fundamental role played by ideological and cultural elements; and, third, by developing the notion of “the transnational” and explaining how social, political and economic processes take place at that “scale”. The final section of this chapter discusses some ways in which the original Amsterdam perspective needs to be adapted to be applied more fruitfully to the study of Fair Trade.

### **6.1 Class formation and the issue of agency**

One of the main theoretical premises underlying the Amsterdam Project is that capitalist societies are class societies in which the capitalist class is the ruling class (van Apeldoorn, 2004a:154). This assumption shares the Regulation Approach’s concern with the foundational role of social relations and sees the origin of classes in the structure of the social relations of production, where social groups occupy different positions in the process of production, reproduction and distribution of wealth. The most simple class division that can be observed is the relation between those who control and supervise the process of production (the capitalist class) and those who execute the productive tasks (the working class) (van Apeldoorn, 2002:3). As I will explain below, the Amsterdam Project highlights the politically constructed nature of class as a social subject; however, this process, though not determined, is shaped by material reality (understood as the unequal access to and control over material resources), which characterizes the capitalist mode of production. Hence, a first necessary and fundamental aspect in the study of social classes is the recognition of the objective relations of production that lay the ground for its social constitution.

Capitalist social relations, stipulating an unequal control over the means of production, are relations of domination characterized by the uneven distribution of material capabilities. This hierarchical distribution of social groups along different positions in the capitalist mode of production determines their structural conditions of action. Those with no access to or control over the means of production will have smaller margins for maneuvering in the exercise of their agency. Power relations are settled, with those under less structural restrictions establishing relations of domination over those whose possibilities of action are much more constrained. The capitalist class owns the means of production and thereby, based on a much bigger market power, exercises a structural domination that is used in its advantage in the material struggle between wage and profit. The asymmetry that characterizes capitalist social relations can therefore be explained in terms of its underlying class structure (Ibid:21).

The interest in understanding how this domination is imposed has led to the study of how the capitalist class achieves hegemony and exercises power over society as a whole. This requires going beyond the basic class division I have just described between capitalists and workers since, as Kees van der Pijl puts it: “Class strategies on the part of the bourgeoisie are determined, first, by the relation to the working class in the labor process, and secondly, by the functional positions in the process of circulation of capital” (van der Pijl, 2012:31). The capitalist class can, initially, be understood in opposition to the working class. It is within this frame that the capitalist class can appear as homogeneous and unitary. However, remaining at this level hides the complex arrangements among different capitalist groups that have been necessary for overcoming their conflicts and acting as the same social class.

The Amsterdam Project goes back to Marx’s second volume of *Capital* (Overbeek, 2004:118; van der Pijl, 2012:4, 2009:247,248), and uses his conceptualization of the different functional forms that capital assumes (namely, *commodity capital*, *money capital* and *productive capital*) to show how capitalists in different stages of the reproductive circuit of capital express particular interests according to the specific needs and requirements imposed by the way in which accumulation takes place in each case. Fractions of capital are consequently understood as “units other than individual capitals related to particular functions in the reproduction of capital” (van der Pijl, 2012:4). This functional division of capital is used by the Amsterdam Project to explain the tensions within the capitalist class through the concept of class fractions: “groups unified around a common economic and social function in the process of capital accumulation and sharing particular ideological propensities organically related to those functions” (van der Pijl, quoted in van Apeldoorn, 2002:27). Individual capitalists come together and join forces to defend their interests as fractions of the capitalist class, separately from and opposing others according to the function in the capital circuit that they deal with (van der Pijl, 2012:xv, 2004:183). The bourgeoisie, which when opposed to the working class appears so often as a homogeneous and compact class, has, actually, conflicting interests and structural cleavages. As van Apeldoorn puts it: “Conflict within the capitalist class is endemic inasmuch as competition is an essential principle of capitalist accumulation” (van Apeldoorn, 2004a:154).

The Amsterdam Project has identified two ideal and typical forms that fractions of capital assume (Overbeek, 1986:16). On the one hand, money capital represents “capital in its most general and abstract form, as it embodies the total process of

capital accumulation” (van Apeldoorn, 2002:28). In the money form, capital becomes disembedded from the production process and its technical and social requirements. Money capital appears as free floating, independent from spatial fixes and the social relations that gave origin to the value it represents. That is why financial capitalists’ ideology can be identified with Polanyi’s principle of economic liberalism (Ibid), free circulation and deregulation. On the other hand, productive capital is more directly tied to the actual process of production and the social forces that put it into motion. Industrial capitalists depend on labor, its performance, submission to discipline and reproduction; that is why they are more oriented toward the principle of social protection (Ibid). Since they are dependent on the working class to create and accumulate value, industrial capitalists will seek to “neutralise the conflict of interest between the classes on the one hand, and (...) emphasise the harmony of interests (e.g. in continued accumulation and growth) on the other” (Overbeek, 1986:17).

Though class fractions are divided as a consequence of the functional nature of the capital they operate with, their common position in the mode of production (especially vis-à-vis the working class) may become a fertile ground for class formation. “May become”, I say, because there is no historical necessity involved. A shared position in the mode of production does not guarantee the emergence of class as a social actor. The institution of a social class as a political subjectivity is the outcome of the construction of common interests and collective identities (most probably) by those who occupy similar positions in the socioeconomic structure (van Apeldoorn, 2002:3,23). Class formation, then, finds its basis in the economic structure but transcends it; it is a specifically political process that institutes class as a social actor. It is in this sense that the connection of class to both structure and agency can be understood: “It refers on the one hand to the specific distribution of the conditions of action inherent in capitalist production relations and to the social positions emanating from that distribution, and on the other hand, to the agency constituted by those underlying socio-economic structure, or to the practices of the persons occupying the social positions related to those structures” (Ibid:22). Class is therefore understood as a “position-practice system” (cf. Bhaskar, 1979), where position and practices are mutually constitutive. In this same line, van der Pijl (2005:31) stated that “by embodying the structural inequalities of the social order, classes constitute the living reality of this structure”, and it is from this point of departure that social classes, as political subjects, unevenly contribute to the reproduction or transformation of capitalist social relations.

Class agency is described by van Apeldoorn (2002:3) as a higher form of political agency that is directed at the constitution of a general capital interest. It goes beyond the day-to-day lobbying and sectorial representation activities, defining a comprehensive view of the main interests of the capitalist class and how they can be best secured. The formation of the capitalist class requires a compromise solution for the divergent interests defended by the different class fractions. While the formation of class fractions might appear as a simpler enterprise due to shared functional roles, overcoming the often contradictory projects pursued by capitalist fractions will not prove to be simple. Of course, there is a common ground that brings them together and facilitates class formation, as their shared interest in “allowing the basic social conditions of the mode of production to be preserved and, if possible reinforced” (van der Pijl, 2012:7) is undeniable. Still, though their situation with respect to the means of production lays the ground for unification, their respective fractions of capital incite divergence. The positions around which the different fractions will come together will be the contingent result of the balance of forces among groups and their capacity to generalize their specific interest, that is, to present their particular project as the project of the capitalist class as a whole (van der Pijl, 2012). Van Apeldoorn offers a succinct and precise formulation of class formation as:

a political process in which capitalists transcend the logic of market competition and reach a temporary unity of strategic orientation and purpose, enabling them to articulate (vis-à-vis other social classes or groups, as well as vis-à-vis the state) a “general capitalist interest”. Any formulation of the general capitalist interest is (...) always formulated from the perspective of what is only a section or “fraction” of total capital, a fraction that has temporarily achieved a leading position within the capitalist class. (Van Apeldoorn, 2004a:155)

This is a continuous process that can be temporarily stabilized but is never definitely settled. Changes in the relative importance of capital fractions, in the overall balance of class power or the need to re-articulate the hegemonic construction that had cemented a social bloc, are all among other causes triggering the actualization of class formation.

## **6.2 Comprehensive concepts of control**

Fractions of capital set the material basis around which class fractions are formed and a common position within the relations of production offers a common interest to ground their articulation into a single class actor. However, as I have already explained, shared structural positions and material conditions do not necessarily translate into class agency. For a class to acquire subjectivity, it is

necessary for its members to build a common project and this can only happen through political intervention. It is thus necessary to acknowledge the role that intersubjective and discursive dimensions play in the process of class formation (van Apeldoorn, 2004a:155). Individual capitalists – or class fractions – need to be able to imagine themselves as part of a wider community, as a group where the general interest transcends the fractional ones, and the possibility of constituting a single class actor appears as a logic consequence. The common structural position needs to be made visible in discourse and objective material conditions have to be complemented by conscious ideological constructions if class subjectivity is to be established. To explain the process through which class fractions merge into a class actor, through which special interests are arbitrated and synthesized (van der Pijl, 2012:7), the Amsterdam Project has developed the term of *comprehensive concepts of control*.

This theoretical category, at the heart of this stream, has been developed by many different authors, but at this point I will present the definition provided by Otto Holman according to which “concepts of control are long-term strategies, formulated in general terms and dealing in an integrated way with such areas as labor relations, socio-economic policies, and the international socio-economic and political order. These concepts serve to organize and safeguard specific interests related to specific social groups or classes” (Holman, 1996:20). Comprehensive concepts of control can be understood as frameworks of thought and practice (van Apeldoorn, 2004a:155) that lead to particular ways of interpreting reality and consequently, acting. They combine reflexive interpretations of capitalist development with answers to questions such as the best way to deal with social contradictions, producing and accumulating value, and regulating the relationship between the economic and political spheres. Comprehensive concepts of control are better understood as the conditions of possibility for specific actions and policies than those policies per se, as they appear “always implicit rather than explicit, a framework for thinking rather than a positive programme. It is what Pierre Bourdieu calls ‘a field of the politically thinkable’, a ‘legitimate problematic’” (van der Pijl, 2004:183).

In the process of class formation, comprehensive concepts of control originate in the specific class fractions around which individual capitalists have clustered, using them as rallying points to unify and represent their interest. It is those same class fractions that put them forward and try to advance them as the concept of control to be defended by the capitalist class as a whole. Therefore, class formation makes different concepts of control compete. The result will not only

depend on the relative strengths of the different class fractions in the competition, but also on the capacity of a particular group to present its own interest as the interest of the class as a whole. Though concepts of control have fractional and interest-specific origins, they need to offer concrete material and symbolic compensations to the other groups by providing integrated political programs that combine “momentarily feasible and desired – if hardly ever mutually compatible – strategies of labor relations, competition, and domestic and international politics” (van der Pijl, 2012:7) that offer the potential to be generalized as the project of a single capitalist class, able to transcend its constitutive particularisms.

While a comprehensive concept of control is firstly aimed at unifying the different views, identities and interests within a class, its ultimate goal is to spill over to the other social groups, gaining support and legitimacy as the representative of not just a social class, but the society’s general interest (van Apeldoorn, 2002:30). A comprehensive concept of control is not only fundamental in constituting a social class as an actor, but also in providing ideological and political legitimacy to the domination of a social class. In this sense, it works as a multi-layered process:

A concept of control hence captures: the connection between the process of fractional and class realignment, highlighting the pivot around which it revolves in terms of fractions of capital (...) and the process of bringing on board other interests as the original vanguard strives for comprehensiveness, synthesizing or compromising with, and ultimately crowding out, other concepts. (van der Pijl, 2009:251)

To understand better the process through which class fractions become unified as a class around a comprehensive concept of control and seek to make it the dominant framework for interpreting and acting on reality, the Amsterdam Project returns to the Gramscian concept of *hegemony*. This is understood as “a form of moral leadership or rule based on consent rather than on (mere) coercion, although the latter is always in the background. As such it refers to an institutionalisation of a set of ideas and practices (...) constituting a structure of domination” (van Apeldoorn, 2002:20). Different class fractions come together to form a *historical bloc*,<sup>9</sup> that is, the concrete configuration of social forces connected by mutual interests and ideological perspectives that defend a shared project and seek to make their comprehensive concept of control hegemonic (cf. van Apeldoorn, 2002:20; Holman, 1996:22,23). In the struggle for hegemony, a historical bloc

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<sup>9</sup> It is important to highlight that in the *Prison Notebooks*, Gramsci uses the term “historical bloc” in at least two alternative ways. Firstly, as presented in the introduction to this chapter, a historical bloc represents the dialectical union between structure and superstructure. Secondly, as described in this paragraph, a historical bloc represents the alliance of different class fractions under the leadership of a hegemonic group.

with its comprehensive concept of control does not necessarily need to impose its own vision of the world on the totality. Instead, its main challenge is to find a way of articulating particular concepts of control in such a way that their potential antagonism becomes neutralized (Holman, 1996:20). In this process, dominant class fractions need to present their own interest as the general interest. However, this is not just a rhetorical practice. Actual compromises with other groups need to be achieved in such a way that some of their interests become part of the hegemonic project but without hurting the hardcore interests defended by the leading class fraction: “By building hegemonic coalitions, incorporating or otherwise neutralizing countervailing forces, the aspect of generality is temporarily secured without ever truly transcending the particularity that is inherent in the concept of class itself” (van der Pijl, 2012:xv). However, even the most powerful groups at the heart of a historical bloc have to pay a price for successfully presenting their individual interest as the general one. No longer can they pursue their interest openly and directly, since they now have become the leading force of a wider alliance that is composed of a growing number of class fractions and social segments (van der Pijl, 2004:184).

A concept of control, therefore, represents a bid for hegemony: “a project for the conduct of public affairs and social control that aspires to be a legitimate approximation of the general interest in the eyes of the ruling class and, at the same time, the majority of the population, for at least a specific period” (van der Pijl, 2012:7). This last clarification highlights the contingent and transitory nature of any hegemonic concept of control and historical bloc. These phenomena should not be understood “conspiratorially”, as if they were imposed by the will of a social group. They are actually the unpredictable outcome (though within given conditions) of struggles among classes and among class fractions: a hegemonic concept of control “is shaped, and continuously reshaped, in the process of struggle, compromise and re-adjustment” (Overbeek, 2004:115)

The inherently conflictive dynamics that emerges as different social groups attempt to impose their own concept of control as hegemonic can be better understood through the concept of *war of position*. Gramsci, by analogy to military strategy, contrasts the concepts of war of maneuver and war of position. The war of maneuver, which Gramsci sometimes describes as the strategy of “frontal attack”, is directed against “political society”, that is, against the formal state institutions. Its final goal is to overthrow the leading classes that manage the state and replace them by the subaltern ones. According to Gramsci, the last successful example of such a strategy was the Russian revolution of 1917.

However, when trying to analyze the conditions for a revolutionary transformation in Italy – or Western Europe, more generally – he is skeptical about the potential of such a strategy:

In my view, Ilyich [Lenin] understood the need for a shift from the war of maneuver that had been applied victoriously in the East in 1917, to a war of position, which was the only viable possibility in the West (...) In the East, the state was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between state and civil society, and when the state tottered, a sturdy structure of civil society was immediately revealed. The state was just a forward trench; behind it stood a succession of sturdy fortresses and emplacements. (Gramsci, 2011c:168,169)

Lurking behind this distinction between the war of maneuver and the war of position we find Gramsci's concept of *integral state*, which he defines as: "political society + civil society" (Gramsci, 2014:763) or "dictatorship + hegemony" (Ibid:810). This notion seeks to expand and transcend a restricted understanding of the state as the sum of political institutions endowed with the power to coerce, by making civil society not its opposite (i.e. the realm of the private, everything that is non-state), but a constitutive dimension that forms the arena where the struggle for granting legitimacy to state power takes place. In this sense, state power (class rule) is only possible because it is perceived as legitimate by those over which this power is exercised, and this legitimacy is debated, contested and constructed by and across the multiple institutions that are part of civil society. Gramsci defines those institutions and organizations from civil society (including, for example, schools, religious entities, the press, private firms, political parties, museums and clubs) as the particular trenches where the struggle for hegemony (i.e., for imposing a particular concept of control that would justify political praxis) is to be fought: "The massive structures of the modern democracies, both as State organisations, and as complexes of associations in civil society, constitute for the art of politics as it were the 'trenches' and the permanent fortifications of the front in the war of position: they render merely 'partial' the element of movement which before used to be 'the whole' of war" (Gramsci, 1992:243).

Highlighting the conflictive and polemic nature of comprehensive concepts of control shows the inherent interrelation between the political and economic dimensions of class domination and struggle. It does so by linking the structural conditions, the places certain groups occupy in the mode of production, and the objective material interests that are derived from them, with the ideological and political strategies through which these groups come together and constitute class



fractions, social classes and historical blocs. This concept works also as a bridge between the structural conditions that produce shared material conditions for particular groups of people and the political agency that is necessary to give entity and reality to social classes as social actors. While comprehensive concepts of control “find their basis in specific fractional interests (...) at the same time transcend the narrow economic field, and necessarily so, because these class strategies can only be realised through the political and ideological arena” (Overbeek, 1986:16).

The Amsterdam Project has identified two ideal-typical comprehensive concepts of control, which are derived from the already mentioned functional forms of capital and thereby express the antinomic positions in which capitalists are engaged: the productive capital concept and the money capital concept. The former derives from the productive capital function and is structurally linked to industrial capitalists. As such, it reflects the productive process and the social process where real submission to capital takes place (Overbeek, 2004:119). For industrial capitalists, profit appears as the result of the productive function. This concept is concerned with neutralizing the conflictive potential present in the relations of production, the way in which labor processes are executed and controlled, as well as the requirements for and conditions of reproduction. In this sense, the productive-capital concept of control includes some of the interests of the working class as a political strategy directed to achieving hegemony but also because of the specific relationship that they establish due to the productive function of capital. The money-capital concept is the one structurally linked to financial capitalists, who act as agents in the process of circulation. As bearers of fictitious capital, financial capitalists tend to understand money as capital-in-general, as value in an abstract form, and thereby neglect the social process that was at the basis of its creation. Since they relate to surplus creation only through circulation, financial capitalists are not interested in the process of production and hence advocate a concept of control “in which free flow of their merchandise, dividends, or cash crops is guaranteed by a set of conditions including free trade, unhampered competition, and cosmopolitanism”. In van der Pijl’s main historical study *The Making of an Atlantic Ruling Class* (1984/2012), however, it is concluded that these ideal-types are found in a synthetic combination in the Atlantic area after the Second World War. The corporate-liberal concept emerged as a result of the internationalization of productive capital, whose new levels of mobility made it more independent of the spatial constraints than it had known up to then, bringing it closer to the interest of money capital for more fluid circulation

(Holman, 1996:22). State monopolism, that is, a state strongly engaged in the mediation between capitalists and workers, was preserved but further events saw regulation leading to a more flexible format of labor (van der Pijl, 2012:10). By the end of the 1980s, transnational capitalists saw their forces reinvigorated and the promotion of a new concept of control began: neoliberalism. Its main goal was the dismantling of the welfare state and the restructuring of social relations in favor of private enterprises and their interests (van Apeldoorn, 2004a:159–60). It emerged from an alliance of the most transnationalized sections of industrial capital and liberalized global financial capitalists.

### **6.3 The transnational scale**

The third element that I am interested in taking from the Amsterdam Project is their criticism of state centrism. This can be appreciated in two different ways: first, they reject theories that consider the state as an autonomous agent and the main player in world politics; second, they show the futility of explaining contemporary capitalist relations and class agency using the state as a scale of reference (van Apeldoorn, 2002, 2004a; Overbeek, 2004; Holman, 1996).

Regarding the first point, the Amsterdam Project only considers the state in connection to capitalist relations and the social forces that give them content. Since it is not an autonomous entity, independent of the social balance of power between class fractions and the historical moment of capitalism, it cannot be understood as an actor. Instead, it is proposed to “view them [states] as structures that are reproduced or transformed by (transnational) social forces” (van Apeldoorn, 2004a:146). They seek to overcome a reified conception of the state by embedding it in a broader field of social relations. And it is precisely this focus on social relations (of production) that demonstrates the difficulties of working with the state as the main spatial framework of reference for examining contemporary social processes and actors. A closer look at this leads to their theorization of “the transnational”.

Understanding the relation between states and societies as a relational whole was an important first step, but taking societies seriously into the analysis led to the recognition that “national” classes or social groups have increasingly engaged in social relations that overflow the borders of the nation state. This process has been particularly boosted by the historical expansion of capitalism on a global scale, in which relations of production between social groups belonging to different state-society complexes, or equally attached to more than one, have been established. The transnationalization of capital and the concomitant formation of a capitalist

world market were at the base of the growth of transnational social relations, mainly economic at the beginning, but rapidly followed by political, cultural and social ones. That is why social relations of production are the most fundamental for understanding the transnational character of social reality. This emphasis on social relations makes clear how different groups of people become connected transnationally and demands the conceptualization of transnational social relations as “social relations across and beyond ‘national’ borders” (van Apeldoorn, 2004a:161), structures that link social lives irrespective of state frontiers. This perspective, additionally, helped to overcome the national/international dichotomy, subordinating this conceptualization to the dynamics of social relations. Framing social phenomena a priori as national or international or trying to make them fit within any of these categories forces reality into concepts. Beginning the analysis with the very same social relations, on the other hand, allows their singularities and specificities to be grasped, irrespective of the scale(s) at which they take place. This concern is at the heart of their understanding of “the transnational”, which is not defined as a level in opposition to the national or the local level – or synonymous with the international or world level – but as “a phenomenon that extends across, and thereby links as well as transcends, different (territorial) ‘levels’” (van Apeldoorn, 2002:144).

The transnationalization of the productive process has engendered the transnationalization of social forces. It has become, therefore, possible for a transnational agency to emerge, constituting “non-state (private) actors whose identities and practices transcend the boundaries of a single ‘national’ society” (Ibid:2). The primacy of the relations of production in the constitution of the structural framework where agency takes place puts classes (or their fractions) among the main actors. Capitalist globalization has laid the ground for class formation to take place at the transnational level. One of the main arguments put forward by the Amsterdam Project is that classes form transnationally (van Apeldoorn, 2004a:144): the grouping into fractions and their constitution as a class, the generation and defense of a comprehensive concept of control, and the struggle for hegemony are phenomena that the globalization of the capitalist relation of production has made essentially transnational. However, it is to be highlighted that transnational class formation has been mainly restricted to the capitalist class. This happens because, through the expansion of capital and the internationalization of the productive process, it is mainly capitalists (and not workers) who get in contact with each other, not only through private transactions and business, but most importantly in transnational forums and planning groups

(van der Pijl, 2012), which provide channels for the different capitalist fractions to constitute a unified class politically. Hence, even though the possibility of class formation at the transnational level is very concrete, this process is mostly available to those social forces “whose material interests and key ideas (within a broader political consciousness) are bound up with the progressive transnationalisation and liberalization of the global political economy” (Gill, quoted in van Apeldoorn, 2002:32). Its position in the social relations of production, gives transnational capital a privileged structural power that can be appreciated at a material level, in its greater “exit option” – the possibility of relocating with relative ease – and at an ideological level, in its aspiration (and an easier access to the necessary means) to represent the general capital interest (van Apeldoorn, 2004a:159). The transnational capital class (or its fractions) appears then as one of the key players in the definition and shaping of transnational political and economic phenomena.

## 7. Advancing the Amsterdam Project

The main concepts developed by the Amsterdam Project act as a complement to the Regulation Approach. They offer better tools to account for the role of agency, ideology and the political dynamics that emerge from their interrelations and make possible the development of a theoretical perspective capable of critically examining Fair Trade. However, some characteristics of my object of study call for still further conceptual refinement. More specifically, my case study is about a Fair Trade agro-industrial sector in a developing country, evidencing in this way some characteristics that cannot be easily grasped within the Amsterdam Project’s original formulation. As a consequence, three issues require closer consideration: first, the sectorial dimension of my study vis-à-vis Amsterdam’s macro perspective; second, the challenge posed by non-governmental organizations (important actors in the Fair Trade system) to a class-based analytical framework; third, the relatively simplistic take on subaltern classes and their relations – in comparison to capitalist fractions – in the analyses developed by the Amsterdam Project. The first problem, I argue, can be overcome within the Amsterdam Project’s current framework by clarifying the implications of adopting a sectorial approach, and that is why my discussion of it will be shorter. The second and third points, instead, pose bigger challenges with no ready-made answers in the original neo-Gramscian work and, as a consequence, they will require closer examination.

## 7.1 Sectorial adaptations

The first of these issues is analogous to the discussion on the sectorial application of the Regulation Approach. In this case, too, we are faced with the challenge of applying concepts that have been developed to account for global phenomena to much more restricted, sectorial, realities. Fair Trade, as has been explained, has been almost exclusively applied to agricultural value chains and, besides some exceptional cases – sports balls and gold – the current tendency seems to privilege a consolidation within this sector over an expansion to others. Additionally, its requirements for small producer organizations, southern production and international trade only deepen its already marked sectorial nature.

In relation to class formation, this means that class fractions and their articulation pre-exist the Fair Trade sphere, as they are formed and struggle in society *at large*. Nevertheless, Fair Trade provides an arena, within this overall frame, where the possibility for alternative class configurations can occur. As a consequence, class formation, its articulation in a historical bloc, power relations and hierarchies should be based on the juxtaposition of the overall system of social relations evidenced by the mode of production as a whole and the system of positions that, within that broader frame, the Fair Trade system manages to articulate. These two systems of position, nevertheless, should be understood in hierarchical order: since class fractions find their origin in the function they perform in the mode of production, the emerging system of positions acquires analytical priority over that developed by Fair Trade. This is because the latter, even if capable of putting forward alternative structures, is nevertheless still operating within the former's original frame.

In relation to comprehensive concepts of control, the sectorial dimension implies a more restricted interpretation. While concepts of control are macro world-views, capable of providing frames to define what is politically thinkable and what is not, their application to the Fair Trade sphere needs to take into account the sectorial dimension of this field. As such, a Fair Trade concept of control does not propose a political project for the organization of society as a whole, but is instead restricted to the particular domains of relevance (as mentioned before, agriculture, small producers, international trade, etc.). As a consequence, a Fair Trade concept of control cannot be granted the same analytical level as the corporate liberal or neoliberal concepts of control – which entail a macro world-view encompassing the social order as a whole – but should rather be understood as a sectorial equivalent. Thus, a similar argument to that of class relations can be made, since a Fair Trade concept of control is to be understood as operating within the frame of

a broader, already hegemonic, concept of control. Given this different ontological scope, the struggle for hegemony by a Fair Trade concept of control should also be understood as a localized attempt, that is, as a struggle for hegemony within the more limited sectorial field implicit in the concept itself.

## **7.2 The role of non-governmental organizations**

The attempt to reconstruct the system of positions and relations composed by the actors involved in the creation of a Fair Trade concept of control poses a question with no obvious answer in the initial analytical framework: where do we place – and how are they to be analyzed – the variety of actors that can be grouped under a pure Fair Trade category? Put differently, how is the role of non-governmental organizations (NGOs) and their networks to be accounted for in a conceptual framework that is drawn following a class-based analysis?

The Fair Trade category of actors is composed of a large number of NGOs and other groups that are commonly classified as belonging to the broader “civil society”. Particularly interesting about this category of agency is its a priori disconnection from class structures and class interests. While NGOs are usually portrayed as a form of organization that can be understood by opposition to the state or political parties, their relation vis-à-vis the class structure has been much less explored. Therefore, in my analysis I will not only apply the conceptual framework developed by the Amsterdam Project, but will also seek to expand it to account for the agency and position of NGOs within a class-based analytical framework.

From a historical materialist perspective, where social classes are defined by their relation to the means of production, NGOs do not present, a priori, any obvious linkage to the productive system. As a consequence, if one is to develop a conceptualization of NGOs within a class framework, this cannot be done in terms of a “class actor”, as some critical literature attempts to do (see, for example, McSweeney, 2014). Such an understanding of NGOs as class actors should be replaced by an interpretation that sees them, instead, as arenas where different class fractions struggle for their direction. In what follows, I will explain two main ways in which such an understanding of NGOs can, firstly, move forward the conceptualization of them and, secondly, contribute to my analysis.

First, because “NGOs nowadays are a very decisive part of these ‘private initiatives’” (Brand, 2001:16) that constitute the domain of civil society, they could be understood as some of the “trenches” where the struggle for hegemony

takes place. From this point of view, NGOs would be a more relevant type of institution within civil society, where the struggle between social classes for the imposition of their comprehensive concepts of control develops. As a consequence, the relation of NGOs to class interests will depend on the balance of forces achieved by the relevant social classes: “The ambivalence of civil society lies in the fact that here not only are hegemonic tendencies formulated but alternative concepts and counter-hegemonic strategies can evolve. Part of the interest in NGOs as ‘actors in civil society’ which possibly incorporate other interest and rationalities and bring them into the political process stems from precisely this fact” (Ibid:8). Thus, conceptualizing NGOs as structures embedded within civil society – instead of considering them actors that respond either to hegemonic or counter-hegemonic forces – opens the analysis to the complexity of historical contingencies, avoiding the risks of offering a functionalist reading of their origins and goals.

Second, as far as the Fair Trade initiative under examination has been developed and is nowadays articulated around a network of NGOs, it is possible to see them as constituting the structural framework that governs the Fair Trade system. That is, the constellation of NGOs that have come together to put forward this system as we know it (and especially Fairtrade International, a federation of national Fair Trade initiatives) can be better understood as the structure that shapes, administers, regulates, but also acts and speaks for, the overall Fair Trade system. In this sense, it is particularly enriching to interpret NGOs more generally, and Fairtrade International in particular, by analogy with the state.

There are many good reasons to justify the conceptualization of NGOs by analogy with the state. First, because, as Joachim Hirsch has highlighted, in the context of neoliberalism the weakening of state power and the emergence of NGOs has produced a transfer of functions and resources from the former to the latter: “NGOs indicate how formally private organizations take on the characteristics of a state or how organs of the state become ‘privatised’” (Hirsch, 2003:8). In this sense, Hirsch wonders whether NGOs can actually be understood as following a logic of their own, to be explained within the boundaries of civil society, or whether they actually resemble and reproduce a state logic, making it more appropriate to consider them as part of an “extended state” (Ibid:18). Second, if we look at the role that NGOs play in the Fair Trade system, it is difficult not to agree with its resemblance to the state’s role in society. The network of NGOs that constitute Fairtrade International provide the institutional framework through which the Fair Trade system is reproduced and governed. Fairtrade International

itself, plus all the different non-profit bodies that compose it – FLO-Cert, National Initiatives, and marketing organizations – represent the specialized organisms that are responsible for the effective working of the system. Furthermore, this being a private governance initiative, the absence of state power makes Fairtrade International the highest political authority – at least formally – of this system.

The perspective adopted here begins with the assumption that “the state-as-actor model is problematic inasmuch it does not make sense to separate the capitalist state from the social forces — whether national or transnational — that give content to it”, privileging instead a conception of states as “structures that are reproduced or transformed by (transnational) social forces” (van Apeldoorn, 2004:146). What this means is that the state is better understood as a social relation than as a unitary rational actor. Thus, the particular world-views and political positioning adopted by the state at a particular historical moment will depend on the current balance of forces: “The state is neither a neutral instance with a rational purpose nor the ‘instrument of the ruling class(es)’, but the specific and material condensation of societal relationships of forces” (Brand, 2001:7).

Common to both standpoints – one that sees NGOs as key civil society institutions in the struggle for hegemony and the other that focuses on their role as a structure of governance of the Fair Trade system by drawing on an analogy with the state – is the requisite to reject any a priori functionalist reading of the relationship of NGOs to the class structure or particular social classes. To understand NGOs as a set of social relations implies that concrete historical analyses must determine whether certain NGOs are acting in defense of particular class interests or not.

### **7.3 The role of subaltern classes**

While the Amsterdam Project has put forward very interesting developments with the goal of analyzing agency in terms of class fractions and class formation, two main features of the way in which they have done so limit the applicability of their approach to my case study: firstly, their analysis has been restricted to “advanced capitalist societies”. This has meant that their work has been based on the opposition between capitalist fractions and an industrial working class, offering little insights about how other subordinated groups could be conceptualized. Secondly, the focus put by the Amsterdam Project on transnationalization, “a process thus far largely restricted to (fractions) of the capitalist class” (van Apeldoorn, 2004a:144), has meant that most of their theoretical discussions and empirical analyses have been concerned with capitalist fractions, offering little insights or concept development for what they seem to portray as a single and



homogeneous working class. The combination of these two features is evidence that the Amsterdam Project is still a limited framework for looking at the subordinated side of the class structure and offer a more complex picture of its internal cleavages – as it has done so well for the capitalist class. In this section, therefore, I propose to overcome this weakness by resorting to the Gramscian concept of *subalternity*. As will be now shown, this category offers the possibility of conceptualizing the cleavages that divide, and the commonalities that bring together, those groups positioned at the bottom of the system of class positions. As a consequence, the concept of subalternity makes it possible to offer a more detailed picture of the class fractions that stand in the antipodes to capital.

The concept of subalternity or the subaltern had never been of major relevance for Gramsci's readers until the Subaltern Studies Project brought it to the fore (Green, 2011:237). By the end of the 1970s, the South Asian Subaltern Studies Group had reunited a group of scholars whose main goal was to write histories of colonial India and the formation of the Indian nation “from below”, as a reaction to what up to then had been a monopoly of elitist historiography (Chaturvedi, 2012). Such an attempt at accounting for the political agency of non-elite or dominated groups in India entailed not only the rejection of bourgeois-nationalist historiography, but also of the approach developed by Marxism. As their main focus was on colonial India, their histories from below were not written primarily about industrial workers – a minoritarian group in an area of incipient capitalism – but had peasants as the main characters. In the view of the Subaltern Studies Group, Marxist historiography, as incarnated in the work of Eric Hobsbawm, gave primacy to the working class as the most relevant political actor from below, dismissing peasants as a pre-political group, incapable of developing class consciousness and a unified political program (Staricco, 2014). If Subaltern Studies were to write stories of colonial India from below, they needed to develop a conceptual framework capable of overcoming the working class fixation of Marxist historiography and including the political agency of the peasants. The answer to this challenge was found in Gramsci's work in general and his concept of subalternity specifically.

As with other Gramscian concepts, the idea of subalternity was not systematically and explicitly developed by the author. Instead, many mentions of the concept are scattered throughout his *Prison Notebooks* (Gramsci, 2014), with the most relevant fragments having been brought together and rewritten by Gramsci in notebook 25 entitled: “At the margins of history (History of the subaltern social groups)”. Gramsci always speaks of subaltern groups or subaltern classes in the

plural, implying the existence of a variety of subaltern actors who cannot all be reduced to a common denominator. That is why Gramsci states that: “The subaltern classes, by definition, are not unified and cannot unite until they are able to become a ‘State’” (Gramsci, 1992:52). That is, subaltern classes are better understood as fractions, as differentiated groups that are atomized by definition and, therefore, represent a heterogeneous sector of society. This is precisely why Guha (and the Subaltern Studies Group) became interested in the concept of the subaltern, because it expands the horizons of the more restrictive notion of the working class to account for other subordinated groups of a social formation. Hence, subalternity, according to Guha, is characterized by “the diversity of its social composition” (Guha, 2012:4). What can be appreciated in the fact that “in notebook 25, Gramsci identifies slaves, peasants, religious groups, women, different races and the proletariat as subaltern social groups” (Green, 2002:2). David Arnold supports this view when he expresses that “at a minimal evaluation it [the term ‘subaltern’] can be regarded as little more than a convenient shorthand for a variety of subordinated class – industrial workers, peasants, laborers, artisans, shepherds and so forth” (Arnold, 2012:32). It is worth highlighting Arnold’s expression “at a minimal evaluation”, as this indicates that the concept of subalternity cannot be exhausted by identifying it with a formation of heterogeneous social groups. While heterogeneity is undoubtedly one of subalternity’s defining features, so is the idea of a shared social position, a certain common ground that allows the social researcher to place these heterogeneous social groups together within a same category.

Subaltern classes, therefore, can be understood as part of a wider group when we look at their common position vis-à-vis dominant classes: “Subaltern groups are always subject to the activity of ruling groups, even when they rebel and rise” (Gramsci, 1992:55). Thus, what is specific to subaltern groups is their subordination “to the power, will, influence, leadership and direction of a dominant group or a ‘single combination’ of dominant groups” (Green, 2011:400). Subaltern classes are victims of an “ensemble of political, social, cultural or economic relations that produce marginalization and prevent group autonomy” (Green, 2002:15). This last attribute, as Arnold (2012:30) highlights, is the hallmark of hegemonic classes. In Gramsci’s words: “As subaltern groups lack political autonomy, their ‘defensive’ initiatives are compelled by their own laws of necessity, simpler, more limited and politically more compressive than the laws of historical necessity that direct and condition the actions of the dominant class” (Gramsci, 2014:2285). Thus, the differences between subaltern groups seem to

become minor details when they are confronted by the ruling classes, as this perspective sheds light on the common oppression and exploitation exercised by the latter on the former. This is highlighted by Guha, who explains that in spite of the original heterogeneity among subaltern groups, the subalternity common to all (characterized by the conditions of exploitation to which they are subjected and the close relation to productive labor of the majority) distinguishes them sharply from the elite and provides fertile ground for the development of resistance (Guha, 2012:4). However, this should be understood in a non-deterministic way, as the potentiality for the unification of subaltern classes will depend on the historical conditions of the period under examination and the particular balance between disintegrating and integrating tendencies. As Guha noted in his empirical studies: “There were occasions when its emphasis on sectorial interests disequilibrated popular movements in such a way as to create economistic diversions and sectarian splits, and generally to undermine horizontal alliances” (Ibid). What this last remark should remind us of is that, even if we talk about a subaltern “pole”, “group” or “class” in the singular, this entity is always crossed by a tension between the heterogeneous origins of its members and a common ground vis-à-vis the capitalist or hegemonic class.

While in some of the quotes above a variety of groups have been mentioned as paradigmatic examples of subalterns (proletariat, peasants, women, artisans, slaves, etc.), it is important to bear in mind Green’s remark when he explains that “the specificity of subalternity is relative to the social, political, economic and cultural conditions subordinate social groups confront in specific social formations” (Green, 2011:400). Therefore, those groups that form part of a subaltern class cannot be defined nominally, but are to be relationally identified in the specific social formation and historical period under study. These criteria should not be restricted to the identification of those who constitute a subaltern group, but also should be deployed in the analysis of the main features that subalternity acquires in each particular context – a fact Gramsci himself was very well aware of when discussing the dangers of historical analogies: “Even if ancient slaves and medieval proletarians were in many aspects under the same conditions, their situation was not identical” (Gramsci, 2014:2287).

It is worth highlighting that when I talk about a subaltern class here, it is more from a class-in-itself than a class-for-itself perspective. The Subaltern Studies Project was interested in showing that “subaltern classes” have a relatively important role as political agents. While Guha still acknowledges that there is not a subaltern class for it- in the traditional Marxist sense (cf. Guha, 1983; Staricco,

2014) and that subaltern groups act heterogeneously and without coordination, the interesting point here is that the subaltern scholars were looking for concepts and a methodology able to account for the agency of subaltern classes. Therefore, they were more interested in the dimension of a class-for-itself (subjectivity) than of a class-in-itself (objective conditions). In this work, instead, I am more interested in the objective dimension of these subaltern classes, since I am not trying to account for a unitary subaltern political agency with a shared program and goals, but the similarities in their structural positions that might lead to the development of common interests and common antagonisms vis-à-vis capital.

## 8. Conclusion

This chapter has presented the regulationist framework that will guide my analysis of Fair Trade in the Argentinean wine sector. The proposed theoretical perspective draws on the French Regulation Approach and its most central concepts: modes of regulation, regimes of accumulation, modes of development and structural forms (wage relation, money, competition, state and international insertion). While the original perspective was developed at a macroeconomic level, in this chapter I have proposed their adaptation to sectorial realities. This has entailed not only some considerations on the implications of the transition from one scale to the other, but also the inclusion of a sixth structural form: the representation of the product. Hence, this sectorial version of the Regulation Approach will be used as the main analytical framework to assess how Fair Trade attempts to structure (alternative) socioeconomic relations.

However, as has been highlighted, the Regulation Approach suffers from three main problems. First, it tends to privilege the analysis of economic factors at the expense of political, ideological and cultural elements. Second, the centrality it grants to institutions and social structures relegates to a marginal position the role of agency in their reproduction and transformation. Third, its use of the nation state as the “natural” frame of analysis reduces the applicability of this approach to transnational processes. To overcome these weaknesses, a complementation with the Amsterdam Project was proposed. The introduction of the concepts of class fractions and class formation provides the conceptual tools necessary for the analysis of agency in capitalist social formations. The notion of comprehensive concepts of controls – and the closely related idea of hegemony – allows us to grasp the multiple interrelations and co-determinations that connect economic,

political and cultural elements. Lastly, framing the analysis within a transnational scale permits to transcend the regulationist fixation with the nation state. Nevertheless, the original framework put forward by the Amsterdam Project demanded further refinement for it to be fruitfully applied to the case of Argentinean Fair Trade wine. As a consequence, three developments were provided: first, a discussion of the possibilities and limitations posed by the adaptation of global concepts to the sectorial level; second, a proposal for the inclusion of NGOs in class-based accounts of agency; and, lastly, the introduction of Gramsci's concept of subalternity to overcome the limited theoretical reflections provided by the Amsterdam Project in relation to subordinated classes. Overall, the inclusion of this conceptual perspective will make possible the analysis of the political processes and ideological struggles that have shaped Fair Trade as we now know it. Thus, the Amsterdam-inspired part of the analysis will provide the most important elements for explaining the results found in the assessment through the application of the most central regulationist categories.

The next chapter will explain the specific way in which these concepts will be put to work together to provide answers to the research questions that guide this dissertation.

## Chapter 2: Methodological considerations

This chapter presents the most relevant methodological assumptions and decisions that have shaped my research process. It is divided into two main sections. The first discusses the nature of case study and its potential and limitations for the production of knowledge. To do so, I begin by presenting two opposite perspectives: a *particularist* one, according to which case studies produce rich and in-depth knowledge of a single phenomenon, and a *generalizing* one, which states that a case can be representative of a larger group and, therefore, the knowledge obtained can be generalized. After highlighting the limitations of both positions, I propose to overcome them by introducing a *dialectical* approach to case studies. According to this perspective, a case is considered to be a thread that the researcher has ripped off of a wider social fabric and constructed as a unit of analysis, as a case. Consequently, a case should be better understood as a heterogeneous unit crossed by some general and some unique determinations. This means that examining a single case allows the researcher to draw a variety of conclusions, ranging from very concrete and specific to very abstract and general levels. This first section of the chapter finishes with the justification of my chosen case of analysis.

The second section of this chapter presents my overall research design. It begins by describing the main moments of my research process in light of the dialectical approach to case study. Lastly, it presents the various ways in which empirical data was collected and analyzed, specifying the differentiated strategies that were used during each of the moments of the process of inquiry.

### 1. Case study: a dialectical approach

This section begins with the presentation of particularist and generalizing perspectives on case studies. After having shown their inherent limitations, it proposes instead a dialectical understanding of the relation between the general and the particular in case-based research. It is within this framework that the justification for the choice of my case is presented.

#### **1.1 Particularist and generalizing perspectives**

The assessment of Fair Trade proposed in this dissertation is done through the analysis of one particular case. In opposition to Robert Yin (2009), who proposes

to understand case study as a “research method”, I would rather agree with Robert Stake when he states that “case study is not a methodological choice but a choice of what is to be studied” (Stake, 2005:443). A case study approach is not to be understood as a particular methodology because it is not intrinsically related to any particular set of methods; even if it is commonly used in qualitative research designs, it is actually compatible with a variety of methodological traditions. Instead, I consider much more appropriate to identify a case study with a particular logic of inquiry that attempts to analyze a social phenomenon through the close examination of one of its concrete manifestations.

Developing a research design around a case study, hence, provides with one specific entry point to social reality, as it offers a particular way of delimiting the empirical reference of our enterprise. In this sense, the case study is not only the process through which our object of study will be analyzed, but is also related to the construction of this object in itself: “a case study is both a process of inquiry about the case and the product of that inquiry” (Stake, 2005:444). Therefore, the case study approach is characterized not so much by the identification and selection of a unit of analysis as it is found in the social world but, instead, by the construction of the case itself: by the enunciation of the main characteristics that make it a case of a broader category or class and the drawing of the borders that make it a particular and specific phenomenon – different from other cases – within that same category or class. Therefore, a case study is an approach that strips off a thread from the overall fabric of social reality and, in order to make it accessible to the process of analysis, builds it as a case. The key feature of a case study approach, consequently, is not so much defined by its interest in a single unit of analysis but, instead, by the way in which the case has been constructed and is understood.

The overall logic adopted by a research design based on a case study will change fundamentally according to the understanding that the researcher has of the case and its relation to the general. In this respect, it is possible to find two main positions in the current literature on case studies. On the one hand, we find those researchers who consider that the main strength of a case study is given by its capacity to produce a meticulous analysis of the singularities presented by a specific case: “case study is an in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution, programme or system in a ‘real life’ context” (Simons, 2009:21). This *particularist* paradigm sees case study as a powerful tool for the detailed examination of the multiple aspects evidenced by a single phenomenon vis-à-vis

those other approaches that prioritize the study of a high number of cases at the expense of the level of detail of the analysis. As a consequence of its exclusive engagement with the individual case, the particularist point of view rejects the possibility of producing any knowledge that could be generalized:

What is of interest is the uniqueness of the thing and the thing in its completeness. Being about one thing, it is about the particular, rather than the general. You can't generalize from one thing, so there is no point in trying to do so – no point, in other words, in trying to say, “this is the case here, so it is also the case there, there and there” (Thomas, 2011:3).

This particularist understanding of case studies, however, seems to neglect the essential fact that a case is always “a case of”. If a case is always “an instance of a class of phenomena” (Ibid:22), it means that, by definition, it is always connected to a higher level of abstraction, to the more general features of its encompassing group. Therefore, case studies are never purely singular, specific, but are always understood as a case of something. Consequently, there is always some degree of generalization. This happens from the very moment of defining the case, as no intellectual endeavor could be done without abstracting from reality certain features in order to create its research object. Additionally, if the conclusions obtained from the analysis of a case were just limited to its peculiarities, the relevance of this approach could be questioned, since it would be able to provide detailed accounts of multiple individual cases, but never a single statement about a more general level of aggregation. Translated to my research topic this means that one could produce hundreds of different analyses of Fair Trade products in different geographical areas, without ever being able to say something about the Fair Trade system in general. A perspective that emphasizes the uniqueness of the case and its specificities as intrinsically valuable in themselves – without resorting to a more general level for their justification – runs the risk of diverting towards an anecdotal position.

On the other hand, we find a *generalizing* understanding of case studies, according to which the study of a case can offer the grounds for more general conclusions: “one can often generalize on the basis of a single case, and the case study may be central to scientific development via generalization as supplement or alternative to other methods” (Flyvbjerg, 2006:228). While most researchers within this paradigm would certainly oppose a direct equivalence between the singular case and the universal category it belongs to – Goom, Hammersley and Foster (2009:99), for example, reject Denzin's view according to which “each person, and each relationship, studied is assumed to be a *universal singular*, or a single



instance of the universal themes” –, their main interest focuses on the identification of the right conditions under which the findings of a case study can be generalized. The key for this is given by the careful selection of the case(s) to be examined, as its relation to the overall “population” is fundamental for the possibility of generalization. In this way, if the researcher is to generalize her or his results, s/he will have to focus on a case that is representative or typical of a wider group (cf. Gomm, Hammersley and Foster, 2009; Atkinson and Hammersley, 2007; Hammersley, 2012, Tsang, 2014). The goal, therefore, is to select a case that reproduces in the best possible way the main characteristics of the wider group to which the researcher expects to generalize the results. The problem with this position is that, even if it acknowledges the possibility of a limited generalization (this is, for certain types of homogeneous groups and within particular historical contexts), it works with a simplified understanding of what a case is. The generalizing paradigm considers cases as “black boxes”, as some sort of self-contained and homogeneous units, that can either be generalized or not according to their degree of representativeness or tipicity. From this point of view, a case needs to be tested against the overall group it belongs to: if it proves to possess the most relevant features common to them all, the conclusions derived from its analysis will be generalized, but if it fails, none of them will be considered. This dichotomic understanding of the case and its relationship to the general it belongs to offers a simplistic account, as it does not acknowledge the actual, much more complex, constitution of the case and the different levels at which it relates to the general.

The approach to case study that underlies my research seeks to overcome the weaknesses evidenced by both the particularist – which restricts the analysis to the unique features of the particular – and the generalizing – which simplifies the constitutive complexity of the case and its relation to the general – paradigms. Even if both positions stand at odds in their understanding of case study, they share a common view of the case as a homogeneous unit, which is either representative of the general (or a group within the general) or is totally unique. In this way, the case, understood as a homogeneous unit, is either generalized or singularized as a whole.

Instead, I would like to propose a *heterogeneous* understanding of cases, as units composed of various elements or layers that relate differently to the categories of the general and the particular. As outlined in the beginning of this chapter, the case is here understood not as an actually existing unit of reality, but an object of study that the researcher has constructed. To understand the case as a thread of

social reality that has been ripped off from the wider social fabric and further modeled by the researcher in order to make it comprehensible, rejects a reified view of the case – this is, an interpretation of the case as a self-contained unit – and highlights its intrinsic connection to a wider set of social relations. The case, as one particular aspect of an overall set of social relations, is therefore caught in a tension between the particular and the general, between the concrete and the abstract. Within each case it is possible to find features and determinations which are common to the whole universe within which it is comprised (an element that makes it “a case of...”) and other ones that are actually singular and specific to the case under examination (an element that makes it “one case within...”). In between both poles, it is possible to find other elements or layers that relate in different ways to the general and the particular. As a consequence, a case should not be valued for its capacity to represent the total universe under investigation or due to its specific characteristics that make it unique. Instead, a case has to be valued for providing an entry point into the research problem: while the case exhibits characteristics of its own, which correspond to its particular historical circumstances, at the same time, the study of the specific case allows us to access some features of the general to which it belongs.

In conclusion, the study of the case is a study of its singularities and, at the same time, an investigation of some of the general features common to all other cases within the general category. In the following section I present what I have termed a *dialectical approach to case study*, which seeks to account for the actual heterogeneity that constitutes any case, crossing it by determinations that are common to the general and other ones that make it unique.

## **1.2 A dialectical approach**

In this subsection, I begin by offering a brief account of the relationship between the abstract and the concrete (or the general and the particular) from the perspective of historical materialism. Then, I move on to discussing how such a perspective contributes to current discussions on the potential and drawbacks of case studies.

My understanding of the possibilities and limitations of a research design built around the examination of a case is informed by a broader interpretation of Marx’s dialectics, especially as explained in the introduction to *Grundrisse* (Marx, 1993:83-111). In his presentation of “the method of political economy”, Marx explains that the only way in which thought can appropriate social reality and, hence, produce knowledge is by “rising from the abstract to the concrete”

(Ibid:101). This is, the logic of scientific inquiry should progress from the identification of general and simple concepts, capable of accounting for a number of phenomena, to the acknowledgement of the complexity of its object of study by means of identifying the multiple historical determinants that a concrete phenomenon adopts in specific contexts. While Marx's understanding of the scientific method as a movement from the abstract and simple to the concrete and complex is a prescription to be applied to the overall logic of scientific inquiry, I believe that it can also positively contribute to the examination of the potential and limitations of case studies. This can be done in two ways: first, from a *dynamic* perspective, by describing the overall research process, this is, by establishing the different moments of a research design and the ways in which they relate to each other. Second, from a *static* perspective, by making possible the examination of each of this individual moments and the identification of the different levels of generality and specificity that characterize them.

According to Marx, the point of departure for the scientific method ought to be a general category, this is, an abstraction that emerges from the common elements identified through the comparison of a variety of historical phenomena. This abstraction is "rational" (and necessary) "in so far as it really brings out and fixes the common element and thus saves us repetition" (Ibid:85). In this way, the construction of general categories becomes a useful point of departure as far as it identifies certain notes or essential components that constitute what we call, for example, *production*, irrespectively of the different specificities or tonalities it might acquire in concrete historical contexts (e.g. capitalist production). While this abstraction of the defining features of a category is necessary in order to make them thinkable by the human mind (Dussel, 1985:33), the general concept, nevertheless, does not represent any particular, concrete, social process, making it unfit for empirical examination: "there are characteristics which all stages of production have in common, and which are established as general ones by the mind; but the so-called general preconditions of all production are nothing more than these abstract moments with which no real historical stage of production can be grasped" (Marx, 1993:88). As a consequence, and as Marx states for the case of production: "if there is no production in general, then there is no general production. Production is always a particular branch of production" (Ibid:86). Even if the general concept is a necessary starting point in the historical materialist process of inquiry, its level of abstraction detaches it from any particular historical singularity, making necessary to transcend it in order to grasp empirical social phenomena.

The abstract, which is initially useful due to its simplicity – because it fixes common elements and makes the object of study apprehensible –, obscures the complexity that characterizes empirical phenomena, as the emphasis that the general concept puts on common features does not account for the fact that it “is itself segmented many times over and splits into different determinations” (Ibid:85). What is particularly relevant about this last quote is the fact that Marx identifies a variety of determinations and differentiates them according to their degree of generality, as some of these determinations might belong to all epochs (or contexts) while others only to a few. In the shift from the abstract and simple (general) to the concrete and complex (particular) we begin to move beyond the universal determinants that are common to all cases of a general category and start to acknowledge the more specific determinations that belong only to particular contexts. The more we progress in the study of the concrete, the more specific determinations we find: “the concrete is concrete because it is the concentration of many determinations, hence unity of the diverse” (Ibid: 101). Going back to the example of production, these means that “those things which determine their development, i.e. the elements which are not general and common, must be separated out from the determinations valid for production as such, so that in their unity (...) their essential difference is not forgotten” (Ibid: 85). Concrete production, as Marx explains, emerges as the unity of those determinations that are common to all forms of production (production in general) and those other ones that are specific to the historical case under examination. In this sense, the case can be understood as a heterogeneous unit that is crossed by the presence of general and universal features (grasped by the abstract concept), particular and specific determinations (that are unique to the concrete case) and a variety of other intermediate (more or less general) elements. All in all, the historical materialist dialectics begins with the identification of simple abstract concepts and is then urged to transcend them by rising towards each time more concrete levels of analysis that put in evidence the existence of a multiplicity of case-specific determinations that come to form a unity with those universal ones.

Inspired by Marx’s understanding of the scientific method, Althusser (2005:161-217) sought to provide a systematic account of the overall logic of “the process of theoretical practice” following the same premise of moving from the abstract to the concrete. Rejecting empiricist and idealistic interpretations, Althusser begins by stating that the production of knowledge is always a theoretical practice, this is, a practice that works at a certain level of generality because, according to Marx: “the method of rising from the abstract to the concrete is only the way in which

thought appropriates the concrete, reproduces it as a concrete in the mind. But this is by no means the process by which the concrete itself comes into being” (Marx, 1993:101). This means, against empiricism, that the object of study is always already theoretically constructed, as it is not possible to work on the “real”, concrete, phenomenon. It is also a rejection of idealism, as the “real” should not be understood as the outcome of the abstraction elaborated by science: while the latter is necessary in order to make sense of the former, to make possible its examination, they should not be equated. That is why the overall process of knowledge production has as its main aim to “reproduce the real-concrete as a concrete-in-thought” (Jessop, 1990:164).

As theoretical practice can only work with “the totality as it appears in the head, as a totality of thoughts (...) a product of the thinking head” (Marx, 1993:101), the movement from abstract to concrete is always confined to some degree of generality. However, through the process of theoretical practice it is possible to distinguish various moments with different levels of abstraction, which Althusser names: Generality I, Generality II and Generality III. *Generality I*, according to Althusser, constitutes the point of departure of the theoretical practice. It represents the general and abstract concepts that pre-exist the process of inquiry, as Generality I is “constituted either of still ideological concepts, or of scientific ‘facts’, or of already elaborated concepts which belong nevertheless to an earlier phase of the science” (Althusser, 2005:184). Thus, Generality I is better understood as a raw material, since these already existing abstract, general, concepts are the objects on which the theoretical practice is to initiate its labor, because “theoretical practice produces Generalities III by the work of Generality II on Generality I” (Ibid:185). *Generality II*, “constituted by the corpus of concepts whose more or less contradictory unit constitutes the ‘theory’ of the science” (Ibid:184), is crucial in the process of theoretical practice as it represents the moment of intellectual praxis: the application of this set of concepts seeks to transform the general, abstract and simple concept that was taken as a point of departure into “‘concrete-in-thought’, that is, into knowledge (Generality III)” (Ibid:191). A *Generality III* is therefore understood as the outcome of the theoretical practice, it represents the knowledge that emerges from the work through which the abstract becomes the concrete.

All in all, the process of theoretical practice begins with an abstract Generality I, with those previously existing concepts that are used as the raw material on which a Generality II – the conceptual framework of the theory applied – is to work through concretization, through the identification and examination of the many

interrelated, context-specific, determinations. The outcome of this process is Generality III, the knowledge that emerges from the re-examination of the Generality I produced by the theoretical praxis of Generality II. Even if the new Generality III is to be posed at the same level of abstraction of Generality I, it would be mistaken to equal their essence, as in the movement from the latter to the former there is always a process of transformation involved: “either by the transformation of an ideological generality into a scientific generality (...) or by the production of a new scientific generality which rejects the old one even as it ‘englobes’ it, that is, defines its ‘relativity’ and the (subordinate) limits of its validity”(Ibid:184). In this way, the movement from Generality I to Generality III represents Marx’s “rising” from the abstract to the concrete: an initial abstract conception is confronted to the analysis of the historical determinations that the phenomenon under study presents, producing a new knowledge that has transformed the initial generality through a work of concretization.

Two main lessons can be taken from this account. In the first place, from a *dynamic* point of view, historical materialist dialectics offer a process of inquiry in which research begins with the more general and abstract categories (Generality I) – that express the common and universal features of the phenomenon under study and, at the same time, shows the state of the art of knowledge in the field – and continues advancing towards further concretization of its object of study by identifying and describing the different determinations that constitute it (Generality II). Once the process of research has offered a complex picture of the set of determinations (and their interrelations) that crosses the specific case under examination, the initial general concept is to be contrasted to the findings obtained through the analysis of the concrete, producing in this way a new knowledge (Generality III). From a *static* point of view, however, a second lesson can be drawn. Now, instead of focusing on the overall process of research, the historical materialist assumptions of dialectics make visible the heterogeneous constitution of any particular phenomenon, any case. As it has been explained, any empirical phenomenon results from the “unity” of certain determinations that are common and universal to all cases within a general category and other determinations that are unique to the concrete case under examination. As a consequence, every “single” concrete phenomenon, every case, is never fully representative of the category it belongs to, neither totally unique: it shall always be better understood as a heterogeneous combinations of elements, features and patterns – determinations – that make it “a case of” and “a case within” at the same time.

It is worth highlighting that, while a superficial interpretation of the movement from Generality I to Generality III could be understood as a mechanical process, this is not the case. The dynamic perspective entailed by the succession of generalities is put forward as a model that represents the overall logic of the process of inquiry. However, the process of research is far from being such a straightforward task. This will become clear in Section 3, where I will present the main moments of my research design and explain how I proceeded during each of them. A closer examination of each moment will make visible that, even if all of them have contributed to the progression towards new knowledge (a Generality III), they are crossed by a dialectical interplay of data and theory. Far from consisting in the mechanic application of concepts to reality, each of the moments of my research has begun with more general notions that have later on been contrasted to different types of empirical data in order to refine them.

In conclusion, any case-based research design built on the basis of historical materialist assumptions should have among its duties: (1) the identification of the different moments in the progression from Generality I to Generality III and (2) the discrimination between the various levels of abstraction and concreteness evidenced by the dimensions under examination during each moment. In this way, the analysis of a general phenomenon through the study of a particular case can be better understood as a layered enterprise, where it becomes possible to derive a variety of conclusions of different scopes, ranging from very abstract and general ones (applicable to all cases within a category) to very concrete and specific ones (applicable only to the particular case under examination).

### **1.3 Case selection**

The implications of a historical materialist approach for the study of Fair Trade shall be easy to draw. In the first place, Fair Trade can be understood as a general concept, this is, as a set of universal determinations that are common to all cases. This abstract understanding of Fair Trade entails identifying all those elements shared across the system irrespectively of the country and product under consideration. In this way, it is possible to say that there are certain elements that make Fair Trade what it is (for example: the use of standards, certifications and labels, its governance structure or its market-based logic) that will be shared by cases so different as wine produced in Argentina and consumed in the United Kingdom, coffee produced in Uganda and consumed in Canada or tea produced in India and consumed in Australia. However, in the movement from the abstract to the concrete, many “local” determinations will start to emerge, modifying and qualifying the initial concept of Fair Trade we had departed from. In this way, Fair

Trade will acquire certain distinctive characteristics in the case of cooperatives vis-à-vis plantations, or evidence very different effects when shifting the focus from one product or country to the other.

The empirical case of this dissertation – Fair Trade wine produced in Argentina and consumed in the United Kingdom (UK) – emerges from the unity of those determinations that characterize Fair Trade in general and those other ones that are context-specific. As a consequence, both my analysis and my conclusions will shift between the Fair Trade system as a whole, my particular case and a variety of intermediate levels. In this way, the analysis and conclusions are not restricted to the case of Argentinean Fair Trade wine, but I do not aspire to generalize them to the overall Fair Trade universe either. They will instead be discriminated according to different levels of abstraction and concreteness they refer to.

What this implies is that the study of any Fair Trade product in any geographical context provides already an entry point to the study of some of the more general features of Fair Trade. This, nevertheless, does not mean that the strategic selection of a specific case becomes meaningless. In the first place, because even if any case would permit the examination of more general aspects of Fair Trade, different cases will grant access to different general features. In the second place, because each case will make possible the examination of a variety of specific determinations which are not to be found elsewhere. Both reasons make necessary a careful selection of the case of analysis.

This dissertation works with the case of Fair Trade wine produced in Argentina and consumed in the UK. This commodity, though still minor within the whole universe of Fair Trade products, was only certified for the first time in 2003, showing a strong tendency to growth since then. With its three main producing countries (Argentina, Chile and South Africa) being representatives of the trendy “new world” wines group, it is expected that the volumes sold and the revenues produced will continue climbing in the following years (Ponte and Ewert, 2009; Artopoulos et al, 2010). This makes wine an important Fair Trade product to be studied. And it is also an important product for Argentina, since it is one of the main images associated to the country internationally and, by far, the most important commodity being produced under this certification in her territory. Being the UK the world’s biggest consumer of Fair Trade wine with almost 11 million liters during 2013, its centrality among northern markets make it deserve special attention.



If we focus on those concrete and specific aspects of the case, those features that make it different and special, we should justify its selection in relation to the opening towards uncharted territories. This dissertation represents the first systematic analysis of Fair Trade in Argentina so far. However, its relevance goes beyond that. The specificities attached to the case of Argentinean Fair Trade wine offer the opportunity to analyze two relatively unexplored dimensions. First, it contributes to the analysis of an unconventional Fair Trade product, which has become certified very recently and, consequently, has still little tradition within the system. Additionally, at the level of representations, wine is not a product usually associated to Fair Trade; on the contrary, its traditional connotation of sophistication and its complex process of production and valuation appear as counterintuitive when compared to the images commonly linked to traditional Fair Trade products such as coffee, cocoa or sugar. Hence, the chosen case makes possible the exploration of the specificities acquired by Fair Trade in relation to a non-traditional product. Second, it embeds the analysis in the context of a relatively new country of production. While Argentina had always been recognized by FLO as a producing country, the first certification took place only in 2005, much later than in most other Latin American countries. In this way, the examination of Fair Trade in Argentina offers the possibility to analyze an ongoing process, since the recent wave of certification has brought into Fair Trade a number of actors with no previous experience in (and until recently, in most cases, no previous knowledge of) the system. The novelty of Fair Trade in Argentina, therefore, makes possible to explore in a dynamic way the ongoing and contested process of Fair Trade's structuration and institutionalization in the country.

Focusing on a more general level, the case of wine involves the three most relevant types of certifications developed by Fairtrade International: Small Producer Organizations, Hired Labor situations and Traders. Consequently, this case makes possible the comparison of both producer standards and their differentiated articulation with that one developed for commercial actors. The possibility of such comparative analysis will yield elements in order to participate in a more general debate on the implications of the co-existence of Fair Trade standards for small producer organizations and conventional firms. This is particularly interesting due to the fact that Hired Labor situations and the role of Traders have been relatively neglected in the study of Fair Trade at the level of production due to a majoritarian preference for the study of cooperatives and other associative initiatives.

Lastly, having chosen the UK as the market of consumption integrates interesting elements to the analysis. The UK is one of the most important Fair Trade “societies” in the world. I choose the term society because the relevance of Fair Trade in the UK goes beyond its large global market share and extends to an important infrastructure of civil society and private institutions that seek to communicate its message and promote its growth. As a consequence, working with the British case makes possible the exploration of a multiplicity of Fair Trade organizations and commercial firms that are involved in the moments of circulation and consumption. This rich quantity and variety of actors connected to Fair Trade offer the possibility of a deeper analysis of the system’s political logic, inviting to the exploration of the multiple relations established among UK players – and between British and Argentinean actors – in order to promote a Fair Trade vision of the world and its concomitant praxis.

## 2. Research design

The description of my research design is divided in two parts. The first one offers an overview of the process of inquiry. Resorting to the dialectical approach outlined above, it describes the five main *moments* of my research process and how they will be presented in the reminder of the dissertation. The second part, instead, offers a more technical description of the processes of data collection and analysis. There, I explicit all the different types of data sources used, how they were collected, the different methods with which they were analyzed and the various ways in which data sources were combined according to the needs imposed by each moment of the research process.

### 2.1 The process of inquiry: five moments

Both implications of the historical materialist dialectics – dynamic and static – have been fundamental in the architecture of my research design and the structure with which this dissertation is being presented. In what follows, I present the steps I have taken in order to provide answers to my research questions – the different moments of theoretical practice – and reflect on the various determinations at stake in each of them and their respective positions in what could be described as a continuum between abstract/simple (or what belongs to the general category) and concrete/complex (or what belongs to the specific case) (for a graphic overview, see Figure 1).

*First moment: the general concept of Fair Trade*

The process of inquiry should begin with Generality I, this is, with an abstract and simple concept of Fair Trade. **Chapter 3** seeks to provide such a general concept of Fair Trade in two main ways. Firstly, by offering a presentation of those elements common to the whole Fair Trade universe. The reader will there find a history of the emergence of this Fair Trade initiative, its most relevant organizations, its structure of governance, the different types of standards and certifications it works with and their main characteristics, as well as the overall logic that these tools imprint on the system. Secondly, since Generality I is not only defined by the common elements that the phenomenon under examination exhibits but also by the current state of knowledge available on the matter, this chapter will offer a review of the state of the art in the field of Fair Trade. Both elements, hence, will work as the point of departure of my research process.

If the first moment can be identified with Generality I, the subsequent moments should all be understood as developing within Generality II. This is so because they entail the deployment of the conceptual framework presented in **Chapter 1** for the analysis of the concrete determinations present in the case under examination.

*Second moment: the reconstruction of the “conventional” wine sector*

The goal of the second moment is to produce a regulationist reading of the chosen “conventional” sector. By conventional I simply mean the “non” or “pre” Fair Trade characteristics of the sector. This analysis, of course, comprises two main elements. First, the sectorial regime of accumulation is to be reconstructed. The goal here is to describe how accumulation is achieved by observing the main patterns of production, consumption and circulation. A historical evolution of the regime of accumulation will prove useful in order to understand its crises and how they were overcome as well as its current tendencies. Second, by examining each of the six proposed structural or institutional forms, an overview of the sectorial mode of regulation will be presented. Here it is important to highlight that, while the structural forms are quite broad in their theoretical definition, their empirical application will define which of their aspects become more relevant for the analysis of the chosen sector. Both elements, the sectorial regime of accumulation and mode of regulation, are understood as the meeting point between sector specific and global forces, what highlights the relevance of studying the interaction between the national and sectorial regimes of accumulation and modes of regulation.

Chapter 4 and Chapter 5 focus – in different ways – on the Argentinean wine sector, offering an important degree of concretization, as they delimit the process of inquiry to one particular sector within one particular country. In **Chapter 4**, I reconstruct the recent historical evolution of the sectorial regime of accumulation. In order to do so, however, it becomes indispensable to first account for the recent history of the global regime of accumulation together with the transformations in the global mode of regulation. A similar path is followed on **Chapter 5**, as the current characteristics of the sectorial mode of regulation are better understood when compared to the transformations in the global mode of regulation and regime of accumulation. Therefore, the concretization offered in chapters 4 and 5 is done in two stages: first, by identifying the evolution of the global regime of accumulation and mode of regulation in Argentina and, second, by analyzing the interrelated transformations of the wine sector’s regime of accumulation and mode of regulation.

The concept of a mode of development, defined in the previous chapter as the successful combination of a regime of accumulation and mode of regulation, will be a useful analytical tool in order to account for Argentina’s macroeconomic periods of stability and their crises that have framed the recent historical evolution of its wine sector. However, it will not be possible to directly apply it to the analysis of the Fair Trade sector because, even if the next subsection will present the notion of a “Fair Trade mode of regulation”, it has not been possible to identify empirically a *specifically Fair Trade* regime of accumulation.

### *Third moment: the reconstruction of the Fair Trade wine mode of regulation in Argentina*

The third analytical step is to reconstruct the Fair Trade mode of regulation. This will be done by analyzing the way in which Fair Trade attempts to structure each of the six institutional forms (does it propose changes? In which aspects? How relevant are they?), thus identifying the main features of a Fair Trade mode of regulation. From my experience, it was useful to do this analysis at two distinct levels: first, determining the “ideal-type” Fair Trade mode of regulation – this is, as it is defined in the relevant standards and rules. This will allow for a more superficial but general analysis of the Fair Trade mode of regulation, based on the “face value” of Fairtrade International’s standards and regulations. In this way, it will be possible to identify the general requirements faced by all Fair Trade producers and traders around the world and, within them, those more specific to the wine sector. Second, reconstructing the “actually existing” Fair Trade mode of

regulation in Argentina's wine sector – this is, as it takes place in practice –, since both may present differences. This distinction was not initially planned in my research design, but became very relevant as the process of data collection and data analysis progressed because not all the elements stipulated in the standards are applied in practice or, even when applied, they are sometimes modified or produce unintended consequences. This differentiation between the Fair Trade mode of regulation “in the standards” and “in practice” offers already some interesting inputs for analysis, as presents some gaps between the goals posed by the standards and their effective application.

*Fourth moment: the assessment of the Fair Trade mode of Regulation*

The fourth step will be to assess how transformative the Fair Trade mode of regulation proves to be. This moment will be divided in two different stages: first, a comparison of the conventional and the Fair Trade modes of regulation; second, an analysis of the effects derived from the coupling of the Fair Trade mode of regulation and the sectorial regime of accumulation.

The first stage consists of the comparison between the conventional mode of regulation and the Fair Trade one and the examination of what the main transformations that the latter entails are. The main contrast is done between the conventional mode of regulation and the actually existing Fair Trade mode of regulation. After the main conclusions are drawn, a secondary comparison is done between the conventional mode of regulation and the ideal-typical one, but only in relation to those aspects that become relevant. This assumes the form of a counterfactual exercise, by answering the question: “could the Fair Trade mode of regulation be considered more or less transformative, had it presented all the features as defined in the standard?” In this way, the assessment first looks at the transformative potential and shortcomings of the Fair Trade mode of regulation. Second, it evaluates whether those shortcomings are the consequence of failures in the implementation of the standards in the specific case under study or derive from the general features of the standards themselves.

While comparing the conventional and Fair Trade modes of regulation is already enough in order to assess the ways in which Fair Trade affects the structuration and institutionalization of socioeconomic relations, a further step will be of relevance in order to deepen the analysis. The second stage of this assessment identifies the specific consequences produced by the coupling of the Fair Trade mode of regulation and the sectorial regime of accumulation. This analysis seeks to address questions such as: which are the impacts of the Fair Trade mode of

regulation on the current patterns of production, consumption and circulation? How does it relate to the dominant strategy of accumulation? Which actors are better fit to benefit from the Fair Trade mode of regulation? Does the Fair Trade mode of regulation provide an alternative for those groups that currently occupy marginal positions in the sectorial regime of accumulation? How does the Fair Trade mode of regulation relate to the current tendencies in the regime of accumulation? Does it pose any challenges to its hierarchies and power relations?

Both the third and fourth analytical moments of my research design are presented in **Chapter 6**, where the reader will find the maximum level of concretization of my analysis, as I look at a sub-group within the Argentinean wine sector – Fair Trade producers – and one specific market of consumption – the UK. However, the reconstruction and analysis of the Fair Trade mode of regulation takes place at two different levels of generality. First, more abstractly, the Fair Trade mode of regulation is presented as “in the standards”, this is, in the more general terms that apply to all producers and traders of Fair Trade products and, within this group, those aspects relevant to the wine sector. Second, at the most concrete level, the Fair Trade mode of regulation is constructed as “in practice”, this is, by looking at the actual implementation it assumes in the case of Fair Trade wine produced in Argentina and consumed in the UK.

When it comes to the first stage of the assessment of the Fair Trade mode of regulation, it is also possible to identify different levels of generality, since it will be possible to assess differently those aspects of the Fair Trade mode of regulation that are specific to the case under examination and, more broadly, those other ones that are common to the whole Fair Trade universe (derived from those aspects of the standards that are faced by all actors) and the actors involved in the Fair Trade wine sector (as a consequence of the specifications provided in the wine-related standards). The second stage of the assessment of the Fair Trade mode of regulation, instead, will be characterized by its high level of concreteness, as the analysis of the coupling between the Fair Trade mode of regulation and the sectorial regime of accumulation will be restricted to the specific features and determinations found in the case under examination.

*Fifth moment: the identification of the political processes and ideological elements that shape and legitimize the Fair Trade system*

While the second, third and fourth moments were based on the main concepts and assumptions developed by the French Regulation Approach, this fifth moment will seek to build on the findings obtained so far but also to deepen the analysis by

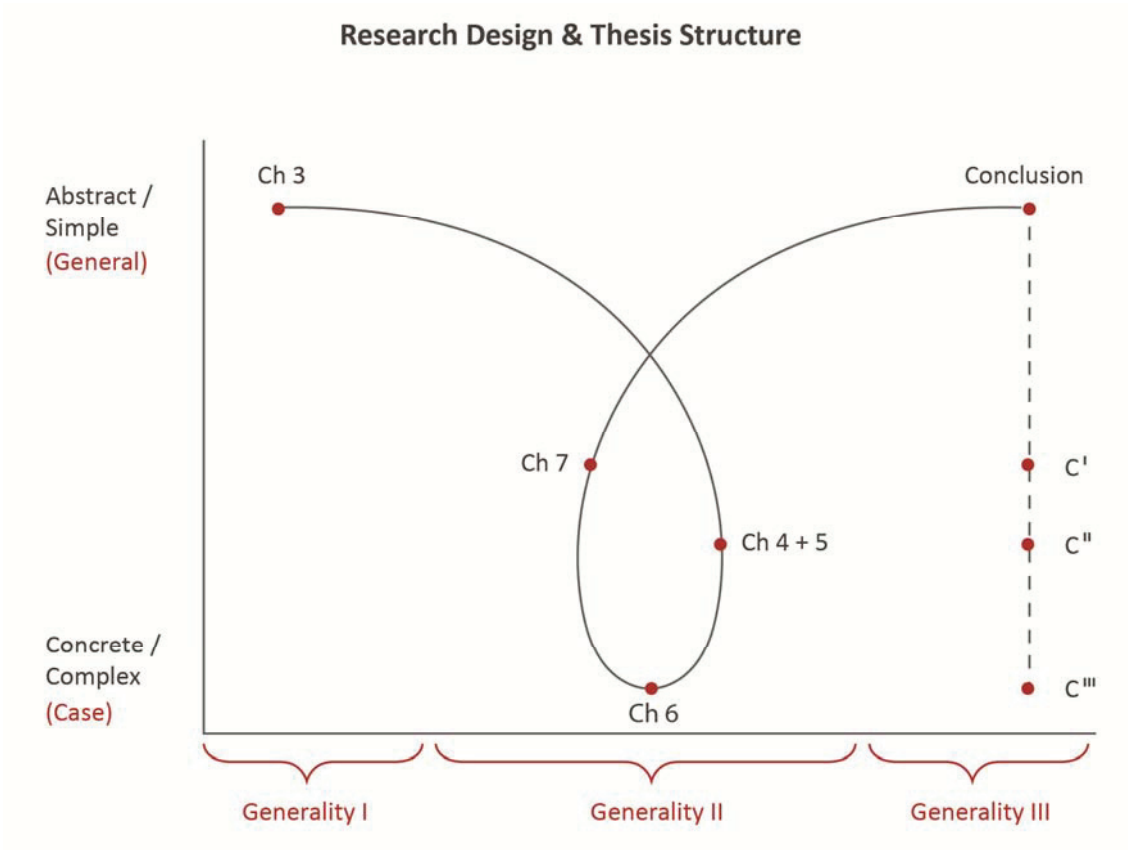
resorting to the Amsterdam Project. While at this point the thesis will have explained the most relevant structural forms that characterize the Fair Trade mode of regulation, discussed how alternative they prove to be and analyzed their impact on the sectorial regime of accumulation, the fifth moment will look at the dynamic side of this phenomenon by identifying the political processes and ideological elements that are at play in the struggle for the structuration of the Fair Trade system and its legitimation. This will be done by: identifying the most relevant class fractions and the system of relations between them; reconstructing the Fair Trade concept of control and analyzing its main implications; interpreting Fair Trade's political logic; and, lastly, discussing the Fair Trade concept of control under the light of historically hegemonic concepts of control.

The fourth moment of my research design will have offered the most detailed level of concretization of the object of study through the analysis of its multiple determinations. However, as the dialectical movement progresses, it is necessary to confront the concrete findings obtained to the preconceptions presented in the first moment in order to offer a final answer to the research question. This means that the process of research will now move back towards a higher level of abstraction in order to offer a final answer to the research question as a "concrete-in-thought". The goal of **Chapter 7**, therefore, is to offer a transition between the maximum level of concreteness and the enunciation of a Generality III. Chapter 7, as a consequence, is crossed by more general elements, which are common to the Fair Trade system as a whole – the Fair Trade concept of control, structural power relations between different class fractions and Fair Trade's political logic – and some other ones which are still specific to the case under examination – how is the Fair Trade concept of control appropriated by actors in the wine industry? Which are the most relevant class fractions and how do they articulate their relationships? How does the war of position take place in the United Kingdom? However, this re-approaching to more abstract and general features of Fair Trade is not to be done in a mere descriptive way, but has to be done dialectically, by bringing into play the findings obtained in the previous moments of the research process. Therefore, the Fair Trade concept of control, for example, is not only to be reconstructed abstractly, as the general enunciation done by Fair Trade actors, but, additionally, it will be contrasted to the actual practices and material process that have been described in the chapters that dealt with the most concrete levels of analysis. In this way, the more general dimensions of Fair Trade will not simply be reproduced – as it was done in Chapter 3 – but will be contested and

dialectically opposed to the results obtained from the analysis of the concrete determinations examined in the previous chapter.

In this way, by complementing the Regulation Approach with a neo-Gramscian perspective, Chapter 7 will exhaust the work done by the concepts of Generality II and, in the **Conclusion**, the resultant Generality III will be offered. The fact that my analysis has been developed at various levels of concreteness/generality makes it necessary to present the knowledge produced in a consistent way. Hence, Generality III, the knowledge produced by this dissertation, will be discriminated according to these different levels, offering certain conclusions that are exclusive to the case of Fair Trade wine produced in Argentina and consumed in the United Kingdom, other ones that are common to the whole Fair Trade universe and some intermediate ones.

**Figure 1**





## 2.2 Data collection and analysis

The ontological assumptions that underlie the regulationist framework presented in the previous chapter are inspired by Bourdieu's attempt to overcome the objectivist/subjectivist divide:

On the one hand, the objective structures which the sociologist constructs in the objectivist moment, by setting aside the subjective representations of the agents, are the basis of subjective representations and they constitute the structural constraints which influence interactions; but, on the other hand, these representations also have to be remembered if one wants to account above all for the daily individual and collective struggles which aim at transforming or preserving these structures. This means that the two moments, objectivist and subjectivist, stand in a dialectical relation (Bourdieu, 1990:125-126).

Accordingly, my methodological strategy needs to account for both levels of social reality: on the one hand, it needs to describe objective social relations, which exist independently of the actors' recognition and, on the other hand, it has to reconstruct the subjective representations that constitute the actors' visions of the world and guide their actions. The main goal, as highlighted by Bourdieu, is to produce a dialectical synthesis in which the positions occupied by actors in the structure of social relations contribute to the comprehension of their dispositions, practices and representations and, at the same time, an explanation of the social genesis of those very same social structures and their reproduction or transformation – or, as put by Bourdieu (1973:63): “the principle of the production of this observed order”.

While, as outlined in my theoretical framework, the Regulation Approach seems to be better prepared for the analysis of the objective dimension of social reality, the inclusion of the Amsterdam Project was intended as a form of making this dialectical synthesis possible. Due to this, the reader will find that Chapters 4, 5 and 6, mostly based on the Regulation Approach, focus mainly on the description of objective social relations (a regime of accumulation, modes of regulation, structural forms), whereas Chapter 7, guided by neo-Gramscian concepts, begins by examining the most relevant categories of actors derived from the systems of positions presented in the previous chapters (still working within the objectivist moment) but then moves on to a subjectivist analysis, as it seeks to account for the contested construction of the Fair Trade concept of control (a representation), the different ways in which it is appropriated by social actors and the type of political practices it leads to.

Such ontology, combining objective social structures and subjective representations, leads to a plural strategy of data collection and analysis. As a consequence, this dissertation has mostly been based on primary sources, both in the form of qualitative data (obtained through semi-structured interviews, documents collection, and, more limitedly, observation) and quantitative data (descriptive statistics), as well as secondary sources (academic literature and reports by experts). The analysis has also followed this differentiation, approaching data in a more naturalist way when the goal was to account for objective social structures, and in a more constructivist fashion when the objective was to comprehend the subjective representations of actors. However, this plurality of strategies of data collection and analysis was not anarchically deployed but, instead, they were combined differently according to what each of the moments of the research process demanded. For a clearer exposition, the remainder of this subsection will firstly offer an overview of the overall process of data collection and, secondly, explain how different sorts of data were articulated and analyzed during each of the five outlined moments of my research process.

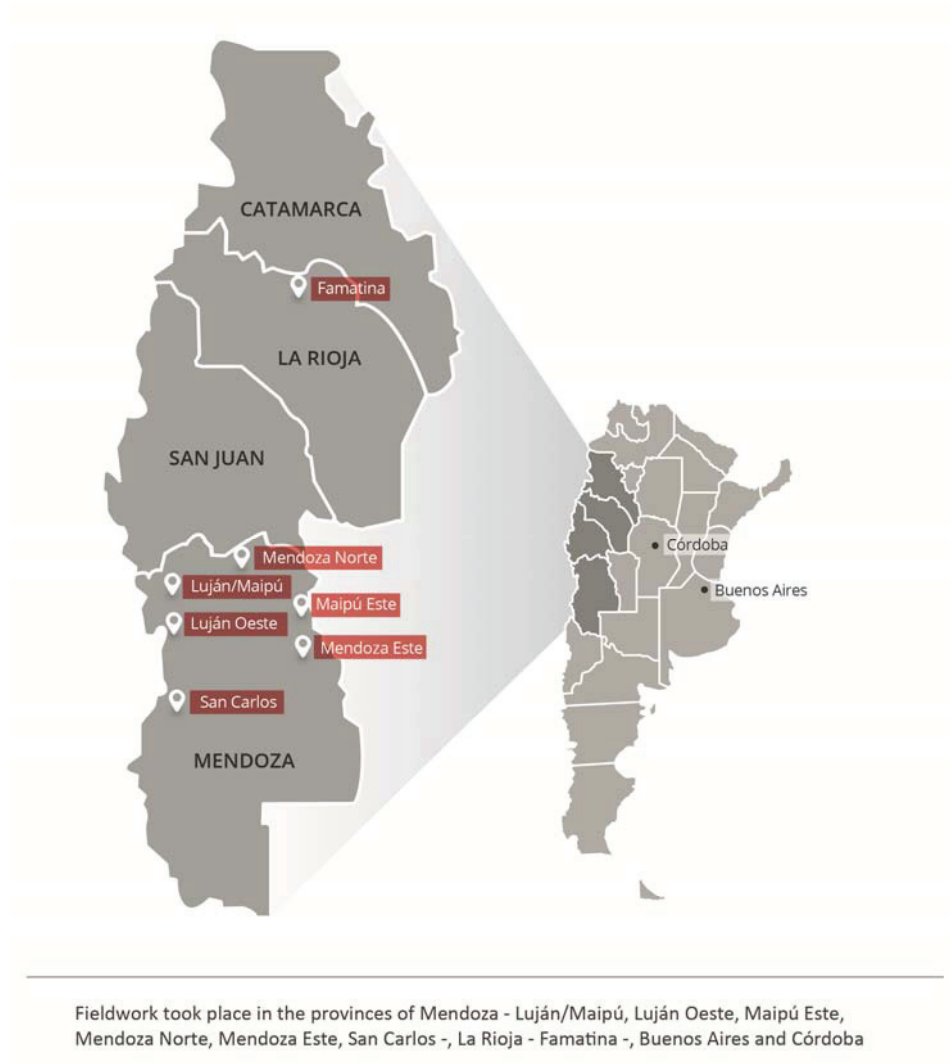
### ***2.2.1. Overview of data collection***

In Argentina, most of the empirical data was collected through fieldwork between August and December 2013. Most of it took place in the province of Mendoza (in the zones of Mendoza Norte, Luján/Maipú, Luján Oeste, Maipú Este, Mendoza Este and San Carlos), the most important wine producing region of Argentina and the area that concentrates the majority of certified wine and grape producers. The region of Famatina Valley, in the province of La Rioja, followed in importance, as it is there that the first – and most important – certified Argentinean winery is located. Buenos Aires, Argentina's capital city, was a relevant point for fieldwork too, as the most important representative of Fairtrade International is based there, as well as members of alternative Fair Trade organizations. Lastly, one interview took place in Córdoba, where the Fairtrade auditor for Argentina is based (see Figure 2).

Fieldwork was particularly important because it provided the only means through which the implementation of Fair Trade – this is, the Fair Trade mode of regulation “in practice” – could be accounted for. Additionally, it offered the opportunity to cross check data about the conventional wine industry that had been obtained through secondary sources. Lastly, fieldwork was needed in order to have

access to the lived experiences and interpretations of those actors that are part of the Fair Trade system. For a summary of all interviews conducted in Argentina and the United Kingdom, see the Annex.

**Figure 2**



Regarding fieldwork, in-depth interviews were the most important source of data collection. The process began with the development of a theoretical sample, in which the main criteria for choosing the interviewees was given by assuring the representation of all relevant categories of actors. Once those categories were established, the sampling followed a snow-ball strategy, in which the same actors that I interviewed in the field led to other relevant actors. Once all relevant types of actors were covered and saturation in the interviews was achieved, the process

of interviewing finished. The result was a total of more than 45 interviews to a variety of actors linked to the Fair Trade and conventional modes of regulation, including representatives of: certified and non-certified wineries, grape growers and traders, workers, sectorial entities, relevant state agencies, Fairtrade International, other Fair Trade initiatives and FLO-CERT. Semi-structured interviews were mainly focused on how the industry's wage relation, competition, money form, state intervention, representation of wine and international insertion were articulated and in which ways Fair Trade provided alternatives. Additionally, documents related to the wine industry were collected, consisting mainly of national and provincial legislation and the industry's regulations. Supplementary data was obtained by some documental material provided by actors themselves (for example, wine labels, leaflets, promotional material, websites, etc.) and one participatory observation that took place during the general assembly of a small producer organization.

In the United Kingdom semi-structured interviews were also used (for a total of 13 interviews). The process of sampling was developed along the same lines as in the case of Argentina. As a result, I held interviews with the three most important Fair Trade wine importers (and the only importers dealing with Argentinean Fair Trade wine), as well as the biggest Fair Trade wine retailer in the United Kingdom (including the supermarket's Fairtrade Strategy Manager and Wine Buyer). In relation to the Fairtrade Foundation (Fair Trade's official organization in the United Kingdom), my data collection focused mainly on the documents elaborated by this organization. The Fairtrade Foundation's Product Officer for wine would have been a very relevant interviewee, however, she did not accept my request and granted me an e-mail interview instead. Additionally, I had the chance to carry out a participant observation in a Fair Trade wine tasting organized by an important supermarket, where I could not only be present during the presentation delivered by Fair Trade wine producers from Argentina, but also interview participants. Lastly, some supplementary material was obtained from interviews with other relevant actors, such as a Fair Trade steering committee member or an Argentinean wine retailer.

Lastly, more generally, over 40 documents produced by Fairtrade International were collected. I was able to build an archive consisting of annual reports, all the relevant standards and regulations for certification, different kinds of diffusion and promotional materials, and other important institutional documents such as the Fair Trade Charter of Values and Fairtrade International's constitution. While I have not made a list detailing all the documents collected, I have quoted them

throughout my analysis whenever it was relevant and their details can be found in the list of references.

### ***2.2.2 Different uses of data and methods of analysis during each moment of the research process***

The goal of the *first moment* is to offer a “general concept” of Fair Trade. As it was explained previously, this is done in two main ways. First, I describe the more general and defining features of Fair Trade. In order to account for those elements common to the different cases (such as Fair Trade’s history, its main organizations, structure, system of governance, typology of standards and certifications, overall logic of functioning, etc.) I work with secondary sources (mainly, academic literature) as well as primary sources. Among the latter, the standards and their explanatory documents, Fairtrade International’s constitution, diffusion material and websites created by FLO and its National Initiatives were included. That documentary data was complemented with interviews to Fair Trade bureaucrats, both in Argentina and the United Kingdom. Second, I present a review of the state of the art of current knowledge about Fair Trade. The main sources of data, hence, were academic publications on the topic.

When it came to analyzing this data, the main strategy was content analysis. I first went through all relevant documents in order to identify the most abstract and general elements that define Fair Trade. Once this was done, I coded these documents based on the elements identified (for example: standards, certifications, system of governance, etc.), and regrouped the data according to the codes given. Lastly, I sought to describe each element with the data gathered from the documents. Additionally, when doing interviews, I included some questions in relation to these more general elements, treating the resulting data in the same way. Lastly, I also resorted to academic publications when they added information that could not be obtained from the previously mentioned data. As the goal of this moment is to offer a “general concept” of Fair Trade, my strategy was to analyze the data produced by Fair Trade actors taking it as “face value”. I was interested in reconstructing Fair Trade’s self-presentation, as it would provide a good point of departure for the identification of its most defining characteristics and those features that are commonly acknowledged by society more generally. The survey of the academic literature, instead, was done differently. I began by reading all relevant publications on Fair Trade and attempted to identify common patterns in

terms of theory, methodology, research goals and conclusions. This allowed me not only to group a variety of publications that were initially dispersed, but also made possible to detect the main cleavages around which debates on Fair Trade have been built. Of particular interest to my research objective was to identify the different ways in which Fair Trade has been conceptualized and assessed so far. The result is an overview of the current state of the knowledge about Fair Trade and the main debates that characterize it.

The goal of the *second moment* is to account for the Argentinean wine “conventional” sector. To do this, the first step was to portray the recent historical evolution of Argentina’s regime of accumulation, mode of regulation and mode of development. Since reconstructing these concepts and identifying their transformation goes far beyond the scope of my dissertation, the decision was to rely on academic literature. As a consequence, I relied on regulationist accounts of Argentina’s recent macroeconomic history. This provided a first element for the analysis of the sectorial level.

The sectorial regime of accumulation was described, mainly, by resorting to two types of data: secondary literature and statistical databases. Secondary literature was used as a source of data as long as it provided empirical facts in order to account for the different dimensions of a regime of accumulation. Once a draft of the regime of accumulation had been formed from the analysis of academic literature, I resorted to descriptive statistical data in order to identify the overall trends and tendencies in production, circulation and consumption within the sector. In this way, the initial draft of the sectorial regime of accumulation was checked and improved with the integration of quantitative data. A similar process was followed when, more generally, I reconstructed the overall trends of the world wine industry that framed the transformation of the Argentinean wine sector. Lastly, during my fieldwork, I sought to cross-check my draft of the regime of accumulation with material arising from the interviews I held with relevant actors in the wine industry.

When reconstructing the conventional mode of regulation, I once more began with secondary data. In a way analogous to what was just explained, I sought to flesh out the most relevant features of all six institutional forms by using academic publications as sources of data. This initial construction was then contrasted to qualitative primary sources of data, which consisted mainly of the documents relevant for the institutionalization of each structural form in the Argentinean wine sector (regulations, laws, rules, agreements and standards dictated by national and

provincial legislation, sectorial organizations and other specialized agencies). Lastly, my reconstruction of the conventional mode of regulation was cross-checked with the use of interviews to relevant sectorial players.

In the *third moment*, the Fair Trade mode of regulation was primarily reconstructed through the use of semi-structured interviews with relevant actors. Interviews focused on finding which the main changes introduced by Fair Trade on each of the structural forms were. Since in this moment of my research the objective is to reconstruct the way in which Fair Trade institutionalizes objective social relations, interviews were used as a way of obtaining data from my respondents and not to account for their subjective representations and experiences of being part of the Fair Trade system. As a consequence, information from the interviews was analyzed in a naturalist fashion: I began thoroughly reading all transcriptions of interviews and continued by coding them according to their relation to the six institutional forms. Then, I re-organized and re-coded interview fragments according to which aspect of each institutional form they were referring to. The next step was to produce a meaning condensation for the relevant aspects of each institutional form in the conventional and fair trade mode of regulation. As a measure of quality and validity, the institutional forms resultant from the analysis emerged from the mutually overlapping answers of a variety of actors, reducing in this way as much as possible the subjectivity of the data obtained in the interviews.

While I had not previously considered it, after going through the data I found it useful to make a sub-division within the fair trade mode of regulation, contrasting how different aspects were presented in the standards and how they were actually applied in practice. Therefore, the Fair Trade standards became the main source of data in order to account for the “ideal-type” Fair Trade mode of regulation.

The *fourth moment* of my research seeks to produce an assessment of the Fair Trade mode of regulation in two ways, by contrasting the conventional and the Fair Trade modes of regulation and by analyzing the particular effects of the coupling between the latter and the sector’s regime of accumulation. Consequently, these are two analytical processes that do not involve the introduction of any new data.

While the previous moments represent a movement from the general to the concrete, the *fifth moment* represents, instead, a step in the progression back to the general. In this sense, the analysis presented in Chapter 7 works at two different

levels: on the one hand, it presents more general features of the Fair Trade system, this is, the Fair Trade Concept of Control, its overall pattern of power relations and the political logic that underlies this initiative. On the other hand, these general findings are contrasted to the more concrete elements that have been identified by the analysis of the case, as I discuss how the Fair Trade Concept of Control and the system's political logic have been embedded in the concrete case under examination and how power relations can be identified within this context. Additionally, a second element distinguishes the fifth moment from the previous ones: while the former were mostly focused on describing objective social relations, the analysis of the political dynamics and ideological elements that constitute Fair Trade makes necessary to account for subjective representations. In this way, the fifth moment seeks to reconstruct the world-views put forward by Fair Trade actors, understand how they legitimize certain practices, and discuss their relationship to the structural forms identified in the previous moments.

In order to reconstruct the Fair Trade Concept of Control, I decided to work with official documents produced by Fair Trade organization. Since the Fair Trade Concept of Control can be identified as a more general feature – a constitutive element of the system – I consider that it can be better reconstructed by relying on the “official discourse” produced by those agents that have been given the authority to represent the system. Data obtained from various official documents (specially annual reports, but also other materials produced by Fairtrade International and the Fairtrade Foundation in the United Kingdom) were used to produce a discourse analysis. Its main goal was to account for Fair Trade's worldview (the problems it has identified, the solutions it has proposed and the ways in which it portrays itself) and analyze how it puts forward and attempts to legitimize its project. While this process reconstructed a general Fair Trade concept of control, a second step in its discussion was to analyze the different ways in which the most relevant actors of my case study have appropriated it. This was done mainly through the use of interview material, in which I sought to identify the various ways in which actors made sense of the Fair Trade Concept of Control and resorted to it in order to express their views of the system.

The identification of the most relevant actors followed the lines of a class-based analysis. In this sense, I tried to differentiate actors in the Fair Trade world according to the function they perform in this economic system. By relying on my previous analysis of Fair Trade's structure of governance, the system's overall logic and the main ingredients of the Fair Trade Concept of Control, I provided an overall picture of the different power relations between class fractions that Fair



Trade has articulated. This more abstract analysis was then complemented with academic literature on Fair Trade's internal governance in order to offer more concrete evidence of these unequal structural positions. Afterwards, I moved to the identification of the most relevant class fractions for my case study. This implied revising the Argentinean wine regime of accumulation and the conventional and Fair Trade modes of regulation in order to identify the main cleavages that organized the relations between different groups of actors. After having defined which the most relevant class fractions for my case were, I sought to analyze the different ways in which they relate to the Fair Trade Concept of Control.

My analysis of class fractions and the Fair Trade Concept of Control were used to identify Fair Trade's political logic. This, again, was done at two levels. First, I identified the more general characteristics of Fair Trade politics according to the constraints imposed by power relations among actors and the worldview it puts forward. Second, I analyzed those general features in the light of my case study. Key sources of data for this latter step were documents produced by the Fairtrade Foundation, in which they provide information about the most relevant political tactics to follow in order to expand the system's legitimacy across society, and interviews with relevant actors. This part of my analysis was mostly focused on the United Kingdom, due to the fact that no Fair Trade products are commercialized in Argentina.

Table 1 offers an overview of the various types of data sources use and how they were collected and analyzed differently according to the distinct moments they were relevant for.

**Table 1**

Moment	Chapter	Goal	Data sources	Data analysis
1st General Concept of Fair Trade	3	To identify and describe Fair Trade's general elements	- Primary: standards and explanatory documents, FLO's constitution, diffusion material and websites by Fair Trade organizations, interviews.  - Secondary: academic literature	- Content analysis  - Data was treated as face value to account for Fair Trade's self-presentation.
		To provide a literature review on Fair Trade (wine)	- Primary: academic literature	- Exploratory reading of relevant publications followed by their classification. Main criteria: conceptualization and assessments of Fair Trade.
2nd Conventional wine sector	4	To reconstruct the current sectorial regime of accumulation and its recent historical evolution	- Primary: statistical databases, interviews.  - Secondary: academic literature.	- Academic literature was initially used to account for the main elements of the regime of accumulation. These findings were later on cross-checked and improved with statistical data and interview material.
	5	To reconstruct the current sectorial mode of regulation and its recent historical evolution	- Primary: documents (regulations, laws, agreements, standards, national and provincial regulations), interviews.  - Secondary: academic literature.	- Academic literature was initially used to flesh out the six structural forms. These findings were later on cross-checked and improved with interview and documentary material.
3rd Fair Trade mode of regulation	6	To reconstruct the Fair Trade mode of regulation "in the standards"	- Primary: standards and their explanatory documents	- Content analysis
		To reconstruct the Fair Trade mode of regulation "in practice"	- Primary: interviews	- Content analysis of interview material and meaning condensation for each institutional form resulting from the overlapping answers of different actors.  - Data was used to account for Fair Trade's structuration of social relations.
4th Assessment of the Fair Trade mode of regulation	6	To contrast the conventional and Fair Trade modes of regulation	- Comparison of the conclusions obtained in Chapters 5 and 6, no new data added.	
		To identify the effects of the coupling between the Fair Trade mode of regulation and the sectorial regime of accumulation	- Combination of the conclusions obtained in Chapters 6 and 4, no new data added.	
5th Fair Trade's political and ideological dimensions	7	To identify the most relevant class fractions	-Fair Trade cleavages: based on structure of governance, system's overall logic and elements from the concept of control (Chapters 3 and 7)  - Conventional cleavages: based on functional divisions and power relations emerging from the regime of accumulation and conventional mode of regulation (Chapters 4 and 5).  No new data added.	- Resulting class fractions and their power relations resulted from the analytical juxtaposition of both systems of positions: Fair Trade and conventional wine industry.
		To reconstruct the Fair Trade concept of control	- Primary: official documents produced by FLO and the Fairtrade Foundation.	- Discourse analysis to reconstruct Fair Trade's world-view.
		To understand how different actors have appropriated the Fair Trade concept of control	- Primary: interviews	- Meaning condensation in order to comprehend how actors appropriate and make sense of the Fair Trade concept of control.

## Chapter 3: Fair Trade

The goal of this chapter is to present what I have previously called a “general concept of Fair Trade” (Generality I). This will be done in two ways: the first part of the chapter will describe the elements of the certification-based Fair Trade initiative that can be considered universal this is, common to all cases. The second part will review the main debates in the current literature on Fair Trade’s transformative potential. In this way, the general concept of Fair Trade will be constructed by combining a description of its general features and a survey of the contemporary knowledge in the field.

### 1. Fair Trade: An overview

In this first half of Chapter 3, I present three elements that reveal the most distinctive characteristics of the Fair Trade initiative. I begin with describing Fair Trade’s diagnosis of the main problems of international trade and the treatment that has been proposed as a solution. In this way, the general vision and aim of the Fair Trade movement will be presented. Afterwards, I offer a historical account of the Fair Trade movement, including its transformations and institutionalization. Fair Trade’s historical trajectory will be relevant not only to understanding the trodden path that has shaped the contemporary system, but also to explain some of the tensions, contradictions and debates that will be presented in the subsequent chapters. Lastly, I describe the most relevant standards and their main characteristics, which is important at this level of generality for two reasons: (1) standards constitute universal elements within the system, as all certified players need to comply with one or another and (2) standards shape, to a great extent, Fair Trade’s overall logic of functioning.

#### **1.1 International trade: diagnosis and treatment**

The Charter of Fair Trade values offers, in a nutshell, the main diagnosis that underlies all the initiatives undertaken by the certification-based Fair Trade movement:

Poverty and hardship limit people’s choices while market forces tend to further marginalise and exclude them. This makes them vulnerable to exploitation, whether as farmers and artisans in family-based production units (...) or as hired workers (...) within larger business (World Fair Trade Organization and Fairtrade Labelling Organizations, 2009:5).

The Fair Trade movement has identified poverty, hardship, marginalization, exclusion, and exploitation as the main problems experienced by producers and workers throughout the global South. In their view, the reason for such situations is to be found in the international trade regime, since “despite all the rhetoric about globalization yielding prosperity for all, the hard truth is that the world’s rich set the terms of trade that deny the poorest a fair chance to sell their products and earn a decent living” (Fairtrade Labelling Organizations International, 2004:3). Therefore, the current trade regime—which protects agricultural producers in the North with subsidies and marginalizes those in the South with trade barriers (Ibid)—is identified as the main factor responsible for the unequal relationships established between poor producers and workers in the developing world and rich traders and importers in the most developed areas. Poverty and marginalization, consequently, cannot be adduced to be the result of misguided investment decisions or the lack of managerial skills, but are presented as the systematic outcome of an unjust trade structure: “with internationally traded crops, the picture is of an hourglass that concentrates power and wealth: for example, five million small-scale cocoa farmers sell to just four main traders who in turn sell to millions of consumers” (Fairtrade International, 2013:4).

It is as a consequence of this diagnosis that the Fair Trade movement has emerged as a project that seeks to promote fairness in trade relations, encourage more direct connections between producers and consumers, and offer more options for business partnerships in very centralized markets. Trade, which is initially identified as the main source of global inequality, has, at the same time, the potential to be “a fundamental driver of poverty reduction and greater sustainable development, but only if it is managed for that purpose, with greater equity and transparency than is currently the norm” (World Fair Trade Organization and Fairtrade Labelling Organizations, 2009:6).

As a consequence, the certification-based Fair Trade initiative, governed by Fairtrade International, has been self-defined as:

A trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (Ibid).

Fair Trade seeks to correct market imbalances by targeting third world producers and first world consumers. In this system, the former are required to comply with certain economic, social, and environmental standards in their organization of work and production. In exchange, their products are certified as *fair* and are commercialized with a distinctive label. Consumers are expected to support and reward them by paying a price for their products that is high enough to ensure the reproduction of sustainable conditions of production. In this way, Fair Trade is presented as a praxis that corrects injustices in international trade by putting decisions in the hands of ordinary people. Any person concerned about the situation of marginalized producers in the third world can simply contribute to their well-being by buying the right products. Hence, Fair Trade is portrayed as an initiative from below, in which individuals can express their preferences through purchases, rewarding companies that support Fair Trade products and punishing those that choose not to. Such an approach implies that there is no need for government intervention, parliamentary agreements, or institutional reforms: social commitment and political convictions can simply be channeled through the market.

While Fair Trade's diagnosis of international trade can be said to have remained more or less unaltered since its origins, its proposed treatment and the particular means used by activists to materialize it are the result of a changing historical process. The next subsection provides an overview of the evolution experienced by the Fair Trade movement and its progressive institutionalization.

## **1.2 Fair Trade's historical evolution and institutionalization**

Some scholars (Gendron et al, 2009; Valiente-Riedl, 2013; Brown, 2015) trace the origins of Fair Trade back to the crafts boutiques that appeared in the United States and Europe in the mid-20th century. Between the 1940s and 1950s, religious groups and non-governmental organizations began to develop production chains inspired by "fair trade" norms within their countries in order to favor the poorest areas. The products involved, almost exclusively crafts, were sold mainly in churches and at fairs (IFAT, 2003).

What we now refer to as Fair Trade is the result of a variety of different influences from different historical periods that converged toward a common project during the second half of the last century. Four initiatives stand out among the most relevant precedents (Gendron et al, 2009:64-5). First, the oldest one can be found

in the cooperativist movement, the roots of which date back to mid-19th century Italy and the United Kingdom. Second, the aftermath of the second World War witnessed the emergence of the so-called “charity businesses” across different points in Europe. These businesses became visible during the 1950s, when religious and non-governmental organizations sought to fund their development projects in the third world through the sale of crafts. Third, during the 1960s, initiatives known as “solidarity trade” began to emerge in the United States and Europe. This phenomenon was promoted by activist groups that imported products from politically or economically marginalized countries from the southern hemisphere in order to sell them to northern consumers. Fourth, towards the end of the 1960s, international development organizations and religious associations promoted the “trade for development” initiative, which consisted in assisting southern producers to develop and export their goods. The spirit of this initiative was guided by the famous slogan “trade, not aid,” which emerged, together with the creation of UNCTAD (United Nations Conference on Trade and Development), in 1964.

These four movements were the different influences that converged together and gave origin to what Le Velly (2004) has come to call “trade of benevolence.” This phenomenon is characterized by two main features: first, it constitutes a market niche in which buyers are aware of, and convinced by, the fact that by purchasing they do not only acquire a product, but also support projects or causes that transcend that product. Second, and as a consequence, the product can be sold at a price higher than that of comparable conventional goods, without necessarily offering a better quality, due to the fact that the purchase of a product through benevolent trade is motivated primarily by a desire to help producers or support political causes in the global South. In commercial exchanges, the maximizing rationality typical of neoclassic economic models is replaced by a normative rationality: when a consumer decides to buy a product, the cost-benefit calculation is not as much of a determinant as the ethical implications of the action.

The 1980s and 1990s proved to be a landmark in this historical evolution, as it was then that practices of benevolent trade began to converge and consolidate around a common idea of just and equitable trade. Raynolds and Long (2007:16) identify this process as the “beginning of a common Fair Trade movement, with shared norms based on ideas of ‘fairness.’” Alternative Trade Organizations (ATOs) were the drivers of this movement; they were in charge of establishing contact with producers in the South, building direct commercial channels, and selling products in the North. The latter activity was mostly done through World Shops, outlets that

specialized in the sale of fairly traded handcrafts. During this period, the growing importance of the Fair Trade movement was not only evidenced by the volume of sales, but also by its increasing institutionalization, as different ATOs sought to coordinate activities through the development of Fair Trade networks such as the International Fair Trade Association (IFAT), the Network of European World Shops (NEWS!), the European Fair Trade Association (EFTA), and the Fair Trade Federation (FTF).

By the end of the 1980s, however, a new strand in the Fair Trade movement, characterized by the use of product certification and labelling, began to develop. This process was, in part, a reaction to the international context of the mid-1980s, which posed a series of challenges to the Fair Trade movement (Gendron et al., 2009:66). First, the segment of crafts and ethnic products from the developing world became increasingly competitive, due to the emergence of businesses that continued to work within a conventional frame. Second, recession in industrialized economies during the period was translated into diminished purchasing power, which led to higher expectations in terms of quality. Third, new dominant forms of commercialization and promotion made it necessary for sellers to familiarize themselves with marketing techniques. Fourth, the increasing codification of international trade norms forced benevolent trade initiatives to comply with international health and safety standards. This context promoted a triple evolution in the movement characterized by the professionalization of world shops, expansion toward the food industry, and the creation of labels in order to improve the products' identification (Ibid). It was at this point that a new approach within the Fair Trade movement emerged.

The professionalization of alternative distribution systems went hand in hand with the creation and consolidation of a variety of Fair Trade networks that attempted to improve this initiative's position in the market and consolidate it as a political project. It is also during this period that crafts—dominant products in the trade of benevolence system—started to lose importance due to the continuous growth in the production, commercialization, and consumption of agricultural goods. Coffee led the expansion, and was soon followed by cocoa, sugar, fruit juice, dried fruit, rice, herbs, and nuts. In ten years, between 1992 and 2002, agricultural goods went from representing 20% of all Fair Trade world sales to accounting for 69.4 % (Nicholls and Opal, 2005:191).

Even though sales were constantly growing, distribution was restricted by the relatively low number of Fair Trade shops in Europe and the United States.

Offering Fair Trade products through mainstream channels of distribution (supermarkets and retailer chains) appeared at that time as one of the main options that had to be considered if the movement was to increase its sales. However, expanding and dealing with leading players from the conventional market entailed the risk of compromising the trust that consumers had in the product and its origin. The main challenge, at this point, was to find a way in which to make Fair Trade products available to all and, at the same time, guarantee that conditions of fairness in their production and trade were preserved.

Faced with this situation, in 1988 Frans Van de Hoff and Nico Roozen created, in The Netherlands, the Max Havelaar association and the label of the same name. Its goal was to promote a distinctive symbol that could be used to identify the Fair Trade system and that had the potential to become widely recognized by consumers. Its logic was simple: products that were produced and commercialized under the (Fair Trade) standards developed by Max Havelaar would be granted the right to an identifying label that would allow them to be distinguished from products that belong to conventional trade circuits. This marked the beginning of a radically new distribution strategy: an efficient labelling process would open the doors to massive commercialization. The same labelling system was adopted two years later in Belgium and Switzerland. New Fair Trade labels began to emerge afterwards in other countries: Fairtrade (the United Kingdom, Ireland, and Canada), Transfair (Austria, Germany, Italy, Luxemburg, Japan, the United States, and Canada), and Rättvisenmärkt (Sweden) (Gendron et al., 2009:66).

The labelling system proved to be very popular and diffused quickly. However, the plurality of alternatives challenged the possibility of a homogeneous international definition of Fair Trade, its principles, and its standards. In an attempt to unify the different national labelling initiatives and provide a common criteria, in 1997, 17 certifying organizations—known as National Initiatives—came together to create an umbrella organization: Fairtrade Labeling Organizations International (FLO).<sup>10</sup> The main duties of this emerging organization would be threefold: defining unified international trade standards, certifying and auditing producers and traders, and providing support to producer organizations in need of external help (Fairtrade Labelling Organizations

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<sup>10</sup> In 2011, Fairtrade Labelling Organizations International began to use an abbreviated name (“Fairtrade International”) to refer to itself. Throughout this dissertation, both denominations, as well as their acronyms, will be used indistinctively. Additionally, the term “Fairtrade” will be used exclusively in connection to this specific organization, while the expression “Fair Trade” will be used to refer to the broader movement and the more general concept.



International, 2005:23). This was a major move in the direction of centralizing, within one single organism, a plurality of Fair Trade initiatives, making it possible to align all the norms and standards that producers and traders have to comply with and the processes through which certifications were granted. Another important consequence of this reorganization was the creation of the Fairtrade Certification Mark, which became the single label promoted by the movement and would eventually replace all national labels. The existence of a single image for Fairtrade not only made its diffusion and recognition by consumers easier, but also facilitated cross-border trade (Fairtrade Labelling Organizations International, 2008:2). While the creation of FLO proved useful in simplifying and homogenizing the main instruments and tools on which the certification movement depended, it was also of critical importance in the articulation of a more coherent and unified Fair Trade discourse, as part of its mission was to “harmonize the Fairtrade message across the movement” (Fairtrade Labelling Organizations International, 2007b:3). All in all, the creation of FLO can be seen as the culmination of a shift “from an ATO dominated to a certification/labelling dominated movement” (Raynolds and Long, 2007:17).

As the certification-based system expanded, FLO sought to secure its legitimacy and authority. One way of doing so was to comply with the internationally recognized standard ISO/IEC Guide 65, which established the general requirements for “bodies operating product certification systems.” In practice, the main impact was FLO’s split into two different organizations, in order to separate the functions of standard setting and certifying. From then on, FLO would be in charge of the development of standards, producer support, and, more generally, commercial operations, while FLO-Cert would become the technical organism that carries out inspections, audits, and grants or denies certifications.

The most recent developments in terms of FLO’s structure have been characterized by a repositioning of producers in its governance. Throughout the organization’s history, producers have voiced their concerns about insufficient transparency in FLO’s structure, their lack of representation, and the poor communication channels within the organization (Renard and Pérez-Grovas, 2007:148). Together with the growing figures of producer organizations and Fair Trade sales, southern actors were interested in moving from being “reduced to the role of beneficiaries” (with no participation in decision-making processes) to assuming “the status of autonomous partners” (Wilkinson and Mascarenhas, 2007:135). Some of these concerns have been successfully addressed throughout the last decade, as FLO has gradually increased the centrality of producers in the

organization's governance. An important step towards the representation of producers has been the formation of Producer Networks: "associations which Fairtrade certified producer organizations may join if they wish, and which are recognized by FLO as the representative bodies of farmers and workers" (Fairtrade Labelling Organizations International, 2007b:6). All three Producer Networks, representing Latin America, Asia, and Africa respectively, were granted membership in FLO with the same status as National Initiatives. However, the commitment towards producer representation was taken a step further in 2011, when Fairtrade International made the three Producer Networks equal owners of the organization. This meant that Producer Networks and National Initiatives were now each 50% owners of FLO, having equal power in decision-making processes. This has been assured by granting them each equal representation in the main organs: in the General Assembly, Producer Networks and National Initiatives are entitled collectively to 50% of the total votes each, while the organization's board must host an equal number of members from each group (plus three independent members) (Fairtrade Labelling Organizations International's Constitution). The latest landmark for producers, in relation to FLO's governance, has been the election of a producer representative as chair of the board. These recent developments in the governance of Fairtrade International have led analysts such as Bennett (2015:81) to affirm that: "today's governance structure is the most democratic and representative in the organization's history."

Given that Fair Trade's evolution can be characterized as a transition from a more informal, ATO-dominated system, toward a more formal one, structured around the use of certifications and labels, the following section will examine the most important tools employed by Fair Trade's dominant model: standards.

### **1.3 Fair Trade's main tool: standards**

The main distinctive characteristic of Fairtrade International has been the development of a certification system that guarantees the "fairness" of the product and grants it access to a label that allows buyers to identify it as such. The certification is only awarded after a successful audit, in which representatives of FLO-Cert make sure that the applicant organization is fulfilling the conditions of fair production and trade as defined by the standards developed by FLO. In what follows, I describe these standards and their main characteristics.

Originally, FLO worked exclusively with one standard that had been specifically developed for small producers dependent on family labor, since its goal was to promote the development and empowerment of marginalized farmers. Since, in FLO's understanding, part of this empowerment would come from collective cooperation among producers, the standard was specifically developed for cooperatives—or other sorts of organizations—and not for single producers. However, this form of organization proved to be popular for certain products (for example, coffee) but posed restrictions for others, because some products that are typical of the southern hemisphere (such as bananas) are mostly produced in big plantations. While FLO's original goal was to help disadvantaged producers, it was faced with the fact that in the South, landless workers are often the most disadvantaged groups and that many key export commodities are rarely produced in small scale (Raynolds and Long, 2007:28). As a consequence, FLO's decision was to create a second standard that could be applied to products grown under those conditions, not with the goal of favoring the companies running the plantations, but rather of supporting their workers. That is why, today, we can find two different sets of criteria developed for two different productive structures: the standard for *Small Producer Organizations* (SPO) and the standard for *Hired Labor* situations (HL).<sup>11</sup>

Organizations eligible for the SPO certification have to prove that at least half of their members are small producers (the criteria to define the size of a producer varies according to the product in question and the country where s/he is located) and that at least half of the volume of all production exported under Fair Trade conditions has been provided by small producers. Even though the ideal-type of organization that FLO has in mind for this sort of certification is a cooperative, the standard does not stipulate major restrictions about the formal structure of such an organization, granting each organization freedom to adopt the legal figure that is most appropriate for each case. However, the organization's democratic structure, the possibility for all members to take part in decision-making processes, and the transparency of its functioning must all be guaranteed. To do so, the standard requires the constitution of a general assembly, which is also the body in which decisions concerning the administration of the Fairtrade Premium—one of the main benefits of this system—are taken. Additionally, the organization has to assume a series of commitments in relation to working conditions, non-

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<sup>11</sup> There is currently one other standard for small scale producer organizations that are not democratically organized: "Contract Production." However, given its very limited scope and application—it can only be used for rice and cotton in India, cotton and dried fruit in Pakistan, and cocoa in Oceania—I have decided to exclude it from this exposition.

discrimination, freedom of expression, and the prohibition of child labor. The standard also comprises (not very demanding) criteria in relation to environmental protection, which seeks to promote the development of sustainable agricultural practices that minimize threats to biodiversity. Among other measures, the certified organization has to commit to a safe and reduced use of agrochemicals, preserving hydric resources and the soil's fertility, and abstaining from using any sort of genetically modified organisms. Even if not mandatory, the standard promotes organic production, which is rewarded with a higher minimum price.

The HL standard applies to companies whose production is mainly organized in plantations and have an important demand of work force. The main goal for this certification is to preserve workers' rights and strengthen their position. The HL standard, therefore, demands from the company a commitment against all forms of discrimination, guaranteeing freedom of work, freedom of association, and freedom to participate in collective bargaining, as well as respecting the established minimum wage. The HL standard also regulates the maximum number of working hours (48 weekly), a minimum rest period, and the maximum number of extra hours that a worker can choose to take (12 weekly). The employer has to guarantee social security and the indispensable health and safety conditions needed at the work place. The company must assure that all regular work is done by permanently hired workers, limiting temporary hiring to non-recurring activities. The HL standard defines norms of environmental protection similar to the ones stipulated in the SPO standard.

Probably the most innovative element in this standard is the requirement to create the so called *Joint Body*.<sup>12</sup> The Joint Body is an organ composed by representatives of workers from all sectors in the company and members of the management. This body has to guarantee a fair representation of all workers (in terms of gender, specialization, and geographical distribution, among other criteria) and the democratic and recurrent election of its members. The company's management appoints its own representatives, who can never outnumber workers' representatives or be, in total, more than three. The Joint Body is a legal figure that owns the Fair Trade Premium and decides in what projects it will be invested. It is therefore expected that workers' and management's representatives will agree on how to best use the Premium, taking into account that the main goal is to

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<sup>12</sup> Recently, some aspects of regulations regarding the Joint Body have been changed. However, since all my fieldwork and data collection was done during the period when the previous version of the standard was still in place, the analysis throughout this dissertation will take the latter as its main reference. Nevertheless, I will highlight some of these changes when relevant.

satisfy workers' needs or the needs of their families and communities. The company must guarantee the resources, physical space, and time that might be needed for the periodical meetings of the Joint Body to take place.

SPO and HL enterprises have to apply for a certification to FLO-Cert, which is in charge of organizing the necessary audits. SPO and companies have to bear the costs of the audits and, in the case of being granted the certification, must pay an annual fee, which FLO uses to cover its operational costs. Once the initial audit has been successfully completed, producers are able to commercialize their products as Fair Trade. This entails two main economic benefits. In the first place, these products are always traded according to the so-called *Fairtrade minimum price*. This price is determined by FLO and aspires to guarantee a 'payment high enough for producers to cover the costs of sustainable production (this is, of producing according to Fairtrade standards) and obtain a reasonable profit margin. All exports made within this system are therefore required to respect this minimum price, no matter how much lower the current market price might be. However, in those cases in which the market price is higher than the Fairtrade minimum price, transactions should take the former as their reference. The main goal is therefore to grant certain foreseeability to prices, avoiding sudden decreases that might threaten the sustainable development of producers.

The second benefit connected to the commercialization of a Fairtrade product is the *Fairtrade Premium*. The Premium results from a minimum amount of money determined by FLO that a buyer needs to add on top of the price that s/he is paying for a product. For example, if the producer agrees to sell a kilo of Fair Trade honey at \$1, and FLO has determined a premium of \$0.05, the total paid for each kilo will be of \$1.05. The amount obtained in connection to the sale of the product becomes part of the SPO or the company's ordinary income, as it would happen with any transaction, be it Fair Trade or not. The total amount which results from the Premium, however, has to be transferred to a separate account created for that purpose. This money is administered by the general assembly (in the case of SPOs) or the Joint Body (in the case of HL-certified companies) and is to be used for the improvement of the workers' or producers' quality of life. This money can be invested in projects that affect producers' and workers' lives directly or benefit their families and communities.

Finally, there is also a third standard that has been developed to certify those businesses that are willing to commercialize and/or process Fair Trade products. Those companies that opt for the *Trader* certification commit to annual audits that

will be used to verify that they have respected the Fairtrade minimum price and paid the Fairtrade Premium. Additionally, these criteria stipulate that, upon request by producers, the buyer must agree to pre-finance up to 60% of the total value of the transaction, with the goal of assisting the producer to prepare and deliver the order. The Trader standard also requires the buyer to provide a supply plan in advance, in order to allow the producer to foresee the middle-term demand. Last, these criteria urge the buyer to develop long-term relationships with producer organizations in order to give them stability in their insertion into the international market.

This first half of Chapter 3 has provided a general presentation of Fair Trade, including those aspects that are common to all cases worldwide: Fair Trade's diagnosis of international trade and its proposed treatment, its historical evolution and institutionalization, and the main features of the standards that Fairtrade has developed in order to change conditions of production and exchange. In order to complement this general presentation of Fair Trade, the second half of this chapter will provide a survey of the state of knowledge in the academic field.

## 2. Fair Trade: A state of the art

The goal of this section is to provide an overview of the main conclusions that the academic literature has arrived at—and the debates that have sprung from those conclusions—in relation to the Fair Trade initiative. In the introduction, I offered a review of the main limitations in the literature that this dissertation attempts to overcome, namely: fragmentation and utilitarianism. Additionally, I showed the problems inherent to one-dimensional approaches to Fair Trade, proposing instead an interdisciplinary perspective. As a consequence, the literature review that follows does not focus on the main analytical approaches or methodological strategies that characterize the current research on Fair Trade. Instead, it attempts to offer a broad picture of the different balances that scholars have made when inquiring about the transformative potential of Fair Trade.

The most comprehensive literature reviews on Fair Trade produced so far have shown that an important part of the academic production has tended to offer positive evaluations of the system. In her survey, Le Mare (2008:1992) concluded that: “the outcomes are diverse and complex, though, most studies found significant impact on social and economic aspects of development, contributing to

the capacity to improve and diversify livelihoods.” Similarly, Fridell’s (2006) comprehensive literature review has identified three different positions that, even if arriving at diverse conclusions about Fair Trade’s strengths and weaknesses, all tend to highlight a certain transformative potential. Following Fridell, then, the “shaped-advantage perspective” sees Fair Trade as an initiative that attempts to assist producers in developing capacities to counteract the negative effects of globalization; the “alternative perspective,” instead, defines Fair Trade as an alternative model of globalization that, unlike neoliberalism, seeks to make international trade yield benefits for marginalized producers and workers; last, the “decommodification perspective” sees Fair Trade as a movement that attempts to de-commodify and de-fetishize goods and social relations.

The quoted reviews are correct in highlighting that an important (if not majoritarian) part of the literature could be considered to either favor Fair Trade’s alleged transformative potential or provide intra-systemic critiques—criticism that proposes adjustments or minor changes in order to more effectively fulfill the project’s goal. However, they also tend to ignore a relevant strand of critical literature in the field, such as, for example, Fridell (2007, 2014); Watson (2006, 2007), Goodman et al (2014). As a consequence, they present some arguments as shared conclusions, when those arguments actually are ongoing discussions. In order to remediate this, I have decided to organize this literature review in the form of debates. The goal of this section, therefore, will be to confront supportive and critical assessments of Fair Trade by presenting the four most important current debates in the literature. These debates have been organized according to the theoretical or analytical approaches at their core and will be presented following an *in crescendo* logic, moving from those in which divergences are smaller to those in which differences appear to be insurmountable. I will hence begin by presenting a strand of literature that conceptualizes Fair Trade as a quality dimension of products and has examined it, mainly, with concepts stemming from *Convention Theory*. Then, I will continue with another group of scholars who understand Fair Trade as a value chain and analyze the relations between its nodes and their governance. Afterwards, I will present the two main debates that focus on Fair Trade’s transformative potential vis-à-vis global capitalism: the first one is built around Polanyi’s notion of the “double movement”; and the second one is inspired by Marx’s concept of “commodity fetishism.” While all four debates have been structured around certain analytical or conceptual approaches, the last section of this chapter will be devoted to a

particular case, that of Fair Trade wine. This final section will present the current state of the art within that field.

## **2.1 How transformative is Fair Trade? Four debates**

### ***2.1.1 Does Fair Trade introduce alternative quality conventions?***

A popular approach to the study of Fair Trade has been that one that has conceptualized it as a quality dimension of products by resort to Convention Theory. This approach originates from Boltanski and Thévenot's "On Justification," a work that presents a framework for comprehending how actors seek to justify their actions to others. Justifications are used in order to interact with others and prove fundamental in the construction of social arrangements: if an actor wants to mobilize others, s/he needs to provide justified arguments that refer to a common principle shared by them all. This common principle, which can be understood as a normative order, provides the ground for mutual acceptance of a justification. In this way, social interaction is characterized by the need to find suitable justifications for a desired plan of action, with conflict among social actors revolving around the deployment of different legitimizing principles.

In the field of agro-food studies, this perspective has been relevant to the examination of "quality conventions." As the definition of quality is an important element in the regulation of market access and exclusion, conventions of quality constitute an arena for the "struggle across economic actors within productive global networks" (Allaire, 2010:171). Given that quality is increasingly being defined, acknowledged, and communicated by the use of standards, certifications, and labels (Valceschini and Nicolas, 1995), Convention Theory has been devoted to the study of the principles that are put at play in order to define and legitimize these quality conventions. While Boltanski and Thévenot (1991) identified six principles of justification (inspiration, renown, civic, market, industrial, and domestic), Sylvander's (1994, 1995) application of Convention Theory to the agro-food sector has distinguished four main ways in which quality can be defined: industrial coordination is based on the use of objectivized standards, rules, instruments, and testing procedures; domestic coordination is associated with direct relationships between people and the trust generated by certain places, brands, or organizations; civic coordination relies on the identification of, and adherence to, certain collective principles by a group of actors who renounce their



own individual interests; market coordination, lastly, is achieved through price mechanisms.

In her discussion of values-based labelling, Barham (2002:16) argues that “convention theory could offer us the possibility of developing a deeper understanding of the extent of commitment of values-based labelling groups by providing some criteria for making this judgement.” In this sense, Convention Theory would allow us to determine the lines along which Fair Trade seeks to (re)define quality conventions by promoting “alternative” principles of justification in opposition to the conventional ones, and to determine the extent to which it has been successful.

These analyses seem to converge around a similar conclusion, according to which Fair Trade seeks to justify its project by resort to “civic” principles in opposition to “market” ones (cf. Riisgaard, 2015; Raynolds, 2002, 2009, 2012, 2014; Gibbon and Riisgaard, 2014; Renard 2003, 2005). Raynold’s work is a clear example of such a position, as she argues that “Fair Trade can be seen as questioning the legitimacy of ‘industrial’ and ‘commercial’ norms—where items are valued based on production efficiency and price and trade is guided by free market competition—and promoting a re-qualification of economic activity based on “civic” and “relational” ideas and practices” (Raynolds, 2012:279). Riisgaard (2015) analyzed the different meanings that a “civic” convention can acquire, identifying two main types: a liberal-dominated interpretation, which tends to emphasize formal equality and the importance of civil rights, and a solidarity-dominated interpretation that, instead, focuses on substantial equality. Riisgaard’s research, which examined Fair Trade flower farms in Ecuador and Kenya, concluded that the case of Fair Trade does indeed promote the dominance of civic conventions, though they are interpreted from a liberal perspective, limiting its redistributive potential. Additionally, Riisgaard highlights the fact that within the Fair Trade system industrial conventions are mobilized in such a way that they contribute to the stabilization—instead of the undermining—of civic conventions. All in all, Riisgaard (2015:135) offers a positive conclusion: “thus, apart from pushing for civic labor conventions (albeit mainly in the liberal interpretation of civic), Fairtrade can also help promote the key preconditions for a serious stabilization of such a civic inflection.” Renard (2003), instead, seems to be more skeptical than Raynolds and Riisgaard. She acknowledges that Fair Trade was, in its origins, a “prototype” of civic coordination, but highlights that it has been reinforced by market coordination since its insertion into mainstream distribution channels through the use of labels. This reinforcement of civic coordination by

market coordination, Renard warns, might lead to “a situation where the distinctive sign is captured by the dominant actors of the market, and becomes part of the mercantile game (...) This would mean the neutralization of the initiative” (Renard, 2003:95). As an alternative, Renard suggests the possibility of reinforcing Fair Trade’s civic coordination with public authorities’ recognition of these criteria as a way to weaken the prevalence that market coordination has been gaining as a consequence of Fair Trade’s private-governance strategy.

Reinecke (2010) has applied this approach in a different way. Instead of looking at the overall Fair Trade system, she focuses on the process through which the Fairtrade minimum price is determined by FLO. What she concludes is that price setting is governed by both industrial and civic principles. First, a minimum price is proposed by following an “objective” and “scientific” methodology that is used to calculate the producers’ costs of sustainable production: “this was consistent with the logic of the ‘industrial’ world, in which coordination was a technical-scientific task that set out to discover and coordinate general facts that could be used for rational planning and calculation” (Reinecke, 2010:570). Second, the proposed price is put under the consideration of the main stakeholders (producers, traders and National Initiatives) in order to discuss it and reach a general agreement. In this way, the initial industrial principle is complemented by a civic principle, according to which “the common good was constituted by collective solidarity and revealed through the formation of the ‘general will’” (Ibid).

### ***2.1.2 Has Fair Trade structured alternative value chains?***

Global Value Chain analysis has become a popular methodology for the study of globalization and international trade. The concept of *global value chain* seeks to account for the new forms of coordination that have emerged as a consequence of the increasing fractioning and transnationalization of productive processes (Gereffi et al. 2005). To do so, its methodological proposal is to analyze the different moments that add value to a commodity in its movement from production to consumption. In this way, it renders visible a variety of interorganizational networks that are connected to a certain product (Gereffi and Korzeniewicz, 1994) and seeks to analyze the various ways in which they relate. As a consequence, one of the main interests in this field has been that of *governance*, that is, the “authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain” (Gereffi, 1994:97). The

notion of governance, therefore, highlights the political dimension of global value chains, as it accounts for the different mechanisms and relations through which the activities in increasingly fractioned and geographically dispersed value chains are coordinated. As Ponte (2009:237) has noted, coordination along the value chain is, each time, achieved less through vertical integration or supervision than it is through the successful spread of “specific quality conventions and operational procedures.” The development of standards and certifications is a clear example of this strategy, and that is why the study of value chains and their governance has been of particular interest for Fair Trade researchers, who have sought to characterize Fair Trade value chains, compare them to conventional ones, and analyze the state of power relations between their nodes.

In an attempt to analyze the impact of increasing corporate participation in Fair Trade, Reed (2009) has produced a typology of Fair Trade value chains that includes four ideal types. The “100% social economy” chain is characterized by the absence of corporate actors and the goals of maximizing small producers’ profit and extending benefits to their communities. These chains tend to be as short as possible and are governed by a sense of solidarity and social justice. “Social economy dominated” chains are very similar to the previous type, differing only to the extent that they include conventional retailers within their distribution networks. “Corporate dominated” chains emerged when conventional actors began to be granted licensee status, making them officially stakeholders of Fair Trade and, as a consequence, providing them opportunities to influence the governance of the value chain. This chain is characterized by a “modular” form of governance, in which buyers have the opportunity to set quality standards and are given the flexibility to switch between producers according to their needs. In this way, the possibility of building long-term relationships is undermined. Lastly, “100% corporate” chains emerged when FLO introduced standards for plantations (HL). Since then, it has been possible for a chain to be fully constituted by corporate actors. Moreover, in those cases in which plantations have a considerable level of power (due to market concentration or product quality, for example), it is common to find important degrees of vertical integration, in which most nodes in the chain belong to the same corporate actor. In this way, solidarity and modular forms of governance are replaced by hierarchy. Reed concludes that Fair Trade’s growth has been connected to a transition from social economy to conventional corporate value chains, which has compromised the original goals and values of the Fair Trade movement.

Ballet and Carimentrand (2010) offer a similar argument, though they also explore the ethical consequences of the changes in Fair Trade chains. They distinguish three types of chains: “specialized,” which includes only importers and distributors who are 100% committed to Fair Trade; “labelled,” which works with conventional import and distribution channels, but seeks to guarantee the fairness of the product through the use of certifications and labels; and, last, “hybrid,” which brings together Fair Trade and conventional importers, distributors, and retailers. Ballet and Carimentrand argue that the last decades have witnessed a proliferation of labelled and hybrid value chains at the expense of specialized ones. This transformation has caused a shift in the ethics that Fair Trade operates with, from “relational ethics”—“characterized by the fact that relationships serve as a medium for information, create a sense of belonging to a common network and are associated with a personalization of ethics” (Ibid:318)—to a situation in which ethics are becoming more and more depersonalized due to the replacement of relationships by signs as the means through which information is conveyed.

Offering a more optimistic account, Becchetti and Constantino (2010) analyze the case of the Italian Fair Trade market and state that it has produced a transformation of traditionally “captive” value chains (in which producers are controlled by processors, distributors, and retailers through contracts) into a relational global chain: “it does so by offering primary producers, dependent on large buyers in standard market relations, a partnership comprising the transmission of knowledge and information, the shared discussion of market strategies and mutual dependence” (Ibid:186). Macdonald’s analysis of the Fair Trade coffee supply chain between Nicaragua and the United States departs from a similar assumption, finding that Fair Trade “contributed to strengthening the control exercised by marginalized groups over the terms of such [institutional] change” and that it has led to “the gradual diffusion of transformed principles of supply chain governance more widely throughout conventional supply chains” (Macdonald, 2007:808). However, Macdonald also highlights that Fair Trade and other initiatives that attempt to transform the governance of value chains are limited to producing changes *within* those chains, but fail to tackle the state and other private actors that, though not strictly connected to the chain, affect the agricultural sphere.

In his study of the United States’ Fair Trade movement, Jaffee (2012; 2010:269) also identifies such a transformation in value chains. However, he warns that even the most progressive relational chains are currently facing the risk of co-optation and regulatory capture by corporations, which seek to dilute the standards that

give them shape. The Fair Trade movement, Jaffee argues, is faced with the dilemma of either resisting corporate co-optation, and preserving the relational chains that have historically characterized Fair Trade, or fully integrating major commercial actors and shifting back to traditional captive chains. Reynolds and Wilkinson (2007:36) raise a similar argument, though they envision two possible outcomes if the relational character of Fair Trade is lost: it would either be replaced by captive chains, as Jaffee argues, or, alternatively, by “modular” chains, in which “standardization, certification and market diversification loosens supplier networks.” In their analyses of different value chains linking Ghanaian cocoa and South African fresh fruits to UK retailers, Barrientos and Smith (2007) find mixed results, with the former being a relational chain and the latter a conventional one. While they argue that the inclusion of mainstream retailers may lead to the prevalence of a commercial logic in the chain’s governance, they also point out that relational chains can be facilitated when supermarkets show stronger commitment and develop their own Fair Trade brands.

Valkila et al. (2010) provide a rather different perspective on the value chain concept. Instead of analyzing the kinds of actors that govern Fair Trade chains, their concern is related to the distribution of value along the chain. They are interested in identifying which proportion of the price paid by the final consumer actually makes its way back to producers. The result is rather disappointing, as they conclude that “although Fair Trade guaranteed a slightly higher price to producer organizations, a larger proportion of the price paid by consumers ended up in producing countries in the conventional coffee chain as compared with the Fair Trade chain” (Ibid:265).

All in all, what most scholars within this perspective appear to agree on is the fact that Fair Trade has managed to structure relational value chains as an alternative to conventional chains. However, the increasing participation of mainstream corporate actors seems to be posing a threat to this development, attempting to “re-conventionalize” these alternative chains. Fair Trade finds itself at a critical juncture, in which it has to decide whether to stick to its original relational value chains or surrender to conventional variants.

### ***2.1.3 Is Fair Trade a case of a Polanyian countermovement?***

Two debates have been highly relevant in the literature when it comes to assessing Fair Trade’s transformative potential vis-à-vis global capitalism. The first one,

based on Polanyi's (2001) "Great Transformation," discusses whether Fair Trade could be considered a countermovement that attempts to re-embed market relations in their wider social context. The second one, inspired by Marx's "Capital" (1991a), tries to determine whether Fair Trade contributes to the dissolution of commodity fetishism or actually reinforces it. I will focus here on the former, leaving the latter for the subsequent subsection.

The "Polanyian debate" centers on Polanyi's notion of the "double movement":

It can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market (...) (Polanyi, [1944]2001:138).

Polanyi describes two movements: the first, inspired by economic liberalism, seeks to expand the realm of market relations and its logics to society as a whole, while the second, described as a principle of social protection, aims at salvaging specifically social and environmental domains from an economic logic that is foreign to them. The advancement of the first movement has produced a situation in which "instead of economy being embedded in social relations, social relations are embedded in the economic system" (Ibid: 63). In Polanyi's view, this has triggered a countermovement of social protection that attempts to reverse this situation by re-embedding the market in social relations.

Raynolds (2000, 2002, 2012) has been one of the most firm advocates of identifying Fair Trade as a Polanyian countermovement. According to her view, Fair Trade's emergence can be understood as a reaction to the continuous disembedding of economic relations from social relations, which is deepened in the context of neoliberalism. Consumers, producers, workers, businesses, NGOs and activists all come together in the attempt to enforce a social regulation of market activities that can be interpreted as "a challenge to the dominance of abstract economic principles and a move to re-embed international trade within social relationships" (Raynolds, 2012:279). Archer and Fritsch argue, in consonance with Raynolds, that "the Fair Trade movement offers a Polanyian solution" to the dehumanizing effects of the market, as it attempts to re-embed commodity circuits in social relations.

Barham is supportive of these interpretations of Fair Trade as, according to her, values-based labelling promotes changes in the economy that “move in the direction of Polanyi’s vision,” defending values that “are typically non-market in the sense that they cannot be monetized or quantified precisely without doing violence to their essential character” (Barham, 2002:352). Guthman (2007) studies voluntary food labels as well, but has arrived at the opposite of Barham’s conclusion. According to her view, while voluntary certifications might embrace certain values associated to Polanyi’s “social protection” movement, they do so in a way that is not consistent with the thinker’s approach and, as a consequence, provide only partial and uneven protection: “that voluntary, protective labels work with the market—indeed extend market mechanisms into realms where they previously did not exist—seems to stray from Polanyian thinking” (Ibid: 473).

In between both polar positions, Jaffee (2007) offers a more nuanced view. From an analytical perspective, he argues, the Polanyian approach cannot have one unequivocal say about Fair Trade because the system’s degree of embeddedness has changed over time. As a consequence, he finds it necessary to analyze the historical and evolving relationship of Fair Trade with corporate actors. His main conclusion is that “while fair trade has succeeded partially in ‘reembedding’ market exchange within systems of social and moral relations, it has also proved susceptible to the power of corporate actors who have sought to disembed the alternative through an increasingly successful process of co-optation” (Ibid:95). This partial success of Fair Trade’s attempt to re-embed market relations shows, according to Jaffee, the inherent problems of the use of market mechanisms to materialize a Polanyian countermovement.

Lastly, Watson’s (2006) application of a Polanyian framework to the analysis of Fair Trade evidences the system’s contradictory relationship with the disembedding hypothesis. On the one hand, Fair Trade introduces a moral element to market relationships that induces the consumer to consider producers and their hardships at the moment of their purchase. As a consequence, it appeals to a sort of rationality that goes beyond the mere economic calculation. However, on the other hand, Fair Trade’s attempt to re-embed market relations is self-limiting because the movement has chosen to work within and rely upon those very same market institutions that it seeks to transform. As a consequence, Watson (Ibid:440) concludes that: “it is difficult to see, when adopting a Polanyian perspective, exactly how far the re-personalization of the trading relationship can go under current conditions of fair trade.”

#### ***2.1.4 Can Fair Trade fight against commodity fetishism?***

Marx characterized commodity fetishism as an unavoidable phenomenon in an economic system based on the generalized production of commodities. What this concept means is that, in a capitalist society, in which producers of commodities interact with each other through the market, the social relations that make production possible end up being hidden behind the commodity itself: “to the producers, therefore, the social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material relations between persons and social relations between things” (Marx, 1991a:165-6). The fetishism of commodities is triggered by the moment of exchange, as it is then that producers come in contact through the products of their labor. And it is precisely because of this that some scholars have seen in Fair Trade’s attempt to transform international trade one possible way to de-fetishize commodities.

This debate was initiated by Hudson and Hudson (2003), who examined the case of Fair Trade coffee. In their view, Fair Trade’s attempts to inform and educate consumers about the difficulties faced by producers in the South and the injustices of international trade could be interpreted as a step towards removing “the veil obscuring these social relations” (Ibid:414). In their view, providing information at the point of sale and offering more information on request enables consumers to realize that commodities are the result of social relations and are not entities on their own. Their final conclusion is that “at least in the case of coffee, it [Fair Trade] provides a much-needed antidote to the cult of the commodity that currently dominates society, not only by encouraging consumers to consider the production process of commodities but also by fostering a genuinely transformative alternative form of production in the South” (Ibid:428). Fridell (2007) has also analyzed the case of Fair Trade coffee and arrived at antithetical conclusions. According to Fridell, Fair Trade provides only a “symbolic challenge” to commodity fetishism (Ibid: 79), because it does not manage—it does not even attempt—to transform the economic structure in which it originates. By relying on the capitalist market, Fridell seems to argue, Fair Trade commits to the Sisyphean task of de-fetishizing commodities through the very institutions that fetishize them in the first place. Fridell concludes that Fair Trade has attempted to battle commodity fetishism “by promoting a different attitude toward market exchanges, while neglecting that it is not an attitude but a specific set of social relations of production that result in the imperatives of the capitalist market” (Ibid:99).



Other scholars have argued that Fair Trade has not eliminated, but also does not simply reproduce the fetishism of commodities: it, instead, has “reworked” it. Watson (2006) explains that when consumers buy a Fair Trade product, they enter simultaneously into two different types of market. In the first one, the consumer buys the product by consciously paying a price that guarantees conditions of fairness and provides a premium for disadvantaged producers. In the second one, however, what is being purchased is not the product itself, but the moral satisfaction of having made a virtuous choice and the social reputation attached to it. In this way, Fair Trade enters in a contradictory relationship with commodity fetishism as: “operating on the first of fair trade’s two markets diminishes the subjection of the consumer to the conventional commodity fetish, but operating on the second adds a new dimension to commodity fetishism” (Ibid: 444). Another version of Fair Trade’s re-worked commodity fetishism is offered by Goodman (2004), who argues that Fair Trade does not eliminate commodity fetishism but rather inflects a “twist” to the advantage of the actors involved in the system. Analytically, this re-working consists of two steps: first, it makes transparent the conditions of production and consumption of a commodity, advancing its de-fetishization; second, however, it is precisely the now transparent and clear social relationship between consumers and producers that becomes commodified and is put on sale. As a consequence, fetishization is not eliminated, but, nevertheless, its re-work “allows these [Fair Trade] commodities to perform their ‘magic’ of alternative development” (Ibid: 908). As in the case of Watson’s analysis, Fair Trade’s re-work of commodity fetishism is crossed by a contradictory relation: “ironically, through the very act of revealing the production-commodity-consumer relationship in its ‘full glory’, the effect is to commodify, in turn, the ethical relationship deemed to be at the heart of fair trade” (Bryant and Goodman, 2004:359).

## **2.2 Literature on Fair Trade wine**

When looking more specifically at the Fair Trade wine literature, one should notice that publications in the field are far from numerous. Even though it is possible to find certified producers in Argentina, Brazil, Chile, Lebanon, and South Africa, most research so far has focused on South Africa. Chile has received only marginal attention, and Argentina, so far, none.<sup>13</sup>

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<sup>13</sup> Neither have Brazil and Lebanon, though it should be said that the number of certified producers and their short experience in the system make them very marginal.

The South African Fair Trade wine industry has received the most attention in the literature. This might not be surprising, considering that it hosts the highest number of certified organizations and is responsible for the biggest volume of sales and revenues in the world. Most analyses in the literature seem to conclude that Fair Trade makes a difference in the context of the South African wine industry, though they also warn about their limitations and propose possible paths to further develop its potential. Moseley (2008:303), in this vein, concludes that “Fair Trade standards appear to be the most promising approach as these call for a combination of worker ownership and distinction in the global market place.” However, he warns about the limitations posed by the costs associated with the certification and the need to deepen the transformative process with substantial assistance to workers—in areas such as skills and confidence development or legal support. Last, he assesses Fair Trade as a “useful complement to change” (Ibid.) that needs to be accompanied by governmental intervention.

Herman (2010, 2012) evaluates positively the role played by Fair Trade at the level of production, as it “offers participants more opportunities to overcome the continuing structural constraints that impact on their everyday lives” (Herman, 2012:1129). However, she argues that the transformations that take place in South Africa are not transparently communicated to consumers: “the producer-side materialities that show the contextual adaptability of Fairtrade are not apparent to the consumer, who is presented with a more generic message and the standardized Fairtrade label” (Herman, 2010:417-8). Herman identifies this “gap” between producers and consumers as a form of commodity fetishism, since—in spite of the actual transformations and contextual adaptations evidenced by Fair Trade in South Africa—the message given to consumers still obscures the process of production. However, she proposes to give this concept a twist, understanding it as a continuum rather than in binary terms, because “Fairtrade certainly reinstates some of the information that is abstracted from conventional trading relationships, even if it presents only a partial impression, but its operation within the standardized and market-based FLO regulations ensure that it can never truly deal with commodity fetishism” (Herman, 2010:419). That the case of South African Fair Trade wine can only be located within a continuum between fetish and non-fetish, instead of entirely belonging to one of these categories, is a consequence of the ambivalence produced by the growing importance that quality issues have acquired in the Fair Trade world. The paramount importance of quality when it comes to wine only strengthens this tendency, producing a situation in which: “fair trade has to negotiate a difficult balance between being ethical enough to appeal

to, and benefit, producers without being too ethical to attract consumers” (Goodman and Herman, 2015:153-4).

While Moseley highlights the need to complement Fair Trade with state policies and Herman criticizes the simplified and fetishized images of producers and production that consumers in the UK are offered, both authors, nevertheless, are optimistic about the potential of Fair Trade to produce (some) transformations in the context of the South African wine industry. McEwan and Bek (2009:257), instead, are not so positive about the transformative potential of ethical certifications, as they can produce “negative effects, not only on workers who ultimately bear the burden of retailer-imposed constraints, but also by depoliticizing social and economic transformations.”

In spite of the varied conclusions that the current research on South African Fair Trade wine has achieved, it can be argued that all researchers have worked within a common perspective, that of *South Africa's exceptionalism*. I use this term in order to describe an approach to the study of Fair Trade that has been more interested in those aspects that make the South African case “unique” (Goodman and Herman, 2015:148), than in the aspects that might be common to the broader group of Fair Trade wine producing countries or the whole Fair Trade universe. This perspective becomes very clear when Herman (2012:1124) states that “Fairtrade standards have adapted to the specific South African context, with an *unprecedented*, and to date *unrepeated*, national level negotiation of ‘fairness’”. This was a consequence of the concern that, when first implemented in South Africa, Fair Trade appeared to be “legitimizing the racial and material legacy of slavery, colonialism, and Apartheid” (Kruger and du Toit, 2007:203). This fact triggered a process of negotiations in which Fairtrade International accepted to adapt its standard to the specificities of the South African context, including, for example, requirements in relation to workers’ ownership (for a detailed account of this process, see: Kruger and du Toit, 2007). All surveyed publications highlight this fact (Bek, McEwan and Bek, 2007; McEwan and Bek 2009; Herman 2010, 2012; Moseley, 2008) and most of them grant it great importance, focusing their analyses mostly on those specificities that make the South African case exceptional—“newer, *South Africa specific*, Fair Trade standards” (Moseley, 2008:303). As a consequence of this framing, most of the current research on South Africa provides us interesting insights about the concrete case but, at the same time, it offers limited connections to other Fair Trade wine producing regions—or to the Fair Trade system in general.

Kleine (2008) is the only publication on Fair Trade wine that has not focused on South Africa so far. Her work, instead, builds on a participatory action research strategy and analyzes the process of creation of a tracking and tracing system for Fair Trade products. Different actors throughout the value chain of Chilean Fair Trade wine were involved in its development, and Kleine's analysis focuses on the interactions and negotiations among them. Her main conclusion highlights the potential of Fair Trade for redistributing power along the value chain from retailers to civil society actors: "consumer demand, if it is channeled effectively, as in the case of the Fairtrade label, can lead large companies, such as supermarkets, in their business behaviour" (Ibid: 120). This is a consequence of the moral power that FLO is granted by consumers, as it is recognized as the guarantor of the products' ethicality, what pushes supermarkets to work with them and build processes of "mutual legitimization": "jointly, the producers and the certification agency wield considerable moral power which can, to a degree, balance the economic power of the supermarkets" (Ibid.).

All in all, the studies on Fair Trade wine seem to be characterized by the main features that dominate the general literature on Fair Trade. First, the reviewed publications also show a generally positive, though cautious, appraisal of the effects of Fair Trade in favor of small producers and workers. Second, similar analytical and conceptual strategies have been used, as is evidenced by McEwan and Bek's (2009) understanding of Fair Trade as a quality convention for the governance of value chains, Herman's (2010) re-worked hypothesis on commodity fetishism, Goodman and Herman's (2015) discussion of the effects of quality criteria, or Kleine's (2008) analysis of power relations along the value chain. While conceptually and analytically the Fair Trade wine literature has clearly attempted to link itself to the more general discussions on Fair Trade, most of it, on the other hand, has differentiated itself through the presentation of South Africa as an exceptional case. In this way, its contributions to today's most heated debates on Fair Trade have been marked by the specificities that characterize the South African context.

### **2.3 Summarizing debates: a Faustian bargain?**

The four main debates presented here – which the literature on Fair Trade wine seems to reproduce – rely on very different theoretical traditions and analytical frameworks. Consequently, it becomes very challenging, at least at first glance, to offer a synthetic view of these varied approaches. However, I believe that in spite

of the diverse concepts and strategies deployed, it is possible to identify some common underlying concerns.

Such a proposition is especially clear in the publications inspired by *Convention Theory* and the *Global Value Chain* perspective, as they provide analogous arguments. In the first case, it is affirmed that Fair Trade attempts to replace market principles of coordination with civic ones. While that assumption seems to be shared by most of the literature, the debate springs from FLO's more recent historical evolution, as some argue that its increasing mainstreaming – and with it the introduction of major, conventional commercial players – threatens to undermine its originally successful enterprise. A very similar form of reasoning can be identified in the global value chain perspective, which argues that the increasing participation of corporate actors in the system threatens to re-conventionalize the alternative and relational forms of governance that characterize Fair Trade value chains. While most scholars who resort to Polanyi's *countermovement* and Marx's *commodity fetishism* are much more radical in their criticism of Fair Trade, the main target of their attacks is also related to Fair Trade's reliance on mainstream channels of commercialization and conventional economic structures.

All in all, these four strands in the literature seem to reflect a common concern with the internal tensions faced by FLO as a consequence of its attempt to change the system from within. In this way, I believe the common problems underlying contemporary debates on Fair Trade can be condensed into the idea of *Fair Trade's Faustian bargain*, a situation in which “mainstreaming has allowed market share to grow and thus brought more development, but at the price of shifting the cultural material politics of fair trade away from its original grounding in transparency, direct producer/consumer relations, and global justice” (Goodman et al, 2014:200-1). The argument developed by Goodman (2010; Goodman and Herman, 2015) seems to include many of the elements present in the different debates: Fair Trade's mainstreaming strategy was based on articulating the system in terms of conventional value chains. In this context, the previously more socially or ethically driven principles that were used to define Fair Trade products were replaced by conventional representations that were dominated by the price/quality relationship. These transformations, on the one hand, have made possible an important expansion of the system; however, on the other hand they are responsible for internalizing tensions that seem to threaten Fair Trade's original goals.

The concept of a Faustian bargain, I argue, does not necessarily provide a definite answer to any of the current debates in the Fair Trade literature. However, I consider it enormously appropriate as a condensation of the different concerns that underlie the various discussions on the topic. In this way, the Faustian bargain can be considered an indicator of the defining problems that the current literature attempts to tackle: the tensions produced by Fair Trade's mainstreaming.

### 3. Conclusion

This chapter has sought to provide a general presentation of Fair Trade. Following the premises presented in the methodological section, this has been done in two steps. First, the most abstract and general features that characterize Fair Trade, irrespective of its concrete manifestations, were presented. Three main elements were identified: Fair Trade's diagnosis of and proposed solution for the problems of international trade, its historical evolution and progressive institutionalization and, lastly, its main standards and certifications. Second, a review of the current literature assessing Fair Trade's transformative potential was presented according to its most important debates. Four analytical perspectives, based on Convention Theory, Global Value Chains, Polanyi's "countermovement" and Marx's "commodity fetishism" were highlighted. In spite of their differences, a common preoccupation with the tensions that spring from Fair Trade's mainstreaming process was identified. The literature that specifically deals with Fair Trade wine appears to reflect the dominance of these four approaches. However, most contributions have been strongly marked by their framing of South Africa as an exceptional case, pointing in this way towards the need of further research on Fair Trade wine with the capacity to reconnect case specificities with more general sectorial features.

All in all, the general concept of Fair Trade that emerged from these two operations represents a Generality I, and will be used as the point of departure from (and against) which my research will be developed. In the following chapters, the analysis will proceed to increasing levels of concretization, which will allow me to critically re-examine the initial assumptions about Fair Trade presented so far.

## Chapter 4: The Regime of Accumulation of the Argentinean Wine Sector

The previous chapter offered a general concept of Fair Trade. The present chapter instead signals the beginning of the process of theoretical practice (Generality II), in which my conceptual tools will be used to analyze empirical social phenomena and produce new knowledge by critically examining the initial general concept of Fair Trade. Theoretical practice is characterized by the process of concretization it involves. In the present chapter, this will be evidenced by the movement from a national mode of development (composed of a global regime of accumulation and mode of regulation) to the regime of accumulation in the Argentinean wine sector.

The main goal of this chapter, hence, is to describe the defining characteristics of this regime of accumulation and its recent historical evolution. This examination shows that the current sectorial regime of accumulation is divided in two: on the one hand, we find a quantity-led regime that was historically dominant but has contracted in recent decades; on the other hand, there is a quality-led regime that emerged in the 1990s and has grown considerably since then.

In order to demonstrate this structural split, the chapter begins by examining the changes that the Argentinean macroeconomic mode of development has experienced since the end of the 1980s. As we will see, many of its alterations were critical for the transformation of the wine industry, while others passed almost unnoticed. The chapter continues by describing the quantity-led regime of accumulation that traditionally dominated the sector. It will examine its main features and the causes that led to its most important crisis in history during the 1980s. The main focus of this chapter follows, which is explaining the emergence of a quality-led regime of accumulation and its growth at the expense of the previously hegemonic one. This historical event will be described comparatively, looking at the main sectorial modifications that the developing regime entailed. Lastly, the chapter finishes by discussing the implications of this evolution in the sectorial regime of accumulation and the current state of forces within.

## 1. Argentina's modes of development

Having defined sectorial modes of regulation and regimes of accumulation as specific forms that result from the interaction between global and sectorial forces and structures, an understanding of the main transformations that the Argentinean national mode of development has undergone becomes relevant. Therefore, this section presents a brief description of these changes. In order to account for the most recent and important evolutions in the wine industry, it is necessary to introduce two global modes of development: first, one that spans between 1989 and 2002 and is characterized by a *competitive* mode of regulation and a *partially intensive* regime of accumulation; second, one that emerges in 2002 and still continues at the time of my study, which combines an *administered* or *monopoly* mode of regulation and an *extensive* regime of accumulation. Since the empirical investigation of Argentina's modes of development goes beyond the scope and actual possibilities of this dissertation, in this section I follow Julio Cesar Neffa and Demián Panigo's (2010) work, who have analyzed its evolution from a regulationist perspective.

In macroeconomic terms, the period that goes between 1989 and 2002 has been described by Neffa and Panigo as being characterized by a competitive mode of regulation, based on currency convertibility, and a partially intensive regime of accumulation with predominance of foreign capital and no mass consumption (Ibid). GDP growth was expected to be fueled by the private sector, that is why the main goal of this mode of development was to stop the fall of (and eventually increase) the rate of profit of private firms in order to encourage investment. An important strategy to do this was the flexibilization of the organization of companies, production and work, with the goal of increasing productivity, reducing costs, moderating or reducing wage increases and expenditures in indirect wages.

The alarming process of hyperinflation<sup>14</sup> suffered by the end of the 1980s was effectively tackled in 1991 by establishing a 1:1 convertibility between the peso and the dollar. This overvaluation of the peso had a particularly negative incidence on national industry because imported manufactures became relatively cheaper and exports of locally produced goods and services more expensive. Convertibility offered the structural conditions for the base of the regime of

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<sup>14</sup> Between 1975 and 1991, Argentina experienced an annual average of 80% inflation, which was particularly acute in 1989 (4923%) and 1990 (1343%) (Krikorian, 2012:534)



accumulation to shift from the real economy to the financial sector, where profitability was higher. And within the real economy, another shift occurred from industry to the exporting primary sector where it was possible to obtain extraordinary profits due to the high international prices of commodities. In spite of the increase in agricultural exports, the foreseeable deficit in the balance of trade produced by the high valuation of the peso was expected to be compensated by the attraction of foreign direct investment. In order to promote it, the government eliminated all controls of incoming and outgoing capital flows and guaranteed a non-discriminatory treatment of all foreign capital. Deregulation was not only limited to this, it was the leading principle in the relationship between the state and the economy more in general. Most markets and spheres of the economic circuit were freed from state control and opened to self-regulation. What actually meant, far from the neoclassical fantasy, that a process of re-regulation took place, with the most powerful capitalist players taking the lead and defining the rules. The state, however, had an active role in adapting regulations to market imperatives and the primordial objective of increasing profit rates. A clear example of this was the labor reform, which established more flexible ways of hiring workers, reduced costs associated to direct and indirect wages, and promoted the decentralization of collective bargaining.

In 1991 the government passed de decree N°2284/91 entitled “economic deregulation”. Its main goals were the elimination of state regulation of the local commercialization of goods and services and international trade, the abolition of regulatory entities, the possibility of freely choosing the level of collective bargaining and the derogation of previous legislation that used fiscal tools as ways of intervention in the market. While most of the articles comprised in the decree importantly affected the functioning of the wine sector as a part of the overall economic regime, there were also measures directed specifically to it. The decree criticized regulatory legislations that had caused disequilibrium in the wine, must and grape markets by stimulating or discouraging the activity according to changing and contradictory policies. Therefore, it was decided that any kind of changes in the extension of cultivated surfaces and their characteristics, the production of grapes and their possible uses were to be freely elected by market agents. Restrictions – such as quotas or prohibitions – on production and commercialization of wine were abolished and all wine stocks were authorized to be sold right after the harvest was finished. Lastly, the *National Institute of Viniculture* (INV, from its initials in Spanish) – which had up to then been the most important public regulator – would have its functions reduced to the

technical evaluation and control of products derived from grapes, being expressly forbidden to “interfere, regulate or modify the functioning of the free market”. With the state stepping aside of the wine industry for the first time after two decades of particularly strong interventionism, the sectorial actors were offered the possibility of restructuring the field in the direction they considered better without the need of restricting their actions to fit a national policy.

By the end of the 1990s, however, this mode of development proved to be exhausted, evidencing not only its inability to produce economic growth<sup>15</sup> but also a delicate social situation.<sup>16</sup> This explosive socio-economic landscape led to a political crisis in 2001/2002, which signaled the end of the mode of development.

Neffa and Paniago’s periodization of Argentina’s macroeconomic history uses 2002 as a landmark, when a competitive mode of regulation and a semi-intensive regime of accumulation started to be replaced by an administered or monopoly mode of regulation (characterized by wage determination through collective bargaining and growing state investment) and an extensive regime of accumulation (mainly based on the expansion of agricultural areas promoted by high commodity prices, while leaving productive processes untouched). This period is marked by the maxi-devaluation of 2002 (of approximately 300%) which came to replace convertibility for a system of multiple exchange rates (governed by differential retentions on certain exportable products), high rates of GDP growth (until 2011 – with the only exception of 2009) due to exports of little elaborated primary products and some industrial manufactures, and a rise in the production of intermediate and consumption goods, creating a considerable increase in employment but without a strong increase of real salaries. Its main problem being that inflation, though not a major challenge during the first years, grows faster than productivity.

This new period comes to rectify in many ways the policies of the 1990s that had led to stagnation by the end of the decade and a major crisis at the beginning of the century. The government intervened actively in order to keep a competitive exchange rate that, unlike before, boosted exports and made imports more expensive. One of the main goals of this model was to accumulate capital through agricultural exports in order to redistribute part of its rent in favor of industrial

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<sup>15</sup> The GDP showed negative growth in 1999 (-3,38%), 2000 (-0.78%), 2001 (-4.40%) and 2002 (-10.89%) (The World Bank Databank).

<sup>16</sup> The percentages of poverty and unemployment were, respectively: 26.7% and 14.4% in 1999; 28.9% and 14.7% in 2000; 35.4% and 19% in 2001 and 54.3% and 18.8% in 2002 (National Institute of Statistics and Censuses)

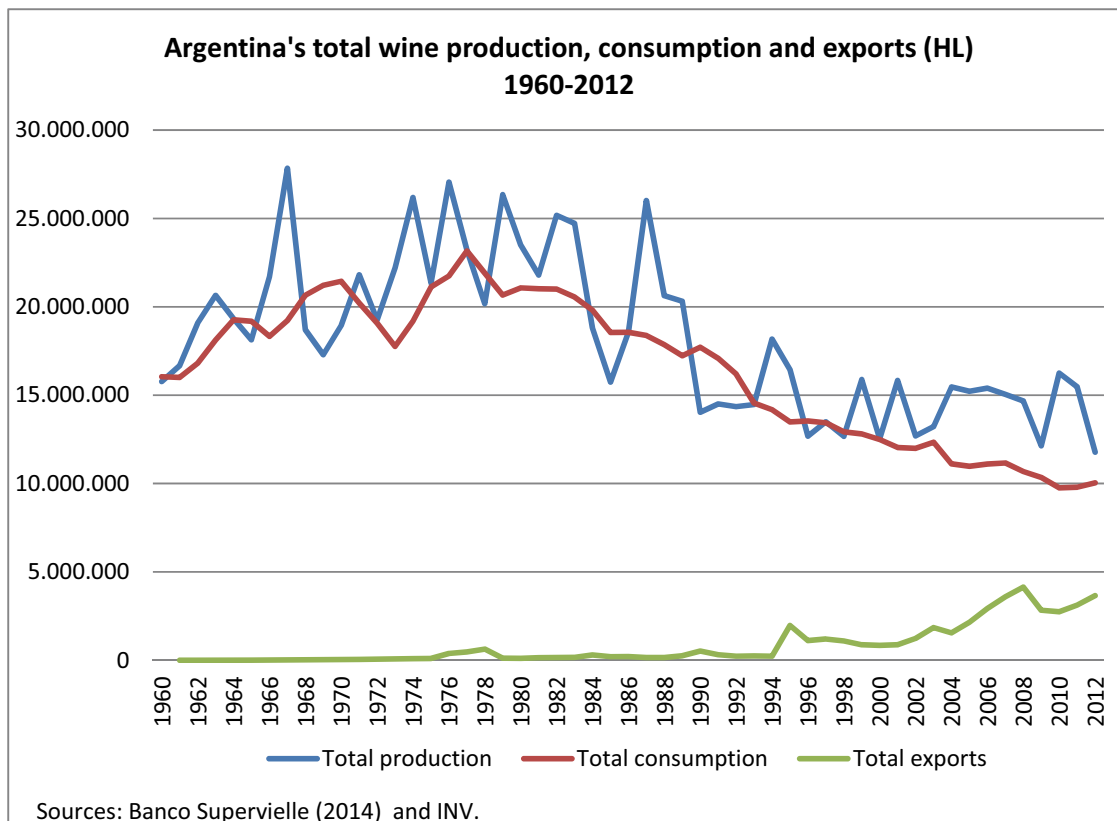
production, with the hope of activating a process of industrialization by imports substitution. The state becomes much more active and visible, settling controls to capital flows, re-nationalizing various privatized companies, regaining control of the pension system and actively developing an extensive fiscal policy that provides subsidies and monetary transfers to unwaged or marginalized sectors of the population as a way of boosting consumption through the increase of indirect wages. This greater public expenditure was, nevertheless, a controlled one, because during the first years of this period the state enjoyed a twin surplus in the fiscal and international trade balance, leading to a sustained growth of GDP and the central bank's reserves. Due to a boom in commodity prices (particularly, soy-bean), the government was able to collect an important amount of resources by establishing retentions to the exports of goods with extraordinary rates of profit.

Interestingly, while the period 2001/2002 signaled the ultimate crisis of one national mode of development and the emergence of a new one – producing a break with many important features of its predecessor – at the lever of the wine sector it only proved to strengthen the transition towards a new structure that had already begun in the 1990s. This process will be now discussed at length in the following section.

## 2. The sectorial regime of accumulation

Argentina has historically been one of the world's main wine producers by volume and is currently the world's 5th, only behind France, Italy, Spain and the United States (OIV, 2011). While it has also traditionally been a country with high levels of wine consumption, the last three decades have witnessed a significant and constant decrease. This has resulted in an important increase in the gap between production and consumption (from 11% in the period 1986-1990 to 37% in 2011), what led the International Organization of Vine and Wine (OIV, from its initials in French) to change Argentina's classification from consumer to net exporting country (OIV, 2009). Graph 1 shows how since 1977 the tendency of demand has been negative, pushing also the levels of total production downwards.

**Figure 3**



This change has been accompanied by a paradigmatic shift in the industry, which has begun to produce fine wines specifically for the international markets. While, as it can be appreciated in Figure 3, exports had always been insignificant before 1995, they have now become a fundamental alternative to the declining rates of local consumption. This transformation has divided the industry's regime of accumulation in two: a growing and expanding reconverted sector that produces higher quality wines, mainly, for the international market, and a traditional and contracting one, which produces table wine for the domestic market. This division can also be appreciated geographically, with the historic wine producer region of Mendoza leading the reconversion process and monopolizing exports (which in 2013 represented 75% of the total volume and 88% of the total value of exported wine), and other traditional but secondary zones (such as San Juan or La Rioja) showing much more heterogeneous profiles.

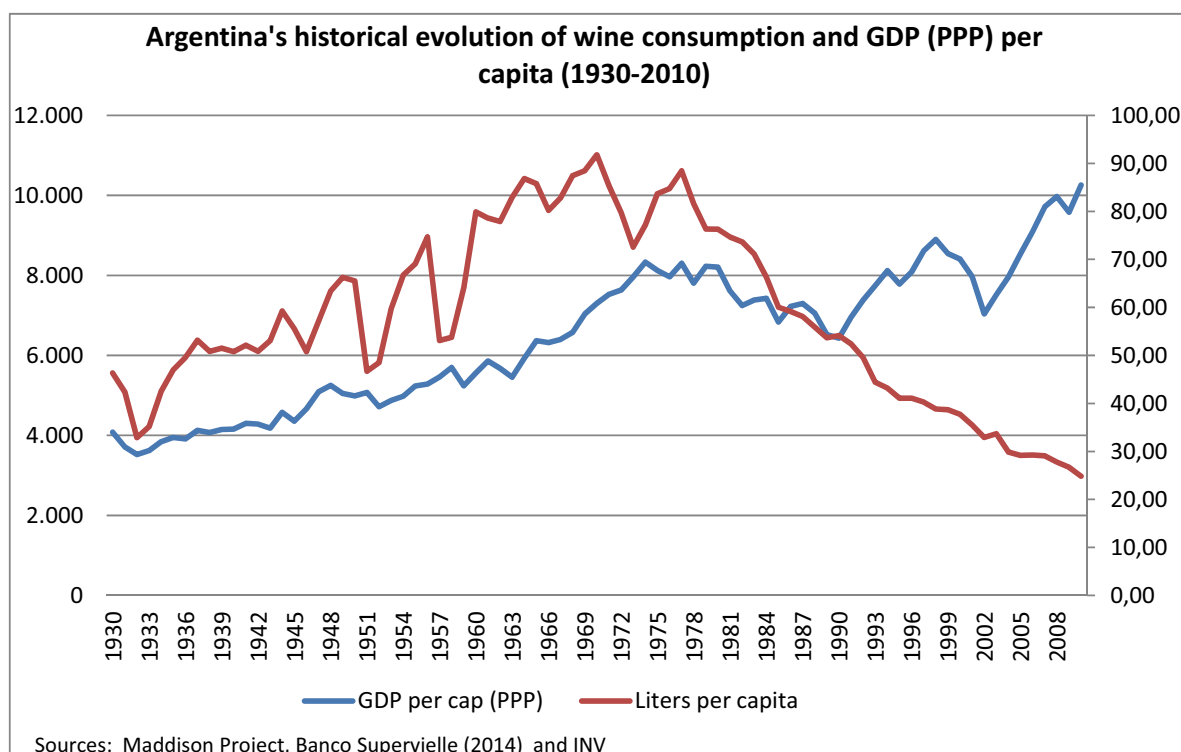
## 2.1 The quantity-led regime of accumulation

Argentina has historically been a country with high volumes of wine production and consumption. During most of its history, the local wine industry had been structured around a *productivist* (Azpiazu and Basualdo, 2001; 2003; Bocco et al., 2007; Bocco and Dubbini, 2007) regime of accumulation, which was based on the elaboration of table wine for massive local consumption. Known as the *centennial model* (Mateu and Stein, 2008; Mateu, 2007), its origins can be traced back to the last decades of the 19th century, when the increasing number of Italian and Spanish immigrants settling in the country brought with them the know-how of winemaking and constituted an important local market for this product. High and constantly growing levels of consumption was one of the main characteristics during the initial decades, soaring from 23 liters per capita in 1880 to 31.68 in 1895 and 62.2 in 1914 (Mateu, 2008:26). While the 20th century would evidence variations in the level of wine consumption as a consequence of changes in its price and the purchase power of wages, the dominant tendency continued to be that of growth, achieving its peak in 1970 with 92 liters per capita at the national level and 114 in the greater Buenos Aires, placing this metropolitan area close to the figures of Paris and Rome, the most important consumer cities in the world (Stein, 2008:41).

The main focus of the industry was on producing large quantities of low quality wine for a quite undifferentiated and homogeneous national demand. The dominant conception of the product understood wine as a commodity to be produced massively due to its importance as a wage-good. A clear example of how this logic worked is given by Stein (Ibid:38-9) when he describes how between 1943 and 1973 the total surface of vineyards used for wine production increased from 150,000 hectares to 330,000, but the total output of wine more than tripled, moving from 9,000,000 hectoliters to 28,000,000. This means that the increase in production was not only achieved through the expansion of vineyards, but also with the increase in their yields. The main way of achieving this was by planting more productive varieties of grape, what was widely done during the 1960s and 1970s. The local variety known as *criolla* grape – of low enological value – became dominant due to its high yields: 6 times more than its closest competitor, Pedro Giménez – another low quality variety – and 15 times more than high quality malbec (Ibid.). By the beginning of the 1970s the Argentinean wine industry could proudly describe itself as a champion of the quantity paradigm, as it became the country in the world with the highest production of wine per hectare, doubling the yields of France and Italy (Costa, 1972:16).

Technological advancements were put to the service of this conception of the product, since most developments sought to increase vines' yields and wineries' capacity to process grapes, as well as to accelerate winemaking (Stein, 2008:34). The result was a little differentiated product, which was chosen by consumers more because of its brand than due to certain specific characteristics (Bocco et al. 2007:47). In this inward-looking industry, exports to neighboring countries had a marginal role and the access to more distant markets was left to sporadic opportunities. There were no attempts either of developing products specifically for foreign consumers or cementing stable flows of exports, as it is shown by the fact that until 1995 exports never represented more than 3,5% of the overall production (Azpiazu and Basualdo, 2003:9).

**Figure 4**



In spite of its long-term activity, the wine industry has always been far from stable. Throughout its history, it has always been victim of cyclical crisis of grape and wine oversupply and required active state intervention in order to overcome the most troubled times (Mateu, 2008:29). However, while the constant downturns

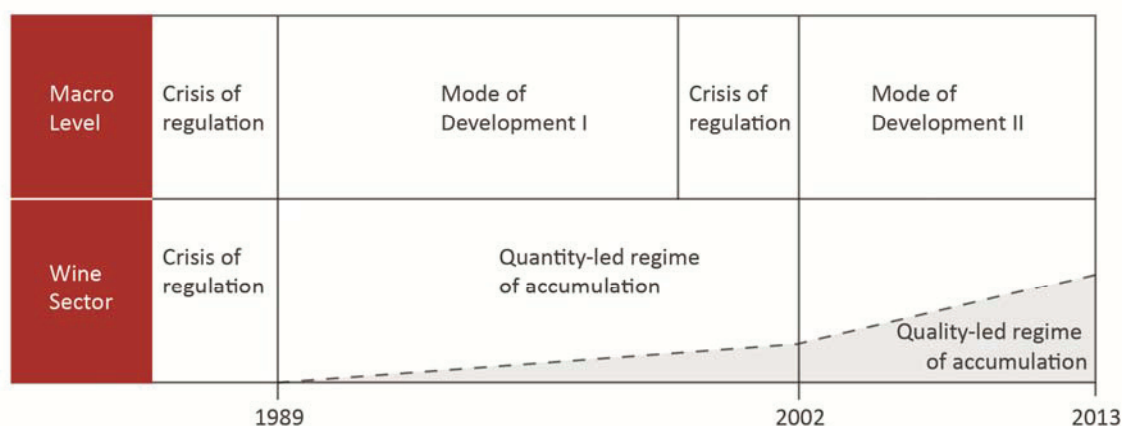
had always been a distinctive feature of the sector – some important crises of overproduction took place in 1903, 1914, the 1930s and the 1960s (Tacchini, 2008; Mateu, 2007) –, the crisis that took place between the 1970s and 1990 proved to be a major landmark. During these two decades the industry was not only faced to the usual problem of oversupply, but this time the problem was worsened by a constantly diminishing rate of local consumption. As Figure 4 shows, consumption descends from 88.45 liters per capita in 1977 to 53.67 liters per capita in 1989, its lowest level in 30 years. While changes in consumption per capita were not foreign to this industry, the contraction that began in the 1970s is different in two ways. First, because it presents a new pattern when compared to previous contractions. As Figure 4 shows, between 1930 and 1970 most changes in consumption could be explained by changes in GDP per capita (they correlate with a Pearson coefficient of 0.9), while after 1970 this joint variations do not occur anymore (between 1970 and 2001 the Pearson coefficient is -0,2). The 1970s represents a break: while up to then consumption per capita had always grown and its contractions were the result of reductions in income disposal and the purchase power of wages, it now reflects a change in consumer taste and preferences, which evolve independently of economic conditions. Second, and closely related, the decrease in consumption per capita that begins in the 1970s has no precedents because of its sustained and constant decline.

This new trend in consumption put in evidence the futility of the sectorial tools of intervention previously used to adjust production levels and prices. While the industry's logic had always been that of expanding supply due to expectations of an ever increasing consumption, this sudden and sustained decrease would alter the basic assumption that had underlain the system since its inception. Numerous and varied measures were taken directly by the state (both at the national and provincial levels) in an attempt to stabilize the situation – price controls, the prohibition to plant new vineyards, purchases of wine to take it out of the market or distillate it, acquisitions of grapes to small producers by state-owned wineries – or indirectly, through the guidelines established by the main regulating body of the sector, the INV – for example, the settlement of wine production and/or commercialization quotas for the national, regional and individual levels, the prohibition to vinify certain percentages of grape production, among others.

In spite of active governmental involvement, the crisis that reached its peak during the 1980s – with its own sectorial causes worsened by a macroeconomic context of high inflation and negative growth – led to the eradication of enormous

surfaces of vineyards and wineries.<sup>17</sup> The crisis triggered in the 1970s proved to be intractable, as none of the policies that had been successful during previous downturns could initiate a process of recovery. While preceding crises could be understood as crisis in regulation (cyclical imbalances that could be corrected within the current mode of regulation) the one that reached its climax during the 1980s should best be described as a crisis of regulation: an important alteration in one of the main features of the regime of accumulation (the sustained decline in demand) had made the mode of regulation obsolete, requiring the transformation of its structural forms if the emerging regime was to be regularized and the path of sectorial accumulation re-established. Furthermore, as the sectorial crisis deepens, so does the national mode of development, what further contributes to its destabilization. In this way, the crisis of the quantity-led regime of accumulation coincides with the crisis of the current mode of development, and it will not be until a new national mode of development emerges that a renewal of the sectorial regime of accumulation will begin to take place (see Figure 5).

**Figure 5**



## 2.2 The emergence of a quality-led regime of accumulation

While already during the 1980s some individual wineries had begun to experiment with the development of new styles of wine that could be commercialized in the international market instead of the declining local one, it would not be until the

<sup>17</sup> According to INV's figures, in between 1979 and 1990 the total surface occupied by vineyards decreased from 316,355 to 210,371 hectares and the total number of vineyards from 29,391 to 20,118.



1990s that a transformed national macroeconomic context and an changing global market would provide the frame for the restructuration of the sectorial regime of accumulation.

Internationally, a landmark in the history of wine took place during the 1976 Paris Wine Tasting (also known as The Paris Judgment – see: Taber, 2005), when two US wines defeated their French counterparts in a blind tasting. For the first time in such events French wines would lose to a non-traditional wine producer, opening the door for new actors to emerge in the international wine scene. The key for producers from the United States had been to compensate their lack of a well-known terroir and the traditional know-how possessed by the French producers with the development of technological and scientific methods of grape growing and winemaking, pioneering in this way a style that came to be known as *new world*.

From the 1970s onwards important changes in wine consumption began to take place at the international level. Countries with historical high rates of consumption (such as France, Italy or Spain) faced fast declining tendencies, while in some other non-traditional markets consumption was growing (the United States, the United Kingdom or Russia, for example). Together with this, a shift in preferences begun to occur. While in the past the international wine market was dominated by old world producers (France, Italy, Spain, Portugal), a trend started to emerge – especially among new consumers – in favor of more fruity and fresher wines, precisely the type that new world producers (the United States, Australia, Chile, Argentina, South Africa, New Zealand) could offer.

Table 2 shows the importance acquired in the global wine industry by new world producers from 1990 onwards in three key dimensions: share of world wine production, world wine exports by value and world wine exports by volume. It is interesting to note that in the 20 years period between 1990 and 2009 the aggregated data of new world and old world producers presents only minor variations as shares of the total world figures: an increase of 1.8% in production, a decrease of 1.6% in exports by value and – the most noticeable change – an increase of 5.1% in exports by volume. However, important changes can be found when we compare the relative weight of these two groups separately: in terms of total world production, new world countries move from representing 18.2% in 1990-94 to 26.7% in 2005-09, while old world producers descend from 58% to 51.3%. The share of world exports by value of new world producers grew more than threefold in the same period, moving from 6.4% to 23.1%, while old world

producers' share contracted from 81.2% to 62.9%. Lastly, when exports are analyzed in terms of volume, new world producers grow even more, passing from 7% of the world's total in 1990-94 to 29,3%, in 2005-09, as old world producers shrank from 73.4% to 56.2%. These figures show the increasing importance that new world producers have acquired in the global market and the success they have had in increasing their shares of production and exports at the expense of traditional producers.

**Table 2**

	Share of world production				Share of world exports by value				Share of world exports by volume			
	1990-94	1995-99	2000-04	2005-09	1990-94	1995-99	2000-04	2005-09	1990-94	1995-99	2000-04	2005-09
Australia	1,8	2,5	4,3	4,6	2,5	4,3	8,5	8,5	2,3	4,7	6,8	8,8
New Zealand	0,2	0,2	0,3	0,6	0,2	0,4	0,9	2,0	0,1	0,3	0,7	1,0
USA	6,4	7,7	8,3	9,3	1,7	3,1	3,8	3,3	1,9	3,4	4,5	4,4
Argentina	5,7	5,3	5,2	5,4	0,3	0,9	1,0	1,9	0,6	2,5	1,4	3,8
Chile	1,3	1,6	2,3	3,2	1,3	3,1	4,4	4,6	1,7	3,1	5,2	6,5
South Africa	2,8	3,0	2,9	3,6	0,4	0,0	2,2	2,6	0,4	0,0	3,0	4,7
<b>Total NW</b>	<b>18,2</b>	<b>20,5</b>	<b>23,2</b>	<b>26,7</b>	<b>6,4</b>	<b>11,8</b>	<b>20,8</b>	<b>23,1</b>	<b>7,0</b>	<b>14,0</b>	<b>21,6</b>	<b>29,3</b>
France	20,9	21,6	19,8	17,7	48,8	43,2	37,3	33,3	27,4	25,6	22,2	16,6
Italy	22,9	21,1	18,4	17,9	18,0	18,1	17,8	18,2	27,5	27,4	22,3	21,3
Portugal	3,0	2,5	2,7	2,4	5,5	4,3	3,4	3,0	4,3	2,8	3,4	3,3
Spain	11,3	11,0	14,4	13,3	8,9	9,5	9,0	8,4	14,2	12,1	14,9	14,9
<b>Total OW</b>	<b>58,0</b>	<b>56,2</b>	<b>55,4</b>	<b>51,3</b>	<b>81,2</b>	<b>75,2</b>	<b>67,5</b>	<b>62,9</b>	<b>73,4</b>	<b>67,9</b>	<b>62,8</b>	<b>56,2</b>
<b>Total</b>	<b>76,2</b>	<b>76,7</b>	<b>78,6</b>	<b>78,0</b>	<b>87,6</b>	<b>87,1</b>	<b>88,3</b>	<b>86,0</b>	<b>80,4</b>	<b>81,9</b>	<b>84,4</b>	<b>85,5</b>

Source: Anderson and Nelgen (2011).

The increasing relative weight of new world producers has also been translated into institutional impacts. This is particularly clear with the systems of wine classification. European producers have historically distinguished wines according to geographical indications, this is, according to the particular characteristics that a wine produced in a certain area should have. Therefore, the terms *Bordeaux*, *Rioja* or *Chianti* are linked to specific regions in France, Spain and Italy respectively and represent a particular tipicity that the wines from these areas (with their respective specific grape varieties, techniques, soil and weather) shall have. The main problem of this system of classification for newcomers is the monopoly over production that European players are given due to geographical indications. Instead, new world producers have shifted the focus from the place of origin to the types of grapes being used, promoting a system of classification based on varietals. Here, the terms *cabernet sauvignon*, *chardonnay* or *malbec* represent the

variety of grape with which a certain wine was made and are connected to the tipicity that certain varietal-based wines are expected to have. The increasing importance of new world producers in the global market has led to the recognition of varietal indications, which nowadays coexist with geographical indications.

These structural changes in the world market had a direct impact on international trade: between 1988 and 1998 it increased by 50% in volume and 80% in value, evidencing not only a higher number of transactions, but also the higher prices (and quality) of the traded goods (Bocco et al. 2007:49). These figures are reflected in the degree of internationalization of the wine industry, which moved from a world average of 14% by the end of the 1980s to over 25% in 2001 (Ibid.). All in all, a new international context emerged, where old world producers' supremacy began to be contested by non-traditional producers, international trade grows significantly and fine wines become increasingly important.

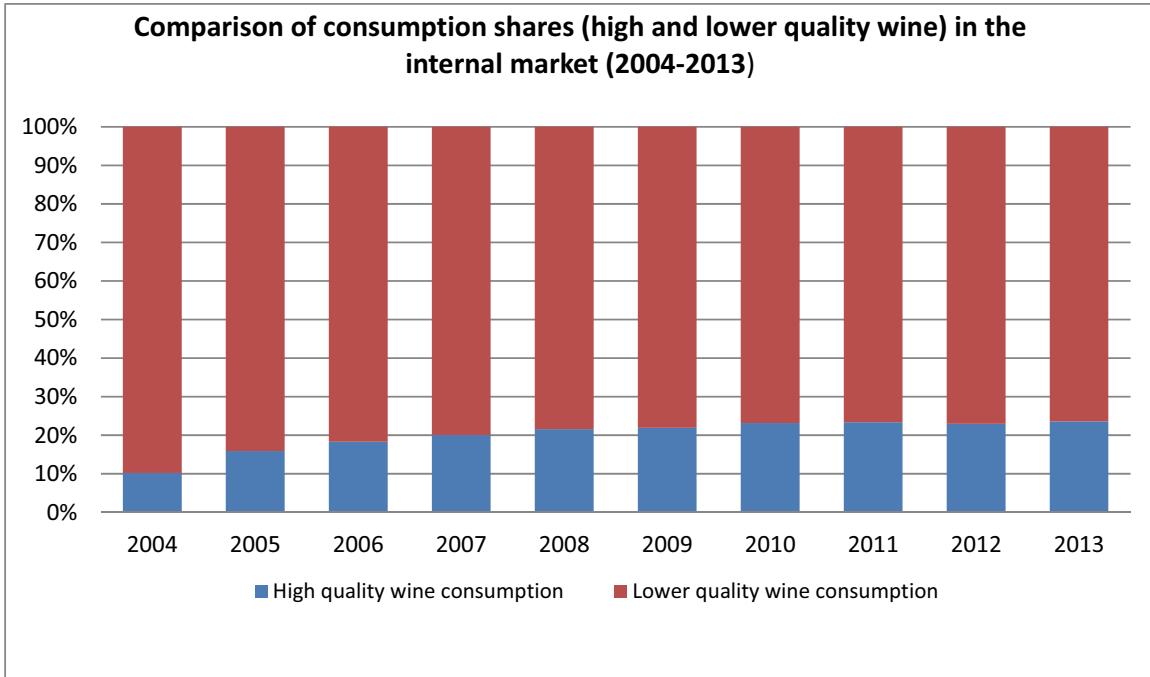
Argentina's position within this context was quite particular. On the one hand, its wines had little or none international reputation, making it an emerging country in the global market among other new world producers. On the other hand, it was – as Italy, France or Spain – a traditional wine producer with a very important local market, unlike most other emerging producers. While Argentina was experiencing a tendency similar to traditional wine consumer countries, with the rate of consumption falling drastically since the 1970s, during the 1990s it also began to experience a shift in consumption patterns. A comparison of the consumption of high quality<sup>18</sup> and lower quality wines between 2004 and 2013<sup>19</sup> (see Figure 6) shows an important increase of the former's share in the first years (from 10% in 2004 to 20% in 2007) and its further stabilization in between 22% and 23% during the subsequent ones. When consumption is analyzed in terms of price segments (see Figure 7), the tendency becomes even clearer, as the important decrease in low price and increase in intermediate and high price products seem to support the argument of a shift in consumption patterns towards higher quality. Overall, this means that while total consumption continued to fall, it also changed its structure with the demand for fine wine slowly but constantly growing at the expense of table wine.

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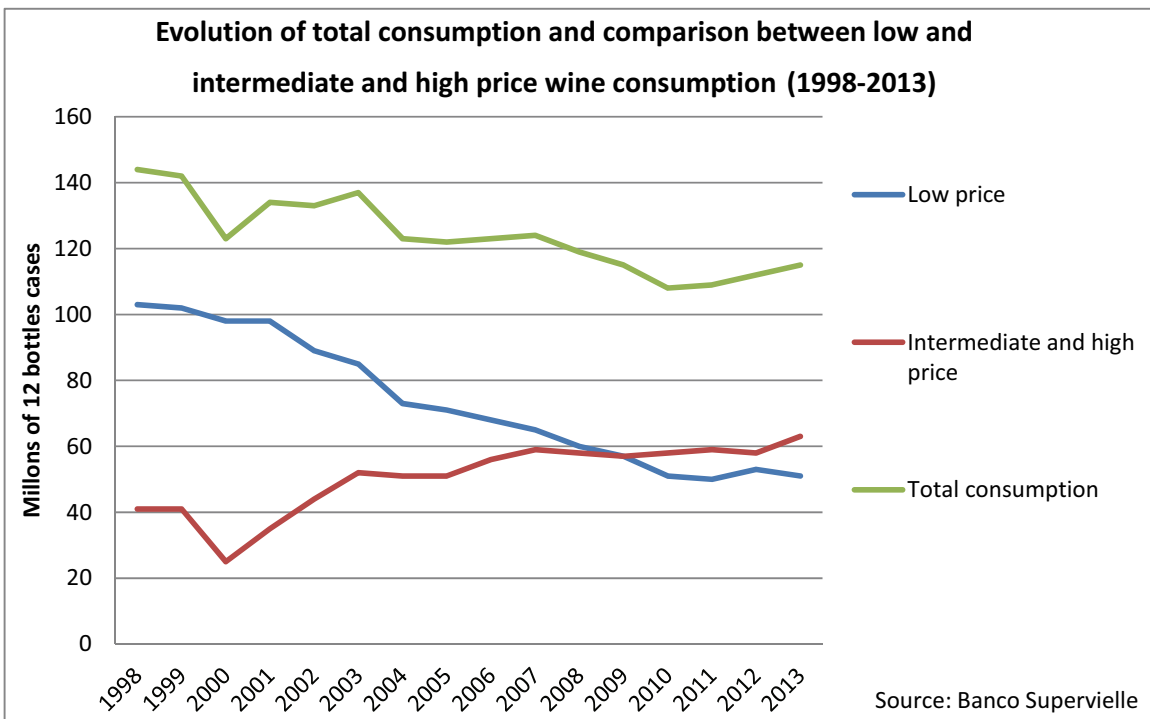
<sup>18</sup> Under the category "high quality" I have added the figures for varietal and sparkling wines.

<sup>19</sup> In 2004, the INV decided the re-categorization of wines in order to distinguish more clearly between fine and table wine. It is therefore only from 2004 onwards that statistics that differentiate between "varietal" and "non-varietal" wines are available, making it difficult to provide a long-term historical evolution of consumption in each segment.

**Figure 6**



**Figure 7**



Recent changes at the international and local level offered Argentinean producers the possibility of following the path opened by US producers as a way of insertion in the global market, but to do so, a radical process of reconversion was needed. It was necessary to move from the traditional production of table wine for mass consumption in the local market to the adoption of new techniques needed to produce fine wines that matched the taste of overseas consumers. Argentina's wine tradition was initiated mainly by European immigrants, therefore, the country had inherited old world techniques. However, since there was virtually no significant production of fine wines, this form of production was only used for table wine. Simply moving to fine wines was not an option to access the international markets, as European wine producers were the only ones considered to master properly the old world techniques. Shifting production to that of fine wines and commercializing them internationally meant that Argentinean producers would have to embrace the new world paradigm, re-founding its centennial industry.

At the center of this process of reconversion was a new representation of the product. While up to the moment the success of accumulation in the productivist wine industry had been determined by quantity, the transition towards fine wine settles new parameters that are now determined by the idea of quality. As a consequence, profits are not to be obtained anymore by the growing volume of sales, but through an upgrade in the quality and value of each individual unit. On the one hand, this implies a transition from generic to varietal-based wines, offering in this way a diversification of products with their own distinctive features and specific requirements of elaboration. On the other hand, the quality imperatives of wine production are closely linked to a radical transformation at the agricultural level. Criolla grapes, the most dominant variety in a country focused on table wine, are to be replaced by grapes of high enological potential. Furthermore, the transformation at the agricultural level is not just restricted to the replacement of one variety of grapes by another. A good wine can only be made with high quality grapes, and the quality of grapes is inversely proportional to its quantity, demanding very low yields in comparison to what local producers had historically sought. Argentinean grape growers would therefore need to adopt the scientific innovations and techniques promoted by the new world paradigm in order to control the yields of their vineyards.

Logically, this new representation of the product demands a complete restructuration of the sector, affecting the whole process of value creation. The new focus on quality can only be put into practice through the adoption of new

technologies and techniques, which will not only have an impact on the characteristics of the product, but also on the way in which relations between production units and along the value chain are structured and the way in which work is organized. A product designed to penetrate foreign markets, additionally, demands new forms of commercialization and the development of previously inexistent relations for an industry that had been historically centered on the local market.

While this new approach began to be seriously considered already during the critical 1980s, the overall macroeconomic situation did not provide the adequate context for the important investments that such a reconversion required. It would not be until the 1990s, when major changes in the national mode of development took place, that this sector would be able to commence its transformation. Favored by the deregulation of the capital market, the elimination of taxes on stock exchanges, the absence of controls on the movement of capital flows and the possibility of making profits in dollars, the reconversion of the local wine industry was first driven mainly by foreign capital, which was then followed by large concentrated national groups. The absence of state intervention and the context of deregulation also implied that there was virtually no protection of weaker players in this industry, granting important control capacities to the most powerful fractions of capital.

Most of the new players entering the Argentinean wine industry were subsidiaries of international wineries that had already the experience of having reconverted their own operations in other countries and were by then already well positioned in the international market (for example: Sogrape Vinhos from Portugal, Robert Mondavi from the United States, Concha y Toro from Chile and Pernod Ricard from France). Besides this know-how, they also had the advantage of already having established distribution networks on which they could rely to begin with the commercialization of a product that, while with a growing positive image, was still new to international consumers. In most of the cases, the participation of foreign capital followed a general pattern (Azpiazu and Basualdo, 2003): few of the investments were assigned to the construction of wineries or the plantation of new vineyards; instead, most were directed towards the acquisition of already existing firms. The overvaluation of the peso produced by convertibility translated into a sudden revalorization of the assets held by local wine businessmen who, coming from two decades of crisis, were more than happy to sell them to the new investors. Even though transnational capital fractions focused mainly on pre-existing wineries, they were decided to radically change their profiles, shifting

from the production of table wine to that of fine (premium and ultrapremium, mainly) and sparkling wine. Considering that the local market was only now beginning to become more interested in high quality wines, their main strategy relied on exports. As a part of this turn to quality, the new wineries began to apply more and more strategies of vertical integration, with own vineyards in many cases, in order to closely control the production of grapes of high enological value. Lastly, these changes were made possible by the acquisition of new technologies and the modernization of already existing ones, together with the introduction and diffusion of scientific techniques. The introduction of more sophisticated technological capital was favored by the fix exchange rate that made imports relatively inexpensive, generating a monopolization of machinery supply by foreign companies.

Transnational wine firms are also joined by fractions of financial capital in the form of investment funds, which took control of companies through the purchase of stocks and re-oriented their productive and commercializing focus (the Donaldson, Lufkin and Jenrette investment bank and the Galicia Advent Socma Private Equity Fund are examples of two US-based financial groups that invested in the sector during the 1990s).

Lastly, transnational capital is joined also by national fractions that direct their investment in the same direction, contributing to the reconversion of the industry. This is actively done by the most powerful players in the sector that begin to acquire competitors in their segment to strengthen their position and begin to re-orient their profiles towards the production of higher quality wines, but also by investment funds and large economic groups that, even if working in unrelated branches of the economy, are interested in diversifying their investments and see in the wine industry a possibility to do so.

New world producers distinguish themselves from the old world mainly because of the scientific approach they adopt in the production of grapes and of wines. Therefore, the process of reconversion headed towards the transformation of both the primary and secondary sectors. The shift towards quality has settled new parameters of what the right grape for the right wine is. Lower yields are preferred because they offer smaller grapes with much more concentrated flavors and higher sugar levels (see, for example: van Leeuwen et al., 2009; Tregoat et al., 2002). In order to obtain lower yields the amount of water that the plant receives is critical, making of fundamental importance for producers to find the right balance between low amounts of water to produce more concentrated grapes and watering well

enough not to kill the plant (see, for example: Hardie and Considine, 1976; Matthews and Anderson, 1988; van Leeuwen and Seguin, 1994). To cope with this, part of the reconversion of the agricultural side has been closely linked to the investment in developing drip irrigation systems, since this allows rationalizing the use of water, unlike the traditional way of irrigation that relied on channels in between the vines. In order to determine the amount of water that vines need, the introduction of technological tools based on low frequency resonance – with the capacity of analyzing the soil’s moisture during different stages – and dendrometric studies –based on techniques that measure the contractions and dilatations of the plants’ trunk in order to determine its water reserves – have been of critical importance. Other technological developments have made possible to analyze different aspects of soils, water, fertilizers and absorption of nutrients in order to produce a general overview of the crops’ evolution and facilitate the intervention by producers (Maclaine Pont and Thomas, 2012:6-8).

Additionally, a process of “varietal purification” (Ibid:7) took place. Fine wines cannot be obtained from criolla grapes, which was the dominant variety in this quantity-led industry. Reverting vineyards also implies changing from one variety of grapes to another. Table 3 presents the historical evolution of the planted surface occupied by each grape variety. The presented cases are the 13 most planted grape types in 2012, which all together account for 86% of the total surface. Two points of comparison are proposed: the first one is 1979, the year that best represents the distribution that characterized the quantity-led regime of accumulation. However, the period that followed was the critical 1980s, which ended with an important and indiscriminate process of eradication of vineyards that affected all kind of varieties (being *cereza* the only relatively untouched important grape). That is why comparisons between 1979 and 2012 do not fully represent the impact of the new quality imperative on the changes of each variety. Instead, 1990 offers a picture of the surface distribution that emerges after the crisis and that the industry will take as its point of departure for the process of reconversion. Additionally, it is at this point in time when the new representation of the product acquires relevance and will from then on be the main guiding principle behind investment decisions.<sup>20</sup> However, no matter which date is taken as a reference, an analysis of the distribution of the planted surface clearly shows the dominant pattern: grapes used for high-quality wines grew a 32.5% in the

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<sup>20</sup> The case of malbec is a clear example of this argument: when comparing 1979 and 2012, the growth in the planted surface is of only 1.89%. However, that comparison does not allow to see that after the 1980s malbec’s surface was reduced to a third and, guided by the emerging quality-led regime of accumulation, it was importantly replanted, achieving only slightly higher levels than those of 1979 but impressive ones when compared to 1990.



period 1979-2012 or 157.82% when taking 1990 as the point of departure. Grapes used for table wine, instead, saw their total surface decline in a 61.06% between 1979 and 2012 or a 46.10% when comparing 1990-2012. Within this sample, grapes of high enological value represented a 32% of the total surface in 1979, while the other types dominated with a 68%. After the 1980s crisis, the difference is further deepened, with the former representing only a 25% of the total surface and the latter a 75%. However, in 2012, more than 20 years after the beginning of the process of reconversion, the proportions have been clearly inverted, with grapes used for high-quality wines representing a 61% of the total surface and other types reaching a historical minimum of 39%.

**Table 3**

Grape type		1979	1990	2000	2010	2012	Change 79-12	Change 90-12
Red	Bonarda*	18.058	12.186	14.989	18.748	18.603	3,02%	52,66%
	Cabernet S. *	3.098	2.347	12.199	17.672	16.179	422,19%	589,23%
	Malbec *	33.237	10.457	16.347	28.481	33.866	1,89%	223,86%
	Syrah *	2.047	687	7.915	13.086	12.947	532,58%	1785,81%
	Merlot *	2.874	1.160	5.513	6.937	6.219	116,38%	436,13%
	Tempranillo *	11.081	5.659	4.335	6.563	6.246	-43,63%	10,37%
White	Chardonnay *	342	908	4.625	6.524	6.469	1789,80%	612,31%
	Pedro Giménez	23.271	20.647	15.101	13.449	11.962	-48,60%	-42,06%
	Torrontés Riojano *	11.022	8.625	8.181	8.417	7.832	-28,94%	-9,20%
	Moscatel de Alejandría	15.530	10.184	5.539	4.034	2.926	-81,16%	-71,27%
Rosé	Cereza	44.221	43.100	31.666	38.008	29.188	-34,00%	-32,28%
	Criolla Grande	71.248	36.837	24.641	20.822	16.819	-76,39%	-54,34%
	Moscatel Rosado	20.494	15.503	10.656	8.709	7.161	-65,06%	-53,81%
<b>Total High Quality (*)</b>		<b>81.758</b>	<b>42.029</b>	<b>74.103</b>	<b>106.428</b>	<b>108.360</b>	<b>32,54%</b>	<b>157,82%</b>
<b>Total Other</b>		<b>174.764</b>	<b>126.271</b>	<b>87.601</b>	<b>85.022</b>	<b>68.055</b>	<b>-61,06%</b>	<b>-46,10%</b>
<b>Total</b>		<b>256.522</b>	<b>168.300</b>	<b>161.705</b>	<b>191.450</b>	<b>176.415</b>	<b>-31,23%</b>	<b>4,82%</b>

Source: INV

It is worth to highlight, nevertheless, that simply planting new varieties does not guarantee success, because the new world approach is very concerned about small differences in terroir (combination of soil and climate) and the impact they might have on different grapes. It becomes fundamental in this way to first study soil conditions and experiment with different varieties of grapes to see which one is best fit for a particular terroir. This had led to a fragmentation of territories and

zones that are more or less prestigious according to their potentiality for a certain grape variety.

This scientific approach produces a high rationalization and technical development of agricultural practices (Maclaine Pont and Thomas, 2012) that poses great challenges to traditional producers not only from the point of view of the enormous investments required, but also the new work logic. The new paradigm appears as antithetical to the traditional way of working that the vast majority of grape producers had. Their articulation with an industry that had always been focused on table wine made of quantity the imperative to follow if profits were to grow. In this way, producers would always water grapes as much as possible in order to make them grow and produce higher yields. After whole lives of working in this way, they would have to change if they were to become part of the new regime of accumulation.

At the industrial level reconversion implied big investments in renewing equipment and machinery for winemaking. Among other things, this meant purchasing new refrigerating systems, 222-liter French or American oak barrels, centrifuge crushers, pneumatic presses, pumps, stainless steel barrels, filters or fractioning and bottling equipment. Most of these machines were bought from international suppliers because the exchange rate and the absence of tax barriers made imports relatively inexpensive during the 1990s. International consultants were key in advising local wineries on the technological adaptation and transmitting the know-how that the new processes of wine production needed. At the industrial level, as well as at the primary level, big amounts of capital had to be invested in order to take part in reconversion.

The emerging regime of accumulation has altered the way in which the agricultural and industrial levels are related (Aspiazu and Basualdo, 2003:39-40; Maclaine Pont, 2011). As it was noted previously, most of the wineries that have pioneered the sectorial reconversion have showed a tendency to vertical integration, deciding to run their own vineyards. This has been of particular importance because the new focus on quality demands very careful attention to the process of grape production. Therefore, the possibility of running an own vineyard allows the winery to produce exactly the grapes that its enologists require, guaranteeing the supply of raw material for fine wines. A second reason for choosing this model is that it makes possible for the winery to determine the structure and evolution of the costs of grape production, what will be used as a parameter in order to determine the price that it will pay for the additional grapes

bought to external producers. Lastly, a third reason is related to prestige, since a winery that runs its own vineyards and uses its own grapes in the production of wine offers a much better image.

In spite of the benefits of vertical integration, there are also important reasons that have led wineries to limit the extent to which they rely on their own grapes, leaving the proportion of own-vineyards production in an average of about 30%-35%<sup>21</sup>. The main reason for this is the diversification of risks (for a similar argument, but applied to the South African wine industry, see: Ponte, 2009). The exposure of grape production to meteorological uncertainties makes it dangerous for wineries to rely solely on their own vineyards, making more convenient for them to build a decentralized and atomized network of providers who will individually assume the climatic, economic and financial risks of grape production. This option also diminishes the organizational complexity that the winery runs, especially for the biggest ones that tend to develop very diverse and fragmented portfolios, demanding a wide variety of grapes and terroirs. Lastly, there is also an economic reason for this, since acquiring lands, renewing plantations and keeping the vineyards throughout the year demands not only high inversion of capital, but also high costs of opportunity because of its immobilization (Azpiazu and Basualdo, 2001:161-164).

The remaining 70%-65% of grapes for fine wines is not bought, however, on the spot market – which is the main way through which grapes for table wines are traded – because it is not possible in this way to know the process of production, not to mention the impossibility of “crafting” the grapes according to the winemaker’s needs. The preferred option for most fine wine producers, therefore, is to rely on *semi-captive* grape growers (Azpiazu and Basualdo, 2003; Rofman and Collado, 2005). These are independent grape producers that run their own vineyards but under close supervision from the winery, which actively makes technical decisions, controls the evolution of crops and defines schedules and process, among other things. In this way, wineries have the possibility of growing grapes with the characteristics they need but without having the responsibility, and running the risks, of assuming the production process themselves.

For many growers this means, on the one hand, that if they are interested in becoming part of the reconverted industry and provide wineries with high quality grapes, they are to enter into relationships of “real submission” (Lipietz, 1988:28).

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<sup>21</sup> INV estimated that in 2013 own grapes represented the 34,30% of the total grapes used for producing wine, compared to the 27,75% registered in 2000.

In this way, wineries, invested by the possession of a new know-how that is unfamiliar for most producers, have the power to define quality parameters and practices and the capacity to exert control over the process of production and the use and intensity of working time. The relationship becomes analogous to that one of a capitalist and a worker but, ironically, with grape growers being at least formally independent units of production.<sup>22</sup> On the other hand, however, this semi-captive producers have some benefits over independent producers which can be appreciated in the transfer of technical knowledge or the provision of certain supplies (such as phytosanitary products, or gasoline) that are to be discounted from the payment of the grapes.

While in most of the cases it appears to be that these relationships are stable and relatively long lasting, it is important to highlight the high asymmetries involved. Most of the times there are no contracts or whatsoever formalizing the agreements between grape growers and wineries: their relationships are only based on mutual trust and tradition. This leaves scope for both parts – but especially for wineries, as we will see – to cancel the transaction at any point in time. Usually, wineries decide only between 10 and 15 days before harvest the amount of grapes they want to buy and the final price they plan to pay, leaving producers with a very limited time to look for other customers if the winery decides not to take their production. As for the price, it is defined within the same timeframe and is always subject to discussion, especially because it is difficult to discern the quality of the grape before it has been harvested. On the one hand, buyers are reluctant to settle prices in advance because they suspect that this could lead grape growers to neglect their production after certain price has been agreed on; on the other hand, producers usually perceive that buyers are unjustly trying to lower the price (Artopoulos et al., 2010:86). Even though there is some scope for negotiation, the proximity to the harvest (and the very short time in which grapes has to be processed into wine) makes very difficult for the producer to reject their buyer's offer, especially because the main alternative, the spot market (dominated by generic grapes), does not pay for quality. In most cases, semi-captive producers have to agree to the conditions of the winery. Even more risky, a widespread solution to the hold-up problem in this industry is represented by the many wineries that do not define a price before the wine is produced (taking sometimes up to six months to begin with payments - Martin, 2009:87), valuing the grapes according to the result of the final product. In this case producers have no choice

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<sup>22</sup> From a similar perspective, Altschuler (2012:170) highlights the loss of autonomy that grape producers face in their relation with wineries, while Martín (2009:88) describes this relationships as a disciplinary one.

but to blindly trust their buyers, having no possibility – neither formal nor real – to abandon negotiations if they are not satisfied with the final price. However, it is also important to highlight that even if producers are the weakest node in the chain, among them there are different levels of negotiating power according to the quality of their grapes, the zone where they are located, the technologies they apply and their tradition in the industry.

The process of reconversion has been driven by wineries, making them the most important actors in the chain. They have moved from the mechanical process of turning grapes into wine to having a fundamental role in the adaptation of primary production (through the settlement of their own vineyards or the cooperation with semi-captive producers) and in the areas of commercialization and international trade. This initial lead by wineries produced a gap between the primary (dominated by small producers, low productivity and poor quality) and secondary sectors (with internationalizing companies, concern for high quality and growing productivity). Allegedly, this was one of the main reasons for the initial predominance of vertical integration initiatives and a further movement in the direction of developing long lasting relations with semi-captive producers. Nevertheless, the transfer of resources and know-how to the primary sector has been limited to those producers working closely with the leading fine wine elaborators, excluding from this new model a vast majority of grape growers. Therefore, this initial split between the primary and secondary sector has been accompanied by another one between the production of high-quality grapes (dominated by big wineries either through vertical integration or different associations with semi-captive producers) and the production of grapes for table wine by the rest of primary producers.

The flourishing quality-led regime of accumulation emerges within – and is favored by – the mode of development that comes to dominate the 1990s. Nevertheless, while the shift occurred after 2002 marked a transformation of the national mode of development, at the level of the wine sector it only proved to strengthen the transition towards a new structure that had already begun in the 1990s. While these two stages of the macroeconomic model evidenced important differences, at the sectorial level they were able to complement each other in the process of reconversion. In the 1990s, currency convertibility, the overvaluation of the peso, deregulation and the absence of controls on capital flows provided the context for the wine industry's recapitalization. The process of reconversion implied high levels of inversion to produce an important alteration in the sectorial regime of accumulation that went from the very concrete technologies and

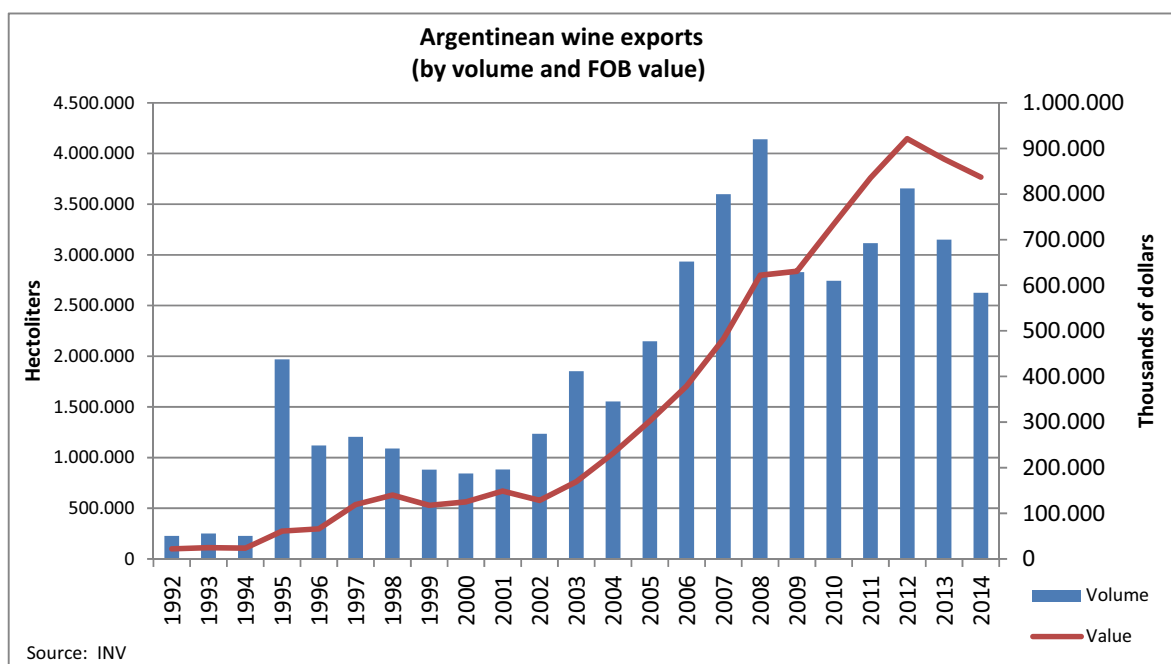
techniques that were applied to the production of grapes to the re-structuration of the way in which the different moments of the economic circuit were articulated, from the new conception of what the desired product was, to the re-positioning of the individual units of production and the industry as a whole in the world market. All these transformations required enormous investments of capital which were firstly obtained by transnational players and later on by the participation of important local economic groups, attracted by the governmental goals of increasing profit rates, reducing production costs, integrating the country in the global economic circuit and the growing potential of internationalization that Argentinean wines were evidencing.

The largest part of investments and foundational work of reconversion occurred during the 1990s, and while this new model relied on and achieved important increases in exports, a high exchange rate was still making Argentinean wines little competitive internationally. It is therefore with the devaluation and the competitive exchange rate established in 2002 that the wine industry experiences a boom in exports with growing figures both in terms of volume and, especially, value (see Figure 8). It is after the articulation of a new mode of development that the big inversions of capital produced during the 1990s begin to valorize and the profit rate to increase. Even if the new exchange rate makes reconversion more difficult because imports become relatively more expensive (and the government increasingly taxes imports to protect national production) the first years of this new economic period continue to see important investments in the process of reconversion attracted by the success in exports evidenced by the industry. While the end of one mode of development and the inception of the following one were marked by the 2001-02 crisis, one of the most serious ones in Argentina's history, the wine industry seems to have been able to survive this period relatively untouched. A proof of this is the level of inversions that this sector received in Mendoza during 1999 and 2004, which amounted to a total of 860 million dollars in spite of the crisis – out of which 62% was of foreign origin and 38% local (Bocco et al, 2007:56).

The relationship between the Argentinean wine sector and the overall economy has showed very different patterns in the historical period revised (see Figure 5). By the end of the 1980s a crisis of regulation in the national mode of development is accompanied by a crisis of regulation in the wine sector. A decade later, nevertheless, we find a different situation, where a crisis of regulation at the macroeconomic level triggers the replacement of a mode of development for another but, at the sectorial level, there is no crisis to be found; on the contrary:

the transformation at the national level comes to consolidate the sector's development. In the light of a regulationist conceptual framework, this fact supports the initial assumptions according to which it was deeply mistaken to understand the sectorial logic both, from a perspective that stresses its functional relation to the overall level of accumulation or another that stresses its high levels of autonomy. Following Boyer, and understanding a sectorial regime of accumulation as a *specific* form that the global regime of accumulation acquires within certain industry, leads to an interpretation according to which a sector is never fully autonomous from the global level and, as a consequence, the latter has always an incidence in the former. However, such incidence cannot be presupposed, as it is characterized by a relationship of no-necessity that contradicts functionalist accounts. As a consequence, a regulationist perspective will affirm the relevance of the global regime of accumulation for the sectorial one, but will always leave to the historical examination the specific ways in which such an interaction happens. In the case of the Argentinean wine sector, as it has been shown, the 1980s saw the convergence of a national and a sectorial crisis, whereas in the beginning of the 2000s the crisis of the national mode of development and the emergence of a new one came to foster a transformation in the wine sector that had already began ten years before.

**Figure 8**



### **2.3 A sectorial regime of accumulation divided in two**

While many observers have celebrated the rapid transformation and success of the Argentinean wine industry and highlighted it as one of the most successful examples of a sectorial reconversion in the country, fewer have been able to point out how heterogeneous and fragmented this process has been. It is true that a process of reconversion has taken place and a new regime of accumulation is being developed, however, it is not less true that this process has only comprised certain sectors of this industry – namely, those with enough capital or access to credit to reconvert and those that were favored by the new definition of the product –, leaving an important number of grape and wine producers attached to the traditional regime of accumulation. Furthermore, even though it has decreased enormously when compared to decades ago, there exists an important sector of the local market that still demands table wine. Therefore, it is not possible to talk about a “reconverted” industry because the quality-led regime of accumulation has not replaced the quantity-led one: there is a coexistence of both. Due to this fact, some prefer to describe the process as an “unfished” or “incomplete” reconversion, highlighting that an important part of this industry has still failed to integrate into the new regime of accumulation. This view, nevertheless, suffers from a teleological assumption: it considers the quality-led regime of accumulation as the ultimate goal towards which the whole industry evolves. While the developments in the last two decades may make of this a plausible prediction, the present state of the industry still casts some doubt because as long as the local market continues to consume considerable amounts of lower-quality wine, there will be a reason for the quantity-led regime of accumulation to continue existing.

Instead of celebrating a process of reconversion that has not included the sector as a whole or assuming the historical necessity of its success, I prefer to synthesize the current state of the wine industry at the level of accumulation in the following way: the last two decades have witnessed the decline of the historical quantity-led regime of accumulation and the emergence and solidification of a quality-led one. This had steered a structural split in the industry, where two competing definitions of wine, which demand specific processes of production and commercialization and involve different social actors, are at the heart of two alternative strategies of capital accumulation. This structural divide, however, is a hierarchical one, since recent history has very clearly demonstrated a tendency in which the quality-led regime of accumulation expands and the quantity-led one contracts.



The best way to determine the preponderance of one regime of accumulation over the other would be to focus on how the total value of the industry is distributed between them. However, this is not an easy task, since there is not aggregated data available for the total value produced by the industry discriminating, for example, high quality from lower quality wine. The best alternative I have found to do this was to rely on a report produced by the Wine Division of the Supervielle Bank in the Cuyo region. They divided the sector in four segments – fractioned low-price wine sold in the internal market, bulk wine for exports, bottled wine sold in the internal market and bottled wine sold in the external market – and calculated the average price of a 12 bottle case for each – \$(pesos)60, \$92, 151\$ and 253\$, respectively – , what resulted in four different price categories. These categories are quite close to high/lower quality discrimination: the lowest segment corresponds to table wine sold mostly in tetra-brick, the one that follows is mostly lower quality wine for exports and the highest price segment is composed in its majority by premium and ultrapremium wine for exports. The most heterogeneous segment, nevertheless, is the \$151 one, since the local market for bottled wine is composed by the upper section of table wines and varietals, most of which would be considered “entry-level” internationally. Nevertheless, it is possible to argue that even if this segment is not exclusive to varietal-based wines, its price, which more than doubles the lowest segment, is indicative of a difference in quality.

As Table 4 shows, there have been important changes in volume shares for each segment in a relatively short period of time: the two lowest price groups used to account for 54% of the total volume in 2005, while in 2013 they were responsible for 42.7%. The two highest groups, instead, moved from 46% to 57.3%. However, this distribution, which appears as relatively balanced in terms of volume, becomes more polarized when the focus is put on value, since in 2013 the lowest two price segments represented only 27% of the total and the two highest ones were responsible for 73%, instead. While within the \$151 segment there is an important proportion of non-varietal-based wines, it is still undeniable that there is a tendency in the industry towards an upgrade in quality, what is translated into growing value shares for those that produce wines of higher quality. Additionally, profitability is also importantly connected to the price segment of wines: a case of less than \$90 and one in between \$90 and \$180 present an average gross margin of 19.2% and 21.2% (Banco Supervielle, 2014:8) respectively. Once administrative, financial and commercializing costs have been added, the resulting profit is reduced to very small levels. It is only above \$180 that the margins grow and allow for a more sustainable line of business, with a case of between \$180 and

\$300 presenting an average gross margin of 32.9% and those above \$300 offering an average of 38.4% (Idem). The increase in volume and value share and the much better opportunities for profitability that the higher price segments evidence appear as clear indicators of the preeminence that the quality-led regime of accumulation has acquired over the quantity-led one.

**Table 4**

Price segment	Volume share %		Value share %
	2005	2013	
<b>\$253</b>	10.9	14.9	25
<b>\$151</b>	35.1	42.4	48
<b>\$92</b>	5.5	8.5	9
<b>\$60</b>	48.5	34.2	18
<b>Total</b>	100	100	100

Source: Banco Supervielle (2014)

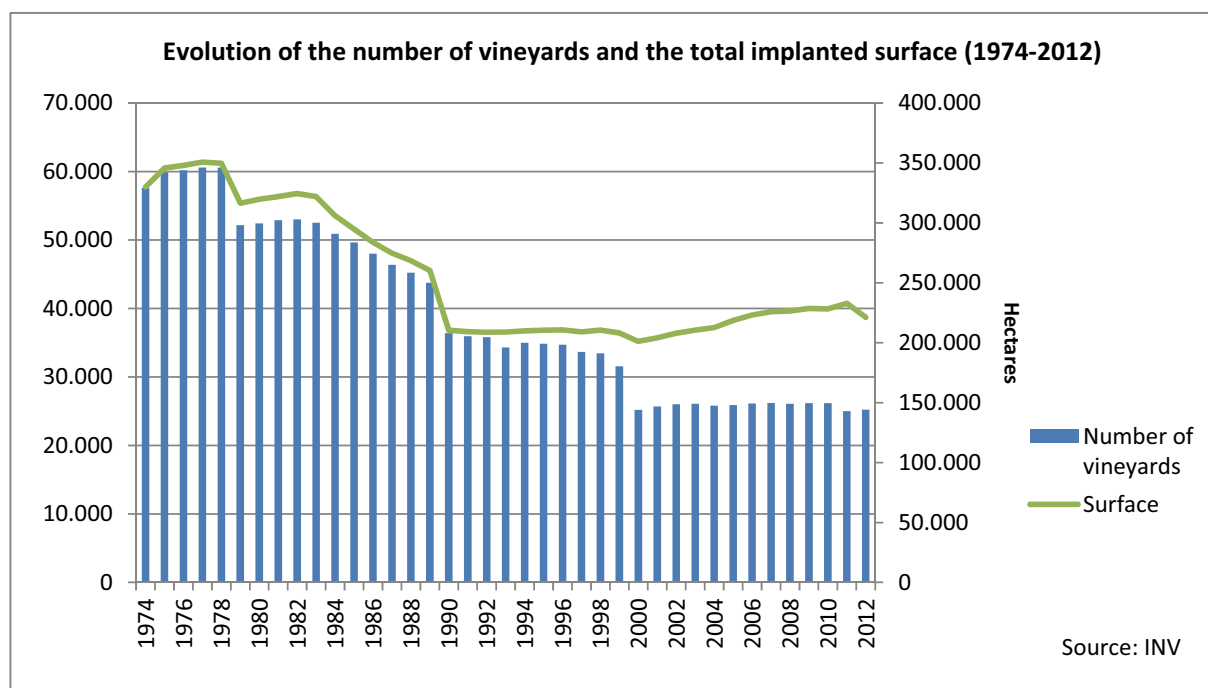
The newly emerging regime of accumulation has proved its potential with the constant growth it has experienced in the last two decades. The recognition achieved by Argentinean wines in the world market, the evolution in its exports share internationally, the ongoing transformation of the domestic consumption pattern and the better ratios of profitability, all of these elements point towards the progressive dominance of the quality-led accumulation regime over the quantity-led one. Therefore, those actors that have had the possibility to reconvert their activities are in a better position when compared to those with equivalent functions in the traditional regime of accumulation.

The current trend has meant that a process of polarization and exclusion has taken place. The permanent contraction that the traditional regime of accumulation experiences since the 1980s has fostered a centrifuge force that expulses those actors that have become superfluous. For them, reconverting and integrating into the quality-led regime of accumulation has become the only alternative. Consequently, small and medium grape and wine producers that do not fit the emerging criteria of quality or do not possess the capital to reconvert and those workers who have not acquired the skills needed for the new productive process have been expelled from the industry or pushed to precarious situations.

A very clear example of this can be appreciated in Figure 9, where the evolution of the total surface under vineyards and the number of vineyards is presented. While

in the period between 1974 and 1992 the change in the number of vineyards evolved in parallel to the total planted surface, from then onwards we evidence a period that is marked first by stability and then by a smooth growth in terms of total surface but, at the same time, by a 30% decrease in the number of vineyards. While before the 1990s a reduction in the number of vineyards accompanied by a reduction in the total cultivated surface could be interpreted as a symptom of crisis in the sector, the fact that after 1992 vineyards disappear but the surface remains unaltered or grows is an indicator of crisis that only affects part of the industry. This is, small and medium grape producers, traditionally attached to the quantity-led regime of accumulation, who have had no means to reconvert, are forced to go out of business. However, this land does not become unproductive nor is devoted to a different activity: it is bought either by those players that are benefiting from the success of, or investing in, the quality-led regime of accumulation and have the capacity to reconvert the property, or by the most powerful actors in the quantity-led regime of accumulation, who can integrate this properties to their own and make them profitable due to their economies of scale. Therefore, a process of land concentration (in 1974 the average size of a vineyard was of 5.72 hectares, while in 2012 it was of 8.76) emerges as a consequence of the current split within the sectorial regime of accumulation.

**Figure 9**



While the picture offered up to now clearly shows the more disadvantaged position of the quantity-led regime of accumulation vis-à-vis the quality-led one, it is also important to highlight that hierarchies and inequalities are also relevant within them. While the newer regime of accumulation is far from being democratic and equitable, it is undoubtedly the traditional one where the strongest asymmetries can be found. The quantity-led regime of accumulation is strongly driven by three main companies: FECOVITA, Peñaflor and RPB-Baggio, who are responsible for bottling, respectively, 26.7%, 24% and 12% of all Argentinean wine (Miranda, 2014). While all three groups have sought to diversify their portfolios along the dominant tendencies in the industry – producing not only table wine, but also fine wine for the internal market and exports – their main strength resides undoubtedly in the position occupied in the quantity-led regime of accumulation. The continuous squeeze of gross margins and profitability within this regime of accumulation in the last years has led to a process of concentration, because it is only those players that enjoy of economies of scale who can operate in this context. This had made of FECOVITA, Peñaflor and RPB-Baggio the core within a group of about 10 companies that are responsible for almost the totality of the low-price wine commercialized in the country (Banco Supervielle, 2014).

This degree of concentration grants a very small number of players a very important amount of power in the quantity-led regime of accumulation. First, because the supply-side of the lower quality grapes market is highly atomized and the demand-side so concentrated, this reduced number of leading wineries hold a oligopsonistic position, being able to influence to a great extent – if not to determine – the price that producers will receive. The latter group has no option but to accept this price, because even if they choose to produce wine with their own grapes, they end up selling it to these same (or intermediary) wineries because no other actors possess the capacity to distribute and commercialize table wine on their own. Second, since all lower quality grapes and wine are sold to this small number of wineries, they are not faced with any further competition within the segment, holding in this way an oligopolistic position when it comes to the table wine market.

As it was described, there are also important hierarchies and power relations in the quality-led regime of accumulation between wineries and producers, as the situation of semi-captivity of the latter shows. However, they are in a better position when compared to grape producers in the quantity-led regime of accumulation due to at least two facts: first, the competition between wineries is much more fragmented in the market for fine wines, what gives producers more

alternatives when it comes to choosing their buyers and impedes wineries to determine prices in an oligopsonistic manner. Second, producers offer different varieties of grapes that, at the same time, were produced in different terroirs and possess distinct characteristics, making in this way more difficult for the wineries to simply replace one producer for another.

### 3. Conclusion

This chapter has offered an overview of the historical evolution of the Argentinean wine sector's regime of accumulation and explained its transformations by placing it in the context of the national mode of development and the ongoing transformations in the global wine industry. The chapter's main conclusion is that the Argentinean wine industry is currently characterized by a structural split, in which a dynamic quality-led regime of accumulation grows at the expense of a quantity-led one, which has contracted enormously in the last three decades. While this horizontal divide at the level of the regime of accumulation represents the main cleavage of inequality in the industry, a second and overlapping vertical division takes place within the quantity-based regime of accumulation, in which a reduced number of wineries proves to be very successful at the expense of grape producers and smaller wineries.

The juxtaposition of these two divides is fundamentally important for our assessment of Fair Trade, as it draws the cleavages along which the powerful and the powerless are determined in the sector. If Fair Trade's general aim is to support "marginalized producers and workers," its commitment within the Argentinean wine industry should be mainly directed towards small producers and workers attached to the quantitative-led regime of accumulation, as they prove to be the weakest players in the field.

## Chapter 5: The Conventional Mode of Regulation of the Argentinean Wine Sector

This chapter complements Chapter 4, since it describes the mode of regulation that accompanies the sector's regime of accumulation. Consequently, the process of inquiry follows a similar logic in which the concrete institutional forms that constitute the mode of regulation are to be understood: first, in light of the more general structural changes evidenced at the global level and, second, in a dialectical relationship with the specific transformations taking place in the sectorial regime of accumulation.

The previous chapter began with a historical overview of the changes that the Argentinean regime of accumulation and mode of regulation have experienced in recent decades. This account provided a frame within which the most relevant transformations of the wine sector's regime of accumulation could be better understood. The analysis showed that a new logic of accumulation began to develop within Argentina's wine industry in the 1990s. While up to that point the sector had always been structured around the concept of quantity – the massive production of table wine for local consumption – the emerging pattern of accumulation privileged the concept of quality – the production of fine wine mainly for the international market and, marginally but increasingly, the local market. This phenomenon produced a split in the sectorial regime of accumulation, with the quality-led part of the industry growing at the expense of the quantity-led one. This dynamic has established a hierarchy in which the former dominates the latter due to its higher dynamism, profitability, adaptability and better prospects of future evolution. However, this unequal power between both sections of the sectorial regime of accumulation does not mean that the quality-led regime will totally replace the quantity-led one. On the contrary, I have argued that the current regime of accumulation is made viable by their co-existence. Even if the expansion of the quality-led regime at the expense of the quantity-led one continues, the still-significant rates of table wine consumption, the high volumes of production, and the important number of actors still involved in the production of lower-quality grapes and wine make it hard to imagine a complete transition without the explosion of a major crisis.

However, in order to fully understand the recent transformations in the sectorial regime of accumulation, the ways in which they have been made possible and the mechanisms that have facilitated the coexistence of these two logics of accumulation, it is important to examine the sector's mode of regulation. This chapter therefore offers an overview of the recent transformations experienced by the six structural or institutional forms that constitute the sectorial mode of regulation. As will be shown, many of these changes have been fundamental to the transformation of the sectorial regime of accumulation. The complexity derived from the dual structure of the industry is also reflected in its mode of regulation, with some institutional forms reproducing this duality in some of the aspects they regulate and others showing much more homogeneous profiles. Lastly, this analysis will also make clear that different institutional forms offer sectorial actors unequal possibilities to influence their structuration. As a consequence, the impossibility of shaping structural forms fully in accordance with the needs of the sectorial regime of accumulation makes a crisis an ever-present possibility.

In what follows, I present my analysis of each of the six structural forms that constitute a sectorial mode of regulation: wage relation, competition, money, state, representation of the product and international insertion.

## 1. Wage relation

The wage relation is the structural form that has suffered the most as the result of the transition from one national mode of development to another, and the emergence and progressive growth of a quality-led regime of accumulation at the sectorial level.

Historically, small grape producers have been able to run their own vineyards without depending on external workers because the limited surface of their plantations did not demand more labor than what the producer and his/her family could provide. Bigger surfaces, however, have always required the hiring of workers. Traditionally, the dominant type of worker since the 19th century had been the *contratista*. Back then, there were three different types of *contratistas*: *plantation contratistas*, *work contratistas*, and *vine contratistas*.

Plantation *contratistas* were particularly important in the initial development and territorial expansion of this industry. They would lease lands during a certain period of time in order to plant vines and were usually paid either with money, a

fraction of the vineyard, or part of the harvest. Plantation *contratistas* were fundamental in colonizing virgin areas with vineyards, not only due to the work they did for their employer, but also because it was quite common for them to use their income to buy land to plant their own vines. Work *contratistas* were in charge of recruiting and supervising workers for vineyards, functioning as an intermediary between the workers and the landowner. While these two categories progressively disappeared with time, the one that remained and was dominant in terms of workforce was vine *contratistas*. Vine *contratistas* were in charge of preserving the vineyards and the day-to-day activities (for detailed accounts of the different kinds of *contratistas*, their main features, and their historical relevance, see: Richard-Jorba, 2003, 2009; Mateu, 2000; Salvatore, 1986).

A *contratista* has been considered from the legal perspective as an “atypical subordinated worker” (Pérez, 1983:228-232). This atypicality is due to the fact that this figure simultaneously possesses characteristics of a wage earner and a small entrepreneur. A *contratista* does not own any land; he/she only works on someone else’s vineyard. The owner is in charge of providing all elements and tools to do the work, but the *contratista* has quite an autonomous status, being able to organize the activities and work over the hectares under his/her responsibility, having the possibility to make use of family workforce, and even having the faculty to hire workers under his/her responsibility when needed. The person who hires a *contratista* is responsible for paying a very small salary per month (the amount is determined by a collective bargaining agreement) for ten months and for making contributions to social security (accident insurance, pension contribution, payments for the trade union’s medical insurance, and family allowances). Additionally, the *contratista* and his/her family are provided with a house on the property. Probably the most important benefit among these is the possibility of accommodation, because the monthly payments are very low and the social services to which *contratistas* have access to through their trade union are rather limited (Interviews AFT9 and AFT10). The biggest monetary profit they make, however, is obtained through the percentage of the harvest to which they are entitled. *Contratistas* and their bosses have to negotiate ten days before the harvest the exact proportion (which, by law, goes from 15% to 19%) ) that the *contratista* will get from the total production. This major source of income is what characterizes *contratistas* also as entrepreneurs, because they share the risks and benefits with the landowner: in case of a good harvest, the *contratista* will get a higher compensation, but if, for example, the crops are affected by hail, the *contratista*’s income will be heavily affected.



The *contratista* has been among the main pillars of the traditional wine industry in Argentina. Though in the very early years of its development, such a position was a promising point of departure—as many *contratistas* were able to move on to become landowners with relative ease—after the initial expansion of cultivated surfaces was achieved, it lost its potential and has never again been a very promising alternative for these workers. Nevertheless, it provided them with stability: they had a house for themselves and their family—a benefit that no wage earner is automatically granted—and their bosses were in charge of their social security contributions and, more informally, were there to help them in case of need. The national law that regulates their work conditions establishes that a contract lasts for a year, and it also states that, except in cases of explicit rejection by any of the parts, contracts are automatically renewed. This feature was not an innovation by the law (which only came to be passed in 1973) but was taken from historical practices, which usually evidenced long-term relationships between both parts. Therefore, their modest economic situation could be better handled due to the stability and social support provided by their judicial status as an atypical subordinated worker, a status that, throughout most of the 20th century, led to a situation that Poblete (2008) has described as “controllable poverty” (*pauvreté maîtrisable*).

In 1936, *contratistas* were responsible for the work in 68% of the total implanted surfaces of vineyards. However, this proportion diminished throughout the century, accounting for 43.3% in 1979 and 29.9% after the 1980s crisis (Poblete, 2012:522). This last figure shows that when the process of reconversion was beginning, the *contratistas* were in charge of one-third of the implanted surface. However, this proportion would be considerably higher if the estimation had considered only the surface covered by non-family labor instead of the total implanted surface. While there are no longer official figures for *contratistas*, it is a fact that the emergence and prosperity of the quality-led regime of accumulation has enhanced this tendency toward their disappearance and, more in general, promoted a wider reorganization of the wage-relation form. In the following, I will explain how this process emerged as the result of the transformations that occurred both at the national and sectorial levels.

As it has been described, the advent of the quality-led regime of accumulation implied the adoption of new technologies, the rationalization of practices, the introduction of scientific principles, and the acquisition and development of new work rhythms and techniques. A direct consequence of these changes in the process of production was a new labor demand. Workers were expected to possess

qualifications that differed from the historically required ones in order to be part of a system characterized by growing mechanization and changing techniques. The introduction of new technologies produced a modest decrease in the amount of work hours per hectare needed (Neiman and Bocco, 2001) but, more importantly, a qualitative change in the skills required. The process of reconversion was characterized by a reduction in the number of permanent low-qualified workers and an increase among the permanently hired and highly qualified ones. Reconverted companies are now characterized by their reliance on a small group of skilled workers that are in charge of recursive duties and a large group of less skilled workers that perform temporal tasks. And this ironically happens in spite of the fact that the production of grapes for new-world wines has many additional activities to be done during the year (green pruning, thinning, disbudding, watering controls, etc.) that soften the otherwise stark seasonal profile of grape production, historically characterized by the winter pruning and harvest. However, even if these activities take place at many different moments during the year, they are conducted during short periods of time. Companies have, therefore, privilege to consider them as atomized activities that are to be dealt with separately and—based on the introduction of new human resources principles as part of the reconversion at the management level—decided to execute them with workers hired ad-hoc for each of the activities. The new situation has led to the disappearance of many permanent positions for lower skilled workers (having a direct impact on *contratistas*) and their replacement with short-term ones, making this the dominant pattern in the grape producing sector, which had 23% permanent workers and 77% temporary workers during the year 2005 (Poblete 2012:527).

The new approach to production and management of human resources has made flexibility an imperative when it comes to organizing work and hiring personnel. Companies were incentivized to find the most flexible ways to legally hire workers during limited periods of time and keep their costs to a minimum. This, however, has been not only a premise of this sector, but also the logic of the national mode of development that, during the 1990s, sought to promote growth by reducing production costs and increasing rates of profit. Making work relations and its legal regulations more flexible was one strategy toward this direction. The transformations in the wage-relation form, therefore, emerged as the result of, on the one hand, the changes in the productive process and the structure of the labor demand brought forward by the development of the quality-led regime of accumulation at the sectorial level and, on the other hand, the promotion of

liberalization and flexibility of employment relations by the global mode of regulation.

Different national legislations (Collective Labor Agreement for the wine industry,; Employment Contracts Law or the Agricultural Work Law) offer a variety of legal figures in order to regulate temporary work, classifying workers as “no permanent,” “seasonal,” “occasional,” or “discontinuous permanent.” These figures, many times overlapping or complementing each other in a same productive unit, make more complex the typical dichotomies between permanent/transitory, registered/non-registered, etc. While these figures have been used to different extents in order to reduce costs and adapt the relationship with workers to the flexibility required by the productive system, there is another one that became the most popular during the 1990s—and is still widely used—when it comes to making work relations more flexible: *autonomous worker*. This category was first codified in 1955 with the aim of allowing independent workers to have access to social benefits such as pensions. The idea was that they would be able to register themselves under this category and, according to their level of profits, pay taxes monthly in order to contribute toward those benefits. Since the worker the legislators had in mind was a small entrepreneur, they settled on a minimum income to make sure that autonomous workers earning too little would not see their income drastically reduced by the payment of taxes. However, in 1998, a small-taxpayer regime was instituted, which lowers the necessary minimum in order to contribute within the category, making this new figure, the *monotributo*, a very interesting option for employers interested in hiring workers discontinuously and reducing costs.

Due to the new tendency toward reducing the number of low skilled permanent workers, many *contratistas* lose their jobs as such but are offered the possibility of being hired again under the *monotributo* system. For them, as well as for previous permanent workers, this is a very disadvantageous change, since they will have to take from their salary all contributions toward pension and health insurance and will not receive family allowances. In the case of *contratistas*, the impact is even worse, because they lose their houses and are asked to move somewhere else. This means that not only is their direct salary reduced because of the lower number of working hours, but also some important determinants of indirect wage are eliminated. The stability that was previously enjoyed is lost, because now workers can expect to be hired only intermittently, during the short periods when there are tasks to be performed in the field but remain unemployed during the rest of the time. This leaves workers in an unstable position, uncertain about their future and

in a precarious work situation due to the extreme flexibility to which they are victims. For employers, however, the new situation offers many advantages. Since these workers are now considered to be independent providers of a service, the relationship between them and the owners of the vineyards is limited to the exchange of a concrete service, reducing all the costs associated with the wage relation that would be derived from hiring employees. Additionally, it offers the flexibility that the new regime of accumulations requires in order to adapt the demand for workers to the changing technical demands of the productive process. This strategy was especially favored by those vertically integrated companies in the reconverted sector because the high valuation of the peso during the convertibility period made Argentinean wines more competitive. The main strategy they had in order to export their product at more attractive prices was to reduce their fix costs through the decrease in permanent personnel and the reduction of employer's charges.

A similar strategy can be pursued by externalizing the hiring of workers. This means that the company would pay a service provider to look for workers, take them to the vineyard, and supervise their work. The only responsibility for the company is to pay the provider, the latter being in charge of respecting the relevant legislation and guaranteeing the workers' rights. Different ways of organization, such as work crews (*cuadrillas*), firms of occasional services, or work cooperatives have been and continue to be used by employers with the purpose of saving social contributions and creating a distance between management and workers, which allows them to transfer the disputes inherent to the wage relation to the service provider.

While the 1990s witnessed the increased flexibility of work conditions, the mode of development that emerged in the 2000s sought to counteract some of its effects. One of its most important measures in respect to the wage relation was the reinforcement of the institution of collective bargaining, which was promoted and revitalized by the state itself. In relation to the wine industry, nowadays most work conditions are defined by collective bargaining agreement, as well as direct wages and many elements of the indirect wage—with the national state defining some other forms of indirect wage in a subsidiary way. Nevertheless, both the role of collective bargaining and the increased level of social benefits received by workers during this period have had only a limited impact on the previously described situation. The main problem is the limited scope of these measures, since they mostly apply to workers hired as employees. The global wage-relation form, instead, has left many of the flexibility-oriented features relatively

untouched. As a consequence, the dominant form of work for lower skilled workers continues to be characterized by discontinuity and precariousness. Consequently, it comes as no surprise that in most of my interviews with managers of vertically integrated wineries and sectorial organizations, I was told that it is currently very difficult to find enough workers for the above-mentioned temporary activities. This is probably the central dilemma for a productive model that expects to find experienced workers with the appropriate know-how who, at the same time, are willing to work occasionally and be hired under disadvantageous legal figures.

## 2. Competition

Competition assumes very different forms when comparing the internal market and the international one.

Locally, in spite of the described tendency toward an upgrade in the quality and price of wine consumption, the most relevant product continues to be table wine. Together with the lowest-priced fine wines (many times known as “selección,” which usually is a type of wine of higher quality than common table wine but lower than varietal based ones), they come to constitute the segment that dominates the internal market both in terms of volume and value share. This very important section of the market has been controlled during the last two decades by a reduced group of wineries and the tendency during the last years has been toward a further concentration. In 1997, six companies accounted for 60% of the table wine market—Peñaflor (20%), Garbin (10%), Resero (10%), Baggio (10%), FECOVITA (10%) – (Azpiazu and Basualdo, 2001:184), while nowadays the process of concentration has been deepened, with (as it was noted in the previous chapter) only three wineries responsible for the production of more than 60% of the total wine sold in the local market—FECOVITA (26.7%), Peñaflor (24%), RPB-Baggio (12%)– (Miranda, 2014).

The last years have, therefore, witnessed a marked process of concentration, not only within the table wine segment, but also among the lower end of higher quality wine. This can be clearly appreciated by the fact that three wineries that used to account for 50% of the table wine market now are responsible for more than 60% of the total production sold locally. This has two explanations. First, the table wine market sector is characterized by low prices and profit margins. The

low levels of relative profitability derived from these features forces players to achieve economies of scale if they want to remain competitive actors within this segment. As a consequence, a tendency toward concentration is established, which progresses through purchases, fusions, and bankruptcies. Second, the transformation in the consumption patterns has pushed the biggest players in the table wine market toward the diversification of their portfolio. That is why Peñaflo and FECOVITA, for example, have increasingly engaged in the production and commercialization of higher quality wines of low and intermediate price, achieving important shares in the initial segments.

The three biggest players do not share a single strategy: Peñaflo and FECOVITA own vineyards, but also buy grapes from captive producers and at the spot market. However, this does not mean that they are self-sufficient, since they only produce part of their total sales, depending also on wine purchased from smaller wineries. RPB-Baggio buys its wine from *trasladistas* (wineries that either buy grapes to produce wine or buy wine from small producers in order to then sell it as bulk) to bottle and commercialize it. However, no matter how the chain is structured (directly buying from grape producers, buying bulk wine, etc.), most of the table wine commercialized at the local market belongs to these three main companies, giving them an oligopsonistic power in the determination of prices and the system of payments. Therefore, producers of lower quality grapes and wine have limited choices when it comes to selling their products and no negotiation power in order to determine prices and payment conditions, especially because issues such as quality and product differentiation do not have importance within this segment. Peñaflo and FECOVITA also have presence in the segment of fine wines, and within its lower trench—together with a few other big players such as Finca Flichman or Viñas de Balbo—reproduce a structure similar to that of table wine (Azpiazu and Basualdo, 2003:37).

The higher end of fine wines presents a much more competitive scenario, with about 45 wineries actively taking part (Bocco et al. 2007:73). Competition within this segment is structured around various levels of quality, with different players taking part in each, and product differentiation playing an important role. While some players may acquire a dominant role within certain quality levels, this upper end of the fine wines segment appears to be much more fragmented than the previously described ones and is characterized by a constantly growing number of competitors. Grape prices in this segment are not only higher, but also subject to more negotiation, since the final characteristics of the production may deserve higher or lower than average prices.

In the international market, Argentinean producers have no power to define prices and need to adapt to the internationally settled ones, which is the result of competitive processes of price formation. The international market is particularly sensitive to changes in prices, leaving no room for players to incur in major increases. International competition is, therefore, structured around price/quality ratios, with little margin for maneuver. This has been particularly clear for exporting wineries in Argentina during the last five years. Given that prices are internationally settled in a competitive fashion, Argentinean wineries act as price takers and need to adapt their cost structures to the dominant price for the products of certain quality. However, the growing inflation that the country experiences constantly raises the fixed costs of the companies and, since the exchange rate does not change at the same pace, the result is a higher cost of production. In order to keep their profits, wineries would need to increase the cost of their product, but this is not an option because their buyers are not willing to pay higher prices for products of the same quality, and given the overall world supply, they decide not to buy from those producers anymore. Argentinean wineries have, therefore, either reduced their profit margins (or even renounced them) with the hope of maintaining their share of the market and customers or stopped the commercialization of their less expensive products. Instead, premium and ultrapremium wines can still be commercialized because their profit margins are bigger and allow for higher increases in the total costs.

No matter how fierce price-based competition might be, Argentinean wineries also have some scope for cooperation. Because even though they struggle for access to international markets and bigger shares of exports, they also have common interests. In the wine industry, this is particularly clear in regard to the geographical areas where wines come from, which tends to work if not as a brand, at least as a way of categorizing products. Therefore, it is in the interest of all wineries that the “Argentina” brand enjoys a high reputation internationally. With that goal in mind, most collaboration between wineries is channeled through sector-specific agencies that tend to promote the Argentinean terroirs and build up an image of the country abroad. A key player is Wines of Argentina, an organization with over 200 member wineries that is in charge of developing and promoting Argentinean wines in the international market. This institution, funded by its members and the Argentinean Viniculture Corporation (COVIAR, from its initials in Spanish), seeks to orient resources toward the consolidation of Argentinean wines as a category and, therefore, arranges events and campaigns for not only its members, but also the industry as a whole. And a similar situation

might occur at the country level, where competition is sometimes temporarily suspended by cooperation. As an example, it is worth mentioning a joint tasting organized by Wines of South Africa, Wines of Chile, and Wines of Argentina in an attempt to promote “southern” wines.

All in all, the competition form is structured very differently in the local and international markets, providing different challenges to the actors that engage in each of them. The local market, where table wine is still the most important product, is dominated by three main companies that are responsible for over 60% of the commercialized wine. This high level of concentration grants them, on the one hand, oligopsonistic power vis-à-vis the multiple and mostly small grape producers and *trasladistas* wineries, which have no power to influence the process of price formation. On the other hand, because of multiple buyers and lack of comparable competitors, these three dominant groups exercise oligopolistic power in the process of price formation of table wine. The situation of high-end quality wines in the local market resembles, instead, the form of competition in the world market, where an important number of wine producers, each with relatively small market shares, enter processes of price formation which are closer to the so-called perfect competition. Internationally, Argentinean producers do not have any power to influence the processes of price formation. As a consequence, they need to enter into price-based competition, within different price bands for determined levels of quality.

### 3. Money

Transactions in the Argentinean wine industry are characterized by a high degree of informality, since contracts are not common. Most usually, wineries will buy grapes from their “traditional” suppliers, but no agreements are reached before the harvest. Especially in the quality-led regime of accumulation, the characteristics of the grape—which are so important for the final wine—cannot be fully appreciated until they have been harvested, making it common for this sector to start discussing prices once the production has been delivered to the winery or, even sometimes, only after some samples of the wine can be evaluated. Even if informal, relationships between grape producers and wineries tend to be stable in time. COVIAR is currently running PROVIAR, a program that seeks to facilitate the creation of formalized and long-term links between small grape producers and wineries through the settlement of ten-year sourcing contracts. While describing



this program during an interview, Cristina, general manager of COVIAR, explains how even though contracts are not common, they found out that “many of these relationships already existed in an informal fashion. There were producers that had been selling to the same winery for 20 years.” (Interview AC7). However, these informal relationships provide little certainty about the total volume of the transaction and even less about the final price. Worse, they place producers in a delicate situation, since wineries have the possibility of choosing not to buy a single grape or changing the terms of their verbal agreement at the last minute, without being liable to any kind of sanctions.

Martín (2009) describes this relationship as a “diffuse integration via market power,” where informality prevails because it favors the position of the dominant players. However, he also highlights how agro-industrial articulation in viticulture has been transformed with the emergence of a new sectorial regime of accumulation. As it has been explained, the emerging quality orientation of this industry has made the process of grape growing much more relevant than before, requiring careful examination and accompaniment of the agricultural process and an important coordination between the vineyard and the winery. These features have led toward what Martín calls a “hybrid” mode of integration, where a “total” type of integration (characterized by permanent monitoring and technical control) is combined with an “informal” one (given by the absence of binding agreements), originating a “technical, economic, and political control by the industrial link, to the detriment of producers’ decision-making capacity” (Ibid:86). This “hybrid” form of coordination boosts unequal power relations in which “big concentrating companies “lasso small producers in relationships of commercial dependency and even intervene through quality and origin controls, etc. in their own productive decisions.” (Chazarreta, 2012a:34).

The system of payments in the wine industry varies according to the relationships built between different players and the quality of the products. However, it could be said that in the case of lower quality grapes, the dominant tendency for wineries is to pay their producers in a wage-like fashion. That is, once the grapes have been delivered and the price agreed upon, the buyer pays for the total production in 12 monthly installments throughout the following year. Most of the time this cycle is followed by a new yearly one based on the next harvest, and so on. For producers, therefore, their profit assumes pretty much the shape of a salary paid by the winery. In the case of higher quality grapes, the landscape is more varied. While there is a tendency to pay in a shorter period of time, this could still be done in

three, six, or nine months according to the relationship between buyer and supplier and the quality of the product.

Possibilities of credit have been limited to local sources in the last decade, with options of international credit having been seriously diminished after Argentina's default in 2002. Private options of credit have been an option for bigger wineries and producers, but in the case of the smaller ones (who are a majority among producers of grapes for table wine in Argentina), the conditions have been too demanding. Access to credit has been a critical factor in the recent evolution and bifurcation of the sectorial regime of accumulation, being more easily available for bigger national and international groups that invested in the reconverted sector and expensive and scarce for small producers (Rofman and Collado, 2005). Carlos, director of the National Institute for Agricultural Technology's (INTA) Regional Center Mendoza – San Juan, highlights how access to credit is still a problem for small producers. According to him, productive units become smaller each time because once their owner dies, they are divided between their children. This leads to a point where vineyards are so small that it threatens their viability, and “these people are not subject to credit. Then, well, it's a non-virtuous circle; a circle that generates each time less inversion, less interest, and productivity and quality tend to fall.” (Interview AC4). However, the provincial governments of Mendoza and San Juan have developed some credit schemes targeting this group. Additionally, the sectorial organization COVIAR, through the above-mentioned program COVIAR, provides subsidies to the small producers that join this initiative.

The analysis presented so far has made visible the main features of the money form in the Argentinean wine industry. The system of payments is characterized by the lack of formal agreements, as grape producers and their buyers rely on tradition and mutual trust. Payments to producers tend to acquire a wage-like form (12 monthly installments per year) in the low-quality market, while the conditions tend to be slightly better in the higher-quality one (with three, six, or nine months, according to the case). Credit is rather scarce in the industry for weaker players and very difficult to access for smaller producers. This fact has prevented many grape producers from upgrading their vineyards or reconverting their production, driving them out of business in the last instance. The few, more convenient opportunities they have for credit are either credit programs sponsored by provincial authorities or sectorial hybrid organizations, such as COVIAR.

#### 4. State

The state had taken an active role in the development of the wine industry throughout most of its history. It is possible to identify three main ways in which this has been done. First, by creating, transforming, or abolishing different normative frameworks that constrained or promoted the production and commercialization of wine, in connection with the cyclical crises of overproduction suffered by the sector. Second, by creating public entities in charge of regulating the sector. Chazarreta (2012b:208) lists among the main ones: the Commission for the Defense of the Wine Industry (1897), the Commission for Industrial and Commercial Defense and Promotion (1914), the Autonomous Commission of Wine Defense (1933), the Wine Regulatory Board (1934), the National Commission of the Wine Industry (1938), and the National Wine Institute (1954). Third, by the creation of corporations owned by provincial states in order to endow them with regulatory functions—such as the cases of Bodegas y Viñedos Giol in Mendoza or Corporación Agroeconómica Vitícola y Comercial (better known as CAVIC) in San Juan.

However, in spite of this long history of state intervention in the sector, the process of reconversion, which began with the neoliberal policies of the 1990s, was mainly driven by private agents and sought to limit the state's role in the industry. The new global mode of regulation that began to take place during that decade envisioned a much weaker and inactive role for the state, as it has been explained before. Under the imperatives of deregulation, the state abolished all legislation impeding the free play of economic agents in the industry and seriously reduced the functions of the National Wine Institute (INV) to quality controls and little more. In this sense, the state's retraction as a policy maker and an active player in the sector has to be explained in relation to the overall transformation of the global mode of regulation.

While the national state became much less relevant for the sector, it was at the provincial level that it played a more active role. Though provincial governments are still involved in buying table wine or determining quotas of must production—to deal with oversupply—one of the most salient characteristics for the state structural form during the process of reconversion was the new way in which it came to articulate its actions with the most relevant actors. The provincial governments took the lead, and in close cooperation with private actors, came to reinforce what could be described as organs of *sectorial governance*, which are characterized by the presence of private actors (wineries, traders, grape producers,

and their respective interest organizations) and representatives of provincial governments or specialized state agencies.

A first step in this direction was an Agreement signed by the provinces of Mendoza and San Juan (the two most important provinces for wine production in the country). In order to reduce overproduction, it stipulated a minimum proportion of grapes that each winery should elaborate into must instead of wine. Those wineries that did not follow this rule would have to pay a “mandatory contribution” (Provincial Law N° 6216). The money raised by this measure—which is used in activities that seek to promote wine consumption—would be administered by a Viniculture Fund in each province, though this institution was only established in Mendoza. It was created as a non-state legal entity of public law and its administrative council is composed by eight representatives from the private sector—nominated by different interest organizations—and one representative of the province’s government (National Decree N° 305). It became, in this way, the first successful attempt of a hybrid sectorial entity that was to be governed jointly by representatives from the public and private sector. This positive enterprise worked as a stepping-stone on which more ambitious cooperative projects would be built.

The clearest example of that was the development of the industry’s roadmap known as the Viniculture Strategic Plan 2020 (PEVI, from its initials in Spanish). The PEVI’s main objective was to survey the current situation of the local wine industry and define strategic goals to be achieved by the sector as a whole by the year 2020. The elaboration of the plan began by the end of the year 2000 and took two years. It involved a wide variety of actors: representatives of grape growers and wine producers’ organizations, cooperatives’ associations, exporters, universities, and sector-specific governmental and public-private agencies. The plan determined three strategic objectives<sup>23</sup> and the strategies to be pursued in order to attain them. The sector, then, gave itself this plan and presented it to the members of parliament from the wine producing provinces who took it, without changes, to the national congress, where in 2003 it was passed as a law. One of its first consequences was the creation of COVIAR, whose main duty was to “manage and coordinate the implementation” of the PEVI 2020 (National Law N° 25,849). This is again another example of a recently created institution that takes an active part in the sector’s governance and can be classified as a hybrid, since it

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<sup>23</sup> (i) Positioning Argentina’s varietal Wines in the northern markets, (ii) developing the Latin-American market and revitalizing the Argentinean wine market, (iii) supporting the development of small grape producers in order to integrate them in the wine and concentrated grape juice industry.

is funded and administered by private and public entities: out of the 17 members of its Board of Representatives 12 belong to business or producers' chambers, while the other five members represent the public sector (INV, INTA, the government of Mendoza, the government of San Juan, and a representative chosen by the other wine producing provinces, which may rotate). As it can be appreciated, the state's role in the current industry has been considerably weakened. It has stepped aside in terms of legislation and direct regulations and seeks to take part in the governance of the industry through its membership in hybrid public-private partnerships. Moreover, within these entities, as it can easily be seen in the composition of their ruling bodies, private representatives always outnumber public ones. And within the public sector, it is provincial governments that get seats on the board only, leaving the national state's representation to its specialized agencies.

All in all, it can be said that in the last years a sectorial level of governance—composed by public and private actors, but dominated by the former—has emerged and has taken the lead in deepening the process of reconversion and setting the goals and strategies of the industry. However, it cannot be denied that the state both at the national and provincial levels still takes decisions that affect the sector: the former, for example, by imposing retentions to exports and, more generally, through the adjustment of the exchange rate; the latter, by providing accessible conditions for credits or buying wine and grapes. Nevertheless, the actual power of the state to shape the industry—through rule-making or as an economic actor—has been undermined by the prominence sectorial organizations have acquired. The case of PEVI is quite illuminating, since it shows that its endorsement by the state was still necessary—that is why it was passed as a national law—but its content (the industry's goals and strategies) was dictated by a sectorial forum and approved by the national congress with no changes.

## 5. Representation of the product

As it has been hinted at throughout the previous chapter, the wine sector is characterized by the coexistence of two main representations of the product: one that follows the logic of quantity and another that is guided by the principle of quality. While the former used to dominate the industry during most of its history, the last decades have evidenced the emergence of the latter one. Currently, both have become important elements within the sector and have been articulated into

the dominant logics of the regimes of accumulation. In this section, I offer a description of the main features of each representation of the product and the ways in which they relate to other structural forms and the split in the regime of accumulation.

It would be a simplification to say that quality was not debated until the 1980s in the Argentinean wine industry: even within the historical quantity-led regime of accumulation quality criteria have been discussed. However, most of the debates related to quality had to do with the creation of certain minimums that wine producers should fulfill and emerged as reactions to illicit practices within the industry. The dominant representation of the product within the quantity-led regime of accumulation was that of table wine for mass consumption: it was a product that had to be produced in substantial amounts in order to please the demand of a population whose consumption per capita appeared as ever-growing. Wine consumption within this representation was not understood as a distinctive or conspicuous activity. Instead, it appeared as a basic good to be found at the table of any average Argentinean household. Wine was represented as an ordinary product for daily consumption and, as a consequence, expectations of quality were not very different from those applied to bread: they were reduced to certain minimums of acceptability. However, as it also happens with bread, it could not be missing.

In the industry built around such a representation of the product, therefore, the current hierarchies, classifications, and typologies of wine were not of major relevance. The main concern, instead, was connected to guaranteeing the provision of this very important good. Since quality expectations were limited to a minimum, it was not unheard of to use a practice known as “wine stretching,” which simply consisted of adding water to wine in order to increase stocks. While this was not an accepted behavior, and the authorities regulating the sector sought to penalize it, the dominant representation of the product made quantity and the product’s availability such a strong imperative that quality appeared to be negotiable. A clear example of this took place during Juan Domingo Perón’s first government (1946–1955), which was characterized by a process of economic redistribution in favor of the working class. One of its effects was an important boost in wine consumption per capita, which grew in more than 15 liters during that period. The situation was one of shortage, and due to the fact that wine was such an important wage-good and massively consumed among the working class, the current government decided to intervene. While most measures adopted during the period were of an economic nature (establishment of maximum prices,

minimum production quotas, or expropriating production, for example), there was one of particular relevance for the representation of the product: the establishment of a maximum for the alcoholic content of wine, which was fixed at 12% vol. (Mateu, 2014:154). Such a decision was the maximum expression of a quantitative understanding of the product: while settling a minimum proportion of alcoholic content would guarantee certain levels of quality, the imposition of a maximum importantly allowed for manipulation. The historian Benito Marianetti (1965:304) explains that, normally, most of the wine produced in Argentina evidences levels above 12% or 12.5% vol. While those levels needed to be reduced, it was impossible to do it by combining wines of different alcoholic levels, because there was barely no production under 12% vol. What this regulation meant, actually, was a de facto acceptance of wine stretching through the addition of water. During the following years it became common to find wine with levels in between 8% and 9% vol. (Mateu, 2014:154). Even though this might be an extreme case, it is useful to show how the representation of the product prioritized a basic product for mass consumption over a sophisticated and distinguished one, privileging in this way a logic of quantity over quality.

Nowadays, this quantity-centered representation of the product has not disappeared but has come to share its dominance with another one, which emphasizes the importance of upgrading the quality of wine and promotes it as a product of high symbolic value. This new approach has brought forward heterogeneity to the field, not only because there is now a strong hierarchy distancing table and fine wines, but also because the category of fine wines has been segmented in different trenches according to quality criteria.

The sector is currently dominated by these two representations of wine, which have been able to coexist but by clearly differentiating each other. This can be appreciated in many of the industry's regulations. PEVI, for example, the document that established a 20-year plan for the industry, begins the introduction of its vision by clarifying that "the PEVI 2020 is not centered on productive expansion or the increase in elaborated volumes" but, instead, it "has been designed to create value". The contrast between what the plan aims to do and what it does not want gives a clear signal of the emergence of a representation of the product that does not depend on growing figures but quality upgrades. However, that does not mean that the quantity-centered representation of the product will be eliminated; what the plan seems to propose, instead, is a segmentation. The PEVI defines three strategic objectives, out of which the first two are of particular relevance here. The first one aims at the positioning of "great" Argentinean wines

in the “northern markets.” The goal is to increase the exports of varietal-based wines of high quality and price to “developed countries.” The second strategic objective could be divided into two, since it sets different goals for the Latin American and the local markets. The wine industry is expected to be able to penetrate in the former with low and intermediate price wine, while in regard to the latter, the objective is to reactivate the national consumption of “basic wines”. Therefore, as it can be seen in the plan, both representations of the product are made part of the sector’s outlook for the following 20 years. However, they are given clearly defined roles: the quality-centered representation should be the one fostering the process of reconversion with the goal of gaining market shares abroad; the quantity-based representation, instead, is given priority in the struggle for maintaining and consolidating the—declining but still relevant—local market.

At a more technical level, it is possible to see how these different representations of the product, and their hierarchy, are operationalized through INV’s regulations. This is most clearly appreciated in the resolution 12/2003 adopted in 2003. Its main goal was to re-categorize wines, which had up to then been divided between table, regional, fine, and reserve wine. While the last two categories were supposed to be distinguished by their quality, in practice it was found that many wineries would sell their products as “fine” and “reserve” without actually matching the expected standards. In order to guarantee a more transparent system, INV decides to abolish the previous classification and replaces it with another that has two main types of product: “wine” and “varietal.” All kinds of wine need to accomplish a minimum level of alcohol, which is not defined by economic or other reasons but is calculated yearly by INV after examining a sample of 25% of the total harvest. Consequently, according to each year’s particular climatic conditions and the final characteristics displayed by the grapes, a different alcoholic minimum is decided. Additionally, certain ratios are established for the amount of grapes and the resulting wine: for all wines, it is mandatory to use at least 122 kg of grapes per every 100 liters, while varietals should use at least 130 kg of grapes per every 100 liters. A further requirement is posed for varietals: single-variety wines must be produced with at least 85% of the alleged grape, while those composed of two or three varieties should be elaborated with at least 90% of the claimed varieties, with none of them accounting for less than 10% of the total grapes used. With these measures, INV seeks to preserve the quality of products, but this is done through developing a hierarchical system. Instead of simply creating minimum standards for all types of wines, the INV has determined



differentiated minimums for generic wines and varietal-based ones, accompanying the two most important representations of the product in the industry.

In 1999, the national law 25,163 created a “system for the recognition, protection, and register of Argentinean geographical names” to be applied to wine and its derivatives. The goal was to create a framework, similar to the one applied in old-world producing countries, in order to distinguish the characteristics of the wines produced in specific areas. Three main categories were created—Provenance Indication, Geographical Indication, and Controlled Designation of Origin—and INV was commissioned to develop the criteria that would distinguish each of them. While it goes beyond the scope of this section to discuss these criterions at length, I am interested in highlighting those aspects that are related to the type of product that can be granted each appellation. The Provenance Indication is available for any kind of “table wine” that has been made with at least 80% of grapes produced in the designated area. The Geographical Indication is preserved for those products that have been elaborated with grapes recognized by the INV as being appropriate for the elaboration of “quality wines.”<sup>24</sup> Additionally, they need to respect the 130 kg / 100 liter proportion established for varietal-based wines. Lastly, the most distinguished appellation, Controlled Designation of Origin, can be awarded only to those wines produced with grapes appropriate for the elaboration of “superior quality wines.”<sup>25</sup> Additionally, they need to respect the 130 kg / 100 liter ratio and a maximum yield per hectare that INV will determine for the designated region.

While this system of appellations is currently of little relevance in the Argentinean wine sector, its regulations make very explicit how the industry works with differentiated and hierarchical representations of the product. The quantity-centered representation seems to comprise all kind of table wine, which can be produced with any kind of grapes. It is basically the same logic that the quantity-based regime of accumulation has always worked with, except for the addition of certain quality minimums that, while not new, had not always been evenly respected throughout history. Then, we appear to have two groups of wines that

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<sup>24</sup> Malbec, Merlot, Cabernet Sauvignon, Syrah, Pinot Negro, Canari, Pinot Meunier, Tannat, Lambrusco Maestri, Barbera, Sangiovese, Bonarda, Tempranillo, Cinsaut, Carignan, Petit Verdot, Cabernet Franc, Carmenere, Corvina Veronese, Rondinella, Ancellota, Croatina, Lambrusco Grasparossa, Gewurztraminer, Chardonnay, Chenin, Sauvignon, Semillon, Sauvignonasse, Riesling, Torrontés riojano, Ugni blanc, Moscato bianco, Pinot blanco, Prosecco, Viognier, Pedro Giménez (National Decree 57/2004 and INV Resolutions N° 32/2002, 18/2004, 22/2006, 7/2009 and 52/2012).

<sup>25</sup> Malbec, Merlot, Cabernet Sauvignon, Syrah, Pinot Negro, Tannat, Barbera, Cinsaut, Carmenere, Cabernet franc, Gewurztraminer, Chardonnay, Sauvignon, Semillón, Riesling, Torrontés riojano, Pinot blanco (National Decree 57/2004 and INV Resolutions N° 8/2003, 18/2004 and 22/2006).

respond to the quality-centered representation of the product: “quality wines” can only be made from a certain group of grapes and respecting the varietal-based kg/l ratio, while “superior quality wines” come from an even more restricted group of grapes, also respect the varietal-based kg/l rate and, additionally, need to comply to a maximum yield level. In this way, it is possible to see how the different representations of the product are not just restricted to the ideational level, but become part of the very material process by classifying, categorizing, and hierarchizing wines, grapes, techniques, procedures, and terroirs.

## 6. International insertion

This structural form seems to be split along the same lines as that of the industry’s regime of accumulation. The production and commercialization of table wine targets mainly the domestic market, exporting only sporadically according to market opportunities. The reconverted regime of accumulation, instead, has always considered exports as the main destination for their products. This can be seen by the way in which exports have grown with reconversion and the preponderance they have acquired in the last years. The importance of external markets can clearly be seen in the PEVI, where one of the main strategic objectives is to position Argentina’s fine wines in the “northern markets,” while another one targets “Latin American markets” (together with the local one).

However, the sector’s possibilities of exports are strongly determined by the global mode of regulation. As it was noted, the period between 2002–2009 witnessed a boom in exportations due to the very competitive exchange rate adopted by the national government. However, the situation has begun to change, especially during the two years previous to my fieldwork. This has been a consequence of a new exchange rate policy that has systematically attempted to avoid a devaluation (keeping the peso almost fixed at a relatively high rate) and the constant high levels of inflation, which have year after year increased the costs of production. As it was mentioned, since the international markets show an important sensitivity to changes in price, producers have not been able to adjust them according to their growing production costs, so they have either reduced their profit margins or diverted their products to the local market.

Figure 8 (page 165) shows how exports have not been able to catch up with the volumes commercialized in 2008 and that, nevertheless, their total value increased

until 2012. This is the consequence of the upgrade on exports that the industry had to do: since there was a point after which it was not possible to reduce the profit margins of entry-level and lower priced wines anymore, that segment stopped being exported and wineries concentrated efforts in exporting more of their premium and ultrapremium products. This strategy explains why the exported volumes have not been able to recover totally after 2009's depression and, in spite of that, their total value grew. However, a decrease in the value of total exports in 2013, for the first time in more than ten years, and the deepening of this tendency in 2014, seems to show the limitations of this strategy and cast uncertainty over the short-term future of this industry. While exports have been the engine behind the sector's renovation and development, their decrease in value during the last two years appears as an indicator of a possible crisis *in* regulation. Since the main cause for this reduction has been the slow pace at which the peso has been devaluated in relation to the growing inflation, there do not seem to be major reasons to consider the situation as an indication of a crisis *of* regulation. If the exchange rate was adjusted according to inflation or the latter was eliminated, the industry would be able to return to its previous path of growth, since most of the other conditions that had boosted its development have remained unchanged. However, the exchange rate, one of the main elements of the structural form under discussion, is clearly determined at the global level of regulation, making it very difficult for sectorial actors to influence their determination. What this evidences is the fact that the exchange rate, a factor that has proven so relevant for the industry—both producing a boom in exports from 2002 onward and inducing a decline from 2013—has been adjusted exclusively at the level of the global mode of regulation, favoring and hampering the wine industry's exporting goals unintentionally. This shows how a sectorial mode of regulation can be understood as the meeting point of global and sector-specific arrangements, where the preeminence of one level over the other is decided contingently throughout history and present different balances when looking at each particular structural form. Furthermore, this highlights the highly contested and complex nature of regulation, which should not be understood neither in a deterministic fashion nor in a voluntarist way.

## 7. Conclusion

To sum up, this chapter has described the main features of the current mode of regulation of the Argentinean wine industry by analyzing the six structural or institutional forms that constitute it. In this way, I have described the recent historical evolution of this mode of regulation, highlighting the interrelationship of its transformations with those experienced by the national mode of development and the sectorial regime of accumulation. This chapter, together with the previous one, offers a general picture of the Argentinean wine industry, which is the particular context in which Fair Trade will be analyzed.

Additionally, the description of the six institutional forms presented so far has highlighted the most important challenges faced by workers and *contratistas* (increasing flexibility of the conditions of employment and work relationships) and small grape producers (the increasing domination of a quality-based representation of the product, limited access to credit, lack of formal contracts, wage-like system of payments and oligopsonistic market conditions). These issues are crucial in the following chapter, as they provide the criteria against which the Fair Trade mode of regulation will be evaluated in assessing its capacity to structure alternative socioeconomic relationships in favor of the subaltern classes

## Chapter 6: The Fair Trade Mode of Regulation of the Argentinean Wine Sector

Within the proposed dialectical process of inquiry, this chapter represents the highest point of concretization, as it will describe the characteristics and effects of Fair Trade in relation to one particular product (wine) in particular countries of production (Argentina) and consumption (UK). To do so, the more abstract features provided in the description of the general concept of Fair Trade, the current trends in the world wine market, Argentina's global mode of development, and the regime of accumulation and mode of regulation of its wine sector will be further refined and concretized through the empirical analysis of the specific case.

The goal of this chapter, hence, is to offer an overall picture of the concrete ways in which the Fair Trade system structures socioeconomic relations in the Argentinean wine sector and to assess how transformative it proves to be. This evaluation is done in two different analytical steps. First, by comparing the conventional and Fair Trade modes of regulation in the Argentinean industry. In this way, it is possible to distinguish the elements that Fair Trade seeks to transform from those that remain unchanged. Second, by examining the consequences of coupling the Fair Trade mode of regulation and the sectorial regime of accumulation. In so doing, the analysis will be focused on the particular effects of the Fair Trade mode of regulation when implemented in this industry.

In order to deliver such an assessment, this chapter begins with a brief overview of the Argentinean Fair Trade sector and the situation of the wine industry within. This will be followed by a detailed analysis of the six structural forms that compose a mode of regulation. In this exposition I will focus on the aspects of each structural form that are most important to the industry and prove to be relevant for the analysis of Fair Trade. Lastly, the concluding assessment will be provided. It will be divided into two parts, with the first synthesizing the most important findings obtained by comparing modes of regulation and the second focusing on the coupling of the Fair Trade mode of regulation and the sectorial regime of accumulation.

## 1. Introduction to the Argentinean Fair Trade wine sector

The Fair Trade sector in Argentina is still a relatively new phenomenon. Given that the first certification was only granted in 2005, the Argentinean Fair Trade sphere is still giving its initial steps. Even if the number of certified organizations has permanently grown year after year, Argentina's figures are still modest when compared to other countries in the region. At the moment, there are 18 certified organizations (both producers and traders) that are responsible for the 10 Fair Trade products<sup>26</sup> that are currently produced in Argentina. Other countries in Latin America, instead, present much higher numbers of certified organizations, for example: Guatemala (30), Bolivia (35), Nicaragua (37), Brazil (58), Mexico (68), Colombia (161) or Peru (205). This shows that the Fair Trade sector in Argentina is still smaller and newer than in most of the neighboring countries. As a consequence, many of the actors involved are actual pioneers of its development and are still in the process of fully understanding the system's way of working, as well as its benefits and limitations.

The first Fair Trade certification in Argentina was granted to a honey cooperative; however, since then, the lead has been taken by grape and wine producers. Currently, wine grapes are the most important product in the Argentinean Fair Trade sector, being produced and traded by 11 certified organizations, which represent more than half of the total number of certified producers in the country. Apples and pears come second, but each of these products involves only four certified actors. Honey, which during the initial years was nearly as popular as wine, has witnessed a decline, and after some recent de-certifications it is now only produced by three organizations. As these figures show, the wine industry constitutes the most relevant sector within the Argentinean Fair Trade sphere.

At the moment of my fieldwork, there were 11 certified actors in the Argentinean wine industry. Five of them (Finca Alentejo, Ecowine, Paso Alto, La Mariana and Medrano) are certified as Hired Labor, four of them as Trader (Palmer, Mendoza Wines, Tres Vientos and Bodega Fabretti) and two of them as Small Producer Organization (La Chilecifeña – since 2013; before it was certified as Hired Labor – and Uvasol).<sup>27</sup>

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<sup>26</sup> Apples, blackcurrants, blueberries, cherries, honey, olive oil, pears, raspberries, redcurrants and wine grapes.

<sup>27</sup> This overall description stems from my fieldwork in Argentina, which took place during the second half of 2013. While it has mostly remained unchanged, it should be noted that in 2015 Ecwine de-certified. My analysis, however, is based on the data collected in 2013 and, hence, the actors certified at the moment.

The majoritarian tendency among them, as it happens in the dominant regime of accumulation, is vertical integration, as Finca Alentejo, Paso Alto, La Mariana, Ecowine, Medrano and La Chilceteña produce Fair Trade wine using exclusively their own certified Vineyards. This means that the whole process of production of their Fair Trade products is managed by them, without the need of resorting to other actors.

Traders, as it was explained in Chapter 3, do not concentrate the whole process by definition, since they either buy, sell and or process Fair Trade products. In our case, this happens in a variety of ways and, of course, involves always more than one actor, going against the trend of vertical integration. Bodega Fabretti buys only certified grapes, exclusively from Uvasol – an organization of grape producers. While in its initial years Uvasol worked exclusively with Fabretti, after some time it began to sell certified grapes to other wineries, though sporadically, building a longer lasting relationship with Tres Vientos. Mendoza Wines initially worked closely with a cooperative of small producers, to whom it bought certified grapes. However, this cooperative broke a few years ago and the individual producers were not able to re-organize themselves within the Fair Trade system, forcing Mendoza Wines to look for a different Fair Trade wine supplier. They proposed Medrano – a winery to whom they were already buying conventional wine – to obtain the certification and become their exclusive provider of Fair Trade wine. Parallel to this, Medrano sold Fair Trade wine in 2013 to the newly certified Palmer, which had just obtained its certification as a Trader and decided to commercialize a small amount of Fair Trade wine as a test. An overview of the Fair Trade certified actors in the Argentinean wine industry and their relations can be found in Table 5.

All in all, this brief overview of the Fair Trade wine sector allows identifying some general features. In relation to the types of certification, there is a clear predominance of Hired Labor (HL) over Small Producer Organization (SPO). This fact is in part explained by the current tendency in the industry towards vertical integration, where players – especially in the quality-led regime of accumulation – seek to control the whole process of production of higher quality wines. As a consequence, the HL certification allows wineries to certify their own vineyards and use their own grapes to make wines. Traders pursue different strategies, as two of them buy certified grapes to produce the wine themselves and the other two, instead, buy certified wine. This last fact, combined with the predominance of vertical integration, reduces considerably the market for certified grapes, making it difficult for an organization like Uvasol – an association of grape

producers that is not involved in wine production – to integrate into the circuit. Lastly, it shall also be noted that an overwhelming majority of certified wineries is situated in Mendoza, not only the most important wine producing region in the country, but also the one that shows the most important levels of industrial reconversion towards the quality-led regime of accumulation. La Chilecitera, instead, comes from the also traditional, but much less prestigious, region of La Rioja.

**Table 5**

<b>Certified organization</b>	<b>Certification</b>	<b>Certified production</b>	<b>Location</b>	<b>Origin of investments</b>
Paso Alto	HL	Vertically integrated	Mendoza	France
Fabretti	Trader	Works with certified grapes only, and buys them exclusively from Uvasol	Mendoza	Switzerland / Argentina
Palmer	Trader	Buys certified wine from Medrano	Mendoza	Austria
Finca Alentejo	HL	Vertically integrated	Mendoza	Argentina
La Mariana	HL	Vertically integrated	Mendoza	Chile
La Chilecitera	SPO	Vertically integrated	La Rioja	Argentina
Medrano	HL	Vertically integrated. Sells certified wine to Mendoza Wines and Palmer	Mendoza	Argentina
Mendoza Wines	Trader	Buys certified wine from Medrano	Mendoza	South Africa
Tres Vientos	Trader	Buys certified grapes from Uvasol	Mendoza	Chile
Uvasol	SPO	Has traditionally sold certified grapes to Fabretti and in the last years to Tres Vientos. It has also sold to Medrano before.	Mendoza	Argentina
Ecowine	HL	Vertically integrated.	Mendoza	Argentina

Sources: FLO-Cert and fieldwork data.

Having now given a general picture of the Argentinean Fair Trade wine sector, the following section will analyze the six structural forms that constitute its mode of regulation.

## 2. The Fair Trade Mode of Regulation

The goal of this section is to describe the changes that the Fair Trade mode of regulation introduces in the structuration of its six institutional forms. Hence, I will examine the different ways in which it deals with the wage relation, money,



competition, the state, the representation of the product and international insertion. However, since this examination is done in order to assess Fair Trade's transformative potential, the analysis will be oriented by this goal. As a consequence, my attention will be unevenly distributed among different structural forms and, within each of them, I will focus only on selected aspects. The prioritization of both, certain structural forms and specific elements of each, is the result of two overlapping criteria. In the first place, I have decided to focus on those aspects that appear as the most problematic in the conventional wine sector and would therefore constitute critical points for intervention if the position of small producers and workers is to be improved. In the second place, the fact that Fair Trade does not seek to affect all structural forms and all of their constitutive elements equally, demands a correlative prioritization in the analysis, i.e., producing a closer examination of those elements with which Fair Trade engages the most. As a consequence, the reader will find that, for example, the wage relation has received much more attention than the state form. The explanation for this has to be found in the problems that the wine industry evidences at the level of the wage relation and, in parallel, the paramount importance that this structural form is given in the Fair Trade mode of regulation vis-à-vis the state form.

This section is divided in six subsections, each one dealing with a different structural form. All of them share a same logic of exposition, where I begin highlighting, and justifying, which aspects of each institutional form have been considered the most relevant for the analysis. This is followed by the examination of the different institutional forms which, as it was explained in Chapter 2, is done at two levels: first, I describe the most relevant features that can be found in the standards; second, I account for each structural form according to the way in which they are found in practice.

## **2.1 Wage relation**

There are two main dimensions worth examining in order to determine the potential that the Fair Trade mode of regulation offers when it comes to the wage relation. First, I will focus on the way in which different *work conditions* are regulated, paying particular attention to two elements that are of major relevance for the Argentinean wine industry: working hours and overtime and hiring. Second, my analysis will turn to direct and indirect *wage determinants*, specially examining the role of the Fairtrade Premium, one of the most innovative features of this mode of regulation.

### ***2.1.1 Work conditions***

Fair Trade standards for producers, both HL and SPO, include criteria that are directly linked to the wage relation. Since the latter standard stipulates that in the case of small producers most work should be done without systematically relying on external labor, it only regulates certain aspects of this structural form. The HL standard, instead, poses much more extensive and detailed requirements in connection to the wage relation. Therefore, this exposition will mainly focus on the conditions determined by the HL standard (the most demanding one) and only highlight differences with the SPO standard when relevant.

According to the HL standard, all workers must be protected from any kind of discrimination, cannot be forced to work and must be free to become members of labor unions. The company (or producer) hiring workers must recognize those associations, allow them access to workers in their workplace and respect the agreements reached in processes of collective bargaining. In cases where no active labor unions exist, the employing organization is expected to encourage workers to form their own association in order to discuss relevant working issues and raise concerns.

While the employment of children is forbidden before 15 years of age, this rule shows some differences according to each standard. In the case of HL, companies cannot have children under 15 doing any kind of work and, furthermore, their employees are not allowed to bring their children to the workplace because it could be considered as indirect employment. While the standard for SPO also prohibits the employment of children under 15 years old, it nevertheless accepts the possibility of children helping their relatives with work in the field as long as it does not interfere with their school attendance or is done during holidays. Additional conditions are not clearly defined, but it is stipulated that their personal development and health should not be hampered and that “reasonable” limits should be put to the amount of working hours.

Wages need to be equal to or higher than the national minimum wage, sector specific collective bargaining agreement or the regional average, whichever is higher. Maternity leave (which must be at least of 12 weeks, with no less than 6 of them taking place after giving birth), legal social security provisions and non-monetary benefits (such as vacations or training) have to, at least, equal the conditions stipulated in the relevant national regulations.

While more broadly the standard for HL states that working hours and extra time must comply with the relevant laws and industry regulations, it also establishes certain limits. No worker can work more than 48 hours per week on regular basis, with exceptions being admitted in cases of “duty work” or when workers are “on call”. 24 consecutive hours of rest every seven days are mandatory, however, here again the company has the possibility of applying for an exception to the certification body in cases of “exceptional circumstances”, which could be, for example, periods of peak production. The standard states that “future exceptions may also be granted” without setting any limitations to the use of this right. However, even when those exceptions might be granted, no worker can work more than 18 continuous days without getting 24 consecutive hours of rest. The regulation of overtime follows a similar logic: firstly, it is stated the overtime (which must be voluntary, cannot be required on regular basis and has to be compensated at premium rates) shall not exceed 12 hours per week; however, the possibility of exceptions is again granted in cases of peak production periods. In any case, it is not allowed to make someone work more than 12 hours of overtime during more than 3 consecutive weeks. The premium rate should follow the national law, collective bargaining agreements or agreements with working unions, whichever is higher. In case that none of those references exist, regular extra time should be paid at 50% more per hour and in the case of Sundays, holidays or night work, the rate per hour should be doubled. In cases when overtime is compensated by time-off work, the premium factor still needs to be applied.

Of particular relevance to my case are the regulations in regard to hiring. According to the standard, work should be done by permanent employees “as often as possible” and no regular work can be done by seasonal workers. However, when it comes to peak periods and “special tasks and circumstances”, time limited contracts and subcontracting are permitted. While the coexistence of permanent and migrant workers is accepted, no discrimination to any group is tolerated and all should be entitled to the same rights. In situations where subcontracting takes place, the contractor is required to declare in writing that s/he adheres to the criteria defined in the standard, and the company is responsible to ensure that these conditions are met. Anyways, the standard only authorizes this to happen during a limited period of time, as after one year of being certified the company’s management has to undertake “all contracting of seasonal workers

directly rather than through a contractor” (with the possibility of granting exceptions to certain products according to product specific standards).<sup>28</sup>

Most of the mentioned requirements posed by Fair Trade standards that affect the wage relation are already included in national or sectorial specific regulations, with some further requirements added exclusively by Fair Trade. In this respect, managers and administrative staff in the certified organizations have unanimously pointed out that since most of these requirements are regulated by law – and the state and labor unions make sporadic controls – major changes were not required at the moment of applying for the certification. While it would be difficult to find a manager recognizing that their company was going against the law, interviews with workers seem to confirm in most of the cases this issue: the majority of requirements related to working conditions were in place at the moment of certifying. However, and against this general background of compliance, my analysis will now look at two aspects that have been found to be problematic in the conventional mode of regulation: working hours and overtime and hiring.

### *Working hours and overtime*

Overtime – especially during the harvest season – has traditionally been above the law limits in this industry. The harvest season demands important amounts of labor to be done in a very limited period of time. When the enologist or agronomist decides that grapes have reached the right ripeness, they have to be immediately harvested because any delays could result in quality losses. The work has to be done fast, efficiently and is required simultaneously across the region during the entire harvest period, what creates an enormous demand of labor force. Nevertheless, as I pointed out in the previous chapter, there is scarcity of workers for these temporal duties, making it difficult to, first, find workers and, second, rotate them during the harvest season. This has led to intensive and very prolonged working days that take place continuously during the two or three months that the harvest season lasts.

While no one would deny the harmful effects that such working conditions have, it is also true that workers in the industry count on those peak months in order to obtain some extra income. The limitation of extra hours has not been well received by workers due to that reason, as the case of Emanuel, a winery worker at La

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<sup>28</sup> In the HL standard for Fresh Fruit (where wine grapes are comprised) there is no mention to such exceptions.

Mariana exemplifies: “in the sense in which I am against Fair Trade is due to the fact that they don’t let you work a lot. Because of the hours limitation (...) You used to count on a wage and always some extra hours. Now, you receive just the basic salary... you can tell a change in your economy (...) With extra hours and all I used to get 6,000 pesos, and suddenly I’m earning 4,500 pesos. And you begin to be short of money” (Interview AFT29). Minimum wages in the industry, no matter if defined by collective bargaining or national legislation, are low, that is why workers are used to working each month – and specially during peak seasons – an important amount of extra hours in order to achieve a living wage. Even if limiting the amount of extra hours undoubtedly produces health and psychological benefits, it also (quite dramatically) reduces the final income of those workers used to overtime – as the case of Emanuel, who faced a loss of 25%, shows. While the limitation of overtime by Fairtrade is indeed necessary and positive, the way in which it has been instrumented has serious unintended consequences. This situation puts in evidence the lack of a substitutive income in the Fair Trade system, because the limitation of working hours necessarily produces a decrease in the worker’s income without finding an alternative way to – at least – keep it at the previous level.

This restriction has not been well received by the management either, not so much because of financial issues, but due to the difficult logistical conditions inherent to rotating workers according to the maximum hours permitted and finding temporary workers skilled enough in a context of scarce supply. While smaller wineries have not had major problems with this issue, bigger ones have systematically applied for exceptions to the rules regulating the maximum number of working hours and the number of consecutive days without a full day of rest, which the certifying body has always agreed to grant. The situation seems to be quite problematic because in the employers’ view, the best solution would be to continue asking for exceptions (“asking for exceptions every year” at La Mariana and “asking for exceptions in the peak seasons” at Paso Alto), but for workers it appears as a dilemma: on the one hand, their wellbeing would demand working less but, on the other hand, their economic needs pushes them to complain against these new rules and support the application for exceptions. As it will be discussed in the following section, the best way in which this dilemma could be solved by Fairtrade would be the introduction of living wages. As a consequence, the extra income that workers lose due to overtime limitations would be compensated by a higher salary.

Fairtrade is also caught in its own dilemma, because they have to balance the contradictory interests of workers and capitalists: the main goal of Fairtrade is to improve workers' conditions, therefore, they should enforce the standards they have created and require the company to limit working hours. However, Fairtrade is not a mandatory certification, meaning that those that become part of the system do so because they choose it and, consequently, can also choose when to leave it: if Fairtrade starts to interfere with the normal functioning of the company, management would most probably decide to jump out the system. Therefore, Fairtrade incurs in a flexibilization of its own standards, allowing recurrent exceptions. While managers allege that "with the time it has been adjusted" (Interview AFT5), they also confess that in the future they expect to continue making use of exceptions, showing that Fairtrade has not "threatened" to limit their use.

But flexibility and self-contradiction goes even further. For example, Pablo, general manager at Paso Alto winery, explained how the standard limits work on tractors and fumigation to a maximum of four consecutive hours, while the national law regulating these activities allowed up to six. While Fairtrade's general rule is that in case of clashes between the standard and national legislation the most demanding criteria must prevail, in this situation the decision was made in the opposite direction: Fairtrade gave priority to the less demanding national law and allowed this work to take place for up to six consecutive hours. An even more flagrant case was the one described by FLO-Cert's auditor for Argentina. She explained how after being faced for a long time with complaints about the limitation of extra hours, Fairtrade decided to modify their standard, allowing a maximum of 72 hours of total work per week during harvest. This, in the first place, goes against the maximum amount of extra hours per week settled in the standard (though, it has to be said, there are no specifications for the so called "exceptional" cases) and, in the second place, and even worse, goes against the national legislation that sets the maximum number of extra hours per week in 12. In this case, it is not only that Fairtrade decides to take the less demanding regulation as the rule, but also that the maximum settled happens to be against national legislation. Therefore, the certified company might be behaving illegally but still retaining its Fair Trade status.

Lastly, in relation to extra hours, it is fair to highlight that there are also cases where Fairtrade has proved to be less flexible and contributed with their audits to the fulfillment of their own standards and national law. That is the case exemplified by Pablo, manager and member of the family that owns Ecovine,

who complains about the restrictions that Fairtrade puts to the outside the law agreements that they used to achieve with workers when it came to the premium rate paid for extra hours: “we receive the water [for watering the vineyard], for example, on Saturday at 22. And you have to do it. And we have to pay extra hours at a 100%. Sometimes figures don’t add up. And how do you make the Fairtrade people understand that? ‘Look, I get the water at 22 on a Saturday’, so they tell you ‘no, you have to pay it all’. Well, it’s also about being a bit rational, the people [meaning workers] understand it perfectly. Sometimes a middle point...” (Interview AFT20). In this way, in spite of the manager’s complaints, Fairtrade works as a reassurance of national legislation, making the employer pay the proper premium rate for extra hours during a weekend.

### *Hiring*

The last relevant point for the wine industry in the standard – in terms of work conditions – has to do with the ways in which workers are contracted. I have previously explained that, especially since the 1990s, this has become a very important issue in terms of work stability, social benefits and salaries, as workers have become victims of an important transformation in the process of production driven by the industry’s reconversion and, closely connected to this, the flexibilization in work conditions fueled by neoliberal policies. Fairtrade, with its proposal of limiting sub-contracting and increasing the number of permanent workers seems to be a good alternative in order to remediate this problem. Nevertheless, its potential effects become seriously diminished by the way in which the standard is applied.

Representatives of the wineries argue that, in the first place, the modern wine industry has many non-recurrent tasks that need to be done at different moments of the year, making it inconvenient to hire permanent employees to cover these activities, as they would be unproductive during most of the year. They highlight that most workers only know how to perform certain tasks but not others, making it strictly necessary to employ different workers for different duties. Furthermore, the difficulty to find workers for these occasional activities has made very common the use of work crew recruiters (*cuadrilleros*), who are in charge of finding and hiring the workers. In this way, managers continue with the outsourcing of hiring described in the previous chapter. Fairtrade, while contemplating the possibility of subcontracting during the first year of the

certification, requires the company to do all contracting directly after that period. Surprisingly, this has also been managed with exceptions up to now and, most probably, for the time to come, as the dialogue with Diana exemplifies:

**Diana:** The standard norm requires you to contract directly, not to include intermediaries. And the way of working in the area and the region is through intermediaries. You tell a *cuadrillero* all the people you need for the pruning, the disbudding, the tying-down... You don't have direct contracting because – that's what we explained also to the certification people – the *cuadrillero* gives them work this month here, the following month in the fruit plantations, the following months at the olives, I don't know... He gives them working continuity. If you hire them yourself for a period... I don't know. I think that, as everything, it has a process and it may change at some point, but as long as those who want to work in a different way are not many, it will be quite difficult. So that is being handled with an exception.

**Juan:** And what's your idea about what to do in that area?

**Diana:** Continue keeping the exception as long as possible. (Interview AFT5)

Similar situations are presented in wineries that depend on temporary labor, showing that this is the most common practice. Instead of pushing companies into fulfilling this requirement Fairtrade has, however, tolerated subcontracting as long as the company accepts responsibility for the conditions that the contractor provides. This is an improvement in itself, because in this way the company cannot leave the responsibility for work conditions to the intermediary, but has to assure that all the rights stipulated by law are respected. Fairtrade in this way works reinforcing the law. It does not, however, put into practice its own standard, tolerating still a distance between workers and the company. As a consequence, it evidences an important limitation that stems from its legalist perspective: the conditions of employment for temporary workers are those regulated by national laws, but, as we have seen before, these official regulations are precisely at the roots of the processes of labor flexibility and marginalization of workers. While Fairtrade proposes in its standards to go beyond them with the promotion of direct contracting and the transition from temporary worker status to that of permanent worker, it does not actually demand this requirement to be fulfilled, missing an excellent opportunity to produce a change in a sensitive area of the Argentinean wine industry.

All in all, this subsection has shown that while the Fair Trade mode of regulation defines certain minimum thresholds in relation to work conditions, most requirements are settled in accordance with state or sectorial legislation. As a



consequence, most of these regulations were already fulfilled before the process of certification. While Fairtrade has contributed to the enforcement of some aspects of these legislations – as the example of overtime payment showed –, it has failed to produce changes in the most critical areas of the wine industry. This has been a result of the systematic granting of exceptions in relation to those aspects where the standard is more demanding than national legislation or those practices that – even if against official regulation – are part of the sector’s traditional way of working.

### ***2.1.2 Wage determinants***

This sub section looks at wage determinants, both direct and indirect. These will be examined in two main ways: first, I describe what FLO considers to be a *fair wage* and discuss its implications. Second, I present the *Fairtrade Premium* and analyze its relationships to direct and indirect wage determinants. Given the fact that the Fairtrade Premium is regulated very differently according to each type of certification, the second analysis will require a much more detailed examination.

#### *Fair wages*

I briefly commented on one aspect of direct wages when discussing the remuneration of extra hours, but I will go more into detail now. As it was explained, Fairtrade requires wages to be set according to the national minimum wage, the collective bargaining agreement for the sector or the regional average, whichever is higher. The same criteria apply for indirect wage determinants. Basically, Fairtrade expects the minimum wage to be legal (this is, set according to official legislation) but does not consider its materiality, this is, the impact it has in covering – at least – the conditions for the reproduction of the labor force. The actual wage received by Fairtrade workers will always be legal, but will vary according to regions and sectors, within a same country, or national legislations, if we compare across countries. An enormous array of possibilities emerge.

In the case of Argentina, it is FLO’s liaison officer who highlights the heterogeneity of scenarios in the determination of a “fair” wage:

(...) but well, there’s a working union [in the wine industry], and the good thing for us is that it also determines very clearly what the minimum wage for the sector is,

because the criteria says that they have to pay the workers the sectorial minimum wage or according to the collective bargaining agreement. So, when we work with a farm that produces plums in Patagonia, there is no collective bargaining agreement for that product and what do we base ourselves on? In the minimum salary, which is very low at the national level... it's useless! I mean, we'll tell you that it is Fairtrade indeed, because they pay you according to law... Instead, well, even if it's not a great salary, but in the wine sector this was updated yearly, there's an agreement that, even if it's not ideal, it's the sectorial agreement (...) (Interview, AFT6).

This shows, in the first place, that the minimum “fair” wage accepted by Fairtrade can be – and indeed is – enormously heterogeneous, since it depends on many different issues: how updated is the national minimum wage? Are there processes of collective bargaining? Which sector is being considered? How strong is the working union in this particular sector? In the second place, even if we decide to analyze the case of a country with strong state legislation and within it a privileged sector with a very strong union, would that guarantee that the salary is actually fair? The main problem I would like to highlight is the formalist approach adopted by Fairtrade, who privilege a legal salary over a living wage. Would not this latter possibility be much more convincing if one is to talk about a “fair” remuneration? A legal remuneration does not necessarily guarantee any sort of fairness. It might well be the case – as it is in Argentina – that the national wage is very low and – even if slightly better – the sectorial one is not much higher. So, as the FLO representative said, it would be considered Fair Trade “but...” It would be much more effective, instead, if FLO would follow a similar approach to the one pursued in the calculation of its minimum prices: they could estimate the cost of living in different geographical areas (regions, countries, subcontinents, etc.) and determine what a living wage would be in each place. Then, if companies would want to pay a “fair” wage they would be obliged to pay a “living” wage and not merely a “legal” wage. Such a measure would not only be extremely beneficial in relation to wage determinants, but would contribute to the better functioning of the Fair Trade mode of regulation. In the previous section it was highlighted that restrictions in overtime were translated into much lower salaries for workers. If Fairtrade would complement the restriction in the amount of working hours with the inclusion of a living wage, workers would be obtaining an economic compensation for the reduction in overtime and would have no reasons to oppose a regulation that is aimed at benefitting them.

### *The Fairtrade Premium as a wage determinant*

So far, I have examined the various elements that the Fair Trade mode of regulation includes in its standards in order to affect the different variables that determine the wage relation established between producing organizations and their workers. Such perspective of analysis has been able to show the requirements introduced by Fairtrade International in order to guarantee certain “minimums of fairness” within already existing institutional arrangements. In what follows, however, my focus will be centered on one of this mode of regulation’s main innovations, the Fairtrade Premium, and its impact on wage income.<sup>29</sup>

Unlike the domain of work conditions – where no fundamental differences are found between the two main producer certifications – here it becomes much more important to distinguish between HL and SPO. This distinction is particularly relevant because in the former case it is much easier to describe the Premium as an indirect wage determinant, while in the latter case it is not possible to arrive to such a straightforward conclusion. This happens because the Premium cannot strictly be considered a wage contribution in the case of producers – therefore, it would be more easily associated to an extra profit – but it indeed represents a form of direct wage determinant for contratistas. However, as I will explain now, these extra funds can be used in a variety of ways, targeting a diversity of groups and producing differential impacts on each of them.

Basically, the Fairtrade Premium is an extra amount of money that the buyer pays on top of the settled price. Fairtrade determines its minimum value for each product and region (for wine grapes produced in South America, it is currently EUR 0.05 per kilo) and while higher rates can be negotiated, no agreement between producers and their customers can be signed below that figure or omit its payment. As the Premium is accorded per kilo, its total amount does not bare relationship to the price of the product but to the volume sold, therefore, higher quantities of Fair Trade production exchanged will result in higher Premiums. These aspects are common to HL situations and SPO, however, the owners of the Premium, the purposes for which it can be used and the ways in which to decide its use are quite different in the two cases.

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<sup>29</sup> The description that follows corresponds to the standards in force during my fieldwork. However, some changes have been introduced afterwards. Since all my fieldwork was based on the 2013 version of standards, I have decided to base this section on them. However, in this chapter’s conclusion, I present the most relevant changes that have taken place since then and discuss their implications.

In HL situations the Fairtrade Premium is “the main economic benefit of Fairtrade for workers, their families and the community” (Fairtrade Labelling Organizations International, 2007a:4). This money is expected to contribute to the improvement of the socio-economic situation and empowerment (understood as “increased opportunity for women and men to exert control over their own lives” – Ibid) of workers, their families and communities. A distinction becomes clear between the company, which sells the Fair Trade products and makes a profit out of them, and the workers, who are those exclusively entitled to be benefited by the Premium. While profits and Premium might seem confined to two different realms at a first sight, they are actually quite closely connected, since the volume of the Premium (this is, of the main economic benefit for workers in the Fair Trade mode of regulation) is indissolubly linked to the amount of Fair Trade products that the company sells. Hence, while profits are exclusive to the company and the Premium is only to benefit workers, their families and community, the conditions for their successful increase and accumulation go hand in hand: more Premium can only be achieved through an increase in the volumes sold by the company.

The ways in which the Premium is to be used in HL situations present some restrictions. On the one hand, and as a consequence of the separation stated above, it is prohibited to use the money from the Premium in order to cover expenditures for which the company is responsible, support its running costs or any other costs in which the company incurs in order to comply with the Fairtrade standard. On the other hand, the ways in which workers can use the Premium for their benefit is also regulated, since they are not allowed to fund activities that jeopardize the company’s business, are illegal and, most importantly, it is expressly prohibited to distribute it among the workers in kind or cash. Besides those restrictions, FLO proposes a variety of Premium uses that could be considered, such as: development of social projects, organization of subsidized activities, acquisition of equipment and facilities relevant for workers and their communities, granting of low-interest loans, settlement of projects creating additional employment, creation of stores, and education and training for workers, their families and communities.

In order to administer these funds and make decisions on their use, HL standards demand the creation of a quite innovative and original organ within the company: the *Joint Body*. While the Premium is owned by the workers – organized in a general assembly –, this Joint Body acts as the trustee and administrator of the Premium, being legally responsible for it: “The Fairtrade Premium does not belong to the company or to an individual or specific group of workers. The Fairtrade Premium belongs to the legal body representing all the workers” (Ibid).

The Joint Body must be organized as a legal body, this is, it must be some kind of institution recognized by national legislation and capable of having its own bank account, directly receiving and managing the Premium, entering into legal contracts and officially owning the money and any assets bought with the Premium. The main idea of creating this separate entity representing workers is to give them independence from the company, making it possible to receive the funds or own cash and assets by-passing the firm.

But what is this Joint Body? Basically, it is a committee composed by representatives of the workers and management. Worker representatives are expected to be democratically elected and regularly renovated. Additionally, a proportional representation of different groups, according to the most relevant cleavages in each case, should be guaranteed. Management, instead, has the right to appoint its own representatives who can never be more than three and/or outnumber worker representatives. The Fairtrade official – the person in the management in charge of Fair Trade – has to be part of the Joint Body. All members of the Joint Body are equally responsible for its functioning and respect of the rules. Decisions are made voting, with management and workers having the same voting rights, and no decision can be taken without having the support of the majority of workers. The representatives of the management, however, possess veto power in those cases when the decisions made by the Joint Body could harm the company's interest, be illegal or put the Fairtrade certification in risk. The Joint Body is expected to meet regularly and during work time with the goal of discussing proposals of what to do with the Premium's funds, analyzing how projects are progressing, evaluating finished activities and raising other issues of relevance to Fair Trade. However, it is not within its scope to assume functions typical of a labor union or any other worker's organization.

In cases of SPOs, the regulations are much simpler and more freedom is given when it comes to the possible uses of the Premium and the processes of decision-making. Under this scheme, the Fairtrade Premium is described as “an extra sum paid to the producer organization in addition to the price for their products and serves as a tool for socio-economic and environmentally sustainable development and empowerment” (Fairtrade Labelling Organizations International, 2009). Unlike HL situations, we do not have two poles clearly defined (workers/company); instead, it is stated that it is the same entity (the producer organization) that sells the products and receives the Fairtrade Premium. Therefore, the Premium cannot be seen as a contribution to wages – because it is not directed to workers – but as an extra profit. In regards to the possible uses of

the funds, there is only one restriction: decisions have to be made “through transparent, participative and democratic processes” (Ibid). As long as that procedural requirement is fulfilled, the money can be spent on anything that the members of the organization consider relevant, including costs directly associated to maintaining the certification, investments in their productive units, etc. Only two further conditions – to be fulfilled in the medium term – appear: three years after obtaining the certification, at least one activity directly benefiting workers has to be planned, and after six years have elapsed, one activity in relation to the environment has to be funded with the Premium. Besides these few conditions, members of the organization are free to choose what they consider to be the best uses for the funds according to their or their community’s needs. While workers in HL situations can only make use of the Premium in a fashion similar to that of an indirect wage determinant (because monetary or in kind distributions are not allowed), members of SPOs may decide to spend this money in ways that benefit them much more directly. In what follows, I described how these two different types of certified organizations have made use of the Premium in the Argentinean wine industry.

### *The Premium in SPOs*

In order to see how the Premium has been used in the case of SPOs, I will focus on Uvasol.<sup>30</sup> Uvasol, as it was explained in the beginning of this chapter, is the only certified organization that produces and commercializes grapes. Additionally, it represents a very special case in the Fair Trade sphere (both in Argentina and internationally) because – after a few rounds of negotiation with FLO – they have included *contratistas* as members of their association with the same status as producers. Hence, Uvasol is not only constituted by small producers but also *contratistas* who, in spite of their hierarchical relations (as they were highlighted in Chapter 5 and will be analyzed more in depth in Chapter 7), stand on equal footing. As a consequence, producers and *contratistas* make decisions on Premium uses together and are equally entitled to be benefited. In relation to its uses, Uvasol decided to create five general categories in order to distribute their Premium funds: association’s functioning, individual projects, an emergency fund, opening up to the community and socialization.

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<sup>30</sup> Even though at the moment of my fieldwork there were two organizations with that certification, La Chilceteña had just changed from HL to SPO in 2013, not having at that time made any use of the Premium under the new regulations.

Under the first category we find one very important item, the yearly payment of the certification costs. In the beginning, Bodega Fabretti (winery certified as Trader) encouraged a group of grape producers and their contratistas to come together in the form of a civil association in order to be certified as SPO under Fairtrade. In this way, Uvasol would provide Bodega Fabretti with grapes and the latter would produce, bottle and commercialize the wine. As part of this initial agreement, Bodega Fabretti was in charge of paying the initial audit and yearly certification costs – mainly, because it was at the base of this initiative (and a groups of producers that still did not understand what this was all about would not be willing to invest money) and due to the high cost that the certification implies for a group of small producers. However, when Uvasol saw its Premium incomes increased in 2009,<sup>31</sup> the first decision they took was to assume by themselves the cost of the certification in order to obtain more independence from Bodega Fabretti. This helped them to widen their horizons and consider the possibility of selling certified grapes to other wineries, what they certainly did from that moment on, though without much stability. Since then, paying for the certification has always been part of their annual budget. Other costs paid with the Premium in relation to running the association were a salary for the agronomist that assists them, creating and updating a website and buying working clothes for their employed workers.

Under the label of “individual projects” we find a multiplicity of activities, since the money available is used according to what each member of the association needs the most. For example, Rosa, a contratista, has used some of it to pay for construction materials for a house (outside the property where she works), computing courses for her children and glasses, among other things. Chino, another contratista – who, nevertheless, has not been granted a house in the property where he works – used the money to finish the construction of his current house. Some owners of vineyards have used the money to invest in infrastructure, while all members have agreed on group initiatives, like buying together low-energy bulbs and light breakers or promoting the development of vegetable gardens.

The emergency fund is an amount of money that is saved to help members in unexpected situations. It has been used many times to contribute towards surgeries

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<sup>31</sup> This was due to a new regulation by Fairtrade international. Up to the moment, a Trader (in this case Furlotti), would buy certified grapes, produce the wine and sell it later on. The premium would only be paid when the certified wine was sold by the Trader. Under the new regulations, the Trader has to pay the Premium for every single kilo of certified grapes they buy, no matter if they sell the wine or not afterwards.

and medical treatment (especially because most small producers in the association are quite elder), help *contratistas* when the frost has damaged the year's production or buy a new mule for one of the producers when his got stolen.

Opening up to the community has taken form in a variety of ways, like donating hygienic elements, hot chocolate and toys to a rural school, assisting children with learning problems or donating equipment to schools.

Lastly, a part of the Premium has been used to promote socialization among the members of Uvasol, with the after-harvest barbeque being organized every year for the association members, their families, and some of the representatives from the wineries that buy their grapes.

All in all, it is possible to identify four main kinds of benefits which the members of Uvasol have obtained/produced with the Premium: first, direct personal benefits, in the form of investments to the units of production or money available for consumption; second, socializing benefits, derived from the stronger bonds created with the recurrent participation in the general assemblies and social events organized; third, benefits as a group, in order to keep the certification and the association running; and fourth, extra-group benefits, those associated with opening up to the community.

This overall picture, however, has not been always the same, as the Premium peaked in 2010 and has since then diminished, with a small recovery in 2012 and a drastic fall in 2013. Some criteria has been established in order to deal with this changing panorama: first, the priority has been to always save money for the yearly certification fee, what during 2013 meant that Uvasol had very little money left to do other kind of activities. The instability in the Premium's volume has also effects on the way in which the money for individual projects is allocated, affecting not only the total amount per member, but also the category of members that receive it. María Laura, the agronomists that works as a bridge between Uvasol and Bodega Fabretti explains it: "in good years, like the ones we had up to... 2009, 2010, 2011... until 2012 have been good years, 50% was set aside for what we call individual projects, which has increased from 900 pesos to 4,500 pesos and then went down to 3,000 pesos and now is going down to 2,000" (Interview AFT8). A similar trend was followed by those entitled to receive these funds: it began exclusively being for *contratistas*, later on producers with vineyards of less than 1 hectare were added, and in the best year also those under 3 hectares were included. However, this last group was again excluded in 2013,



together with the diminution of the amount of money per person for individual projects. From what María Laura, some of the producers and contratistas have said, these decisions, though unhappy, have been taken with general agreement and broad consensus, with all member prioritizing the situations of those in more need: “we reach agreements because they know that the needs are more of the contratistas, and they help the landowners too, but most is for contratistas” (Interview AFT10). Those members in a better position, however, due to the still small volumes of the Premium, have not been able to obtain many benefits from it, as it is the case of Uvasol’s president, and this said not by him, but by one of the owners of Bodega Fabretti “Eduardo is in the same situation as I am, he gets a price for the grapes and nothing else. And I pay him. But he doesn’t get much more. Because the Premium... ask Eduardo what has he done with the Premium, nothing. Then, it makes sense” (Interview AFT14). In this way, Uvasol has prioritized its weakest members – contratistas and those producers with the smallest vineyards – in the distribution of benefits.

All in all, the case of Uvasol shows the different ways in which the Fairtrade Premium can affect wage determination. While in the case of producers one cannot properly speak of wages, it can be said that the Premium appears to them in the form of an extra income. In the case of contratistas, instead, the Premium can easily be considered as a direct wage determinant. Members of Uvasol have important levels of freedom in order to decide the uses of the Premium – especially under the “personal projects” category. As a consequence, even if they never simply divide the Premium among members in cash, they have the possibility to decide its uses according to their preferences. In this way, the Premium could be said to be a form of profit for producers and direct wage for contratistas, as it provides an extra amount of income available to be used in the way they deem most suitable. At the same time, nevertheless, some other ways in which Uvasol uses the Premium –the emergency fund, development of vegetable gardens – could also be considered as indirect wage determinants.

### *The Premium in HL situations*

When it comes to the ways in which the Premium has been used by the members of HL companies, we find a much less varied set of alternatives because of the regulations defined by the standard. Benefits in the form of contributions to direct wages are not allowed, as is the case with investments in relation to keeping the

certification. Therefore, initially, most investments have been directed towards opening up to the community and socializing activities. Among the first group, we find the leading examples of the high-school and drinking water facilities that La Chilceteña Cooperative built in the village of Tilimuqui with the Premium funds and the donations made by their main Fair Trade buyer – The Cooperativist supermarket in the UK – and a huge array of donations (equipment, repairs, money, etc.) to schools, kindergartens, geriatrics, sport clubs, NGOs, health centers, local institutions, learning centers, among other organizations done by all Joint Bodies. When it comes to socializing events, some of the wineries organize once a year what they call the “Fair Trade event”, a big barbeque open to all employees and their families with sport competitions, games, etc.

Nevertheless, this has been changing, with workers trying more and more to find Premium uses that would represent contributions in the form of indirect wages. This transition is acknowledged by Julie, the FLO representative in Argentina:

the Premium’s money was mainly focused on zonal projects like schools, clinics, and maybe some got a bit discouraged, they would say ‘this is very good, we put the money in the town’s kindergarten, but if I’m 70 and do not have kids, why is it relevant for me to put the money in the town’s kindergarten, I don’t feel benefited’. But it was as if they were blocked a little bit by the lack of inspiration about what to do with the money. Then, we worked a lot in order to expand the horizons and to see what could be done with the Premium in order to provide a more direct benefit to the workers (Interview AFT1).

Two things are relevant in this quotation: the worker’s complaints about the ways in which the Premium is used and the development of strategies in order to obtain more direct benefits. The first issue has been reported unanimously: workers have repeatedly posed the question of whether they actually get benefits from the money that is supposed to contribute to their socio-economic development. The prohibition to divide the money (and hence use the premium as a contribution towards direct wage) appears as the most controversial issue, as Florencia, FLO-Cert auditor for Argentina confirms: “There’s also an initial resistance – and I’ve seen it in almost all the Joint Bodies – about saying ‘if the money is ours, why don’t we divide it?’” (Interview AFT30)

This issue, however, seems to be perceived differently according to the position that each actor has. As I have just explained, workers tend to be more critical about not being able to incorporate the Premium as part of their direct wages, while managers, producers or Fairtrade bureaucrats defend a more philanthropic view, as is the case of a medium grape producer, member of La Chilceteña

Cooperative: “schools, hospitals, there to the North, some departments of Catamarca and Salta – where the people that come to harvest the grapes are from – have been helped with Fair Trade. Then, help was given, not specifically to one employee, but help for the whole village. Then, I see that it’s interesting, very good, very important” (Interview AFT17). It could be well argued that it is not surprising that a worker with a relatively low wage would be interested in getting a direct monetary benefit from this fund, which they are told to own, prioritizing their many concrete needs over a more abstract idea of collective good or charity. Managers and Fairtrade bureaucrats, instead, most probably due to their better economic position and the fact that this money is not to report them any kind of benefit (direct or indirect), seem to be much more prone to support those investments inspired by the more abstract ideals of common good or charity. This latter group, however, does not seem to take very seriously the workers’ concerns, and explains their attitude due to some incapacity to go beyond their self-interest: “sometimes, they don’t see it reflected so much in their own pockets, what Fair Trade is. Then they say ‘well, we have this fund, buy what do we earn, what’s our benefit?’ That’s the most difficult part, to raise awareness among the personnel of what Fair Trade is and the benefits it has. Because even if it doesn’t reach their pockets, they don’t have a salary increase, but they have a benefit in their kid’s schools, or the health center they go to” (Interview AFT21), “this of understanding that it couldn’t be a personal benefit but that it had to be a common benefit, it’s a very important exercise” (Interview AFT19), “they are people with many deficiencies, many lacks, so they might not be willing to accept that a money that is supposed to be theirs could be invested in a primary school, when their kids don’t go to school, for example. All this solidary and social spirit takes its time” (Interview AFT30). As the quotations clearly show, when workers complain about their lack of direct benefits from the Premium, members of management and FLO bureaucrats tend to dismiss their view in a rather paternalist way (they still do not see it, they still do not understand, it is a learning process) instead of seriously engaging with it.

The workers’ position has then slowly shifted towards looking for alternatives through which, within the settled boundaries, they could obtain more direct benefits from the Premium. This does not mean that the opening up to the community has disappeared – far from that, it continues to be the most important use for most of the Joint Bodies – but its original dominance has stepped backwards a little bit and offered room for some alternatives. Omar, a winery worker at Paso Alto and president of its Joint Body, explains their budget: “we

have a 30% for consumable goods, a 20% for health and a 20% for education, and the remaining 30% we keep it in case of emergencies” (Interview AFT4). While the budget for health and education goes mostly to community organizations – with some of it, however, being used to fund some activities designed specifically according to the workers’ needs – the category of “consumable goods” exemplifies one way in which the Joint Body at Paso Alto has sought to give a more direct benefit to workers, this is, producing an impact in the form of indirect wage. What they did was to create a program for employees that focused on nutrition. They hired a nutritionist that first interviewed workers in order to get an idea of their alimentary habits, their family structures and routines, among other things, in order to develop a plan describing what a healthy and balanced diet would require. This plan was used as a source from which to create a “basket of healthy products” which was given to each of the 65 permanent workers. Since the standard does not allow the Premium to be divided among workers in cash or kind, the strategy followed here was to frame this benefit within a wider educational/health concern, as the manager of Paso Alto and member of the joint body explains: “the objective of this basket is a balanced nutrition, to give some tools for a better nutrition of the family and that obviously results, we won’t talk about everything it results in... it’s an economic help, it’s in the edge of what it should be done with that money, but it is also understood that there’s a nutritional project, of integral health... you need to give them elements to eat better and not everyone has access to that” (Interview AFT3). Roberto, member of the Joint Body of Finca Alentejo, describes how they have also joined this trend of interpreting the Premium as a form of indirect wage. While they initially had understood that the money had to be mandatorily used for opening up to the community, a better explanation of the possibilities by the FLO representatives led them to think about ways in which they could receive a “more direct” benefit. At the time of our interview, they were considering the possibility of covering the costs of visiting a dentist and associated treatments for those temporary workers that were not permanently covered by medical insurance or those other ones who were not fully covered by their current ones. While this was one possibility among others, Roberto has no doubts about the main criteria for making a final decision: “to produce a saving in some other way” (Interview AFT26).

As a conclusion, it can be said that in the case of HL situations the Premium was initially used exclusively as a source to finance opening up to the community activities. However, with time and increasing experiences, workers have begun to find ways in which to use it as an indirect wage determinant.

### *A closer look at the Joint Body*

In the case of HL situations it is the Joint Body that owns and administers the Premium. Since such an organ is unique to the Fair Trade mode of regulation, I consider highly relevant to examine it more closely.

The Joint Body is perhaps one of the most debatable institutions created by Fairtrade. On the one hand, it can be praised for opening a space of dialogue and communication between workers and management within the company. It is highly innovative, because it creates a unique organ – inexistent in most private firms - where workers' elected representatives take part in the discussion of what to do and how to administer some funds that they own collectively. The Joint Body undoubtedly possesses the potential of empowering workers through the exercise of democracy in their work place, the responsibility of administering a shared amount of money, the development of ways in which to identify needs, propose solutions, debate the best ways to achieve them, plan projects and, finally, evaluate them. It gives them the opportunity to develop skills that are not usually learnt within a company and that can be put into use in many other situations of their life – this is, they are not just restricted to their functional position. A very interesting example took place in La Mariana. The workers of this winery had little tradition of labor union activity, with the aggregate that the local labor union (in the quite isolated region of Valle de Uco) had always been known for its passivity. However, the need to choose worker representatives for the Joint Body and their responsibility for surveying problems and needs among their represented ones, the discussion of these problems and possible solutions in the Joint Body, the need to get in touch with other relevant organizations and groups many times from outside the company, among other issues, led to an awareness of the potentialities of organizing. The most significant result of this being, at the time of my visit, that one of the members of La Mariana's Joint Body – who had never been politically active – was running for elections against the current representative of the local labor union.

On the other hand, the institution of the Joint Body can be criticized because of the relevant role that it gives to the representatives of the management. A very simple question should me raised: if the Fairtrade Premium belongs to the workers, why are they to discuss their use with the management? Fairtrade International would probably argue that, in the first place, no decisions can be made without the consent of the majority of workers, that the management representatives are always a minority and that, since February 2014, they do not even have voting

rights. However, my same question would persist: why would there be a need for workers to discuss with the management? Fairtrade International seems to quite naively suppose that their formal rules about voting rights and representation proportions might guarantee the independence of workers. However, it would also be fair to discuss how independent the decisions of workers could be when they are to discuss and justify them to their bosses. Can there be symmetry within this organ, when symmetry does not exist in the day-to-day work? Up to which point is the lack of voting rights of the management enough to secure the autonomy of workers in making decisions? How do we know that a person whose orders are not discussed when it comes to the productive process would inflict no intimidation on her/his daily subordinates? Fairtrade seems to assume – in quite a liberal fashion – that all individuals comprised in the Joint Body are the same, and that the rules of its composition and procedures guarantee the autonomy and independence of workers; an ambitious set of assumptions that shall quickly blush when we confront them with the actual social relations that managers and workers have in the productive process.

And still, one more question would remain relevant: why would the management be in a better position – or in any kind of position – to give opinions about what the workers' needs are and what they could do with their own money? This leads us to the criticism of what could be described as the paternalist view that Fairtrade (and actors within the Fairtrade system) have of the dynamics and roles within the Joint Body. According to the Fairtrade standard for HL situations and its explaining documents, the management “is an important partner in the development of the Joint Body and Fairtrade Premium projects” (Fairtrade Labelling Organizations International, 2007a:7). This is due to the fact that workers are assumed not to have the capacity to face these activities by themselves and, therefore, need guidance – at least initially – from those who possess more skills. The asymmetry between the boss and the worker that takes place in the domain of the workplace is reproduced within the Joint Body, with the most powerful actor being in charge of facilitating, guiding, advising, encouraging, supporting, providing critical feedback and questions, transferring knowledge and training, assuring documentation and compliance to the standard, etc. But this superiority of the management is not only linked to the more bureaucratic dimension of setting up an organization, running it, keep it working; it is also assumed to be of relevance in the processes of identifying (the workers') needs and proposing ways of satisfying them: “developing ideas and concrete plans for how to use the Fairtrade Premium can often be a challenge for the Joint Body and

the workers. Management often plays a *key role* in the early stages of this process. Management should guide and advise the Joint Body on suitable projects” (Ibid:8). This paternalist view of the management-workers relation in the joint body is omnipresent in the speech of all categories of actors. Julie, the FLO representative, highlights the specificity of the case of the wine industry because within their Joint Bodies there are people with all levels of education – from engineers to vineyard workers – and therefore more knowledge might exist, but then she refers to cases where such a plurality does not exist and members of the Joint Body “demand from the company a lot, to support them [workers] in this, it is the duty of the company to support all the first period, to help with all this internal knowledge” (Interview AFT1). And still within the official Fairtrade sphere, Florencia explains that “the figure of the direction is like very important, because otherwise they [workers] don’t get to organize themselves (...) You have to think that they are not well-prepared people either, they are people that... not all have participated in social things or in their kid’s schools, that *don’t know what their interests are*” (Interview AFT30). The same kind of arguments can be – less surprisingly – found among managers and owners of the wineries. Manuel, one of the owners of Finca Alentejo highlights his role: “how to do it, how to set up the Joint Body, all that... I ended up doing it from the direction’s side and not from the employee’s side” (Interview AFT25). Pablo, one of the owners and manager of Ecowine talks about how difficult has been for workers to apprehend the logic around the Joint Body “it’s difficult, it’s not easy. It’s not easy because it’s not people with education, they are people that maybe never went to Mendoza city, and they are at 150 km from there. Imagine those people, who always lived in the same place, with a minimum and don’t want more and they are fine and that’s it” (Interview AFT20). As a last example of how managers reinforce the paternalist view already withheld by Fairtrade (or other way round) a quote by a manager from Bodega Medrano:

It was difficult to make them understand, because it’s rural people, of low resources, some don’t know how to read or write, so it was complicated. It was also very complicated to make projects because many projects we had to make them directly, looking for the needs they had or make them completely... but letting them alone to make the projects was difficult because not all have the capacity and not all have gone to school or have finished it, not even to mention university studies. Then, it was very difficult for them to formulate these projects and all that, so it required a person from the company to be looking after everything (Interview AFT12).

While the fact that managers held this views on workers’ abilities and capacities might not be surprising considering the overall position of superiority and

dominance they have in the productive structure, what appears to be more worrying is the fact that the paternalist view of the interaction in the Joint Body promoted by Fairtrade has also been internalized by the workers, as the winery worker and president of Paso Alto's Joint Body, exemplifies: "every step we take, we make the decisions, but once we have made the decision, we discuss it with him [the manager] and he gives us advice on whether we are right or not, because we cannot get off the path, because if we do so, we can lose the certification" (Interview AFT4).

If Fair Trade is to actually foster worker's empowerment, it should seriously reconsider the presence of management representatives in its Joint Body. While the creation of this institution should be welcome as a positive innovation that might lead workers to adopt a more active role and develop new forms of organization, it's current constitution seems to undermine this potential. The presence of management in the Joint Body and the leading role that Fairtrade expects it to have appears to be reproducing within this institution the same hierarchies and prejudices already present in the relations of production.

All in all, this section has analyzed the main elements that Fair Trade introduces in relation to wage determinants. It was first shown that Fair Trade's conditions for the definition of a "fair wage" are given by its prioritization of the *legal* minimum wage over a *real* living wage. As a consequence, Fair Trade legitimizes with the status of fairness those companies that simply pay legal wages in spite of its actual purchase power. The second part of this section analyzed the Fairtrade Premium and the effects it produces in different types of organizations. In the case of SPOs the Premium provides an extra profit for producers and functions as a direct wage determinant for contratistas. Additionally, some of the uses it is given can be considered as forms of indirect determinants for both, producers and workers. In the case of HL, instead, the Premium used to play no significant role in relation to wages, but it is increasingly being used as a form of indirect wage determinant. Lastly, a closer look at the Joint Body showed that its current structuration may undermine the empowerment it is expected to produce among workers in HL situations. For a synthetic overview, see Table 6.



**Table 6**

Institutional Forms		Conventional Mode of Regulation	Fair Trade Mode of Regulation	
			In the standards	In practice
Wage Relation	Work conditions	<ul style="list-style-type: none"> <li>- Flexibilization of work relations and increase in contract work</li> <li>- Most conditions defined by sectoral collective bargain agreement (CBA)</li> </ul>	<ul style="list-style-type: none"> <li>- Most working conditions are set according to state or sectoral regulation; minimum thresholds are defined for some aspects</li> </ul>	<ul style="list-style-type: none"> <li>- Most organizations already fulfill regulations required by the state or sectoral regulatory bodies</li> <li>- In cases where the standard is more demanding, many exceptions have been granted</li> </ul>
	Wage determinants	<ul style="list-style-type: none"> <li>- Direct wages: determined by CBA</li> <li>- Indirect wages: partly determined by CBA and the state</li> </ul>	<ul style="list-style-type: none"> <li>- Direct and indirect wages: determined by state of CBA</li> <li>- Fairtrade Premium</li> </ul>	<ul style="list-style-type: none"> <li>- Direct and indirect wages: determined by CBA and/or the state</li> <li>- Fairtrade Premium:                             <ul style="list-style-type: none"> <li>* indirect wage (hired labor)</li> <li>* direct "wage" / profit (small producer organizations)</li> </ul> </li> </ul>
Competition	Price formation	<ul style="list-style-type: none"> <li>- Internal market: mostly determined by an oligopsonistic structure</li> <li>- World market: closer to 'perfect' competition</li> </ul>	<ul style="list-style-type: none"> <li>- Semi-administered process of price formation (minimum price + premium).</li> </ul>	<ul style="list-style-type: none"> <li>- Weakened by irrelevance of minimum price</li> </ul>
	Form of competition	<ul style="list-style-type: none"> <li>- Internal market: oligopsonistic competition</li> <li>- World market: price-based competition within differentiated qualities</li> </ul>	<ul style="list-style-type: none"> <li>- Internal market: n/a (very small market for fair trade wine)</li> <li>- World market: element of 'ethical' added value.</li> </ul>	<ul style="list-style-type: none"> <li>- Internal market: n/a</li> <li>- World market: price still plays an important role in competition between different Fair Trade wine origins</li> </ul>
Money	System of payments	<ul style="list-style-type: none"> <li>- Informal agreements</li> <li>- Wage-like (12 installments), especially for low-quality grapes supply and supply to cooperatives; fewer installments for higher quality</li> </ul>	<ul style="list-style-type: none"> <li>- Long-term relationships based in the use of contracts and sourcing plans (to be confirmed at least three months before harvest).</li> <li>- No more than 30 days to pay after the invoice's date.</li> </ul>	<ul style="list-style-type: none"> <li>- No long-term relationships; flexible application of 3-month notice</li> <li>- Very flexible application of rules, payments rarely done within 30 days</li> </ul>
	Credits	<ul style="list-style-type: none"> <li>- Limited possibility of credit for investment</li> <li>- Harvest and haulage advance payment system (by buyers)</li> </ul>	<ul style="list-style-type: none"> <li>- Pre-finance of up to 60% of the total contract</li> </ul>	<ul style="list-style-type: none"> <li>- Little use of pre-finance, only conventional options applied</li> </ul>
State	Rulemaking role	<ul style="list-style-type: none"> <li>- Wider macroeconomic regulation by national state</li> <li>- Sector-level regulations, mostly by provincial, sectoral and hybrid institutions</li> </ul>	<ul style="list-style-type: none"> <li>- National state as the parameter for many aspects of the standard</li> <li>- In case of contradiction between state regulations and the Fair Trade standard, the most demanding applies</li> </ul>	<ul style="list-style-type: none"> <li>- Flexibility in favor of companies by Fairtrade International in cases where state regulations and Fair Trade standards contradict each other</li> </ul>
	As an actor	<ul style="list-style-type: none"> <li>- Much less involved than in the period pre-1980</li> <li>- At the provincial level: possibility of providing credit, buying wine</li> <li>- Emergence of hybrid (private/public) institutions</li> </ul>	<ul style="list-style-type: none"> <li>- The state is not given any role as an actor in the Fair Trade standard</li> </ul>	<ul style="list-style-type: none"> <li>- Potentially important in creating demand (e.g. state monopolies in import markets)</li> <li>- No involvement by the Argentinean state.</li> <li>- Exploratory interest by local government in a few provinces</li> </ul>
Representation of the product		<ul style="list-style-type: none"> <li>- Dominance of a quantity-based representation in the internal market, though losing ground to a quality-based one.</li> <li>- Dominance of a quantity-based representation in the international market.</li> </ul>	<ul style="list-style-type: none"> <li>- Any product that is produced and commercialized according to FLO's standards.</li> <li>- Composite products need to source all possible ingredients from Fair Trade producers. However, a one ingredient policy applies to certain products within Fairtrade sourcing programs.</li> </ul>	<ul style="list-style-type: none"> <li>- The increasing importance of quality in relation to Fair Trade and its dominance in the international wine market have privileged the quality-based representation of wine, de facto excluding table wine from Fair Trade.</li> </ul>
International Insertion		<ul style="list-style-type: none"> <li>- Main option for the dominant regime of accumulation.</li> <li>- Facing difficulties due to internal inflation, fixed exchange rates and price sensitive demand.</li> </ul>	<ul style="list-style-type: none"> <li>- Historically, Fair Trade goods were mainly produced in the South and consumed in the North</li> <li>- In the last years, efforts to develop domestic markets for Fair Trade products in the South</li> </ul>	<ul style="list-style-type: none"> <li>- Fair Trade wine is exclusively produced for the export market</li> </ul>

## 2.2 Money

Fair Trade, being a non-state initiative, has clearly no impact on the macro-institutional conditions that make the money form possible. Therefore, it is playing within an already settled structural form. However, the definition provided in my conceptual framework of a monetary regime as the set of rules that organize and structure the system of payments and credits signals some important aspects in which Fair Trade could be of relevance.

The main instrument through which Fairtrade attempts to regulate the *system of payments* is the use of contracts. The specificities of Fair Trade contracts can be found in two different aspects: first, there is a temporal dimension that has to be accounted for, as Fair Trade aims at developing *long-term relationships* that would provide the framework for a system of payments more favorable for producers. Second, we should identify the specific *terms and conditions* that apply to those payments involving Fair Trade products. The other main area of relevance to the money form is that of *credits and pre-financing*. In what follows, hence, I present my analysis of Fair Trade's system of payment – by looking at the temporal horizon that frames it and its concrete terms and conditions – and the possibilities it offers for access to credit and pre-financing.

### 2.2.1 System of payments

#### *Long-term relationships*

One of the fundamental ways in which Fairtrade International seeks to strengthen the position of producers and marginalized workers in international trade is through the establishment of long-term trading partnerships. The possibility of reaching agreements that go beyond a single purchase and extend over years appears as a critical and strategic goal in the struggle to reduce the uncertainty and unpredictability typical of market relations. As it is stated in official documents: “Fairtrade International seeks to build transparent and sustainable trading relationships between Fairtrade producers and buyers that allow for long-term planning (several years ahead) and sustainable production practices” (Fairtrade International, 2011b:12). The possibility of actually achieving long-term partnerships that define clear features for the upcoming years – and not only the upcoming harvest – appears to be one of the most fundamental potential transformations that the Fair Trade mode of regulation could offer to the Argentinean wine industry. As it has been explained before, most relationships

between wineries and grape producers are informal, allowing any of the parts to step back at the last minute. Usually, grape producers do not have any guarantees of whom and how much they will sell until the harvest begins. Even if they can rely in keeping previous years' buyers, the price they will receive is not agreed until the grapes arrive their final destination or – in those cases when the winery rents its facilities to the producer and then buys the wine instead of buying the grapes – until they have been made into wine and the final result can be evaluated. The possibility of signing long term contracts would therefore, in the first place, make official the relationship between the producer and the winery, not leaving without consequences any last-minute withdrawals and, in the second place, give a certainty to the producer about the final price that s/he will obtain and the form in which it will be paid.

According to the standards, the way in which Fairtrade attempts to do this is by requiring the buyer to provide the producer with a sourcing plan which, in the case of wine grapes “must cover each yearly harvest” and “must be renewed a minimum of three months before they expire” (Fairtrade International, 2013a:10). These sourcing plans need to contain details about future estimated purchase volumes, qualities, dates of delivery and prices.

The first thing one would notice when comparing Fairtrade's general aim of “sustaining trade” and the way in which it has been operationalized as a requirement in the standards is that their very ambitious initial expectation of developing long-term plans for “several years” is suddenly reduced to a yearly plan. And, in the case of wine grapes, this actually means the annual harvest. But even more, the second condition is that the minimum period for “renewing” the sourcing plan (meaning that, if there's no renewal, the relationship is over) is of three months in advance. Therefore, simply by reading the standard – and not getting into the details of how it actually works, this means that producers need to receive a sourcing plan with all the details of the transaction at least three months before the delivery date – i.e. the harvest. We can look at this in two ways, on the one hand, as a drastic reduction in the expectations of Fairtrade, who does not require buyers to provide sourcing plans covering several years but, simply, a three-months in advance sourcing plan for the year's harvest, which implies no commitments for the future. On the other hand, from a more pragmatic point of view, one could say that even though signing a contract three months in advance might be far from Fairtrade's original goals, it is still a big improvement for an industry where contracts virtually do not exist and producers are selling their

production – many times – without certainties about the price they will get and how they will be paid.

We could place Eduardo’s position –the president of Uvasol – within this second group. Even though he says that the agreements on prices and quantities with their buyers have usually taken place “one or two months before the harvest” (so, we are not anymore talking about several years or three months, but just two, maybe one month in advance), he considers this to be already a success because “what the struggle is about here in Mendoza is to have the possibility of agreeing on the price before the harvest (...) A protection to say ‘well, I am satisfied with this, I know I can make it through the year, period. (...) That’s the relief that Fair Trade gives you” (Interview AFT11).

However, when we see this same process from the point of view of one of Eduardo’s buyers – Tres Vientos, which was actually his only certified buyer of 2013 – that relief does not seem to allow for much more peace than the ordinary market. Nicolás, Fairtrade officer for Tres Vientos, begins by explaining how the ordinary market for grapes looks like in Mendoza “here, the grape market or the must market or whatever fluctuates every year, it depends on the quality of the harvest, making it very difficult to agree on the price of the grape in February, when the harvest takes place two months later (...) a normal contract, non-Fair Trade, you conclude it here [the winery] at the moment in which I’m bringing you the grapes” (Interview AFT7). Then, Nicolás moves on to explaining that this commercial conditions are the direct consequence of the product’s characteristics (the uncertainty about the final quality of the grape) and therefore, even if the grape might be Fair Trade, it does not change these intrinsic limitations: “Fair Trade requires something different, it requires the price to be fixed in advance, with a long-term contract and a higher minimum price. How do you do this? It’s the same, even if they are Fair Trade grapes, they are exposed to the same conditions as normal grapes” (Interview AFT7 ). The solution that Tres Vientos has agreed with Fairtrade is, as many of the disagreements between companies and Fairtrade International have been resolved, a flexibilization of the requirements. A flexibilization that stretches so much the original intention of the standard that, at the end of the day, makes it possible for the observer to question how relevant the benefits obtained actually are:

What we do is a pre-contact guaranteed by FLO’s auditory, a pre-contract with the producer is concluded in which you say ‘how’s the harvest looking like?’, ‘well... it looks as if it would be like this, this and that’. Well, we agree on the minimum price that we are required. At the end, it might be still the same price, as it can be also a

bit higher, but we make this pre-contract for the producer not to worry. Then, when the moment of the final price has come, we respect the terms in that pre-contract but we set the definitive price at which you will actually pay for the grape (Interview AFT7).

I will go much more in detail about Fairtrade's minimum price and its relevance in the Argentinean wine industry when I focus on the process of price formation under the "competition" structural form. However, what matters here is to mention that the current Fairtrade minimum price for wine grapes in Argentina is enormously outdated, being set at a level that is well under the conventional market's price and, therefore, offers the producers no guarantees. Once again, we could have two views on the process that Nicolás describes: on the one hand, we could say that it offers some benefits such as, at least, an agreement based on a minimum price (even though it's outdated) and the formalization of the relation. However, it could also be criticized not only for not living up to Fairtrade's initial aim, but also for not producing a major change: the price that it guarantees is a price that is irrelevant to today's industry, therefore, the producer is neither being guaranteed a fair price, nor an acceptable price. In terms of long term partnerships, we see that Fairtrade requires no commitment from the buyers, limiting the contract to a single harvest and nothing more than that. Uvasol has experienced the consequences of this, with only one longer-term buyer (8 consecutive years, though, suddenly, with no purchases during 2013), another that has bought for the last 4 years, but then, 3 more buyers that have bought only one or two years.

This impossibility to assure longer trading relations, and an accompanying stable system of payments as a consequence, becomes also a problem when it comes to Premium payments. At Bodega Medrano, for example, the last two years have seen drastic reductions in their Premium incomes, producing a discouraging situation for workers, who were used to planning bigger projects but at the time of my fieldwork were considering whether it was worthy investing the money they had or waiting until they collected a more important amount. Chino, a contratista at Uvasol, expresses his feelings on this issue: "the first year I got in, I got a subsidy that was of 4,000 pesos, which I used to finish my house. That's now there, finished. And now, this year, it has gotten a bit more complicated, the subsidy has been lower. And now we are a bit tight, it's not the same anymore. Now we'll see what happens next year, we'll see if we are lucky enough to get a better subsidy. Let's pray it happens (interview AFT9). The consequence of Fairtrade's unsuccessful attempt to build stable trading relations and a foreseeable structure of payments, hence, affects not only the organization of productive

activities, but also those activities related to the Premium. The uncertainty about the frequency and volume of Premium inflows, makes it very difficult for producers and workers to make projects for the middle-term.

While the situation of the sourcing plan and predictability allows for some discussion when it comes to certified grapes, the case of wine exports can be analyzed much more simply. The described objective and/or its operationalization in the standard do not apply. And this is something that has been unanimously acknowledged by all wineries: when it comes to exporting their Fair Trade products the conditions and processes are exactly the same as in the conventional market. There is nothing like a sourcing plan, it is business as usual. Therefore, while a winery is expected by Fairtrade to fulfill their criteria at the moment of buying grapes, their importers do not work under these constrictions. Gabriela, one of the owners of Bodega Fabretti has bitterly experienced this:

Wal-Mart did that to me. They stopped from one day to the other and I was left with all the stock here. They wanted me to produce Cabernet, I produced cabernet, I had FLO to change the definition [of what a small producer was, in order to include Cabernet Sauvignon producers], I did everything, here's the cabernet. They bought two containers, 'we don't want cabernet' anymore. Thank God now Sweden is taking it. But I tell you, it's a big issue and the production is not elastic. Wine production is not elastic. It has its own time (Interview AFT14).

Wineries, certified as Fairtrade producers, do not receive any of the benefits in relation to stability in trade that Fairtrade so much promotes and, as Gabriela highlights, this becomes much more of a problem in the wine market, where the possibility of developing a product for a client might take many years and, at the end of the day, it is a risk that the producer has to assume on its own.

Pablo from Ecowine has faced similar issues: "they [FLO] don't demand much from the importer. It happened to us. We sold to an importer in the United States two pallets and the guy never bought from us again" (interview AFT20). According to the official documents "along with the required sourcing plan, Fairtrade International encourages buyers and producers to regularly exchange information (on prices, market, etc.) and buyers to offer additional support in training or risk management to Fairtrade producers" (Fairtrade International 2011b). What, according to Gabriela's experience, does not seem to be actually controlled by FLO "when you tell them [big importers]: how much are you going to buy from me? How are you planning to sell? What happened? How is it working? They don't answer. So, there's much ado about Fair Trade, but... there's no feedback, there's not a joint work" (Interview AFT14). This leads to the

conclusion that Fairtrade's aim of developing long-term partnerships varies along the chain: being non-existent at the level of importers and being (quite flexibly) regulated at the level of the winery and grape producers. The main problem of this being that if importers do not provide long-term source plans to wineries, then it becomes also more difficult for wineries to do the same with their grape providers. Richard from Mendoza Wines complains about this heterogeneous requirements along the chain, when, right after pointing out that Fairtrade is not very demanding with importers, he adds "yes, it's a chain, it begins by the other side and finishes with the producer (...) If they [importers] find someone with a lower price, goodbye, they forgot about us, the business we have, the project, everything" (Interview AFT27). At the end of the day, stability, foreseeability and stable trading relations do not seem to happen in the case under analysis.

### *Terms and conditions*

In this subsection, I will now look at the specific way in which this mode of regulation seeks to change the requirements of a Fair Trade payment. The generic standard for Traders sets a maximum of 30 days after the invoice's date in order to pay the Fairtrade minimum price and the Fairtrade Premium, leaving to the particular product standards the possibility of changing the rule. In the case of the Fresh Fruit standard, we find that "if the fruit is accepted by the importer after inspection in the port of destination, payment must be made within seven days of the arrival of the shipment at the destination", while in the case of purchases made at farm gate or ex works levels "payments must be made upon receipt of the product" (Fairtrade International, 2013a). In the case of wine grapes an exception is allowed in those cases involving producers, conveyors and Fairtrade payers, giving the conveyor up to 30 days from the moment when they receive the payment from the Fairtrade payer.

The possibility of being paid at the moment of delivering the harvested grape would be a dramatic change for producers in Argentina compared to the industry's normal way of working, where it is quite common to pay producers in up to 12 monthly instalments. This happens, for example, with the sales of bulk wine in the case of the second-level non-certified cooperative of FECOVITA, whose general secretary explains that once the price is agreed with its members, they sign a contract and the payment is made in 12 instalments (interview AC15). However, as in the case of contracts, Fairtrade does not seem to be delivering its full

potential. The president of Uvasol, again in this case, prefers to look at the bright side of the situation: “the deadlines, they are fine, maybe in the case of grapes they have been made in up to six payments, six payments. In this case, Fairtrade says it should be paid in cash, but talking about six payments in the sale of grapes is, compared to the other transactions, is to say that that you are being benefited up to more than a 50% in comparison to other transactions ” (Interview AFT11). The only two buyers of certified grapes from Uvasol confirm this flexibilization of the rule. Nicolás from Tres Vientos, for example, is not aware of the requirement to pay in cash and assumes that they have up to 30 days to pay for the grapes after they are received at the winery “that [the conditions of payment] depends on each company and each contract, the way of payment with grape producers or suppliers are agreed with the supplier and it’s done at the moment of the contract. There are suppliers that get paid in 30, 60 or 90 days, it all depends on the relationships with the supplier also. For that, Fairtrade requires you a much shorter payment, faster, if I’m not mistaken it’s of 30 days” (Interview AFT7). María Laura, instead, explains that at Bodega Fabretti they are aware of this requirement, but since it is not economically feasible, they have negotiated the terms with Fairtrade:

With time we’ve been trying to cope with it [the requirement] and also to make Fairtrade understand. Because, what happens, we say: ‘yes, this is what you require from me, but the truth is that in Mendoza the grape is paid in 12 instalments’. We cannot pay in cash because – besides the fact that the other wineries would kill us – we don’t have the financial capacity. I’m still selling some wines produced in 2006. Hence, I’m still recouping investments from those times. Then what, let’s negotiate, guys. They allow me a maximum of 6 months for the bigger vineyards, the other ones up to 2, 3 or 4 months according to the year (Interview AFT8).

However, María Laura also highlights that Fairtrade is less flexible in terms of Premium payments, which can only be done within a maximum period of 30 days, having to pay interests if they are late.

Interestingly enough, these conditions for grape trade only apply for the payments made by a Fairtrade buyer to a Fairtrade producer, not being applicable to the transactions taking place within a certified organization. This is the case of the cooperative La Chiliciteña which, now certified as SPO, continues to pay for the production of its members in 12 instalments, without receiving any objections from Fairtrade International. This situation is acknowledged both at the managerial and producer level: “we harvest, right? The grape comes here [the winery] and we are being paid in June, until June we’ve been being paid for last year’s grape. From June to June. Each month one accreditation. And then in July we start being paid for this year’s grape” (Interview AFT17). It would be



interesting to know why the criteria that are (quite flexibly) applied to transactions between a certified organization and a buyer are not required to take place within the certified organization itself. This is particularly relevant in the case of cooperatives, where members do not sell their production directly to the Fairtrade buyer but to the cooperative, who is entitled to receive the Fairtrade benefits as an organization.

Lastly, it is worth highlighting that, as it was the case with long-term relations, Fairtrade seems to be concerned about the sale and purchase of certified grape, but not the export of wine itself, since importers just make the payments in the conventional way, as María Laura complains about: “supposedly, in order to make certified wine, a certified product, the whole chain has to be certified and audited. But what we notice as a winery is that the commercial requirements that we have to meet are not required at the level of importers” (Interview AFT8), bringing in again the issue of the heterogeneous level of compliance and control among the different actors in the chain.

All in all, Fairtrade states in its standards the goal of transforming the system of payments through the enforcement of contractual relations with requirements that do not exist in the local industry or the international market. This is to be done by framing trading relationships within long-term partnerships and transforming the conditions of payments in favor of producers. Such a goal entails an enormous transformation for the Argentinean wine sector, since the lack of contractual relations puts producers in a precarious situation. Furthermore, Fairtrade’s requirement of paying for the purchased production in cash could be described as quasi-revolutionary in an industry where grape producers are paid in 12 instalments. However, as the analysis has shown, the Fair Trade mode of regulation has failed to deliver these important transformations. Both in terms of the construction of long-term relationships and the transformation of the terms and conditions of payments, Fairtrade ends up capitulating to the industry’s conventional logic, either by giving up its goals (as it is the case of long-term relations) or relaxing its requirements (as in the case of the terms of payment).

### ***2.2.2 Credits and pre-financing***

The last relevant dimension for the money form in which Fairtrade attempts to bring some innovation is through the creation of opportunities for credit. Presented under the figure of pre-finance, it is described as “one of the core benefits for

producers within the Fairtrade system” (Fairtrade International, 2013b:14). The goal behind it is to “help producers gain access to reasonable forms of financial assistance so that – in the case of small producer organizations for example – they can easily buy the product from their members”. The Fairtrade standards give producers the possibility to demand up to 60% of the total contract as pre-finance, with the buyer being obliged to provide it at least 6 weeks before the shipment of the products. The buyer has the right to charge interests, however, these cannot exceed the buyer’s cost of borrowing. While, as a general rule, the buyer must provide the pre-finance if requested by the producer, an exception might be granted for those cases when “a high risk exists that a certain producers’ organization will not be able to deliver products or repay loans” (Fairtrade International, 2011b:13). By trying to secure the buyer’s economic interest in this way, Fairtrade puts at risk the access to credit of those poorer or more disadvantaged producers, who are precisely the ones more prone to be found insolvent.

This possibility of access to credit for producers has to be welcome as a reinforcement of their position – though the potential exclusion of “risky” debtors would require a deeper examination of the ways in which it has been applied. In the case that concerns us, however, it has had no impact. On the one hand, because wineries, once more, do not make use of this possibility when exporting. When asked about whether they had required pre-finance most of them agreed on the fact that they did not even consider the possibility. Probably because, as it has been showed up to now, most of the conditions for international trade of Fair Trade Argentinean wine seem to be the same as in the case of conventional wine (except for the Fairtrade premium), not making it expectable to demand extra conditions on top of that. On the other hand, and looking now at the case of grape producers, because the Argentinean wine industry already has a somewhat similar figure known locally as “harvest and haulage advance payment”. This is usually agreed between the producer and the buyer and the total amount is decided according to an estimation of how much would the producer need in order to secure the harvest and transport of the agreed commodities. Unlike Fairtrade’s pre-finance there is no interest involved, as money is just discounted from the final payment. However, it never reaches such important proportions as Fairtrade’s pre-finance does. Eduardo from Uvasol chooses to focus on the potential benefits of the standard, though he has not actually experienced them: “For example, in my case, I have asked Tres Vientos for harvest advance payments. Which, let’s see, normally wineries also give it to you, because it’s a producer’s need, but I have never asked more than

what I have needed, as a mean of self-regulation. But if one wanted, in case of an eventuality, you can ask for up to 70% [sic] of what would have corresponded according to the previous year's sale" (Interview AFT11). In this way, Eduardo acknowledges the importance of such a possibility but, at the same time, explains that he has not made use of it and, instead, has continued operating within the conventional pre-financing arrangements. María Laura, intermediary between Uvasol and Bodega Fabretti, supports this view:

The pre-finance was left a bit... a way in which is done here at the level of Mendoza that is called harvest and haulage. It is estimated if the producer requests it, but it's never of 60%. We estimate, well, the token<sup>32</sup> costs so many pesos, it's so many kilos, we estimate it. Plus, a journey with a truck costs 300 pesos, three journeys I don't know, and they are given so they have something, the ones that don't have the capacity to finance the harvest (...) We have never done, as it says, the 60% of the grape. We have not either asked for it or received the offer by the importers (Interview AFT8).

What these views would seem to show is that whenever the standards do not make some regulations mandatory – pre-finance is an option, not an obligation – actors just stick to conventional institutions. In the previous chapter, it was stated that credit opportunities are very scarce for small producers. However, even though Fair Trade's pre-financing offers a good opportunity for producers to access forms of credit that go beyond the usual – and limited - harvest and haulage advance payment, none of them uses it, preferring to rely on conventional arrangements.

All in all, what this section has shown is the fact that whenever the Fair Trade mode of regulation offers benefits that directly clash with the conventional one – pre-financing, long term contracts, better payment conditions –, they are very difficult to implement. Long-term relationships and in cash payments within 30 days, explicitly stated in the standards, are ignored and relativized respectively in favor of the most powerful actors. Pre-financing, which does not constitute an obligation but an option at the disposal of producers, is simply ignored by its potential beneficiaries. As a consequence, both the system of payments and credit opportunities that constitute the Fair Trade money form end up differing very modestly from the conventional structural form. For a synthetic overview, see Table 6.

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<sup>32</sup> During the period of harvest, workers are given a token for each bucket full of grapes. At the end of the harvest, they exchange the tokens for money.

## 2.3 Competition

The discussion of the competition structural form will be done by looking at two of its most relevant aspects: in the first place, I will focus on the *price formation* processes involved in Fair Trade, while, in the second place, I will describe how Fair Trade affects the *logic of competition*, this is, the way in which different centers of accumulation organize their relations.

### 2.3.1 Price formation

The most innovative feature of Fair Trade in regards to the process of price formation – and, in my view, the most interesting arrangement put forward by this mode of regulation – is the settlement of a minimum price for certified products. Fairtrade International presents it as one of its key tools: “Fairtrade hopes to achieve economic development by a number of means. Increased sales of products will be one thing. The fact that these sales are at or above a minimum price which should cover the cost of production is another” (Fairtrade Labelling Organizations International, 2006:7). What Fairtrade International does is to estimate the costs of what they term *sustainable production* – this is, how much it costs to produce in the way that the standards demand – and add to that a margin for investments and a margin for profits, obtaining at the end a minimum price under which no agreement can be achieved. In cases of organic production, a higher price is determined. Its main goal is to protect producers from sharp drops in the international price of their commodities. In cases when prices at the conventional market rise above the Fairtrade minimum price, the buyer has to pay the higher value. In this way, the producer is to be protected from unsustainable levels of income and, at the same time, will preserve the possibility of accessing the potential advantageous conditions that the market might offer at certain points. It is worth highlighting that in the case of SPOs this minimum price is defined at the level of the organization and not of the individual producers.

In the case that concerns us, there is a minimum price for the kilogram of wine grapes from South America currently set at 0.25 euros (in between 1.86 and 2.17 pesos during my fieldwork) in the case of conventional production and 0.30 euros (between 2.23 and 2.61 pesos) in the case of organic production. However, this applies to grapes, making it necessary for those that commercialize wine to define an alternative parameter. This is particularly relevant for the case of Argentina, where many Fair Trade wine producers are vertically integrated and therefore do

not commercialize any grapes, but wine. In those cases, the standard for traders clarifies what to do: “if a producer processes an agricultural product himself and sells this product, then the producer and the buyer must negotiate the price of the final product. This negotiated price must cover at least the Fairtrade minimum price of all Fairtrade inputs and the processing costs. The Fairtrade premium comes on top of the negotiated price and amounts to the Premiums of all inputs” (Fairtrade International, 2013b:18). This shows that there is not actually a minimum price for wine in itself. Instead, the only requirement is that the price at which certified wine is sold should be high enough in order to cover the grape’s minimum price.

At this point, it is clear how Fairtrade prices are formed: they consist of a mandatory Premium and, when applicable, a non-market based minimum price. Both the Premium and the minimum price are defined by Fairtrade International, and are therefore not subject to discussion by economic actors. While the Premium is without exception defined in this way, the minimum price might be applicable or not according to market conditions: if the market price is under the minimum price, the latter is used, but in the opposite situation, it is the former one that applies. However, there is not a minimum price for every single product: for example, at the moment of writing, cane sugar, some herbs and spices, flowers and sports balls do not have a minimum price. In those cases “the relevant market or negotiated price has to be paid” (Fairtrade International, 2011b:15). Consequently, it is not possible to affirm that Fairtrade prices are universally composed by a minimum price (or a higher market prices, when applicable) plus a Premium, since some products would just rely on the market price (without discussion on whether it is sustainable or not) plus a premium.

All in all, the regulation of prices in the Fair Trade mode of regulation can be described as *semi-administered*, where a minimum price and the payment of a premium is established by an authority (Fairtrade international) but market-based definition of prices become mandatory when they are higher than the minimum price or in those cases where a minimum price has not been defined.

As it is explained in the standard, Fair Trade prices in the Argentinean wine industry vary according to the product: they consist of a minimum price (or the market price, when higher) plus a premium in the case of grapes, but only of a premium (on top of the negotiated price) in the case of wine. The possibility of having a minimum price is more than welcomed by (especially small) grape producers in Argentina since, as it has been explained before, this industry has

historically suffered crisis of over production, pulling prices down to very low levels. This is highlighted by the producer association of Uvasol: “the minimum price has something that, to me personally, was initially one of the big attractions of Fair Trade vis-à-vis any other kind of conventional trade. It’s the minimum that it’s possible to pay for that product. Then, it’s an insurance for that producer. Here there have been crises, not only the Greco’s<sup>33</sup> one, some previous ones, that my grandmother used to tell me that they would throw the wine into the ditch, it wasn’t even worthy to put it in a truck to sell it as bulk wine” (Interview AFT8). Eduardo recognizes the uniqueness of such an institution, which would never be applied in the conventional market: “that’s one of the aspects that first caught my attention, that someone could fix a minimum price, what no one does. No winery would tell you... ‘the market’s price is this, whether it’s good enough for you or not, that’s the price’. Instead, in a period of crisis and getting a minimum price that is above the one being paid, well, it’s a benefit, a great tranquility” (Interview AFT11).

This feature, so well received by grape producers, does not have much impact, nevertheless, among those that commercialize certified wine. Both, vertically integrated wineries and those that buy certified grapes, do not count with a minimum price settled by Fairtrade International and therefore negotiate the price of their products according to the conventional market’s conditions. As most managers at the certified wineries have explained, prices are decided according to the usual quality parameters and no differentiation is made according to whether the wine is sold as Fair Trade or not. The only impact in the final price paid by the buyer is given by the premium, but not by the existence of a minimum price, as Diana explains: “the price is the same one, the only thing that’s added is the premium, but the price is the same” (Interview AFT5).

However, not all wineries have the same structure of costs, since those that have bought certified grapes from independent producers have paid a minimum price plus a premium, while those that are vertically integrated have not, giving Fair Trade a different impact when it comes to the calculation of their costs and the definition of the price. The former group seems to be in a more disadvantageous situation, since they need to offer their wines at a price (which is not regulated by Fairtrade) that competes with those others set by the latter group, where the impact

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<sup>33</sup> The “Greco crisis” – named in this way because it was triggered by the dismantlement of Héctor Greco’s speculative model that shook the sector during the last years of the 1970s – is remembered as one of the major crises in the wine industry, as it produced a drop of 82% in the price of wine between 1979 and 1982. For a detailed account of the Greco crisis see: Mount, 2012:78-104.

of producing Fair Trade certified on their costs has been smaller. While wineries buying certified grapes need to show in the audits that they have paid to their suppliers the minimum price (or above) and the Fairtrade Premium, vertically integrated wineries simply need to show that in the calculations they have done in order to determine their structures of costs grapes have been given a value that is not below the minimum price.

While the minimum price should be undoubtedly welcomed as an innovative and important development by Fairtrade International, the truth is that in Argentina's current context it has proven to be useless. The main reason for this is given by the country's steady inflation (which has been growing, at least, at 25% per year during the last years) that has demanded a permanent update of the estimation of the costs of production, which FLO has been unable to do. Its representative in Argentina explains this: "what doesn't help about inflation is that we normally revise minimum prices every two or three years<sup>34</sup> so that they continue tied to the sector faster (...) [minimum prices] are based on costs analyses, of production, that we do with producers here in the field, then there are delays of between 2 and 4 years, but if in Argentina you've got an inflation of 25% in costs annually, already one third of three years is as if it was the price of two decades ago" (Interview AFT1). The irrelevance of the current minimum price is unanimously acknowledged by all actors, who simply deal with market prices that are much higher than the minimum price: "because of our own problems, or the country's economy, well, that minimum price has been set aside, very low, in relation to that market price" (Interview AFT11), "the minimum price is actually very low" (Interview AFT5). María Laura from Uvasol confirms this and explains the consequences: "if we had a crisis today... the cheapest we paid during harvest was... we have a price range between 3.8 and 5.5 pesos,<sup>35</sup> hence, we are very well above the minimum price. But if – god forbid that – a crisis breaks, it will drag us all, we cannot cover the current production costs with that. It needs to be updated". In sum, the Fairtrade minimum price has been of no use in the Argentinean wine industry: in the case of wine, because it does not apply, and in the case of grapes, because it is so outdated that it does not represent the costs of a sustainable production anymore. Having the minimum price out the equation, prices are purely determined by conventional mechanisms and, once the buyer and the seller reach an agreement, the mandatory premium is added.

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<sup>34</sup> The minimum price applicable at the time of my fieldwork (August-December 2013) was actually established on 31 March 2010)

<sup>35</sup> The minimum price, at the time of the interview, was of 1.91 pesos.

The Premium, the second administered element in the process of price formation, is decided by Fairtrade at a minimum, leaving it to the seller and buyer to agree on a higher level. Since the premium is set at 0.05 euros per kilo of grape, it does not depend on the actual price at which grapes or wine are sold (which would be closely related to the quality and supply/demand conditions) but on the quantity of the production that is traded. In the case of SPOs both the entity selling the final product and receiving the premium coincide, making it easier to agree on a strategy that promotes the accumulation of higher premiums. However, the situation is different in the case of HL situations. Here, instead, it is the company that sells the final product (in this case, bottled fine wine) and makes a profit out of it, while it is the Joint Body (representing workers) that received the premium. This means that profits benefit one actor – the company – and the Premium a different one – workers – making it more difficult to reach a mutually beneficial path. Why? As the company obtains no benefits from the Premium, it appears to the management only as an extra cost for the buyer. Increasing the premium would only mean increasing the price, making the product less competitive and, therefore, reducing sales, eliminating any motivation for the company to negotiate higher premium levels. If according to this, we accept the fact that the levels of premium will, most probably, remain at the minimum dictated by Fairtrade, the only possible strategy for achieving higher amounts of premium would be to sell more bottles (since the premium is agreed individually on each of them). However, the current wine export-oriented industry is not based on selling quantity, but quality. This means that the tendency is not so much towards selling great volumes of wine, but a less impressive number of bottles with higher individual prices. In this way, the possibilities of increasing premiums appear also to be curtailed. And if we take into account that the premium is the same for every kind of grape, we can see that it will differently impact on wines of different quality/prices, affecting more the competitiveness of the cheaper ones (threatening in this way the possibility of selling larger volumes) than the more expensive ones, where the added premium will be proportionally smaller in the final price. This brief analysis shows the intrinsic difficulties that the Fair Trade projects encounters when trying to tie together the benefit of capitalists and workers. While in the case of small producer organizations a unity of profit maker and beneficiary of the premium predicts a more simple way of defining a strategy, the case of HL situations is critically crossed by two contradictory interests that, of course, pre-exist Fairtrade in the conventional mode of production, but appear to be reproduced in this “alternative” mode of regulation.



All in all, this subsection has described a semi-administered process of price formation, where FLO defines a minimum price and a Premium for grapes, but market prices are of relevance when above the minimum price or in the case of wine. The Fairtrade minimum price has been highlighted as the most innovative and, potentially, most important element incorporated by the Fair Trade mode of regulation. Its introduction is particularly welcomed in the Argentinean wine industry, which displays a long history of over production and sharp price declines. Its implementation, however, has produced no impact because FLO has not managed to update its minimum price at the same pace at which the costs of productions have increased. Lastly, an analysis of the role that the Fairtrade Premium plays in the formation of the price of wine has shown that it can lead to different approaches in the case of SPOs and HL situations, with the former having much more incentives than the latter to accumulate higher Premiums.

### ***2.3.2 Logic of competition***

Fairtrade International, basing its system on a voluntary certification, needs to offer some benefits to the certified organizations in exchange for the “sacrifices” they may have to incur in as part of their adaptation to the standards. If Fair Trade did not offer any advantages to the players that enter its system, then why would a company or producer organization want to freely assume extra, non-mandatory controls? We have already seen some of these rewards: a minimum price for their products and some extra money for producers in the form of extra profits through the Premium. However, one of the most attractive features that Fair Trade offers and motivates many producers to join the system, is the way in which competition is regulated.

One of the main aspects of the Fair Trade mode of regulation is that the certification and its label grants certain products – and excludes others from – access to a market niche, that one of ethical or responsible production/consumption. Therefore, a Fair Trade certified wine is not just one more wine competing against all other wines, but is part of a differentiated category competing only with those that have also obtained the certification. The key here, as it is evident, is the necessity of creating a constant or growing demand, so that the Fair Trade market niche appears attractive enough for producers to take the decision of certifying. As long as a considerable demand for Fair Trade (ethical/responsible/moral/etc.) products exists, producers and their

importers will have incentives to access this market niche, incentivizing them in this way to adopt the extra controls and responsibilities posed by the Fairtrade standard.

Therefore, Fair Trade is based on a market niche with reduced competition (where all non-certified producers are excluded). This reduction in competition seems to be of particular relevance in the case of wine, a product which has only recently (2005) become Fair Trade certifiable, making this market even more appealing:

There are also many other competitors that are not Argentinean, I mean, they are not wineries from Argentina, but from other countries. There is always competition, of course, but not the competition that you will have in a traditional world or wine market that's not Fair Trade. In the case of traditional, non-Fair Trade, wine competition is abysmal because everybody is present, all producer countries are present. In Fair Trade that is still not the case, so I think it's the moment to exploit it to the maximum" (Interview AFT7).

In the last quote, Nicolás from Tres Vientos highlights another important way in which competition is reduced in the case of Fair Trade wine. The entry-barrier is given by the certification, those who do not possess it cannot sell their products as Fair Trade. However, this entry-barrier is also importantly constituted by Fair Trade's geography. As it will be explained more in-depth in the following chapter, an important ingredient of Fairtrade's ideology is the division of the world in two hemispheres separated more by socioeconomic than merely cardinal criteria: the South (whose role is mainly that of production) and the North (whose role is exclusively that of consumption). This means that producers in wealthy countries are not allowed to apply for the Fairtrade certification. Now, if we superimpose Fair Trade's geography with the geography of wine, we can easily conclude that competition in Fair Trade wine is not only shaped by the reduction of the number of competing producer organizations or companies, but also by the restriction in the number of countries of origin. And, as it has been explained, the terroir of origin is a determining feature when it comes to fine wines. The wine geography restricts drinkability mainly to those wines produced in certain parts of the world. I mentioned earlier that the main producers are divided between Old World and New World producers. The first group is composed only by European countries, meaning that all wine producers from the Old World cannot certify Fair Trade. The second group, however, is more diverse: the United States is clearly in the northern Hemisphere and so are (though less geographically evident) Australia and New Zealand. This leaves us with only three countries of internationally relevant wine production: South Africa, Argentina and Chile. Therefore, the competition in Fair Trade wine is reduced to producers from those three countries

and, potentially, any other producer from Fair Trade's south. At the time being, only very few certified producers can be found outside the mentioned countries. They come from Brazil, Lebanon and Tunisia, all of them countries relatively unimportant in the world of wine, what makes them look as little threatening.

All in all, certified wine producers in Argentina perceive competition in Fair Trade wine to be much more benign than the one going on in the conventional market. A very neat example of this – and quoted by most actors – was the case of Sweden's purchases. Managed by a state monopoly, Sweden periodically requests tenders with certain characteristics (country/region, type of wine, price range, amount of bottles, etc.) and then organizes a blind-tasting among all interested suppliers, choosing those of the highest quality. In the last years, the Swedish monopoly has begun to include Fair Trade among the attributes of some of its tenders, offering very good possibilities of success in an industry with very few certified producers. Richard from Mendoza Wines describes how this has worked as a motivation for wineries to certify: “many wineries have certified Fair Trade to be able to take part in the tenders. To be able to get in. Because for the tender you have 200 wineries that want to send samples, but if they put Fair Trade, I don't know, we are 15 in competition” (Interview AFT27).

A second aspect in which competition is altered by the Fair Trade mode of regulation appears to be the logic on which it is based. For some of the certified players, Fair Trade allows them to escape from the price-based competition (which is particularly disadvantageous for smaller producers) and add some other symbolic and differential dimensions to their product, making it more competitive through other means. That is what Pablo from Ecowine explains: “having a label means to have an added value, what's super important to differentiate us in the market. You were asking me about the advantages of having these labels... and it's basically that, look for a niche and not to compete on the price, because if it's on the price we're dead, if we compete on price. We cannot sell so cheap because we have less volume, the amount of supplies we buy is smaller than Peñaflor, for example. Then we look for that differentiation” (Interview AFT20). As in Ecowine's case, the Fair Trade label is seen as a strategy in order to mitigate competitive disadvantages. For smaller players it represents a way of differentiation and adding value, what would make them interesting for potential buyers looking for this “extra” dimension. At the same time, this makes it possible to escape the conventional logic of competition, where they appear least attractive to buyers who compare their quality/price relation to that of much bigger players. This is exactly the same benefit that Julie highlights: “there are very small

wineries that had no fame or reputation and weren't well-known that could get into other countries through Fair Trade" (Interview AFT1). Gabriela, from Bodega Fabretti, also sees the label as a strategy to compensate their more disadvantaged position in the export market: "we have our two most important clients only because we have the label. Because I'm small, I can't reach a good review by I don't know who, because I don't have access to the journalist, because I don't have I don't know what and because I don't have a seller in each market that would understand where he has to go and sell. It's very understandable. And the label communicates much faster everything that's behind" (Interview AFT14).

All in all, Fair Trade seems to innovate in the competition structural form in two ways: first, by reducing the number of competitors (both at the level of individual companies and countries of origin); second, by shifting the main parameter on which competition is based (from price to moral attributes). However, these affirmations are to be nuanced by the declarations made by some of the actors involved. Eduardo, Vice-president in La Chilceteña Cooperative, was glad to acknowledge that Fair Trade reduces the number of competitors, however, he believes that it is not so important to consider how many producers you compete with, but who your competitors are:

It will depend a lot on what will the certifying body target, which profile of company they will certify. Because if you certify the group Constellation, one of the big groups out there, like saying Coca-Cola, it's very good, but you will compete again, you enter in a segment to compete in unequal conditions. I see that Tres Vientos is about to certify or has certified, and Tres Vientos is Concha y Toro, then we are fighting David against Goliath, something like that. They have multinationals and commercialization systems. They have a different economic power that we as a cooperative don't have (Interview AFT15).

That is, competition is reduced, because a different submarket with fewer players is created. But letting all kind of companies in only brings back inequality to this new arena. Inequality between players is reproduced again in the Fair Trade sphere, according to Eduardo, because Fairtrade International has not made a decision on the type of producer organizations that they want to favor. They, instead, certify any firm that abides to their standards, without taking into account their position in the industry, resources, capacities, etc. Eduardo seems to believe that a full commitment to Fair Trade (vis-à-vis the permanent possibility of Fair Trade and non-Fair Trade duality), instead of its instrumental use, should be one of the criteria to follow in order to admit new actors to the system:

It's not a problem of competing between equals, but who you give the tools to compete to. Why? Because maybe you, in order to be organic, you have to be all

organic. What happens with these big companies, very big ones. They create corporations. Then, to this one that I'll call El Viento, I make it certify as organic. This other one, I make it certify as Fair Trade. This other one, I make it to obtain these other benefits. At the end, it is still the same one. Concha y Toro is still Concha y Toro (Interview AFT15).

Lastly, and in relation to the logic of competition, I would like to cast some doubt on the assumption according to which Fair Trade can produce a shift of paradigm. One thing is the potential effects that Fair Trade might have or the effects that those who obtain the certification would desire it to have, and something very different is what actually happens. When it comes to competition, it is true that the number of competitors is importantly reduced as I explained before. However, price, at the end of the day, seems to continue being the main driver of competition. It could be said, then, that Fair Trade acts as a first filter, eliminating many potential competitors and letting in many that – probably – would have a harder time to compete with bigger companies in the conventional market. However, once this smaller arena of competition has been arranged, the price of the product is still determinant. This has been evidenced in some of the interviews with the example of South Africa. This country, unlike its competitors, seems to be able to offer much more attractive prices, dominating as a consequence most markets of Fair Trade wine, while showing that even within Fair Trade competition the price is still determinant: “wine has a lot of competition, I mean, it does have Fair Trade competition in the sense that a wine from South Africa is much more inexpensive than a wine from Argentina or Chile, therefore, you do have there the direct competition within the same market” (Interview AFT30). Richard, from the South-African owned Mendoza Wines, gives a similar argument: “at the moment, competing with South Africa is impossible. South African wine costs, I don't know, 40% cheaper, Fair Trade wine. And they have a lower minimum price than here. Then, 15 euro cents, here I think we are in 25 euro cents, then they are more competitive. That's it. Because it may be Fair Trade, but at the end there's a competition, there's a business. At the end it's a business in which you help people, but it continued being a business” (Interview AFT27).

This subsection has analyzed the competition structural form by looking at two of its most relevant dimensions. Firstly, an examination of the process of price formation evidenced its semi-administered nature, as minimum prices and Premiums are determined by FLO but any levels above them are left to market dynamics. In the case of the Argentinean wine industry, however, the minimum price proved to be seriously outdated, making it not only irrelevant for current

transactions but also as a safeguard in times of crisis. Secondly, an analysis of Fair Trade's competition logic showed that even though this mode of regulation succeeds in reducing competition (in terms of number of individual producers and countries of origin), price continues to be the main driver of competition. In this way, the Fair Trade mode of regulation structures a playfield with fewer competitors, but reproduces within it the conventional logic of competition. For a synthetic overview, see Table 6.

## 2.4 State

When analyzing the previous structural forms, the state has let itself be seen, offering some important details about its significance and position within this mode of regulation. Therefore, this section will not reveal many new facts to the reader. However, I will systematize all the fractioned and dispersed mentions to the state that have been offered so far in order to present two angles from which its relevance for the Fair Trade mode of regulation can be analyzed: its *rulemaking role* and its importance *as an actor*.

Fair Trade, as many other similar voluntary certifications, works as a form of *private regulation* (cf. Pattberg, 2005; Bartley, 2007; Chan and Pattberg, 2008; Vogel, 2010). By private, I mean a regulation that is not designed or enforced by the state, but by relevant actors from civil society (in this case, mostly NGOs, producer organizations and corporations). Fair Trade is expected to act as an alternative or complement to the state, since many of its attributions are quite similar: setting certain minimum working conditions, inspecting whether these conditions are being respected, sanctioning those who are not following the rules, etc. Its importance appears to be particularly relevant in those countries where the capacity of the state to accomplish those duties is very low and/or the laws regulating the productive process are not demanding enough. The emergence of Fair Trade (and other ways of private regulation) seems to be a reaction to the inefficiency or impotency of the state to take the lead in providing the conditions for the sustainable development of its population, a reaction commanded, precisely, by those actors that are not part of the state apparatus but aspire to emulate its functions. We therefore find Fairtrade International – a federation of national Fair Trade NGOs, whose board is formed by representatives from producer organizations and the NGOs themselves – as the central authority that dictates the areas to be regulated by the standard and determines what the benefits for those following their rules – and sanctions for offenders – will be. Its sister

organization, FLO-Cert, is in charge of auditing those actors that want to join the system and regularly inspecting those other ones that are already part of it. Corporations and small producer organization decide to opt for the certification not because it is required by any national government, but due to the potential benefits that joining this system may offer them. They are free to certify and de-certify whenever they find it appropriate, being liable only to Fairtrade International in any matter that regards the standards. It is quite clear, then, that Fair Trade appears as a para-state system, with its own governing, legislative, judicial and police functions.

Such an initial diagnosis would lead us to think that the state has no relevance in the Fair Trade mode of regulation. However, that is not the case. In this section, I propose two main ways in which the state's relevance for the Fair Trade mode of regulation can be appreciated. In the first place, I will describe what I consider to be state's relevance as a parameter for the development of standards. In the second place, I will move on to see the (potential) relevance of the state as an actor within or in connection to the Fair Trade mode of regulation.

#### ***2.4.1 The state's rulemaking role***

As I have described while analyzing the previous structural forms, many of the minimums and other requirements demanded by FLO are set in accordance to national legislation. In those cases, the standard does not dictate a substantive norm (e.g. specific situations and ways in which fire can be used to clear fields) but a procedural one (e.g. the specific issue is regulated as "defined by the state"). Another group of issues, instead, are settled substantively by the standard and, when differing from what has been determined by national legislation, the most demanding condition should prevail as the mandatory one: "if national legislation sets higher standards on an issue than FLO, it supersedes Fairtrade Standards. The same applies to regional and sector-specific practices" (Fairtrade International 2011c:3).

What we find is that an important amount of relevant issues are defined according to the state's official minimums: wages must be at the level of the national or sectorial minimum wage, working hours and overtime have to comply with the applicable laws, premium rate factors for payment of overtime is again decided according to state regulation (and only if this is not regulated by it, Fairtrade International proposes a way of defining it). Other elements are also required to be

in line with the state or the relevant sectorial/regional levels: annual leave, maternity leave, social security provisions, non-monetary benefits, the regulation of areas used for or converted to production, the use of fire for land clearing or, as I have explained more in detail before, the applicability or not of the obligation for buyers to pay the pre-finance.

The important role given to the state as a parameter setter seems to make the following question unavoidable: how transformative can Fair Trade claim to be, when most of its standards are based on already existing state regulations? Up to a certain point, most of what Fair Trade does is to secure that companies and producer organizations are respecting national legislation. Fair Trade does help to enforce state regulation and runs audits that are in many cases much more frequent than state inspections, but is that enough to talk about empowerment or a way out of marginalization? During my fieldwork, all managers of wineries (but also many workers) agreed on the fact that adapting their production to the requirements was not a major challenge in general terms, because most of what they were required was exactly the same that the national legislation demands:

Many of the aspects that the norm [Fairtrade standard] demands, we had them already fulfilled and in compliance because the Argentinean legislation demands them. Then, in that sense, we didn't need to make major changes (...) The fulfillment of all legislation in relation to the workers is systematically being monitored. The collective bargaining agreements, the working unions, they are permanently supervising the company" (Interview AFT19).

Most workers interviewed also agreed on the fact that no major changes in their working conditions have been noted since the certification has been obtained. Ironically, the same representative of Fairtrade International in Argentina seems to agree with the fact that their standards do not produce major transformation in the requirements that companies and producer organizations face, but are relevant mainly as a way of supporting national laws: "if you are working by the books within Argentina's law, you are fulfilling almost all the work requirements. Of course, not everyone is working by the books in Argentina, then, the issue is trying to put them on the books, but it's not that we are requiring things beyond the law (...) it works as a back up to the law in a certain way" (Interview AFT1).

These observations suggest that Fair Trade, for most issues, simply adopts state parameters. However, the fact that Fair Trade justifies itself as a way of helping societies in weakly regulated states, highlights the ambivalence in this relationship. On the one hand, Fair Trade seeks to assume some of the responsibilities that the state does not assume or inefficiently deals with. But, on



the other hand, they do it, by defining standards according to what the state had already defined. If trade is here qualified as “fair” in opposition to conventional trade which, one assumes, is unfair, then: how is the situation to change if the alternative offered is taking those regulations that are already shaping (the unfair) conventional trade as their defining parameters? Is Fairtrade International in a position to affirm that their certified producers are sustainable when they are required to do little more than what their state demands? Going back to the discussion on the “fair” wage can be illuminating. Fairtrade’s definition of the wage is procedural, not substantive. This is, Fairtrade disregards the possibility of estimating how much should a person earn in order to cover their basic needs (a very modest definition of fairness) and instead simply determines that the wage has to be at least equal (not even “at least higher”) to the minimum national, sectorial or regional wage. And once again the question shall be raised: is a legal wage actually a fair wage? In Fair Trade’s terms, it is.

The problems derived from using national legislation as a parameter can be seen in other ways. For example, a buyer in the United Kingdom will recognize a Fair Trade product because of its label, a label that is the same for all products, therefore, implying that they are all – somehow, whatever that means – equally fair. But this assumption cannot be taken for granted. Since most standards in relation to working conditions are defined according to the relevant state, we will find that workers in countries with stronger legislation and states work under much better conditions than their fellows in place with weaker states and less demanding legislation. And this can also be said about workers within a same country. As explained earlier, workers in different sectors or affiliated to stronger or weaker unions are entitled to unequal benefits and conditions. Therefore, a whole universe of heterogeneity and difference is hidden behind the same Fair Trade label. The only way in which a more homogeneous situation among different workers and producers could be achieved, and more effective standards for “minimums” and requirements could be developed, would be if FLO engaged seriously with the possibility of developing substantive standards and not merely procedural ones. Otherwise, it would be more appropriate to call this initiative “legal trade” instead of fair trade.

In conclusion, this subsection has highlighted one of the main ways in which states are of relevance to the Fair Trade mode of regulation: as parameters for setting standards. This fact has put in evidence an important contradiction incorporated by the system: if Fair Trade is supposed to empower producers and workers in weakly regulated states, how is this goal to be achieved when those

same states are used as parameters for the definition of many of the minimums contained in the standards? Fair Trade's transformative potential becomes importantly diminished when they privilege legal regulations defined by the state over the possibility of developing substantial alternatives.

#### ***2.4.2 The state as an actor***

The second way of interpreting the state in relation to the Fair Trade mode of regulation is to conceive it as an actor. Although the relevance of the state as an actor is quite limited (unlike its centrality as a parameter for the standards), alcohol state monopolies are an exception. Of particular relevance to Argentinean wine producers is the case of Sweden, who in the last years has been committed to requesting tenders of Fair Trade wine. In this way, the Swedish alcohol monopoly has become an important Fair Trade buyer, being responsible for sustained levels of demand. Requesting tenders exclusively for Fair Trade wine is a key contribution to the development of global demand, promoted not so much by profit-oriented market conditions, but by the intervention of a state and its more normative-oriented interest in this kind of products. As a consequence, the participation of a state agency in the system strengthens it in at least two ways: first, it makes a voluntary certification quasi mandatory, as all those actors that want to sell certain categories of wine to the Swedish state must have the certification. Secondly, because the decision to buy Fair Trade products is political, it is to be expected a more stable and sustained demand than that one determined merely by market conditions. As a consequence, this can be seen as a reversal of the relationship between Fair Trade and the state as it was presented in the previous subsection: it is not anymore that Fair Trade supports the enforcement of state regulation, but it is a state itself that contributes to Fair Trade's smooth functioning.

However, if we go back to Argentina, it is easy to see that the state has very little relevance as an actor when it comes to the Fair Trade mode of regulation. In this case, the power to support the system could be much bigger than the potential offered by the Swedish example – where it could only happens through the generation of demand – as the Argentinean state could, for example, sanction legislation making the use of this certification mandatory or at least offer certain benefits for its adoption. The truth is, however, that the Argentinean state has not showed major interest in Fair Trade up to know. At the national level the concept

of Fair Trade is almost uniquely associated to social or family economy initiatives. At the provincial level, instead, there has been some interest in, at least, diffusing information about the certification or, in more exceptional cases, contributing towards the certification costs, mainly by those organs in charge of promoting exports from their province. Besides these small and isolated actions, no more state involvement is occurring.

For Fair Trade promoters, however, some degree of support from the state would be important to help this initiative grow. Mariano, member of *Fundación Fortalecer* (Fairtrade International's unofficial main partner in Argentina), has some ideas in mind: "in France, where yes, it is regulated, equitable commerce, as they call it, defined two or three certifications. Fairtrade and two more. What Argentina actually does with organic. To put something is organic, it needs to carry a certification. It's regulated. Even if it's quite badly used, because may times it says organic without being certified, but there's a law in Argentina that says it has to be" (Interview AC3). And later on, when asked about the desirability of involving the state in the development of Fair Trade, he adds: "Yes, yes, I believe it is. It could be at the level of public policies, yes. From this honey network they are trying to do with retentions as it is done with the organic, where they reduce a 5%, trying to make Fair Trade equal that. So, if that happens, you would also need to involve the state. So, yes. Or even making a Fair Trade law or creating something that would regulate the term." (Interview AC3). The possibilities mentioned by Mariano point towards other areas in which the state could contribute to the strengthening of Fair Trade. Most of these areas are related to different forms of state enforcement, which would come to correct one of the main weaknesses of private regulation: its voluntary nature.

In conclusion, it can be said that the Fair Trade mode of regulation offers very limited possibilities for the state as an actor. However, the state has the potential to contribute to Fair Trade's consolidation by granting the system some of its regulatory authority: either by making it a condition for state purchases, enforcing it at the level of production or offering some benefits to certified organizations. Nevertheless, as the case of Argentinean wine evidences, it is only the former possibility – through the Swedish alcohol monopoly – that takes place in practice. When we look at the state from the perspective of its rulemaking role instead, we find that it acquires a much more central position in the Fair Trade mode of regulation, as many of the requirements in the standards are set according to national legislation. This, however, acts as a limitation of Fair Trade's

transformative potential, as it evidences its implicit acceptance of the status quo in multiple problematic issues. For a synthetic overview, see Table 6.

## **2.5 Representation of the product**

This section provides a discussion of the representation of a Fair Trade product, more generally, and Fair Trade wine, more specifically. I will first present the definition of a Fair Trade product as in the standards and then move on to the different representations at stake when it comes to Fair Trade wine. Lastly, I will discuss the implications of the combination of Fair Trade and conventional representations of wine.

The standard for Traders defines a Fairtrade product as “any certified product that has been produced and traded according to both the specific requirements for that product and the requirements in the relevant Fairtrade generic standards” (Fairtrade International, 2013b:21). In this way, the definition of a Fair Trade product is not related to its intrinsic, material, characteristics, but is given by its compliance with the Fairtrade standards. Hence, any sort of product that has been produced and traded under Fair Trade conditions can be considered a Fair Trade product. The only limitation is given by the number of current standards, as only those products for which standards have been developed can be certified, denying the Fair Trade status to those other non-certifiable products.

The products comprised by FLO standards are defined as “main products”, as they are the principal products that come out of the production process and is it on them that the minimum price and Premium are paid. However, many of these main products can further be used in so called “composite products”, this is, products that are made from multiple ingredients. Fairtrade International stipulates special rules for these cases. The general norm is that Fair Trade composite products must “contain as many certified ingredients as available” (Fairtrade International, 2011d). This means that composite products have to use as many Fair Trade ingredients as possible. However, in those cases where certain ingredients are not available as Fair Trade, exceptions can be applied. The only limitation being that in order to authorize a composite product to use the Fair Trade label, it must contain at least a 20% of Fair Trade content.

All in all, any composite product shall, first, source from certified producers all available Fair Trade ingredients and, second, make sure that Fair Trade ingredients

account for at least 20% of the total product. However, some exceptions have been introduced recently by Fairtrade International. In order to promote more sales, FLO has launched the “Fairtrade Sourcing Programs” for cocoa, sugar and cotton. In an attempt to increase market opportunities for the producers of these goods, FLO has developed this scheme, which allows companies to use the “Fairtrade Program Mark” (a modified version of the original Fairtrade Mark) on those products whose cocoa, sugar or cotton is 100% Fair Trade certified. While the general rules for composite products establish that all available certified ingredients have to be used, these programs require only one certified ingredient and do not set a minimum threshold in relation to non-certified ingredients. In this way, sourcing programs promise to enhance the demand of the chosen products at the expense of any others, since composite products can now be certified by including only one Fair Trade ingredient.

As it shall be clear by now, Fairtrade standards do not include regulations in relation to the product’s quality and main characteristics; a Fair Trade product is simply defined by its compliance with Fairtrade International’s rules. However, when we look at the more concrete level of this structural form in the case of Fair Trade wine, we find a more complex panorama, where the different representations from the conventional wine industry and the representation of Fair Trade products come to interact.

In the wine world quality is a major issue, as it has been noted in the previous chapters. It is probably because of this fact that the production and commercialization of wine within the Fair Trade system has provoked skepticism among most critics. The main problem seems to stem from the fact that Fair Trade, historically associated to the production of commodities with little added value in contexts of poverty, does not seem to match the much more sophisticated infrastructure that supports the representation of wine. This conflicting views are well summarized by Mike Veseth (2009), Professor in International Political Economy and author of the blog “The Wine Economist”: “Fair Trade programs are typically organized through grower cooperatives and coops have a famously bad reputation for quality (...) so the paradox is that while wine might be an ideal Fair Trade product from the consumer standpoint, the cooperative production model dooms it to failure because of the low production quality”. An article at Decanter – one of the world’s leading magazines in the wine industry – supports this view: “wine has a perception problem: most respondents [to a survey] said they thought organically produced and Fairtrade wine would not taste good” (Rosen, 2007). Similarly, Wine Spectator, another prestigious publication, quotes a US Fair Trade

wine importer stating with frustration that “before tasting, I’ll hear people in the trade say ‘Oh I’ve heard fair-trade wines aren’t that good because it’s hard to source the grapes because there aren’t that many fair-trade growers’” (Nigro, 2013). As the excerpts from these different specialized publications show, the inclusion of wine within the Fair Trade constellation has been accompanied by a clash between the perceptions of what a Fair Trade product and good wine are.

It is not surprising that, against this background, some of the most renowned British wine critics have generally offered negative evaluations of Fair Trade wines. Fiona Beckett, one of the biggest names in the field, has been among the most critical voices. In an article published in 2011, she stated: “having tasted a number [of Fair Trade wines] recently, I was underwhelmed by the overall quality – I’d say Fair Trade wine is where Fairtrade chocolate, tea and coffee were four or five years ago” (Beckett, 2011). Even though she published articles in 2012 and 2013 where she stated that FT wine seemed to be improving, her latest words on the topic do not seem to be very optimistic: “the discouraging thing about Fairtrade wines is that it seems like it’s one step forward, two steps back. Last year, I thought the overall quality had improved; this year, I’ve really struggled to find wines to recommend” (Beckett, 2014). By the end of that same article she concludes: “Here’s an idea, though. Why not buy a non-Fairtrade certified bottle that’s on offer from one of the Fairtrade wine-producing countries (South Africa, Chile and Argentina) and drop the money you save in the collection box next time you’re near an Oxfam?” (Ibid). Victoria Moore (2009), another authorized voice in the UK, has stated that “it feels churlish to admit that the reason I rarely mention Fairtrade wines is that I’ve rarely enjoyed drinking one”. However, other wine critics have recently softened these judgements, acknowledging some improvements in the category. The wine journalist Patricia Langton (2010), for example, wrote: “Generally I’ve been presented with very little to excite the palate, and have rarely found a wine that I’d share with friends. Thankfully this is changing. Recently I tasted around 50 wines which are currently available and found that the quality has improved enormously and the choice is becoming much more varied”. Tom Atkin (2009), another acclaimed British wine critic, would seem to agree with such an assertion, as he has found that “this [Fair Trade wine] is not the gamble it once was (...) and quality is much better than it was even two years ago”.

All in all, even if not unanimously condemning the category, most wine critics tend to be skeptic about the quality of Fair Trade wines. The main reason for this, I argue, has to do with the clash of two very different representations of the

product, one belonging to Fair Trade and the other one to the wine universe, which in the eyes of many tend to collide. Victoria Moore's (2012) explanation for the low quality of Fair Trade wines exemplifies this perfectly: "One of the reasons why Fairtrade wines disappoint is that they are often disadvantaged from the outset. It's not possible to make good wine unless you start with good grapes. Good grapes need decent vineyard sites and, to be blunt, those in the most need are usually working the worst land". From Moore's point of view, the quality-led representation of wine conflicts with that one put forward by Fair Trade, as the marginalized producers that it seeks to help do not possess the resources necessary for the elaboration of good wine. However, as it will be seen now, the relationships between these representations might be more complex.

The fact that Fair Trade presents itself as a form of helping others while buying and promoting an alternative market rationality has led to a representation of the product in which its quality/price relation comes second to the purchase's moral dimension. If buyers are willing to pay a price premium in order to support small producers and workers in the developing world, they would not necessarily expect the product to be of the same quality as a non-Fair Trade one with the same price. Or at least that was the original view in Fair Trade's origins. Such an assumption belongs to what Goodman and Herman (2015) call Fair Trade's "originalist moment", where the provision of information about producers worked as an appeal to consumers in order to shop politically and choose those products that could make a difference. However, the increasing mainstreaming of Fair Trade brought a massive presence of these products in conventional distribution channels and big retailers, becoming available to much wider and heterogeneous audiences. One of the main consequences of this development was, according to Goodman and Herman, the transition to a "quality moment" in which "marketing fair trade goods as quality items began to overtake the previously semiotically frontloaded moral economy embedded in its network" (Ibid:143). As a consequence, Fair Trade products would not be presented simply as ethical products, but also as products of good quality. This means that Fair Trade products are not only expected to be fair in their production and commercialization, but they are also required to deliver a fair quality/price relation.

Fair Trade wine seems to be currently caught somewhere in the transition from the originalist to the quality moment. This can be evidenced not only by the skepticism shown by critics (can a fair product actually be good?) but also among producers. The latter, however, do not doubt about their product's quality, but tend to believe that the representation of the product that dominated the originalist

moment might go against wine. Gabriela, for example, who produces wines of premium quality, believes that being a new product in the Fair Trade universe, wine might still need to fight its way to be perceived as a product of high quality: “It’s much newer, it’s true. I think that maybe it is associated to something of bad quality” (Interview AFT14).

Most producers seem to understand the emergence of the quality moment and believe that the only way to seduce buyers and sell their wines is by offering products of high quality; the moral dimension is not enough: “as long as Fair Trade becomes a quality product, it will grow. Because people won’t consume... let’s be clear... there must be people that buy it for social reasons, but they won’t buy a bad product, a product they don’t like” (Interview AFT3). Pablo (Ecowine) seems to agree in this view, and explains that Fair Trade’s ethical dimension might be a nice complement to the product, but if the latter cannot stand on its own, then the consumer will not get it: “Fair Trade wine, even if Fair Trade, it needs to have a competitive price – it’s basic –, a good presentation and a good quality. If you don’t fulfill that... You might be Fair Trade, organic, anything you want... but wine is wine, it’s wine, hence, you buy a wine to enjoy it, for a dinner, for an anniversary, a birthday... which gives you pleasure. And, if it’s Fair Trade and organic, even better” (Interview AFT20). Richard, from Mendoza Wines, recalls the experience of his wine group in South Africa as an example of how not to proceed: “when we made organic wine in South Africa we were sending a poor product and selling it expensive. We killed for a time the organic brand, because the final consumer is not stupid. They won’t pay more for a bad wine, it doesn’t work like that. The same quality and the same price that a conventional wine on top of the Premium” (Interview AFT27). As these statements show, wine producers believe that Fair Trade wine has to offer the same quality/price relation as conventional wine, because the fact of being an ethical product is not enough to secure consumer acceptance.

The same awareness can be appreciated within UK actors. Ed, The Cooperativist’s wine buyer, puts it very clear when he explains that Fair Trade wine needs to offer the same quality as any other conventional wine of the same price:

Fair Trade wine at a certain price point should match absolutely in quality to a similar wine at that price. The idea customers should be paying more for the same or worse quality (...) isn’t acceptable. And that’s where we are now. The malbec we have gets lots of positive press because it’s nice Argentinean malbec. The fact that it’s Fair Trade is a welcomed addition, that’s exactly my vision for Fair Trade wine. You pay certain amount for a variety you like and the Fair Trade is a plus. It’s not charity, is not a choice you make just to, in a condescending way, help the



producers. This is a wine produced under very high standards, like any other wine. The difference is that producers are getting a fair price and there's a premium attached to it. And in my view that's ok, that's commercially possible, we proved it (...) (Interview UFT6).

Christian from the importer Herrmanns explains how they have sought to change Fair Trade wine labels, moving from a style clearly inspired by the originalist moment – but associated to lower quality – towards a new one which would de-emphasize the Fair Trade nature of the product and highlight its quality attributes:

I would say with Fair Trade wine you almost have a theme or a brief or a sort of pre-conception of what a product should be like. So we've been trying to sort of play with that a little bit and try to move it away slightly from how it marketed those products. So, we used to have two brands called, this is a good example, Los Robles and Los Unidos, which were from Arg... well, from Chile. Bought in bulk that we shipped over. They very much had a Fair Trade feel about them. The text was earthy, there's a lot of foil and gloss in the label, the Fairtrade symbol was very large, prominent, in its green and blue coloring, and the imagery was very much community, very ethnic kind of feel to it. The sales were starting to dip and the consumers were losing interest, and it also wasn't associated to the key problem that... we thought it wasn't associated with good quality. Because a lot of Fair Trade wine is fantastic quality and it can be both Fair Trade and great quality. So our mission was to separate, you know, separate it from that ethical, earthy, nature. We came up with very artisanal style labels, which had hand-drawn, painted illustrations on (...) We made the Fairtrade logo black and white, a little bit more recessive, so it's not such a prominent bold feature, but it's still there and very much part of the wines. And that seems to be working quite well (Interview UFT1).

As the quotations show, both in Argentina and the United Kingdom there is an increasing awareness about the need to promote Fair Trade wine as a product of high quality and not merely on the basis of its ethical credentials. This is a reaction of the skepticism with which Fair Trade was welcomed in the wine world and the more general transition towards quality that the Fair Trade universe has experienced.

In conclusion, when it comes to the representation of the product for the case of Fair Trade wine, the result seems to be a convergence of two tendencies. On the one hand, the increasingly dominance of a quality-led representation in Argentina's and the world's conventional wine markets, as it has been explained in previous chapters. The tendency towards a "premiumization" of the internationally traded wine<sup>36</sup> supports a definition of wine where quality becomes

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<sup>36</sup> An overview of the current tendency in international trade towards higher value and quality was offered in Chapter 4. Looking forward, a study by the International Wine and Spirit Record (IWSR) (quoted in Banco Superviella, 2015:15-6) foresees Premium wines (between 10 and 20 dollars per bottle) to be the category with the highest growth in the upcoming years, achieving growth rates three times higher than the general average.

central. On the other hand, the Fair Trade representation of the product, which in the standard is simply defined by the process of “fair” production and commercialization, is increasingly informed by a notion of quality that puts this category to compete with any other conventional products of similar price. As a consequence, Fair Trade wine should be better understood as a product that offers a seductive quality/price relation and is produced and traded within a framework that empowers producers and workers. For a synthetic overview, see Table 6.

The consequence of such a representation of the product has been that all certified wine in Argentina comes from the quality-led regime of accumulation. Even if there is discussion about the quality of Fair Trade wines, it should be noted that all certified products are varietal based wines. As a consequence, some of them might be entry-level but, nevertheless, they still belong to the fine wine segment of the industry. The combination of the quality imperatives from the conventional and Fair Trade international markets seems to offer no room for the certification and commercialization of table wine, excluding from Fair Trade those actors attached to the quantity-led regime of accumulation.

## **2.6 International insertion**

Most dimensions relevant to this structural form have been presented along this chapter because of their relation to the previous forms. As a consequence, this section will systematize the different aspects presented so far offering a summary of the most important effects that Fair Trade’s international insertion has had when it comes to the case of Argentinean Fair Trade wine.

Fair Trade has historically been linked to international trade. Its idea has always been to support and empower producers in developing countries (the South) by achieving better exchange terms when exporting their production to richer societies (the North). Given the fact that only a few countries in the South have recently begun to develop local Fair Trade markets,<sup>37</sup> in practice commercializing Fair Trade products internally is not an option for most producers. As a consequence, even if Fair Trade nowadays promotes the development of local trade as an alternative, it is still *de facto* an initiative that depends on exports. Therefore, Fair Trade becomes of interest only for those who: a) have the capacity

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<sup>37</sup> South Africa, Kenya, Mexico and Brazil are becoming not only places of Fair Trade production, but also consumption. In Argentina, FLO’s local representatives would like to see the same development in domestic markets, but the size of the Fair Trade market in the country is for the time being very small.

to export and b) offer a product that is of interest to importers and consumers in the northern hemisphere. The first condition, however, is more relative, since standards only demand from HL certified companies to show that they have the basic facilities to trade internationally. This requirement, instead, is not posed to SPOs. As a consequence, the capacity to export is not demanded from all certified organizations. It could be the case that a SPO – or even a HL organization – sells its production to a processor or exporter who gets in charge of trading it internationally, making it possible for the producer to do without the export process. The second condition, however, cannot be avoided. Even if the Fair Trade producer might not need to take part directly in the process of international trade, they need to offer a good that is attractive for consumers in the North. As a consequence, products without an international demand do not have the potential to join the system, leaving those actors connected to their value chains excluded.

In this way, when it comes to the Argentinean wine sector, Fair Trade is inherently connected to international trade. The main consequence of this has been the prioritization of products that fit the current international dominating representation of the product, which, as it was explained in the previous section, is that of fine wines. In the context of the Argentinean wine industry this has meant that the inclusion into the Fair Trade mode of regulation has been exclusively limited to those actors that are part of the quality-led regime of accumulation and a concomitant exclusion of those actors linked to the quantity-led regime of accumulation.

Fair Trade appears to be of interest only to those wineries that sell their wine in the international market and the smaller grape and wine producers that can supply them. Since Fair Trade products are normally traded internationally, it does not offer major advantages to the actors who are not linked to the chain that produces fine wines for exports. A quick look at the certified producers can confirm this observation: out the currently 11 certified actors, five are owned by foreign capital and belong to international wine groups, being fully integrated from the onset to international circuits. Out of the six remaining ones, one is a very big cooperative that produces both table and fine wines, but has already had an international presence for many years. The three remaining wineries have already gone through the process of reconversion and now produce exclusively fine wines and target the international market. The last certified actor is a group of medium and small grape producers. It is probably among them that we find the most heterogeneous presence, with some vineyards producing high quality grapes and other ones of lower quality. However, their integration into the Fair Trade system is only done

through the commercialization of high quality grapes. This shows that Fair Trade has meaning only for those actors that are part of the regime of accumulation whose dominance has grown recently due to its insertion into the international market, while it does not provide opportunities for those producers who have been unable to convert to the production of fine wines. For a synthetic overview, see Table 6.

### 3. The Fair Trade mode of regulation: An assessment

The findings presented in chapters 4, 5, and 6—built on the basis of the main concepts developed by the Regulation Approach—make it possible to offer an initial assessment of Fair Trade. Its definitive assessment, however, will only be possible after the conclusions presented here are complemented by those achieved in the following chapter, which develops its analysis according to the Amsterdam Project’s framework. Consequently, this section will offer an evaluation of the Fair Trade mode of regulation’s transformative potential, while Chapter 7 will provide a discussion of the underlying causes that explain the main conclusions achieved here.

The initial assessment presented here, hence, will be done in two parts: first, the transformative potential of the Fair Trade mode of regulation will be evaluated by comparing it to the conventional mode of regulation and analyzing the changes entailed. Second, the particular effects produced by the coupling of the Fair Trade mode of regulation and the Argentinean wine regime of accumulation will be discussed. In this way, a conclusion of Fair Trade’s capacity to promote the institutionalization of alternative socioeconomic relations will be offered.

#### **3.1 How alternative is the Fair Trade mode of regulation?**

Most of this chapter has been dedicated to the analysis of the six structural forms that compose the Fair Trade mode of regulation. To do so, I have reconstructed them according to the standards and contrasted their content to their actual implementation. The analysis of each structural form has been done taking into special consideration the current structure of the conventional mode of regulation in order to provide comparisons of the most critical aspects for the Argentinean wine industry. A detailed summary of this analysis can be found in Table 6. In the

rest of this section I will use the partial findings produced in relation to each structural form in order to provide a more holistic view of the Fair Trade mode of regulation as a whole and its success in providing alternatives to the conventional one.

The analysis of the Fair Trade mode of regulation done in this chapter allows drawing conclusions at two levels. In relation to the standards, a more abstract and general level, it can be said that Fair Trade does not attempt to produce structural transformations in the conditions of production and international trade, but proposes instead more modest reforms in order to reposition small producers and workers within those structures themselves. However, when looking at the more concrete level of the Argentinean wine sector, it becomes evident that the already modest transformations proposed by Fairtrade end up being diluted in their process of implementation.

One of the main limitations of the Fairtrade standards is given by their recursive use of state regulation as a parameter in order to define many minimum requirements. This fact became particularly visible during the examination of the wage relation. In this way, Fair Trade's most relevant impact can be seen as a supplement to the state in the inspection and enforcement of national or sectorial regulation. This, of course, shall be welcome as a positive contribution, especially in contexts of low state capacity. However, Fair Trade's adherence to official regulations is ill-equipped to improve the situation of workers and producers in those aspects that are actually a consequence of those same regulations. This strategy, which I have previously described as a legalist or formalist approach, evidences all its limitations when one looks at the case of direct wages. The fact that Fairtrade requires in its standards that all wages should refer to the national or sectorial minimum wage expresses all the naivety of such a formalist perspective. This is the case because nothing guarantees that a minimum wage will equal a living wage. Hence, if a Fair Trade mode of regulation was to guarantee "fair" wages, this would only be done through the inclusion of a living wage in the standards. Otherwise, Fairtrade would be guaranteeing the legality of wages, but not their fairness.

Given the fact that Fairtrade's wages are not living wages, one would expect the Fairtrade Premium to contribute toward that goal. However, standards regulate its use in such a way that the Premium can only become a direct income (or profit) for small producers, but not for workers, as they have historically not been allowed to simply divide the Premium in cash or kind. This last rule was adapted

in the HL standard revision that took place during 2014 and since then workers can do so with up to 20% of the Premium. However, this still leaves 80% of the premium to be used only as indirect contributions to wages, in the best of cases, or broader community projects. As a consequence, the absence of a living wage in the Fair Trade mode of regulation is not supplemented by the Premium, leaving the direct wage determinants of workers at the same levels that official legislation does. Such a situation is worsened with the introduction of Fair Trade regulations, as the case of overtime restrictions show, because their implementation entails many times the reduction of income without a substitutive compensation.

It is against this background that Fairtrade's recent project to develop living wage benchmarks should be warmly welcomed. While HL standards have for a long time urged companies to progressively advance toward living wages, the lack of precise figures made it difficult for Fairtrade to evaluate this point. As a consequence, Fairtrade is currently running four pilot calculations of living wages (in South Africa, Dominican Republic, Kenya, and Malawi) in order to produce these benchmarks. However, their future relevance is still not guaranteed, as Fairtrade does not plan to make living wages mandatory for companies, but expects instead "employers to negotiate with workers' representatives on wages if these are below the living wage benchmarks." (*Journey Towards a Living Wage*, 2014). In this way, the calculation of living wages would become a useful parameter for negotiations, but its adoption as a general rule is far from guaranteed.

Even if Fairtrade's legalist approach to standard-setting and the limitations imposed on Premium uses for workers undermine the mode of regulation's transformative potential, it is also true that the Fairtrade standards present some elements that differ from the conventional economy and open the doors to interesting innovations. Three aspects of the standards are particularly relevant to the case of the Argentinean wine industry. First, even if Fairtrade mostly bases its work conditions on state regulation, it also introduces its own minimums and requirements, which may differ from the official ones. As it was explained, Fairtrade's requirement in relation to working hours and overtime restrictions, together with its regulations on forms of hiring, would constitute important improvements in the wine sector. Second, the proposal of a minimum price that assures the reproduction of sustainable conditions of production irrespective of market values has to be highlighted as Fairtrade's most innovative contribution, as it provides a protection for producers. Third, Fairtrade requires the establishment of long-term trading relationships between producers and their buyers, which

would offer the former certitude and foreseeability in relation to volumes, prices, and the terms and conditions of exchanges. In this way, even if the Fair Trade mode of regulation is far from a revolutionary irruption into the economic system, it can be said that its standards possess a reformist spirit that aims at improving the position of (especially) producers and workers in some aspects.

While the analysis of the Fair Trade mode of regulation as it appears in the standards might highlight its reformist tones, the assessment of its implementation, that is, of the Fair Trade mode of regulation as it happens in practice, offers much more modest conclusions.

The analysis of the six institutional forms showed that the three most important areas in which the Fairtrade standards offered opportunities for relevant changes in the Argentinean wine industry were not fully implemented. Regulations in relation to direct hiring, overtime, and working hours were systematically by-passed with the use of exceptions; minimum prices proved to be extremely outdated, being irrelevant in practice but also in the hypothetic case of an overproduction crisis; and last, the requirement to build long-term trading relationships is neither practiced by the certified actors, nor demanded by Fairtrade authorities. While the failure of the minimum price could up to a certain point be blamed on Argentina's "exceptional" economic conditions (constant and high inflation rates), the other two areas seem to suffer from the same problem: Fairtrade's self-defeating behavior.

Fairtrade standards, as it was explained, are far from radical, however, they propose some interesting new elements. Nevertheless, these few transformative innovations of Fairtrade are lost in the process of implementation. This has been a consequence of Fairtrade's tendency to make its own regulations more flexible whenever its requirements have superseded those posed by the state or even in those cases in which they matched official legislation but were above the traditional institutions of the sector. In this way, the potential offered by the Fair Trade mode of regulation to produce some relevant changes in the conventional economy ended up being withered away by their actual implementation. Fairtrade's self-defeating behavior included not only the granting of exceptions to its own regulations (e.g., direct hiring), but also the lack of enforcement (long-term relationships) and the adaptation (maximum amount of working hours during harvest) of the requirements in their own standards.

As a conclusion, it can be said that at the level of standards the Fair Trade mode of regulations offers scope for limited reforms, which do not entail structural transformations but aim instead at better positioning small producers and workers in the conventional economy. However, when looking at the Fair Trade mode of regulation as it actually takes place in the Argentinean wine industry, my analysis has highlighted its tendency to undermine those few elements that have the potential to bring some relevant transformations in the sector. At the end of the day, the Fair Trade mode of regulation does not go beyond modest changes, proving unable to structure a real alternative to the conventional mode of regulation.

### **3.2 The coupling of the Fair Trade mode of regulation and the Argentinean wine regime of accumulation.**

In Chapter 4, I described how the Argentinean wine sector is currently divided between those who have reconverted and are now integrated within the quality-led regime of accumulation (an each time more dominant sector) and those others that because of their lack of resources have not been able to reconvert their productive activities and are still nowadays attached to the decaying quantity-led regime of accumulation. It is within the latter that we find the most vulnerable actors in the Argentinean wine sector, especially among small wineries and grape growers. These two groups not only are faced with a decline in the value of the commodities they trade and a constant diminishment in their demand, but also are prey to the very concentrated power possessed by the three major wineries that control the quantity-led regime of accumulation. If Fair Trade is to support and contribute to the development of marginalized producers and workers, it should undoubtedly target those grape growers and small wineries that are nowadays linked to the quantity-led regime of accumulation.

However, this is not the case: on the contrary, the Fair Trade mode of regulation has so far only integrated—and benefited—those actors which are part of the dominant quality-led regime of accumulation. This fact is mostly a consequence of the ways in which two structural forms have been institutionalized: the insertion into the international regime and the representation of the product.

International insertion in the Fair Trade mode of regulation is almost exclusively the unique alternative for Fair Trade producers. Even if some southern countries have begun to commercialize Fair Trade products in their domestic markets, these



are still very small and not well developed. While the standards do not restrict Fair Trade production to exports, in practice it appears as the only choice for a vast majority of producers around the world. This fact is already privileging the quality-led regime of accumulation in Argentina, as its emergence and growth have always been linked to exports and the international market, whereas the quantity-led regime of accumulation has mostly focused on the local market. As a consequence, if the Fair Trade mode of regulation involves only products that are exported, it does not provide any opportunities to those producers that sell their wines in the local market. In this way, producers and workers attached to the quantity-led regime of accumulation end up being excluded from the Fair Trade mode of regulation.

This pattern is reinforced when we look at the effects of the representation of the product. As we have seen, the Fairtrade standards do not regulate quality attributes and simply define a Fair Trade product as one that has been produced and commercialized according to Fairtrade's rules. However, the examination of the actual practices of Fair Trade made visible a general tendency in this sector toward an upgrade in quality: Fair Trade products are to be marketed and bought not only due to their moral significance but also, as any other commodity, for the excellent quality-price relation they offer. This shift towards quality comes to perfectly fit the representation of the product in the wine world. International trade is more and more based on high-quality products, displaying higher increases in value than in volume, as it was shown in Chapter 4. As a consequence, the global market for wine is dominated by a high-quality representation of the product that does not easily fit with Fair Trade's original image. As a consequence, those actors involved in the production and commercialization of Fair Trade wine have sought to articulate a representation of the product that emphasizes its high quality and convenient price-quality relation, following in this way the tendency towards quality that is found both in the Fair Trade and wine spheres. The fact that the Fair Trade mode of regulation is intrinsically connected to the international market has reinforced this tendency, privileging the quality-based representation of the product that dominates globally at the expense of the quantity-based one that is still so relevant in the Argentinean local market. In this way, the representation of the product structural form comes to reinforce the exclusion of those actors attached to the quantity-led regime of accumulation: since the product they offer does not match the representation articulated by the Fair Trade mode of regulation, they cannot become part of it.

In conclusion, the intrinsic relation of the Fair Trade mode of regulation with international trade and the representation of Fair Trade wine it has articulated have privileged the inclusion of those actors connected to the quality-led regime of accumulation over those that are still part of the quantity-led regime of accumulation. This outcome is paradoxical, to say the least, as the actors excluded are precisely the ones occupying the most marginal and precarious positions in the wine industry, while those part of the Fair Trade mode of regulation belong to its dominant sector. As a consequence, the Fair Trade mode of regulation does not only offer very modest benefits, but also delivers these modest benefits to the actors that already enjoy a relatively better situation. The Argentinean wine industry, crossed by a hierarchical split between a modernized and dominant quality-led regime of accumulation and a declining quantity-led regime of accumulation, sees its inequalities deepened and reproduced by its articulation with the Fair Trade mode of regulation.

#### 4. Conclusion

In this chapter, I have assessed Fair Trade's transformative potential. This has been done in two complementary ways: first, by comparing the Fair Trade and conventional modes of regulation; and second, by analyzing the effects of coupling the Fair Trade mode of regulation and the Argentinean wine sector regime of accumulation.

The first analytical step showed that the Fair Trade mode of regulation does not entail major transformations and could be considered in the best of cases as a limited reformist project. As such, the Fair Trade mode of regulation does not try to produce structural changes, but rather aspires to introduce some changes to strengthen the position of small producers and workers. Some examples of these would be the introduction of a minimum price, regulations to reduce labor flexibility and the promise of developing long-term trading relationships. While these more progressive elements clearly appear in the standards, their implementation falls considerably short of these standards. In some respects, this outcome might be importantly affected by my case's specificity – e.g., Argentina's constant and high inflation making the minimum price obsolete. However, there are many other dimensions in which Fair Trade's failure cannot be blamed on the context, but should be better understood as the consequence of a self-defeating behavior. The granting of exceptions to many regulations that would entail key

changes in the industry, the lack of control over contractual relationships, the lack of long-term relationships and, especially, the marginalization of actors linked to the more precarious regime of accumulation in the industry are all the result of Fair Trade's incapacity or lack of will.

Consequently, two conclusions are evident in regards to the Fair Trade mode of regulation. First, at a more general level, according to the standards, it is far from promoting a structural transformation in international trade. Even if it evidences some elements that would promote positive changes, which would be welcome as possible improvements in the conditions of production and exchange, these do not go beyond a strategy for limited reform. Second, at a more concrete level, according to its implementation, the Fair Trade mode of regulation in many respects deepens its initial limitations through a process of self-defeat, in which it rules out or adapts its own regulations.

The second analytical step, instead revealed the fact that Fair Trade's limited transformations and benefits do not reach the most marginalized actors in the industry – i.e., grape producers and small wineries attached to the quantity-led regime of accumulation – but are instead delivered to those that are part of the already-dominant quality-led regime of accumulation. In this way, Fairtrade not only does not challenge the most relevant hierarchy in the Argentinean wine industry, but it also reproduces it.

This chapter has assessed the Fair Trade mode of regulation and made clear its limited transformative potential and the reproductive effects it acquires in the context of the Argentinean wine industry. However, this chapter has not explored the underlying causes behind Fair Trade's limited transformative potential, the self-defeating aspects of its implementation and its reproductive effects. In order to offer an explanation of these phenomena, the following chapter will look at the most relevant political processes and ideological elements that are responsible for the current structure of Fair Trade and its legitimization. Describing the most relevant actors engaged in the Fair Trade system and their power relations, reconstructing the Fair Trade Concept of Control and examining the political dynamics derived from it will help clarify the inherent contradictions at the heart of the Fair Trade system that are responsible for its limited transformative potential, self-defeating behavior and, at least in the case of Argentinean Fair Trade wine, reproductive effects.

## Chapter 7: The Fair Trade Concept of Control

Chapter 7 represents the last moment of theoretical practice (Generality II). While Chapter 6 offered the highest level of concreteness of this work, the present chapter should be better understood as a return to more general levels of abstraction – however, on the basis of the findings and conclusions achieved so far. In this way, Chapter 7 analyzes more general features and structural relations of the Fair Trade system in order to identify the underlying causes that explain the many limitations of its mode of regulation.

As noted in the conceptual framework of this dissertation, the main concepts developed by the Regulation Approach prove to be convincing tools for the analysis of economic relations. However, even if they allow us to understand the economy as an inherently social phenomenon, this does not apply to the analysis of the political and cultural dimensions that constitute it. Hence, while the analysis of the Argentinean Fair Trade wine mode of regulation has identified the specific ways in which socioeconomic relations are institutionalized, and the specific impacts that such a mode of regulation produces when coupled with the sectorial regime of accumulation, little light has been shed so far on the ideological elements and political dynamics that underpin Fair Trade. As will be shown in this chapter, these dimensions of analysis are fundamental in order to account for the world-view that legitimizes the existence of a Fair Trade mode of regulation, as well as the political processes that shape it. Including these elements in the analysis will complement what has been presented thus far: while the previous chapter concluded that the Fair Trade mode of regulation provides a very limited scope for transformation and, in the case of the Argentinean wine industry, has reproductive effects, the current chapter will instead identify the political and ideological processes that are responsible for such an outcome.

The notion of *comprehensive concepts of control*, as developed by the Amsterdam Project, provides the ideal framework with which to examine the relationship between ideology, politics and economy and the specific ways in which they are articulated in the Fair Trade system. Through the empirical application of this concept, this chapter will attempt to reconstruct the world-view put forward by the Fair Trade movement, analyze how it contributes to this initiative's legitimation as an alternative project, examine how it leads to – and is the result of – a specific conception of political action, and discuss the multiple ways in which it relates to the Fair Trade mode of regulation.

A comprehensive concept of control can only be understood in connection with the political actors that develop and support it and, ultimately, struggle for its success as a legitimate world-view. A concept of control is intrinsically linked to political subjectivities in a bi-directional way: on the one hand, because the former are deployed by the latter in political struggles; on the other hand, because hegemonic concepts of control come to legitimize certain power positions and class privileges, and thus have the capacity to alter or reproduce the balance of forces between social classes.

Therefore, this chapter will begin by presenting the most relevant categories of agency for the analysis of the Argentinean Fair Trade wine mode of regulation. The following section will describe the content of the Fair Trade concept of control (FTCC) and explore how its most central elements can be understood as the outcome of power relations in the system and the way in which they differently affect the position of the most relevant actors. A third section will look at the FTCC's political implications in two ways. First, I will analyze its potential for the agglomeration of diverse class fractions and the conditions under which this is done. Second, I will describe the way in which the FTCC is propagated within society at large. Lastly, this chapter will contrast the main features of the FTCC with historically hegemonic concepts of control in order to discuss its implications and potential as a transformative political project.

## 1. Capitalist fractions, subaltern classes and Fair Trade actors

When it comes to identifying the most relevant actors involved in the contested construction of the FTCC, this section will follow the approach offered by the Amsterdam Project and focus on *class fractions* as the most appropriate cleavage to identify agency. The role of agency acquires a double relevance in the study of the FTCC: first, because it puts the focus on which the main groups that take part in its definition are. Second, because these actors are not only active subjects in the creation of the FTCC, but also are affected by the main features it assumes: by the elaboration of a common Fair Trade view of the world and its materialization through specific Fair Trade rules, institutions and processes, social actors boost a political project that seeks to govern, reproduce and modify a variety of economic relations in which they are already engaged.

In what follows, I present the three main groups of actors (and their internal cleavages) that are relevant for the examination of the Argentinean Fair Trade wine sector: capitalist class fractions (commercial and productive), subaltern classes (workers, *contratistas* and small producers) and Fair Trade actors (bureaucracy and grassroots organizations).

### **1.1 Capitalist class fractions**

The Amsterdam Project has identified three main forms of capital fractions, from which class fractions tend to develop: a commodity-dealing (or commercial) fraction, a money-dealing (or financial) fraction – both of which are part of the sphere of circulation –, and productive (or industrial) capital, which, of course, is part of the sphere of production. However, when it comes to the role of capital in the Argentinean Fair Trade wine sector, financial capital acquires only marginal importance when compared to the other two fractions.

Financial capital is undoubtedly the hegemonic capital fraction when looking at the economy as a whole, both in Argentina and globally. As it was explained in Chapter 1, this power has allowed financial fractions to command a re-structuration of the capitalist order around a neoliberal concept of control. As a consequence, today's macroeconomic architecture, in which my case is embedded, is characterized by the dominance of financial class fractions. However, when the focus is put on the sectorial nature of my study, it can be said that not many relevant actors are linked to the Argentinean Fair Trade wine industry on the basis of financial functions. In this way, the identification of key actors (wineries, exporters, importers, retailers, etc.) has shown that most of them perform either productive or commercial functions, but none strictly financial ones. This is not to say that financial fractions are completely irrelevant. In relation to production, for example, Chapter 4 described the importance of investment groups in the reconversion of many Argentinean wineries. However, while most of the certified wineries do not belong to this category, it is relevant to argue that even if it was the case, their main function – this is, the way through which profit is realized – would still be attached to production. This means that the ownership of a productive unit by a financial fraction does not imply the dilution of the former's economic function and imperatives. In relation to trade, a similar argument can be made. A recent survey by Gibbon (2014) exploring the financialization of the ten most important trading houses in the world, concludes that even if “some evidence” of financialization can be found, this has not resulted in relevant

transformations: “trading houses’ business models were generally more financialized in 2013 than 2004, but for most this development does not seem to have brought about fundamental changes” (Gibbon, 2014:25). All in all, even if production and commercialization are experiencing the effects of increasing financialization in various ways, this does not translate into a radical transformation of their functions in the mode of production and the interests attached to them. Nevertheless, the position of financial fractions is not simply dismissed in this research: while they are not directly involved in the Fair Trade system and the development of its FTCC, financial fractions, however, affect its development more indirectly, as they are responsible for the broader neoliberal concept of control that frames the construction of Fair Trade’s one.<sup>38</sup> As a consequence, I argue that given the sectorial interest of my study (Fair Trade more generally and Argentinean Fair Trade wine more concretely) it is reasonable to assume that the two most relevant capital fractions involved are those whose main functions are connected to the production and commercialization of commodities.

While in its origins Fair Trade emerged as an initiative to improve the situation of small, marginalized, producers in the global South (mostly in the form of cooperatives), its subsequent development witnessed an expansion that brought into the game other types of players. As it has been commented earlier, one of the major changes throughout this process was the introduction of a standard for HL situations, making it possible from that moment on to certify not only SPOs but also any sort of firm that employed a high number of workers in its plantations. That is why it is nowadays possible to find a wide range of products – as it happens in the case of wine grapes – whose Fair Trade production can be organized both within the context of SPOs or HL situations, the main difference being that in the former case it is small producers and their organizations who are to benefit from Fair Trade, while in the latter, Fair Trade is expected to empower and improve the situation of workers. Additionally, the third most relevant certification administered by Fair Trade has been developed almost exclusively in order to certify capital, since the “Trader” standards are to be adopted by those actors that buy FT products either in their final form in order to commercialize them or to further process them, ultimately selling the resulting product.

What this means is that, even if the most widespread image of Fair Trade is usually connected to small producers, at the level of production it is possible to find both cooperatives (or other sorts of associative undertakings) and traditional

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<sup>38</sup> This last point is discussed in section 5 of this chapter.

capitalist companies. When looking at the Fair Trade certified actors in the Argentinean wine sector, the distribution at the time of my fieldwork was the following: there were two actors certified as SPO, five as HL and four as Traders. This brief review already shows the big importance that capital fractions have in the case under examination: only two out of 11 certified actors belong to the subaltern classes (Uvasol gives the same status to producers and contratistas, while the majority of La Chiliciteña's members has vineyards of less than three hectares), being all the rest conventional private firms. In this way, in the attempt to improve the situation of workers, this system integrates capital as a Fair Trade actor, granting it the same status as small producers. A Fair Trade product, therefore, can be either produced by a SPO – i.e. an organization constituted by subaltern actors – or a conventional private firm – i.e. *productive capital*.

As I have stated in the beginning of this subsection, productive and commercial capital are the most relevant fractions in the Fair Trade system. However, when we look at the Argentina-based Fair Trade actors, it has to be acknowledged that the capital fractions we find are almost exclusively linked to production. While such an assertion will appear to be more obvious in the case of those actors certified as (HL) producers, I would argue that it is also the case for those that have been integrated into the system as Traders.<sup>39</sup> I do so by following Marx's criteria for identifying the specificity of *commercial capital*. In the beginning of Chapter 16, Volume 3 of *Capital* he distinguishes industrial capital – which is engaged in production – from merchant's or trading capital – which is engaged in circulation. And within this latter category he defines two main capital fractions: money-dealing capital and commodity-dealing capital, which he also terms as commercial capital throughout his analysis. The role of commercial capital is to buy and sell commodities, appropriating part of its surplus-value in the process. In this sense, as commercial capital does not take part in production it does not create surplus-value, but instead takes a share of it by being in charge of the commodity's realization in the market. This becomes its specific function within capital's division of labor:

Thus the way that commodity capital assumes in commercial capital the form of an independent variety of capital is by the merchant advancing money capital that is valorized as capital, and functions as capital, only because it is exclusively engaged in facilitating the metamorphosis of commodity capital, in making it fulfil its function as commodity capital, i.e. its transformation into money. Money capital does this through perpetually buying and selling commodities. This is its exclusive

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<sup>39</sup> Trader, with a capital letter, stands for the "Trader certification" granted by Fairtrade International and should not be confused with the common noun "trader."



operation; this activity that facilitates the circulation process of industrial capital is the exclusive function of the money capital with which the merchant operates (Marx, 1991:386).

However, in order to grasp commercial capital's specificity Marx warns that it comprehends only "a part" of the circulating capital to be found in the market because "another part of the buying and selling of commodities always takes place directly between the industrial capitalists themselves. We shall ignore this other portion of the circulation capital completely in the present investigation, since it contributes nothing to the theoretical definition, to our understanding of the specific nature of commercial capital (...)" (Marx, 1991:380).

In this sense, I agree with Marx when he rejects to consider those transactions between industrial capitalists as equivalent to the operations done by commercial capital, as it would undermine our understanding of the latter's specificities. It is precisely because of this that the actors certified as Traders in the Argentinean Fair Trade wine sector shall be better understood as belonging to the industrial capital fraction. In the first place, because these are not trading companies (their business is not based on the purchase and sale of commodities), but they are wineries themselves. Therefore, even if they might perform some commercial functions, their main activity is concerned with the production of wine. In the second place, and looking more strictly at their role within Fair Trade, all four traders are not completely detached from the productive process. Two of them, for example, buy grapes as the raw material with which to produce wine (Tres Vientos and Fabretti), while the other two (Palmer and Mendoza Wines) buy wine from other wineries that still needs to be bottled and sometimes kept in cellars. All in all, the Argentina-based certified traders can much better be understood as part of the productive capital fraction due to their overall strategy of accumulation as business units and the particular functions they perform within Fair Trade.

While productive capital is preponderant among the Argentina-based Fair Trade actors, commercial capital cannot but have a fundamental role in a system whose backbone is based on international trade. From the moment of export or import (according to the case) onwards, commercial capital becomes fundamental for the entrance of Fair Trade products in the northern markets, their distribution, retail sales and promotion of their consumption. Even if this functions might not have a very visible role within the FTCC (a detailed analysis of the importance of commercial capital and the place it is given within the FTCC will follow later in this chapter), it is undeniable that any market-based system depends, at the end of the day, on the realization of the commodities produced, making the role of

commercial capital particularly important in this transnational mode of regulation. In the United Kingdom, while no official data on the issue is available, interviews with different relevant actors showed that three main companies concentrated the highest volumes of Fair Trade wine imports in general, and from Argentina in particular. Additionally, a very important number of retailers (ranging from the biggest supermarket chains to Fair Trade shops) are involved in the commercialization of this product. Retailers most usually buy it from any of the three main importers or, more exceptionally, seek to import it themselves directly from producers.

All in all, two capital fractions, those linked to production and commercialization, occupy very relevant positions in the case of Fair Trade wine produced in Argentina and consumed in the UK and should therefore be considered as key players when analyzing this concept of control.

While both fractions share a common dominant position vis-à-vis the subaltern classes, their different functions in the circuit of capital causes at many points tensions and is at the base of unequal power relations. David Harvey has reflected on how these hierarchies between capital fractions with different functional positions might result in the emergence of fractional disputes and threaten the overall capitalist interest:

The merchants (wholesalers and retailers) take on both the costs and the risks of selling the product to final consumers. (...) This smooths out the flow and provides producers with a more secure market. But, on the negative side, the merchants may end up exercising considerable power over the direct producers and force the latter to take lower rates of return (...) Social strategies to maintain the continuity of capital flow constitute a double-edged sword. While they may succeed in their immediate aim of smoothing out and facilitating the circulation process, they simultaneously create active power blocs among the merchants (...) and the financiers (...) who may pursue their own specific interests rather than serve the interests of capital in general (Harvey, 2014:75).

As Harvey insightfully shows, capital fractions do not mechanically constitute a broader capitalist class, because their different functional positions put their interests at odds in many ways. As it will be shown, in the case of the wine sector, this can be appreciated in the relations between wineries and importers, and, especially, in the centrality acquired by retailers. As this chapter progress, the relationship between commercial and productive class fractions will be analyzed in detail by looking at its cooperative and conflicting dimension.

## 1.2 Subaltern classes

The social actors that appear as structurally opposed to capital in the Argentinean Fair Trade wine industry cannot simply be conceptualized as belonging to the working class. While, for example, productive and commercial class fractions could be analytically integrated into the broader category of a capitalist class without raising major objections, the specificities that differentiate workers, contratistas and small producers make such a straightforward classification more difficult. When faced to the challenge of accounting for the common pole conformed by workers, contratistas and small producers (this is, the groups situated in the lowest hierarchy of the class structure of the Argentinean Fair Trade wine sector) a first option could have been to rely on the most basic Marxist class division – that one also followed more generally by the Amsterdam Project – and argue that if productive and commercial fractions could be more broadly understood as sharing a common capitalist interest, then workers, contratistas and small producers could be understood as different groups sharing the most general features of capitalists' antagonist: the working class. While it is actually my goal to justify in this section that these three groups occupy an antagonistic position to that of productive and commercial capital fractions, encompassing them under the concept of working class (fractions) would either entail a reductionist approach to their main empirical features or an abusive stretching of that analytical category. This is due to the fact that even though all three groups occupy a subordinate position to that of capital (both, when we look more specifically at the wine industry and, more generally, when we analyze the general FTCC and its institutionalization), none of them is entirely equal to the others. That is why, in consonance with the proposal for advancing the Amsterdam Project that was presented in Chapter 1, I consider that all three groups are best conceptualized as subaltern classes.

*Workers*, broadly understood as wage earners, are not a homogenous fraction. Following the definition provided in Chapter 1, the most basic class division is established between those that control and supervise the process of production and those who execute productive tasks. The advantage of this definition, which does not restrict the main cleavage to the property of the means of production, is that it allows identifying different positions within the broader category of wage-earners. In this way, managers and executives, while not owning the means of production, are responsible for the organization and supervision of production, making them (a subordinate) part of a broader capitalist class. At the other end, we find a variety of workers who are in charge of the actual productive, administrative and

commercial activities. Independently of whether they work in a vineyard or a winery, their structural position in the productive process and vis-à-vis capitalist fractions makes it possible to group them together as part of a same working class. In a somewhat more intermediate position, the role of certain professionals (for example, enologists and agronomists) is highly important in the wine industry, both at the vineyard and the winery level. However, the actual hierarchy they occupy and their power to rule over the process of production often depends on the particular company under examination, since my fieldwork has shown that these features tend to vary importantly between situations where agronomists and enologist have manager-like capacities and others where their power is much more restricted to their technical area.<sup>40</sup>

As it was described in Chapter 5, *contratistas* – especially in practice – come very close to the figure of wage-earners. However, this figure still bears some important differences that make it difficult to argue that their position can be reduced to that of an ordinary worker: firstly, a *contratista* assumes a risk that workers do not, since most of their income depends on the realization of production in the market (which is not only subject to demand conditions, but also the specific characteristics of each year's harvest), while workers, instead, are entitled to a wage in exchange for their labor, what guarantees them a payment independently of the performance of commodities at the marketplace. This fact not only puts *contratistas*' interests more in line with those of the vineyard's owner than in the case of workers, but also makes them more vulnerable to changing market conditions, inclement weather or unexpected problems in the productive process. Secondly, *contratistas* are entitled to a house in the property, obtaining in this way an important contribution in the form of indirect wage. This feature also means that the *contratista*, living with her/his family in the same place where s/he works, develops an important engagement with the productive unit and – in many occasions – with the landowner. This proximity to the vineyard's owner is sometimes seen by *contratistas* as an outcome of their shared entrepreneurial status (Poblete, 2012). However, such a resemblance is more apparent than real, since the income a *contratista* makes does not allow them to accumulate and is restricted to reproduction only. Furthermore, even if *contratistas* become owners of a share of the total production, they have no ownership of the land they work on or the tools needed for their tasks. Lastly, while ordinary workers are hired for specific

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<sup>40</sup> The same happens when looking at the way in which Fair Trade regulations have been put in practice in different wineries: in some companies enologists and engineers are represented in the Joint Body as one more group of employees (especially in bigger wineries), while in other ones they are considered as part of the management and therefore obtain no representation as workers (especially in smaller wineries).

activities to be accomplished within defined timeframes, *contratistas* enjoy a much higher level of autonomy in the organization of their work (what includes even the possibility of hiring workers), as they are entitled to a certain degree of freedom in the organization of productive activities and their working time.

While workers and *contratistas* share some important features, the figure of *small producers* is more clearly different from the previous two. The most evident reason for this is the fact that small producers (usually) own their means of production, this is, the land where they grow their vineyards, the tools needed for their job and some economic resources in order to guarantee the necessary supplies. This means that, in principle, small producers are their own bosses, what gives them the capacity to organize the productive process and, in some cases, even hire workers. However, when looking at the actual practices and relations in which small producers engage in the Argentinean wine sector, there are some important reasons that tend to fade these capitalist-like attributes and make it necessary to find a concept that encompasses small producers together with workers and *contratistas*.

In the first place, and focusing on the wine industry, it is clear that small producers occupy a precarious position in this sector, as it has been shown in the preceding chapters. If we understand “small” not only in terms of the surface occupied by the productive unit, but also taking into consideration its profitability,<sup>41</sup> it is undeniable that a process of pauperization is affecting this group. This can be evidenced in various problems faced nowadays by small grape producers in Argentina: the permanent division of productive units – what makes them so small that they become unprofitable and forces their owners and their families to go out of business and look for employment opportunities in urban areas –, the usual wage-like terms in which they are paid for their production, the very little bargaining power vis-à-vis their buyers and the limited selling options (either due to the market’s oligopsonistic structure in the quantity-led regime of accumulation or the relation of semi-captivity with wineries in the qualitative-led regime of accumulation). Additionally, while it is true that unlike workers and *contratistas* small producers own capital, it is also true that they rely mostly on their own (and their family’s) labor power. In this way, and contrary to owners of bigger vineyards and wineries who own capital but purchase labor-power, small producers evidence much more even contributions in their capital/labor ratios. All

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<sup>41</sup> As it has been explained, some producers with below-average surface of vineyards can still be profitable if they have the right variety of (high-quality) grapes.

these facts, therefore, tend to nuance the centrality that capital takes when it comes to positioning small producers in the system of class relations of wine production: on the one hand, they possess capital and this would entitle them to be considered as a capitalist fraction but, on the other hand, it has to be noted that their capital is relatively small – even more if we consider it in relation to the important amounts of own and family unpaid labor that is involved – and the overall trend of the industry points towards their progressive marginalization in the system. This means not only that they tend to be displaced more and more to the periphery of the objective class structure, but also that they are more and more impeded of exercising their agency in the terms that a capitalist fraction would.

While the position occupied by small producers in the Argentinean wine industry already expresses the need for an analytical concept that puts small producers together with the most subordinated groups in the sector, taking into consideration that one of the main goals of this chapter is to reconstruct the FTCC provides a second reason for this enterprise. Fairtrade International has defined workers and small producers as the main victims of the global trade system and, therefore, as its main beneficiaries. In this way, both groups appear to share a same pole that is opposed to capital. As a consequence, if one wants to comprehend the FTCC, it becomes necessary to provide a concept capable of accounting for the similarities that both constituencies possess and the cleavages that the system itself builds.

All three groups – in spite of their differences and irreducibility to one same encompassing category, i.e. labor or working class – can be considered as part of a broader collective due to their subordinate condition vis-à-vis the capitalist class. Hence, even if these groups occupy different positions in the productive system and, as a consequence, do not experience strictly the same material conditions of existence or derive from them identical interests, all of them share a position of subordination to capital fractions, who are those that actually dominate the sector. Workers may be subordinated to managers, recruiting companies and winery or vineyard's owners, *contratistas* respond to the owner of the vineyard where they work and have very little bargaining power when trying to sell their production to wineries (in most of the cases, it is the vineyard's owner who decides on the sale) and small producers, too, are subordinated to buying wineries. In this way, the three groups come together by their shared domination under the rule of capital and it is precisely because of this common situation that I consider that the best way to account for them as a collective is the concept of subalternity.

All in all, the subaltern classes relevant to my case-study result from the juxtaposition of two different systems of positions: on the one hand, it has to be taken into account the positions occupied by the relevant actors in the Argentinean wine sector and, on the other hand, this should be complemented by the examination of the different positions distributed in the Fair Trade system. Building on the analysis presented in the previous chapters, it seems quite reasonable to state that at a more general level – that of the Fair Trade system – two main constituencies form the subaltern pole, i.e. workers and small producers. More specifically, when looking at my case study, we can identify three main subaltern classes: workers (both industrial and rural), *contratistas* and small grape producers. These three groups will constitute my subaltern classes in this dissertation. If I dare to speak of subaltern classes, it is only under the assumptions that underlie the concept of subalternity: the presence of heterogeneous groups, irreducible to one another in terms of position in the productive system or their capacity of (surplus) value creation and appropriation, who, nevertheless, can be identified as occupying a common “region” of the social space when analyzed by contrast to the dominant classes. In this way, a small producer cannot be equated to a worker because the former is owner of productive capital while the latter possesses only labor power and, therefore, their interests tend to diverge (the small producer, for example, might employ some workers for the harvest in the same fashion as any other capitalist, introducing to its circuit the most basic contradiction between capital and labor). However, when opposed to any of the big winery owners that concentrate most of the local market for wine, both a worker and a small grape producer can be identified as being subordinated to the capitalist’s power.

### **1.3 Fair Trade actors**

The analysis of the political processes around the FTCC cannot be limited to capital fractions and subaltern classes, since it needs to introduce a third category of actors, which – at least a priori – is not organically connected to any of the other two classes. This third group, which I call “Fair Trade actors”, is composed by the network of organizations that provide the institutional framework for the Fair Trade certification-based system, but also all those other organizations that seek to promote this initiative and/or cooperate with it in a variety of ways.

Within this category, therefore, it is possible to distinguish two groups. Firstly, those that compose what I call the *Fair Trade bureaucracy*, this is, all those

“official” organizations (and their members) that have the capacity to engage in the governance of, and keep running, the Fair Trade system. They are legitimized as the authoritative voices of the movement. This category, for example, includes the main organs of the Fair Trade system’s structure: Fairtrade International – composed by the three producer networks and 25 Fair Trade National Initiatives – and FLO-Cert, the autonomous organization in charge of auditing and certifying. Of particular relevance to my case study is the Fairtrade Foundation, which is the UK-based Fair Trade National Initiative. As a member of Fairtrade International, it takes part in the governance of the system and, as its main representative in the UK, it is in charge of licensing the use of the Fairtrade label on products. This more administrative duty – mostly related to auditing and overseeing that licensees fulfill all conditions and pay their fees – is complemented by more community-oriented activities, which are mainly related to raising awareness, campaigning and promoting demand. In Argentina, instead, the presence of Fair Trade bureaucracy is limited to two liaison officers, who are in charge of supporting producers in the process of certification, promoting the system among non-certified producers and, more generally, representing FLO in the producing countries.

A second group within the Fair Trade constellation, which I call *grassroots Fair Trade organizations*, is composed by a variety of initiatives (sometimes run by more or less formal organizations, while others simply emerging from informal groups) that seek to cooperate in different ways with the institutionalized Fair Trade system, be it by disseminating information, creating awareness, promoting consumption, raising funds, etc. When it comes to my case study, this category of actors was only found in the United Kingdom. While Argentina is still a relatively new territory for Fair Trade production and is far from the leading countries in the number of certified producers, the UK is not only a traditional market for Fair Trade products, but also one of the biggest in the world. Additionally, Argentina is limited to being a place of production, while the UK is instead a place of consumption. As the following sections will show, consumption is fundamental for the sustainability of the Fair Trade system, making an imperative to promote an ever increasing number of sales. That is why the promotion of Fair Trade is so important in consumer societies, which has led to the emergence of an important number of organization that are in charge of spreading the message. As a consequence, it is possible to find in the UK an important variety of grassroots actors that seek to raise awareness of Fair Trade and promote its consumption. Among others, it is possible to identify steering committees in many cities or a



multitude of supporting groups that are arranged around particular institutions, such as schools, universities, religious organizations, etc. Additionally, one can find many ad-hoc groups that organize themselves for specific events. These varieties of grassroots organizations collaborate many times with the Fair Trade bureaucracy even if they are not part of it officially. Lastly, they also engage in shared projects with retailers or other commercial actors.

All in all, this section has presented the main actors that will be relevant for the analysis of the FTCC. A first group of actors is composed by the productive and commercial capitalist class fractions. The second group of actors, which I have termed subaltern, is composed by three different classes – workers, contratistas and small producers – who occupy a common subordinated position. Lastly, two different types of Fair Trade actors have been identified: those belonging to Fair Trade’s bureaucracy and those that constitute grassroots organizations. The remainder of this chapter will reconstruct the FTCC and critically examine the different ways in which it relates to this variety of actors. This will be done by looking at how they take part in the contested construction of the FTCC and by analyzing how the final shape acquired by the latter affects the position occupied by the different class fractions in the system.

## 2. The three pillars of the FTCC

The Fair Trade movement’s vision is one of “a world in which justice and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full human potential” (World Fair Trade Organization and Fairtrade Labelling Organizations, 2009:6). This broad statement of intent appears ambitious and vague at the same time: while probably no one would object a trade regime in which “justice” occupies a central position, it would surely be more difficult to agree on how justice should be understood. The same reasoning applies to the means through which Fairtrade seeks to materialize this vision: while that ultimate objective might be shared universally, which would be the best (fairest) means to achieve it? At a first glance, Fair Trade does not provide an unequivocal answer. The analysis of its most relevant institutional documents provides a wide range of alternatives that differ from each other to a great extent. On the one side of the spectrum, we can find that “the bottom line for Fairtrade is impact: a better life for small-scale producers in developing countries” (Fairtrade Labelling

Organizations International, 2004:3). From such a pragmatic perspective, fairness means better living conditions, without specifying the degree of such an improvement (is any kind of advance good enough to consider the Fair Trade mode of regulation as fair?) or the means through which it should be achieved (is it the same if the Fair Trade movement transforms the international trade regime or simply repositions its producers within?). On the other end of the spectrum, we find more radical claims, according to which Fair Trade is committed to major structural transformations: “we have the capacity to change the terms of trade” (Fairtrade International, 2011a:4) in order to “overcome the challenges that keep them [people] locked in poverty and create opportunities for greater impact for those who need it most” (Ibid:6). The very broad range of answers that seems to be available for the question of what Fair Trade stands for shows that the meaning of the FTCC is far from being self-evident and demands a critical reconstruction. That is precisely the goal of this section.

Since the FTCC can only be best understood at a more general level – as an element common to the Fair Trade system as a whole – its reconstruction cannot be derived from the data collected specifically in connection to my case study. That is why the analysis of this section will be composed by two main levels: on the one hand, the FTCC will be presented as a general element that underlies Fair Trade’s institutionalization and practices all around the world; on the other hand, I will discuss how this general FTCC is embedded in the case under examination and how the different relevant actors have appropriated it.

In order to reconstruct the FTCC, I undertook a thorough analysis of the most relevant institutional documents (annual reports, standards and their explicative documents, brochures and various sorts of promotional materials) produced by those organizations identified as part of the Fair Trade bureaucracy. In this way, by relying on the sources produced by the system’s official, authoritative, voices, it was possible to identify the most defining features of the FTCC. These can be condensed in three main elements: firstly, *a Fair Trade geography*, which uses a North/South dichotomy in order to explain the main problems of international trade and offer a solution. Secondly, *a fairness principle*, according to which a more balanced global distribution of wealth can be achieved by the mutually beneficial collaboration of actors with conflicting interests. Thirdly, the postulate of a *consumer-producer nexus* emphasizes the new relations of proximity that Fair Trade can build between both poles of the commodity chain, and how this would create mutual empathy and trigger transformation.

These elements, I argue, constitute the three pillars on which the FTCC is structured. While all three are closely interrelated and overlap in various aspects, I have decided to present them separately for the sake of clarity. Hence, this subsection will offer an examination of the main elements that constitute the FTCC. This will be done in the following way: I will begin by reconstructing each element along the same lines that the official Fair Trade discourse does. After that, these initial assumptions will be contested by putting them in relation to the actual workings of the Fair Trade system and the power dynamics in which different actors engage. This will make possible a reconstruction of the FTCC that takes into consideration not only discursive elements, but also the ways in which they come to fit the particular social relations that the Fair Trade system structures. Lastly, I will examine and discuss the concrete ways in which these general elements of the FTCC are specifically embedded in the case of Fair Trade wine produced in Argentina and consumed in the United Kingdom.

### **2.1 Fair Trade's geography: A North-South divide**

The FTCC is characterized by two main pairs of concepts: North/South and producer/consumer. While both of them are presented as intrinsically interrelated – and many times even as synonyms – each couple is articulated in a different way, with the first pair being usually depicted as a dichotomy and the second one as complementary. In this subsection, I will engage with the North/South couple, leaving the consumer/producer relation for the third subsection.

Fair Trade's "I" has been identified with the northern hemisphere socially-concerned individuals that, given their better economic situation, are interested in supporting poor, third world producers by buying their commodities. This identification of the official Fair Trade structure with the North is a consequence of the historical development of this initiative, which has been driven by NGOs and other associations based in Europe and the United States since its inception. It was these organizations that came together to create Fairtrade International and gave shape to the Fair Trade system as we know it today. While the last years have witnessed the acquisition of full membership and 50% ownership of FLO by the three producer networks (representing Africa, Asia and Latin America respectively), the Fair Trade bureaucratic structure – and most of the grassroots organizations that support it – are still rooted in the richer countries. As a consequence, Fair Trade's representation seems to continue unchanged, being identified with the North, while the South encompasses those producers and

workers, in the developing world, that are needed of their help in order to escape from their subordinated position in the system of international trade.

Therefore, the South is usually understood because of their ‘lack of’ when compared to the North: lack of economic resources, lack of access to basic services, lack of infrastructure; but also lack of initiative and power to change their situation. Thereby, it is the North that takes the leading role and appears as the active side that seeks to empower those marginalized by conventional trade. An alliance of wealthy consumers, shops, retailers and importers has to coordinate actions in order to help them export their production, which is appreciated not so much because of its intrinsic characteristics, but mainly due to the humanitarian sense of the action. On top of social and economic aspects, this construction comprises racial attributes. A careful analysis of pictures and illustrations included in Fairtrade International’s last five Annual Reports and two brochures produced for farmers and workers shows that Fair Trade activists and executives as well as exporters, importers and consumers are always white, while that is never the case when it comes to producers. The Fair Trade’s other is exotic and ethnic by definition. They wear traditional clothes and use obsolete tools. As it becomes clear, a divide between North and South is at the heart of the Fair Trade proposal, with two well defined poles constructed by multiple antinomies: rich/poor; can help/needs help; imports/exports; consumer/producer; powerful/powerless; white/non-white; western/exotic. This dichotomous Fair Trade geography underlies not only the diagnosis put forward by Fair Trade (in terms of unfair international terms of exchange, where the North enriches at the expense of the South), but also one of the most defining attributes of their political project: “the unique relationship between the North and the South, a strong voice and role for producers and workers, makes Fairtrade different from all other competing ethical schemes” (Fairtrade International, 2013c:6).

This North/South divide, therefore, constitutes one of the main axis along which the FTCC is built. These concepts become central categories for understanding social reality and, at the same time, defining the targets towards which the Fair Trade movement is to direct its actions: “Fair Trade connects the aims of those in the developed world who seek greater sustainability and justice with the needs of those in the South who most need those changes” (World Fair Trade Organization & Fairtrade Labelling Organizations International, 2009:6). However, its centrality is not only limited to that. The Fair Trade geography also fulfills a cartographic function, since it provides the coordinates along which all relevant actors connected to the Fair Trade system can be positioned and their mutual connections

established. In this way, the North/South divide contributes to the FTCC with an organizing principle that makes possible – through the classification of relevant groups into the two main categories, the definition of equivalences among them, and the establishment of specific relations – to convey a more synthetic image of the system: the South equals producers and workers (subaltern classes), while the North comprises consumers, importers, processors, distributors, retailers, etc. (mainly, capital fractions). As a consequence, what this particular geography explains is that a praxis inspired by the FTCC would entail a redistribution of wealth flowing from the North to the South, from capital to the subaltern.

The relevance of Fair Trade's geography is such that it transcends the mere rhetorical level. This can be best seen in the fact that, beyond the discursive construction, Fairtrade International has elaborated a "Geographical Scope Policy" that determines the countries where producer organizations can be Fairtrade-certified – or, in other words, that establishes the territories that are officially considered as the South. The definitive list of "producer" countries is divided into three main groups: Africa and the Middle East, Asia and Pacific, Latin America and the Caribbean. According to Fairtrade International, the selection of countries is based on a three-dimensional criterion: "income per capita, wealth disparity and other economic and social indicators, as well as long-term impact for producers and Fairtrade International's ability to support producers" (Fairtrade International, 2015). However, these technical criteria are complemented by some restrictions that seem to be more closely related to ideational factors (the particular imaginaries that the FTCC has created about North and South), as the exclusion of members of the European Union and G8-countries shows. What this evidences is the fact that the North/South divide has become such a representative component within the FTCC that Fairtrade International – even if allegedly including socio-economic criteria – is not open to risk its credibility by certifying producers located in what is conventionally considered as the North. While most of the European Union member countries would probably not qualify as "South" according to socioeconomic criteria, the fact that not a single Eastern European country has been considered as "certifiable" could be a more contentious issue. In relation to this, the Geographical Policy explains that "it would be necessary to consider, for example, before proposing to include any European countries, whether they are likely to join the EU within the next 10 years or so" (Ibid), as members of the European Union are not able to certify. In these cases, we actually see the primacy of the North/South construction over the actual analysis of socioeconomic conditions, as the very real possibility of including some of the

poorest European countries among those places deemed to be certified as producers is denied in order to preserve the coherence of the FTCC's geographical element.

Such policy puts in evidence that the Fair Trade geography operates from a state-centric perspective. This is given by the fact that the North/South division – which is many times equated to a rich/poor divide – is operationalized through the classification of nation-states. As a consequence, it is countries “as a whole”, as homogeneous entities, that are to be considered places of exploitation and marginalization or wealthy areas prone to ethical consumption. In this way, Fair Trade's geography both excludes from the possibility of certification the subaltern classes of “Northern” countries and allows dominant groups in “Southern” countries to take part in the Fair Trade production.

So far, I have presented Fair Trade's geography as a “general” element (i.e. an abstract feature common to the whole system) of the FTCC. However, in what follows, I proceed with its critical examination by looking at the way in which the FTCC is embedded in the case of Fair Trade wine produced in Argentina and consumed in the United Kingdom. To do so, I will contrast the North/South cleavage proposed by the FTCC with a class-driven reading and discuss the implications that the latter has for our understanding of the former.

As it was described in the previous section, the distribution of class fractions in the case under analysis seems to be quite homogeneous, with a minority presence of commercial vis-à-vis productive capital among the Argentina-based actors and the exactly opposite situation in the United Kingdom. At a first glance, this would seem to point towards a divide that is drawn along Fair Trade's geography: on the one side, we find a global South, characterized as the “producing pole” of the relationship (be it in the form of local SPOs or, as we have seen, any other firm) and in a disadvantaged position due to the unfair terms of exchange under which their commodities are sold. On the other side, we find the global North, who is responsible for these unfair terms of exchange and shall be committed to fairer commercial relations with the producers of commodities in the global South in order to help them improve their situation. In other words: commercial capital cooperates in order to improve the situation of those engaged in production (subaltern classes and productive capital) through the construction of a more balanced distribution of value between South and North.

However, upon a closer inspection of the certified organizations, the North/South contradiction becomes more difficult to sustain. Simply by looking at the capital's origin of each actor, we can find a heterogeneous profile, quite different from the purely national composition one might have derived from the North/South dichotomy. Out of the 11 certified organizations (for an overview, see Table 5), five are from Argentina. These include, of course, the two SPO (La Chiliciteña and Uvasol), which are owned by their members, plus three private firms (Medrano, Finca Alentejo and Ecowine). Bodega Fabretti is owned jointly by Argentinean and Swiss capital, though the biggest economic contribution has come from the foreign investor (Interview AFT14). Two wineries belong to Chilean wine groups: La Mariana is one of the nine wineries that Grupo San Pedro Tarapacá, the second biggest Chilean wine exporter, owns in Chile (7) and Argentina (2). Tres Vientos belongs to the Viña Concha y Toro Holding, a wine group that is not only Chile's number one exporter by volume, but also the world's 5<sup>th</sup> during 2013. Bodega Palmer has belonged to Gernot Langes-Swarovski since the Austrian magnate bought it back in 1989, while Paso Alto is part of the French wine group Edonia, who possesses wineries in France and Hungary too. Lastly, Mendoza Wines is part of the South African Original Wine group, which runs wineries in South Africa and Chile too. When looking at commercial capital in the UK, three main companies concentrate the majority of Fair Trade wine imports: Herrmanns, a British wine importer and distributor, Original Wine Ltd., the UK-based commercial branch of the South African Original Wine and Larex A.B, a joint venture between La Chiliciteña and the Swedish company Giertz A.B., which is based in Stockholm but manages La Chiliciteña's imports around Europe.

Two preliminary conclusions that question the South-poor and North-rich dichotomies built by Fair Trade can be drawn from this overview. In the first place, Fair Trade's main cleavage that opposes South and North does not seem to apply. As it is evident, almost half of the certified wineries are owned by transnational capital, while one of the main Fair Trade wine merchants in the UK is owned by a South African group and another one is half-owned by an Argentinean cooperative. The heterogeneous origins of the capitals involved among the Fair Trade actors make it in extreme difficult to buy into Fair Trade's narrative of northern buyers helping southern producers.

In the second place, one of the most widespread chain of equivalences, south=producer=poor, does not hold either. The standard for the certification of HL situations stipulates an interesting condition: "applicants shall be asked to

demonstrate the way in which they are currently disadvantaged by market and trading conditions” (Fairtrade International, 2011c:6). In this way, the standard seeks to guarantee that the private companies that certify Fair Trade in the South are “disadvantaged” and not dominant ones. However, when looking at the HL certified actors in the Argentinean wine sector, the findings are paradoxical, to say the least. How could, for example, Tres Vientos, which was Argentina’s 4th biggest exporting winery by volume during 2013 (Fronzo, 2014) and is part of the Concha y Toro Holding (one of the biggest wine groups in the world), demonstrate that it occupies a disadvantaged position within the current market and trading conditions? Similar questions could be raised about Palmer, 5th biggest exporter during 2013 (Ibid) or La Mariana, who has access to the commercialization channels of the international group it belongs to. Last but not least, while SPOs do not need to prove their disadvantaged position, the fact that La Chiliciteña cooperative is co-owner of its own importer and distributor in Europe is at least counter-intuitive, especially if one considers the average image of a Southern producer that the FTCC transmits.

What these findings seem to point towards is the convenience of analyzing the conflictive interests that Fair Trade seeks to arbitrate along the lines of class fractions. Because, at the end of the day, is it not Fair Trade attempting to regulate the relationships between groups with different functions and positions in the economic system (workers, small producers and their organizations, *contratistas*, productive capital, commercial capital) much more than North-South relations? Adopting a North/South perspective, instead, does not offer any clear patterns, since, for example, at the level of production it is possible to find individual capitals that are attached to local circuits in the South and other ones that belong to transnational groups, while the level of circulation evidences the presence of capital originating both in the South and North.

What the FTCC does when insisting on the North/South cleavage is actually a *displacement*: it has found a pair of concepts that do not directly find the roots of injustice in the capitalist system as such, in its social relations, tensions and contradictions, but, instead, in the geographical distribution of value. In this way, the problem is not posed in the terms of the exploitation of labor or small producers by capital, but it is found in a much vaguer, superficial, dichotomy with no direct, evident, links to the economic structure that causes this unequal distribution. In this way, Fair Trade functions as an alternative, capital-friendly, way of denunciation. And, as it will be explained in the following subsection, this capital-friendly denunciation that the North/South divide makes possible is one of



the key elements in order to grant coherence to the FTCC and make the Fair Trade system's smooth functioning possible.

## **2.2 The fairness principle: capitalist and subaltern interests' conciliation**

While the analysis of Fair Trade's geography gave us an insight into what the FTCC seems to pose as its objective (a transformation of commercial relations between North and South), the current subsection will instead look at the way in which such transformation is expected to be achieved. Under the title of "the fairness principle", I would like to present the particular understanding of justice that underlies the strategy adopted by Fair Trade: the conciliation of capitalist and subaltern interests. In order to provide this analysis, I begin by describing the way in which the FTCC proposes to remediate poverty and marginalization through a mutually beneficial collaboration between the subaltern and capital. Then, I move on to discuss the way in which this fairness principle has been institutionalized in different key features of the Fair Trade system. Lastly, I present the concrete ways in which the principle of subaltern and capital conciliation is appropriated by the relevant actors of the Argentinean Fair Trade wine industry and discuss its consequences.

At the core of the FTCC rests the idea that the interests of capital fractions and subaltern classes can be conciliated. The guiding principle of the FTCC is that the system can bring together capital and labor, producers and their buyers, and make them cooperate in order to improve the situation of workers and small producers while providing benefits for firms, commercializing companies and retailers at the same time. The FTCC rests on the commitment to this convergence of interests and that is why it seeks to present the socio-economic development of producers as a business case: "strong, independent producer organizations rooted in fairness and striving for social, economic and environmental sustainability are good for businesses too. They are reliable partners, who know their farmers and crops, and what the market needs" (Fairtrade International, 2014:4). It is clear how in this quote the Chair of the Fairtrade International Board stresses that the improvements experienced by producers do not threaten in any way the interests of businesses but, on the contrary, benefits them. The same reasoning applies to the case of workers, as Fairtrade's liaison officer for South East Asia explained: "a happy worker is a good worker. A good worker is an asset to the plantation as well as to its owning company" (Fairtrade Labelling Organizations International, 2004:9). Here, once more, the improvement of the subaltern subject (presented as an *asset*)

is not portrayed as an end in itself, but as a means to improving capital's position. That Fairtrade seeks to benefit both, producers and traders, is also explicitly stated in the explanatory document that accompanies the standards: "the aim of these standards is to foster the establishment of mutually beneficial and sustained trade relationships between Fairtrade certified producers and traders" (Fairtrade International, 2011b:3).

This principle of interest conciliation is already inscribed in the main tool that Fair Trade has chosen: voluntary-certification. Fair Trade is part of a broader trend of ethical initiatives that seeks to transform corporate behavior without resorting to the state, previously described as private regulation. Due to the absence of a formal political authority typical of this sort of schemes, these initiatives cannot be imposed to all relevant actors in the form of compulsory regulation and, therefore, depend on the voluntary acceptance by those same entities on whom the norms are to be applied. The voluntary nature of the system determines from its inception the overall logic of private regulation: if the standard setter expects producer organizations and firms to incur on the extra costs associated to the adoption of the new norms (an extra cost that does not apply to their competitors if they choose not to take part in the system), it will have to offer certain benefits in exchange. Otherwise, in the absence of a formal political authority with the power to enforce the new rules, no private actor will be willing to assume additional costs or burdens. In the case of Fair Trade, as it has been explained in the previous chapter, the certification grants access to a market niche in which consumers are aware of the ethical added value of the brand and competition is reduced to certified products. Other forms or reward are related to symbolic recognition, as commercializing Fair Trade products can be presented as a proof of the corporation's ethical commitment.

As a consequence, the decision of constructing the Fair Trade system on the basis of a voluntary certification provides a first and original structural constraint: business-friendliness. If the Fair Trade movement wants to improve the situation of workers in plantations, it needs those same plantations to be certified; if they want to improve the situation of small producers, they need them and their buyers to be certified. And, most importantly, if the Fair Trade system wants plantations, traders, importers, exporters and retailers to work within their certification-based framework, they need to offer them some incentives to do so. And this does not only mean providing economic or symbolic rewards, but also tempering the conditions set by their standards: because if standards become excessively demanding, they will eclipse the potential benefits of joining the system,

frightening away potential members. Consequently, Fair Trade needs to achieve a balance between, on the one hand, what would constitute ideal conditions of production and trade and, on the other, the initial limited interest that firms have in subjecting themselves voluntarily to an extra body of regulations. All in all, if the certification-based Fair Trade mode of regulation is to function smoothly, it needs to work within the self-imposed imperative of providing benefits to companies. If it fails to do so, no plantation, processor, exporter, importer or retailer will be interested in certifying and, consequently, no worker or small producer will be benefited.

While subaltern and capitalist interests are included in the FTCC, and their convergence seems to be the ultimate goal, both social classes are endowed with very different amounts of power. This happens as a consequence of, first, the already explained structural constraint imposed by a system based on voluntary-certification, and, second, due to the critical importance of capital for the functioning and growth of the system. This second reason is quite simple to understand: even if SPOs and companies relying on HL have obtained their respective certifications and comply with them exemplary, they will not yield the main benefits of Fair Trade if they fail to secure sales. Both the Fairtrade minimum price and the Fairtrade Premium – the most important innovations offered by the Fair Trade system – depend on the (volume of) sales achieved by the producer. Here again capital – and more precisely, commercial capital – is invested with a fundamental importance, because for Fair Trade to provide benefits to producers and workers, it depends on capital's purchases. And these purchases will only occur, of course, if the processors, traders, exporter, importers, distributors and retailers are presented with a business opportunity. If producers and workers are to be benefited by Fair Trade, so is capital. Therefore, it is not only the nature of voluntary-certification-based systems, but also the particular position occupied by capital in the Fair Trade mode of regulation, that reinforces the principle of mutual benefits at the heart of the FTCC: "FLO is here to introduce companies to producers and open doors for both" (Fairtrade Labelling Organizations International, 2010:4).

The unequal hierarchical position that capital occupies in the system grants an important degree of immunity: if it is to take part in the system in order to alleviate the suffering of workers and producers, capital needs to be guaranteed that this will not be done at its expense. This is particularly relevant in the case of HL certified firms, since here Fair Trade attempts to regulate the relationships between wage-earners and their employers. However, if the relationship between

capital and labor is understood primarily as a conflict over the distribution of surplus value, the immunity imperative leaves very little scope for transformative actions. While the promise of immunity is, of course, unwritten and tacit, there are different ways in which it can be appreciated. One clear example is the presence of members of the management in the Joint Body. While they have historically been in a secondary position vis-à-vis the workers' representative (having only a minority of votes in the past and – since 2014 – no voting rights at all), management representatives have always preserved their veto power in order to block any project financed with the Fairtrade premium if “it has demonstrable negative structural, financial or social impact on the company”.

Another clear example of the way in which Fair Trade protects businesses from negative impacts derived from empowering workers and producers can be seen in the adjustments of the balance between minimum prices and Premiums. In 2007 a minimum price for tea was introduced for the first time. This product was not new to Fair Trade, since it had been produced under its standards for a long time, but has up to that moment benefited only from the Premium. Now, with the establishment of a minimum price, tea producers face the risk of seeing their sales reduced due to the higher overall price faced by eventual buyers. Faced to this situation, what FLO decided to do was to “slightly reduce the Fairtrade Premium” which has “traditionally been set at a high level” in order to “help maximise market access opportunities” (Fairtrade Labelling Organizations International, 2008:17). If this was the case of a SPO one could describe this measure as a simple redistribution of benefits for producers, which flow from one category (premium) to the other (minimum price). However, Fairtrade tea is almost exclusively produced in plantations. What this means is that the establishment of a minimum price only benefits the company – who is the one selling the product – while the workers' main benefit is restricted to the Premium. FLO's decision of introducing a minimum price at the expense of the reduction of the Fairtrade Premium was actually a redistribution of the Fair Trade benefits, which actually flowed from the workers to the plantation owners. Exactly the same situation took place in 2006, when a rise in the minimum price of bananas (another of the most popular products among HL certified companies) was compensated by a decrease in the Premium. This shows that when market opportunities have been at risk, adjustments have been done in favor of capital.

While capital power in the system is clear and undeniable, the FTCC presents the relationships between managers and workers and producers and their buyers as horizontal partnerships. Capital fractions and subaltern classes are presented as

equals who share decision making faculties. This, in the first place, covers the actual unequal structural power that each class possesses in the system. In the second place, it implies that most decisions have to be taken consensually by capital and the subaltern classes, limiting in this way the freedom and autonomy the latter in the process of creating a fair productive and commercial regime. This last consequence can be seen in a variety of situations. The presence of management representatives with veto-power in the Joint Body – as it has been explained – is a clear example of this. Even if the role of management in this organ has been weakened with the last reform, a major interrogation remains pertinent: if the Fairtrade Premium constitutes a fund that is to benefit workers, their families and communities, why should worker representatives discuss their ideas with the management? The idea of a partnership between capital and subaltern classes is also embedded in the practice of standard setting, as FLO explains: “we consult both producers and business partners to regularly review our standards and prices” (Fairtrade International, 2012:8). Here, once more, the acceptance of the possibility of convergent interests limits the transformative potential of Fair Trade: standards can promote improvements for workers and small producers only as long as the measures taken are acceptable to managers and buyers.

Reinecke and Ansari’s (2015) analysis of the introduction of a Fairtrade minimum price for the production of rooibos tea in South Africa offers a valuable practical examples of how FLO’s belief in a common interest and a capital-subaltern compromise undermine the possibility of advancing decisions in the direction of an emancipatory position for small producers and workers. As it has been explained, the Fairtrade minimum price is supposed to be based on what FLO describes as costs of sustainable production, which shall constitute an objective point of departure for the discussion of the final minimum price. However, the application of this principle is not as simple as it might appear at a first glance. After the relevant price researches for rooibos tea production in South Africa were done, the results showed very disparate costs structures, where HL certified companies put forward a figure that was less than half of the one presented by SPOs. This created a conflict at the heart of the negotiation: on one side, small producer representatives demanded the fixation of a price high enough to cover their costs of sustainable production. On the other side, however, representatives of plantation managers (backed up by traders) opposed any price that would exceed their costs, arguing that it would jeopardize their opportunities for market access. Representatives of NGOs sided with the small producer’s position. The

Standards Unit (composed by two representatives from Labelling Initiatives, producers and traders each) was therefore to agree on the final price. At the end, it was decided “to make a compromise” (Ibid:878). The compromise was a “middle ground between CoSP [costs of sustainable production] of Hired Labour and Small Farmer” (Ibid.), a middle ground that, nevertheless, “was a price about 1/3 below the CoSP of Fairtrade’s key constituency; marginalized, smallholder farmers lacking access to conventional markets” (Ibid:875).

In a different publication, Reinecke (2010) presents a very similar situation, which took place during 2006-7 when the Latin American Fairtrade network of small producers (CLAC) presented a cost study according to which, in order to account for inflation and increased costs, the Fairtrade coffee minimum price should increase from 1.21 USD/lb to 1.41 USD/lb. As in the case of rooibos tea, producers and traders adopted clashing positions in the negotiation, but this time representatives from the Labelling Initiatives openly opposed the producers’ position and any kind of change in the minimum price:

Opposition came from some of the National Labelling Initiatives. They had invested tremendous energy into mobilizing civil society groups and convincing significant brands and supermarkets to adopt Fairtrade. Afraid to alienate some of their own new corporate supporters, they justified their reluctance to increase the coffee price by appealing to the risk that a significant fall in coffee sales would be harmful to producers. That behind each pricing decision lurked the uncertainty of how the market would react was one of the most powerful ways in which market rationality affected judgements on prices (Reinecke, 2010:572)

The position adopted by the same Fairtrade bureaucracy here can only be described as paradoxical: while their claimed mission is to improve the livelihood of small producers and one of their main tools to do that is the promotion of a minimum price that takes into account the costs of sustainable production, in this negotiation they were opposed to the price increases demanded by the Producers Network. Instead of backing up small producers, they supported the view held by traders (and, implicitly, retailers), by arguing that an increase in price would threaten their market opportunities. The final result of this negotiation was an increase of four cents to 1.25 USD/lb, instead of the 20 cents suggested by CLAC’s study, or the 10 cents to which their demand decreased when the negotiations deadlocked. Once more, the goal of conciliating conflicting interests – added in this case to the explicit concern by Fairtrade officials about the structural market-dependence of the certification system – led to a disadvantageous result for small producers, who saw an increase in the minimum price which was far from what they had originally demanded. What these two

examples clearly show is that Fairtrade's aim of reconciling the interests of small producers (subaltern class), large plantations owners (productive capital) and traders (productive and commercial capital, depending on the case) results in a de-radicalization of its potential. And this does not only mean that Fairtrade fails in moving towards major transformations, but also that they fail to deliver one of their most basic promises: providing a price that covers the costs of sustainable production.

When analyzed in the context of my case study, the fairness principle at the core of the FTCC seeks to legitimate a variety of subaltern-capital relations across the Argentinean Fair Trade wine sector: labor and capital (mainly in the cases of wineries, but also in some cases of grape production), grape producers and wineries, *contratistas* and, on the one hand, vineyard owners, and, on the one hand, wineries. In the remainder of this section, I offer an account of how the fairness principle is appropriated by the most relevant actors in the sector.

In general terms, my experience in the field showed that, far from provoking skepticism, the overall logic of interest conciliation at the heart of the FTCC is welcomed by all relevant actors, especially those belonging to the subaltern classes. This can be seen in two main ways. Firstly, the mutual compatibility of interests is many times portrayed as an objective fact, this is, it seems to be naturalized by the actors involved: what is positive for capital is also positive for the subaltern. Chino, for example, one of the *contratistas* from Uvasol, explains that if this SPO wants to benefit more from Fair Trade, they need wineries (their buyers) to boost their sales: "the issue of wine sales [is the key]; to be able to export, which has become increasingly difficult lately. And then, if the *bodegueros* do well, we do well too" (Interview AFT9). In Chino's view, Fair Trade seems to perfectly align the interests of winery owners (*bodegueros*) and *contratistas*: the latter will only benefit from Fair Trade if the former are successful in increasing their exports. A very similar argument is made by the grape producer Eduardo, the president of Uvasol, when explaining that their association and big wineries can benefit from Fair Trade as partners: "we are very hopeful, because we know that the benefit is immediate. If the sales grow for Tres Vientos, Palmer, La Mariana, for the certified wineries, then we too go hand-in-hand with them. It's like that, it's a direct benefit" (Interview AFT11). Lastly, Gilberto, a vineyard worker employed at Ecowine, also highlights the coincidence of interests between labor and capital: "I hope that sales increase a lot, for the benefit of everyone, for the owners and for us" (Interview AFT24). This same "spill-over" logic is presented by Richard, manager at Mendoza Wines, as a pre-condition for the effective

functioning of Fair Trade: “sometimes Fair Trade doesn’t help small producers. It doesn’t help us, *but if it doesn’t help us*, we cannot buy small producers their grapes” (Interview AFT27). As the quote shows, in the view of this manager capitalist and subaltern possibilities of benefits are entangled: if the former is not “helped” by the system, it cannot “help” the latter.

Secondly, the coincidence of interests is many times not only described as the natural course of the Fair Trade logic, but it is also perceived positively, especially by the subaltern. This is precisely what Eduardo sees as the most interesting element within Fair Trade, the possibility of improving the situation of small grape producers and wineries at the same time, dividing benefits in a balanced way: “it is more than reasonable that the agreement you’ll reach with the winery will be more than beneficial for oneself and for the winery too. Because that’s what matters. I think that what sparks interest the most in the Fair Trade system is that balance, that it is useful for both parts” (Interview AFT11). Within the FTCC labor and capital become partners, the intrinsic conflictive characteristics of their relation are shaded by an ethos of solidarity, where not only capital has accepted to enter the system in order to favor its workers, but also workers feel responsible for the success of capital. Omar, president of the Joint Body at Paso Alto, gives a clear example of this when explaining the reasons for behaving in accordance to the Fair Trade rules: “that’s why, if we do something wrong we run the risk of losing the Fair Trade certification, and that’s not what we want (...) As much for us as for the association and also for the company” (Interview AFT4). In Omar’s view, it is not only important to remain within the Fair Trade system because of the impact it produces on workers, but also because of a sense of responsibility towards the smooth functioning of the firm. Juan, president of the Joint Body at Ecovine, highlights the convergence of interests as a positive aspect – “at the same time happy, because while we benefit, the owners benefit” – and has no hesitations to identify the workers’ well-being with the company’s success: “what’s fundamental here – I think – is to hope that the owners continue selling and that the owners continue adding up, because we will all benefit from it” (interview AFT22).

As this brief overview of interviews excerpts show, representatives from all the relevant subaltern classes (contratistas, workers, small grape producers) seem to have appropriated the FTCC’s view of the mutual compatibility of capitalist and subaltern interests as natural and desirable. It is worth highlighting that this is not necessarily done in a naïve or misperceived way: the subaltern actors do not see Fair Trade – and the role of businesses within – as a purely charitable matter.



Instead, they are well aware of the fact that the company they work for or the buyer they sell to engages with the system because it provides them with certain benefits. However, what is interesting here is the fact that they are aware of this and see it as legitimate. They see the interests behind the firm's involvement and their position in the system as a fair choice that benefits everyone.

But, why is it relevant that subaltern groups perceive the convergence of interests as "fair"? Fair Trade, a system that appears as a higher level of justice (rising above the ordinary economy), portrays the interests of subaltern classes and capital as convergent and equally considered. In this way, it legitimizes its political project on the basis of the compatibility of contradictory interests, which, as it has been shown, actually limit Fair Trade's potential. The previous chapter described Fair Trade's self-defeating behavior in a variety of situations, including the relaxation of standards, the lack of implementation of certain aspects, etc. This self-defeating attitude is the direct outcome of the fairness principle described here: in an attempt to conciliate subaltern and capitalist interests, Fair Trade capitulates to many of the requirements posed by the latter, limiting importantly its potential to improve the situation of small producers and workers.

In the Fair Trade system capital continues to have a privileged position over the subaltern class, but because it has accepted to grant minor concessions in favor of weaker players, its domination re-emerges legitimated by a halo of ethicity. The FTCC prefigures an image according to which employers and workers, producers and buyers coincide in this system because they want to cooperate with each other in order to yield mutual benefits. However, as it has been showed in the previous chapter, the actual changes and impacts produced by Fair Trade are not much more than cosmetic adjustments. In this way, what the FTCC does is to take away the conflicting aspects of economic relations, legitimizing domination, and granting them an appearance of justice. As a consequence, a system that seeks to empower workers and small producers in order to grant them "more control over their lives" (Fairtrade Labelling Organizations International, 2010:2) actually institutionalizes and coats with a veil of legitimacy the power of capital and the control it exercises over the subaltern classes.

### **2.3 The subaltern-consumer nexus: an unmediated relationship**

Fair Trade seeks to correct market imbalances by targeting third world producers and first world consumers. In this system, the former are required to comply with

certain economic, social and environmental standards in their organization of work and production. In exchange, their products are certified as fair and are commercialized with a distinctive label. Consumers are expected to support and reward them by paying a price for their products that is high enough to ensure the reproduction of these sustainable conditions of production. Fair Trade is presented as a praxis that corrects injustices in international trade by putting the decision in the hands of ordinary people. Any person concerned about the situation of marginalized producers and workers in the third world can simply contribute to their well-being by buying the right products. Fair Trade is portrayed as an initiative from below, where individuals can express their preferences through their purchases, rewarding those companies that commercialize Fair Trade products and punishing those that choose not to. In this way, there is no need for government intervention, parliamentary agreements or institutional reforms: it is much simpler, as consumers can simply “respond to the invitation not to wait until politicians live up to their task, but to make this world a better place for all just by changing everyday shopping habits” (Fairtrade Labelling Organizations International, 2004:1).

Of course, Fair Trade consumers are not any kind of consumer, but individuals who express their civic and moral concerns through acts of consumption. FLO distinguishes Fair Trade consumers from consumers in general by a recursive use of adjectives, alternatively speaking of “informed consumers”, “consumers who care”, “conscious consumers” or “ethical consumers.” All these different conceptualizations can be brought together by a common shift in consumer values “from pragmatic, price and value-driven imperatives to a new focus on ethical value and on the story behind the products” (Fairtrade Labelling Organizations International, 2007b:12). More generally, Fair Trade consumers are many times equated to “people” or “citizens”.

Fair Trade consumers are endowed with a political halo, since they are the key actors in fueling the Fair Trade system and providing transformation. They are people who do not (only) consume with the goal of fulfilling their own needs, but with the intention of producing a transformation in the direction of justice. Some of Fair Trade slogans appear as excellent condensations of this view: “shopping for a better world” (Fairtrade Labelling Organizations International, 2004), “grab a Fairtrade banana and change a life” (Fairtrade Labelling Organizations International, 2007b:16). They decide to buy Fair Trade products because they want “the world’s disadvantaged producers to have a chance to realize their dreams of a decent living” (Fairtrade Labelling Organizations International,

2004:1). Given that consumers are given a role with such a transformative potential, it should not be surprising that the FTCC presents them as the main ally of producers and workers.

Althusser (2001:118) says of ideology that it has the function of constituting individuals into subjects: “ideology ‘acts’ or ‘functions’ in such a way that it ‘recruits’ subjects among the individuals (...) or ‘transforms’ the individuals into subjects (...) by that precise operation which I have called interpellation or hailing”. The FTCC, by offering a story of poor and marginalized producers and workers in the South and the need to transform their situation, hails consumers. It does not only say something about third world producers and farmers but also about consumers themselves. When interpellated by the FTCC, they are given a place within it and constituted as particular subjects (and not any individuals). The following quote – taken from Fairtrade’s “the Power of You” global campaign – clearly shows the way in which the subaltern-consumer nexus is expressed as an interpellation to individuals that attempts to constitute their subjectivity as Fair Trade consumers: “you have the power to do something amazing. The power to help farmers build better futures for themselves, and improve working conditions around the world. We salute you. The world needs more like you. Fighting for fairer trade, a fairer world. Once purchase at a time” (Fairtrade International, 2014:12).

In this way, consumers are represented as a sparkle of hope in the global North, since they embody the potential for change and will for justice that has the capacity to trace back and transform commodity chains: “we also believe that people and institutions in the developed world are supportive of trading in this way when they are informed of the needs of producers and the opportunities that Fair Trade offers to change and improve the situation. Fair Trade is driven by informed consumer choices, which provides crucial support (...)” (World Fair Trade Organization and Fairtrade Labelling Organizations, 2009:6). Fair Trade consumption, it seems to be argued, depends on building and strengthening ties between subaltern classes in the South and consumers in the North. It is only in that way – by reducing distances, by bringing them together – that consumers will be better informed about the situation of the subaltern and, therefore, express their solidarity and commitment in the form of purchases.

While both groups stand at the opposite extremes of the commodity chain, it is them who constitute the essence of Fair Trade. That is why Fairtrade International has stated as its mission “to connect disadvantaged producers and consumers”

(Fairtrade International, 2011a:3) and ensure a win-win situation for both parts. In this way, Fair Trade emphasizes the fundamental role that consumers occupy in its systems and includes among its main goals the task of bringing producers and consumers together. Only in this way will the latter be better informed about the situation of producers and workers in the third-world and will be willing to cooperate. Shorter value chains will, additionally, show a much more direct connection between both, allowing consumers to appreciate the impact of their actions more clearly and incentivizing them to each time more important levels of commitment. FLO constantly seeks to highlight the importance of direct linkages between producers and consumers, showing how the latter contribute to the wellbeing of the former, and often portraying these relations as unmediated: “fortunately, they [producers] are not alone in this endeavour, as millions of consumers and supporters are helping out” (Fairtrade Labelling Organizations International, 2007b:12).

In this way, the subaltern-consumer nexus presented by the FTCC could be understood as a dialectical union in which both poles of the commodity chain, in spite of their radical differences (in terms of their attributes, but also the function given in the system), come together into a relationship which is characterized by the development of close bonds and empathy. This is possible due to what the FTCC presents as a reduction of the distance between the subaltern classes and consumers, as the emphasis on information flows and the reduction of intermediaries in the value chain evidence.

However, this emphasis on proximity fails to account for what is actually a fundamentally *mediated* relationship between both extremes of the value chain. If any Fair Trade product gets to be consumed, it is because it has been bought to a producer, exported, imported, distributed and sold to a consumer. This is, the relationship between producers and workers from the South and consumers from the North is in the vast majority of cases mediated by the presence of commercial capital. Even if Fair Trade seeks to shorten value chains and avoid intermediation as much as possible, a direct transaction between producers and consumers is very difficult to achieve; Fair Trade products always need to be commercialized by intermediaries. Even if FLO distinguishes between an “integrated supply chain” – composed only by organizations that have Fair Trade at the core of their mission – and a “product certification route” – bringing together for-profit actors that have obtained the Fairtrade certification – the historical evolution of FLO described earlier has promoted the demise of the former in favor of the later. The consequence being that nowadays supply chains are increasingly and almost

exclusively based on the certification of actors, making of the commercialization of Fair Trade products the monopoly of professional trade firms, thus, commercial capital.

The presence of capital fractions (commercial capital and in the case of some products – where HL certifications are an option – both commercial and productive capital) and the central role they occupy in the system introduces certain tensions within the FTCC. The fact that capital is able to make decisions and even profit from the system is something only seldom openly acknowledged by Fair Trade actors. The preferred option, instead, is to ignore its presence. Capital, therefore, assumes the role of a taboo for the subaltern-consumer nexus, because even if it is a constitutive part of this relationship, it should not be mentioned. This is the clear conclusion emerging from a symptomatic reading of all the different passages in which FLO seeks to emphasize the importance of consumers without acknowledging the intermediation of capital – “to survive producers need markets, consumers to purchase their products” (Fairtrade Labelling Organizations International, 2005:18) – or those other ones in which it highlights who the winners of this system are – “FLO and its 20 members work to ensure a win-win situation serving both producers and consumers” (Ibid:3). A further example of this *taboo of capital* can be found in the most recent strategic framework that FLO has developed for the years 2013-15. Under the general aim of “unlocking power”, FLO identifies the four main constituencies whose power needs to be unlocked: smallholders, workers, citizens and companies, and ‘the people’. For each group, a brief description is offered. It is when one looks at the “unlocking the power of citizens and companies” headline, that the text becomes curious: “we will strengthen the grassroots social movement further, so we can increase producers’ sales and ensure even greater impact” (Fairtrade International, 2014:5). While a first and logical question would be to ask why a company would need to have its power unlocked by Fairtrade, I think it is more interesting to note the fact that in the description of the goal that concerns them, companies are not mentioned. There is a clear tension here, because even if “companies” are part of the title, they are simply ignored in the reminder of the section. The same happens in the 2012-13 Annual Report (Fairtrade International, 2013c), where in spite of offering a longer and more detailed text, no actions are presented for unlocking the power of companies.

The role of capital generates noise within the FTCC, noise that is not in tune with its general melody. Being that the case, the FTCC seeks to ignore it, to repress it, to make it inaudible. One of the main ways in which this is done is, precisely,

through the deployment of the subaltern-consumer nexus representation which, by definition, emphasizes the centrality of the relationship between subaltern classes and consumers – portraying them as strategic allies – and overshadows the intermediaries that make this linkage possible. However, these attempts are only partially successful because, at the end of the day, capital plays a central role in the system, and its presence needs to be acknowledged in one way or the other.

The taboo of capital should be understood as more than a simple curiosity within the FTCC. It is an expression of the tensions that emerge in a system that has been built on the basis of accepting the contradictions inherent to capitalist social relations. The taboo of capital shows how part of the FTCC rests on the repression and denial of commercial capital. And this is not a minor point, because commercial capital plays a central role in any *trade* system. In this way, we learn not only that the relationship between producers and consumers is far from being unmediated, but also that this mediation goes beyond a mere functional role: since commercialization is done by private, for profit, companies, they also need to be benefited by the system and have a say in its functioning.

As the subaltern-consumer nexus occupies such a central position in the FTCC, it has become one of the most relevant elements to communicate in the Fair Trade wine sector. The winery Tres Vientos, for example, has sought to find the best way in which this direct connection between consumers and subaltern groups could be transmitted with the commodity form itself. Their strategy was to include bottle neck collars containing messages that interpellated the customer directly, not only incentivizing them to commit to the system (“choose products with the Fairtrade mark”) but, most importantly, highlighting their capacity to make a change in the life of those that needed it the most by choosing this product: “with every purchase, you contribute to more balanced trade relationships and promote greater autonomy for producers.” Lastly, one of the sides of the collars presents a QR code that, followed by the inscription “meet the people who make up Tres Vientos FAIRTRADE”, is linked to a website that presents the story of Uvasol, the grape producer organization that Tres Vientos buys the certified production from. In this way, the consumer is not only made conscious of her/his power to make a change in this world, but is also invited to meet those whose life he/she is contributing to change.

However, the subaltern-consumer nexus, as I have argued, is far from being an unmediated connection. In between the two poles of the relationship capital fractions – especially commercial – play an important role, not only as

commodity-dealers, but also in the construction of the subaltern-consumer representation. Nick, representative of the wine importer Larex AB in the United Kingdom explains the importance of getting producers to convey the message to consumers:

We've got the producers trying to get that story over: websites is one way to do it, all this sort of things. But we need everybody. And we can only do our bit, we are quite small. Any chance you get for the producers to... it's a great chance, because they can bring it to life, because they can start talking about "this is our school, it's fantastic, we love it, it changes the whole village". I think the more we can talk about that, the better. Any story is good really to get over. I rely on good communication with the winery. Alejandra [from La Chilceteña] has to feed information (...) we use everything (Interview UFT3).

In this way Nick explains the relevance of the subaltern-consumer nexus for the overall FTCC and its possibilities of success and, at the same time, he shows the importance that commercial capital acquires in portraying such a nexus. They feed from information coming for the winery and are in charge of the engineering necessary to get the producer's messages presented to the consumer. The subaltern-consumer nexus has become so important for the Fair Trade sphere that it is even one element of negotiation with distributors and retailers, as together with the purchase of wine cases, buyers also get the right to "own" certain stories that they seek to communicate to their consumers:

What we do with a lot of importers, who don't have as much volume, but they want it to be personalized, the project, to their customers, what we do is we take the Premium plan and we would get specific information from Alejandra, she would give us this information, what we do, we take it to a customer and say "we would give you the information on that project, you could tailor make it to your customer", but in theory they are not taking anything because the projects were done back in Argentina, we are just taking it and we give the same project maybe to someone in Finland or Norway and the UK and they can personalize it. I'm trying to give you an example. We do one actually with a South African producer in Finland and they did sunhats. A small project, few hundred, couple of thousand dollars, but they were able to personalize that on their website and tell their consumers "your money will be used for this, it's going to that, it has provided a sunhat for a grower or worker". Then you get your picture with the grower and all that. And it works really well. And we've done that with La Chilceteña (Interview UFT3).

What this "behind the scenes" process shows is the fact that in Fair Trade the unmediated, direct, subaltern-consumer nexus is impossible. Commercial capital, as a commodity-dealer, makes possible the connection because Fair Trade, as a system based on mainstream international trade that permanently seeks to expand, cannot do without it. Therefore, from a functional point of view – because the

relationship is built through a commodity and the commodity cannot be transmitted without the intervention of multiple merchants: i.e. exporter, importer, distributor, retailer – the subaltern-consumer nexus, as portrayed by the FTCC, cannot take place.

Additionally, as it has been shown, commercial capital is relevant too because of the role it has in constructing the representation of the subaltern-consumer nexus and communicating it to consumers. This element of the FTCC is appropriated as a marketing strategy which seeks to interpellate individuals into Fair Trade consumers and bring them into the system through their purchases. A new commodity chain is built in parallel to the one that deals with wine. In this case, it is about information: producers and workers are asked to record a video in which they tell their story or pose for some pictures next to a representative outcome of Fair Trade's transformative power. Then, this information is edited by the winery and sent to their importer in the UK. The importer now has to work on the material they have received, both by making it useful for its own purposes and as a further element of negotiation with distributors and retailers. Different stories, bit and pieces of information, are divided among the importer's buyers for their further elaboration into "tailored" representations of the subaltern-consumer nexus. At the end of this process, the message that the final consumer of the Fair Trade wine bottle receives, the image of the producer or work that is finally conveyed, have passed through so many hands, gone through so many filters, that it is difficult, to say the least, to consider the subaltern-consumer nexus as an unmediated, direct, relationship.

In conclusion, this section has reconstructed the FTCC by analyzing the three most important pillars on which it is erected: (1) the displacement of the centrality of class-struggle and capitalist contradictions by the proposal of the North/South dichotomy as an alternative cleavage; (2) the legitimation of the domination of capital over the subaltern through the postulation of the compatibility of their interests; and (3) the overshadowing of capital's centrality in the system by the portrayal of the consumer-subaltern nexus.

### 3. The FTCC and hegemony

While the previous subsection engaged with the main elements that give content to the FTCC and the particular ways in which they have been embedded in my case



study, the purpose of this subsection is to analyze the FTCC by putting it in relation to the concept of hegemony. This will be done in two different ways. First, by acknowledging the unequal levels of power that different class fractions are given in this system, I will analyze how the resulting relations of domination are translated into a specific articulation of interests within the FTCC. In this way, I will be able to determine the historical bloc of forces that the FTCC seeks to attract and the relative importance that each group occupies within. Second, I will move from an “internal” view of the FTCC’s constitutive elements and their relation to class fractions to an “external” perspective from which to analyze its political strategy. In this way, I will explain the specificities that the “Fair Trade politics” assume in order to struggle for the hegemonic expansion of the FTCC in society at large.

### **3.1 The hegemonic articulation of interests within the FTCC**

As it has been shown, the FTCC possesses the elements necessary in order to accommodate the interests and views of a variety of social actors under a common project. A very comprehensive transnational historical bloc has been articulated around the FTCC, including small producers and their organizations, workers, private firms, exporters, importers, distributors, retailers, consumers, NGOs, and other supportive organizations from civil society. This is possible because the FTCC is presented as a political project that is able to improve the situation of all actors involved, transcending their factional interests by the proposal of a system that has been created with the goal of empowering the subaltern classes with the cooperation of capital. At the same time, the FTCC is composed of a democratizing narrative that makes consumers aware of the fact that they can very easily—by making the right purchases—contribute to transforming the injustices of international trade. At the end of the day, the FTCC ends up being a very appealing world-view in which subaltern classes, capital, NGOs, and ordinary people can join forces to transform the world: “for producers, the industry, and consumers, Fairtrade is an attractive way to make the world a better place” (Fairtrade Labelling Organizations International, 2005:3).

However, as we have seen, the FTCC is far from offering such a democratic balance between competing interests; instead, it makes some concessions to the subaltern classes but never at the expense of capital. In this way, the FTCC can correctly be described as a “bid for hegemony” (van der Pijl, 2012:7) following Gramsci’s remarks:

Undoubtedly the fact of hegemony presupposes that account be taken of the interests and the tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed—in other words, that the leading group should make sacrifices of an economic-corporate kind. But there is also no doubt that such sacrifices and such a compromise cannot touch the essential; for though hegemony is ethical-political, it must also be economic, must necessarily be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity (Gramsci, 1992:161).

A comprehensive concept of control—as a world-view with the potential to become hegemonic—is built on the basis of the articulation of the interests of dominant and dominated groups. However, as Gramsci clearly explains, even if the dominant class fractions will incur in certain sacrifices in order to content the dominated ones, this will never be at the expense of its “essential” interests. This is due to the fact that the construction of a concept of control, in the last instance, cannot threaten the position of the group that exercises “the decisive function” in the economic system. In the case of the FTCC, I argue, this means that while certain interests of the subaltern classes are actually taken into account, this is only done as far as it does not threaten capital’s central position. In this way, the FTCC’s “ethical-political” face highlights the alliance that a variety of actors have created in order to cooperate toward the empowerment of the subaltern class, while its “economic” face reveals that transformations take place only at a peripheral level, leaving capital’s central position untouched.

While the dominance of capital over the subaltern shall be clear at this point, in this subsection I would like to argue that, within the capitalist class, it is the commercial capital fraction that exercises the “decisive function” in Fair Trade’s “decisive nucleus of economic activity.” This means that commercial capital is, in the last instance, a hegemonic class fraction, occupying in this way a central position in the definition of the features adopted by the FTCC. In what follows, I will demonstrate the centrality occupied by the commercial capital class fraction and describe how such a hegemonic position is reflected in the structuration of the FTCC and the system it promotes.

In the first place, commercial capital is able to exercise power over productive capital due to the system’s particular architecture and the place it is given within. Fair Trade, being a market-based approach to social change, cannot solve the tensions derived from the need of realization. That is, if Fair Trade is supposed to effectively work and offer results, it depends on the actual validation of commodities in the market. In this sense, as with capitalism in general, some equilibrium needs to be found between consumption and production if crises want

to be avoided. However, there are two main features of Fair Trade that make it even more challenging to govern the contradiction between production and realization: first, the transnational nature of the system, which places producers and consumers in different countries and, therefore, makes more difficult the development of a strategy capable of dealing with this difficulty; second, and most important, the absence of any sort of higher authority with the political power needed in order to regulate the level of production, the availability of credit, subsidies, and any other sort of instrument that, for example, a state could make use of. As a consequence, the task of assuring the realization of production is left to private actors with access to the consumer markets (basically, some fractions of productive capital, but mainly commercial capital). Therefore, commercial capital's overall power in the system (and vis-à-vis productive capital) emerges as a consequence of its central role as a realizer of Fair Trade commodities, its position linking producer and consumer societies, and its strategic access to the latter.

Additionally, if the fair trade system is to be successful and increase its outreach, it depends on the continuous expansion of the sale of its products. And at a point that Fair Trade is far from hegemonic, that is, at a point in which Fair Trade products are not the main focus of supermarkets' demand, retailers still have a very important bargaining power and much to gain from their position as gatekeepers of massive consumption markets. Furthermore, supermarkets' position has been reinforced with Fair Trade's decisive adoption of a mainstreaming strategy. Since then, the main channel for sales has been big retailers and supermarkets, and the case of wine is not an exception as Larex's representative describes: "pretty much, the supermarkets here dominate the business, and they are the strongest players in Fair Trade, and The Cooperativist, specifically in Fair Trade, would be the biggest retailer of all" (Interview UFT3).

In the second place, this power that the commercial capital fraction acquires due to its central position within the economic realm is reflected in the institutionalization of Fair Trade relations promoted by the FTCC. This can be appreciated, for example, in the requirements for certifying, since the system itself poses important burdens on productive capital, who are the ones that need to meet the most demanding criteria in order to certify and go through the most detailed and long audits, while commercial capital (be it traders or licensees) face much looser standards. While the former need to adjust the way in which they produce, in which people work, their relation to the environment, etc., Traders are only demanded to pay the minimum price, the Fairtrade Premium, and they should be

open to the possibility of pre-financing. However, as we have seen, Traders themselves are part of the committees that settle minimum prices, allowing them to keep the burden under control. Licensees (which comprises any actor that buys finished Fair Trade products from Traders in order to re-sell them, ranging from importers to distributors and retailers), lastly, do not really face major challenges at the time of certifying, except for paying a license fee for using the Fairtrade logo. In this way, Fairtrade International's standards impose higher burdens on those actors engaged in production (HL and SPO), which tends to soften the more one travels through the chain toward the retail store. This, I argue, is a reflection of commercial capital's power over productive capital in the Fair Trade system.

While the historical bloc behind the FTCC is composed by a capitalist hardcore—dominated by commercial capital—it also includes the subaltern classes. And given the prominent place that the FTCC grants to the subaltern, it is important to highlight that if its rhetorical exaltation did not have some sort of material correlate, it would be very difficult to actually integrate the subaltern into this historical bloc. As the Gramscian notion of hegemony explains, some concrete concessions have to be made. While in the previous chapter we have seen certain benefits that the subaltern can grasp from this system (a minimum price, the Premium, representation through the Joint Body, etc.), in this chapter I would like to highlight one aspect that is particularly relevant to the subaltern in terms of agency within the Fair Trade sphere: the role of producer networks.

As explained in Chapter 3, the producer networks try to serve as fora for producers to—voluntarily—engage with their fellows and promote their interests as a whole. Three of these networks are in place currently, bringing together producers from Latin America, Africa, and Asia. These structures could be interpreted as platforms from which small producer organizations could better coordinate actions as a collective, providing the basis for the development of a common interest and unified action. In this sense, producer networks could offer the potential for different nationally-based subaltern groups to discuss the possibility of constituting a common transnational agency within the Fair Trade system. However, it is not clear whether this is the case, as these networks appear more as loose structures with limited power and infrastructure, than active forums of engagement. Nevertheless, even if the latter were the case, it is undeniable that producer networks have acquired centrality in the Fair Trade system in the last years. First, they were included as members of Fairtrade International in the same conditions as National Initiatives. Later on, they saw their importance increased, becoming co-owners of Fairtrade International together with the National

Initiatives, entitling both parts to equal voting rights in the General Assembly and the Board.

Small producers, having such a relevant position in the imaginary constructed by the FTCC, are integrated into the formal governance structure of the Fair Trade system occupying, at least formally, a very relevant position. This fact evidences, in consonance with the concept of hegemony, that if the FTCC is to be backed by the subaltern groups, it needs to accept certain concessions. In this case, small producers are not only positioned centrally within the FTCC's narrative, but also in the formal governance of the Fair Trade bureaucratic structure. They are beneficiaries not only of the system, but also their owners: "that's also why we are so proud that Fairtrade International is the world's only ethical certification scheme jointly-owned by the producers." (Fairtrade International, 2013c:4).

What this fact also shows is a hierarchy within the subaltern classes, since it is mainly small producer organizations that get to be represented in the formal structures and governance, and not workers. While currently all three producer networks have to include representatives of Joint Bodies along small producers, this was not always the case. Of particular relevance for my analysis is the case of CLAC, the Latin American network, which has historically opposed the certification of HL organizations and resisted, until very recently, the inclusion of Joint Body representatives among its members. As a matter of fact, even if all three producer networks currently include worker's representatives, they appear to be underrepresented in relation to small producers. Furthermore, the hierarchy between small producers and workers can also be evidenced in the different status they possess: while small producers can join Fair Trade through their own organizations, workers can only do it through the company they work for, depending always in this way on the management. This has very concrete effects in various aspects. The previous chapter showed, for example, that managers, because the winery does not benefit from it, have little incentives to increase Fairtrade Premium incomes. SPOs, instead, have the capacity to develop their own strategy in relation to Premiums. In this way, because of the weaker position they are given in the Fair Trade mode of regulation and its governance, workers can be seen as subordinated to small producers within the subaltern pole.

The hierarchical relationship between productive and commercial capital can be seen in the form of dependence in the Argentinean Fair Trade wine sector. The main difficulty that Fair Trade certified actors experience in the Argentinean wine industry is the impossibility that this mode of regulation has in order to influence

demand. Committing to Fair Trade, fulfilling all of its regulations, certifying all your production or producers, all that, can be totally useless if there is no one willing to buy your products. That is the situation of the small producer organization Uvasol. Uvasol has brought together a group of small and medium grape producers and *contratistas*, all of them certified. Initially, this association was created with the goal of providing grapes to Bodega Fabretti. With time, they were able to expand and sell to some other certified wineries, though more intermittently. However, according to Uvasol's president, in their best years this group of producers could sell only 20%-to 25% of their production as Fair Trade, and this proportion was reduced to less than 10% in 2013. This drop obeyed the fact that, for the first time since 2006/7, Bodega Fabretti did not buy them any grapes because of its growing stock and lack of sales. This situation pushed Bodega Fabretti to reconsider their 100% Fair Trade policy: that year it began to sell non-certified wine and diverted some of its production to the internal market (where the Fair Trade label is not used). As a consequence, this also strengthened Uvasol's dependence on non-Fair Trade channels of commercialization.

When explaining this situation, the owner of Bodega Fabretti, Gabriela, identified the main problem as the little regulation that FLO imposes over commercial capital. According to her view, productive capital faces many responsibilities in order to enter and remain within the Fair Trade system, while commercial capital fractions do not engage with any sort of commitments, making it very challenging to give foreseeability to the realization of Fair Trade production:

Actually, no one pays me a premium and my wine competes with any other. I do have to pay a Premium to the producer. I compete in price when buying the grape and I pay the Premium. And when I sell, no one pays me a Premium. And I am in between, very vulnerable. Because I have to tell the producers when I'm going to buy from them, how much I'm going to buy, how I'm going to buy. I have to take care of them. My importer... tomorrow tells me "I buy," the day after "I don't buy" (...) They do not have a commitment with me... of explaining how we'll progress, how it is going to work. This issue of commitment doesn't exist (Interview AFT14).

The example of Gabriela represents the dependence that productive capital has on commercial capital in the Fair Trade wine sector. Because even if a Fair Trade wine producer performs outstandingly according to the Fair Trade criteria, no benefits can be yielded from the system if they do not manage to sell their production. And even if Fair Trade promotes the development of long-term relationships between buyers and sellers, this does not happen (as it was shown in the previous chapter) because commercial capital—being the dominant class

fraction—is subjected to much less restrictions. Gabriela explains how the little control on commercial capital has been prejudicial for her:

Or now, that I have to think about next year's production, if they will tell me from Sweden in a year's time "oh, you produced all these quantities thinking that we would continue buying this wine? But you know, we're not going to buy it." Wal-Mart did that to me. They stopped buying from one day to the other and I was stuck with all the stock there. They made me produce cabernet, I made cabernet, I had FLO changing the definition [of a cabernet sauvignon small producer], I did everything, "here's the cabernet." They bought two containers, "we don't want more cabernet" (Interview AFT14).

The freedom of commercial capital to engage with Fair Trade producers or not as they wish makes the development of long-term relationships impossible. Pablo, manager at Medrano, has also highlighted the unequal situation of productive and commercial capital in the Fair Trade system and the difficulties that it poses to the former: "what should be done... I mean, the certification or the norm should encourage more the sales of wine. FLO should demand more from certified traders, so that demand could grow... something like that. A lot is demanded from the producer, but well, if there's no market, it's difficult." (Interview AFT12). The challenges posed by the changing demand are not only seen in the existence or inexistence of demand, but also on its characteristics: as the managers from Ecowine and Finca Alentejo have explained, sometimes buyers have attempted to buy either very high volumes that could not be covered in the short term, or very small ones, which did not make the transaction worthwhile.

In this way, the intrinsic transnational nature of this market-based system does not provide ways to accommodate the relationship between demand and production. Since the Fair Trade bureaucracy has very limited resources in order to incentivize the demand of Fair Trade wine in the UK, the task of realizing these commodities in the market is almost exclusively monopolized by commercial capital, granting them centrality in the system. A centrality that, as it shall be clear by now, results in more freedom and less restrictions than productive capital.

In conclusion, the analysis presented has shown that the FTCC has the capacity to attract a variety of actors: NGOs and their networks, grassroots organizations, commercial and industrial capitalist fractions, small producers, workers, and contratistas. However, given the different amounts of power that each group has in the conventional and Fair Trade economies, their interests are unevenly considered and included in the FTCC. The examination of the centrality of different functional positions in the Fair Trade mode of regulation, the power to

determine—or undermine—rules, and the level of burdens imposed by the system has made evident that the FTCC has been articulated under the hegemony of the commercial capital class fraction.

### **3.2 Fair Trade politics: a war of position**

Even if the Fair Trade system and its corresponding FTCC have continuously expanded and grown in the last decades, when put in the context of the overall international trade, it is undeniable that they still represent a marginal phenomenon. That is why it is important to emphasize that the FTCC should not be understood as hegemonic, but as a “bid for hegemony,” that is, a concept of control that has the potential to become hegemonic, but still needs to fight its way throughout civil society in order to gain massive support, to become a new common sense. While in the previous subsection I have explained that Fair Trade’s economic logic demands the continuous expansion of the production and sales of certified products, we find this imperative’s correspondence at the “ethical-political” level in the form of a political project that seeks to gain legitimacy and become hegemonic. If the FTCC, both at the economic and ideological level, is based upon an expansive logic, the question that should follow is: which strategy does FT follow in order to expand its presence and acceptance throughout society? Or put differently: what does the FT politics consist of? The Gramscian concept of *war of position* offers a first step in the direction of answering such a question.

As it has been explained, Fair Trade has built a system that attempts to do without the state. While Fair Trade considers the state relevant as a parameter for the definition of certain minimums in its standards and sometimes demands its involvement as a consumer or supporter (see chapter 6), its functioning does not target the state but, on the contrary, seeks to build an alternative form of regulation. In this way, it becomes clear that the politics through which the FTCC seeks to be promoted cannot be understood as a war of maneuver, because they do not go against or attempt to obtain state power, but, instead, can be much better identified with a war of position. As the concept of the war of position explains, the struggle for hegemony takes places within civil society and is fought by a variety of public and private actors in different (not necessary public) arenas. The goal here is not to achieve state power, but to promote and spread a particular world-view which would grant legitimacy to certain political praxis.



While a similar pattern of Fair Trade politics as a war of position is to be found globally, their level of development, the different strategies pursued, the relative positions achieved, and the degrees of success vary greatly from society to society. That is why, in the remainder of this section, I will justify my interpretation of Fair Trade as a war of positions by resorting to the more concrete specifications it assumes in relation to the different actors and settings that constitute my case study. As it was briefly outlined in Section 2, the United Kingdom is one of the eldest and biggest Fair Trade markets in the world. The economic relevance that Fair Trade has acquired in this country finds its correlate in the important development of a supporter base (constituted by individual sympathizers but also by a multitude of grassroots organizations) that plays an active role in the promotion of the FTCC. The case of Argentina is very different, first, because Fair Trade's presence there is relatively new and the number of certified organizations is still modest, and second, and most important, because due to Fair Trade's geography, Argentina is a place only of Fair Trade production. This last point means that all Fair Trade wine produced in Argentina is transported directly from the winery to the port, making it an inexistent product for the local society. This feature, common to the vast majority of producer countries, shows the limited (or inexistent) penetration of Fair Trade in Southern societies and explains the irrelevance of war of position in this context. As a consequence of these facts, the war of position is fought in the North, and that is why this subsection draws more heavily on the data I have collected in the UK. In what follows, I describe the form that the Fair Trade politics assume by, first, identifying the most relevant "trenches" where the war of position is fought and, second, explaining the pedagogic nature of this struggle for hegemony.

The Fairtrade Town scheme is one of the best examples of how Fair Trade politics can be understood as a strategy that follows the logic of a war of position. The "Fairtrade Town Action Guide," developed by the UK-based Fairtrade Foundation, defines five goals which involve a great variety of actors and civil society institutions: "gaining council support" entails a statement of support and a commitment to use Fair Trade products whenever possible by the local city council; "getting Fairtrade products into shops and cafés" means that at least two Fair Trade products have to be offered in a certain number (depending on the city's size) of retail and catering outlets; "making Fairtrade a part of the community" will be achieved by involving a diverse group of civil society organizations—such as workplaces, places of worship, schools, universities, clubs, societies, voluntary organizations, et cetera—and gaining their support and

commitment to use Fair Trade products whenever they have the chance; “engaging and informing the general public” is done by organizing events and activities in order to raise awareness and getting some media coverage; last, the objective “working together to keep things moving” states that a local steering group shall be created in order to coordinate the activities related to the Fairtrade Town campaign and further develop social commitment once the goals have been achieved.

In this way, through the definition of goals, the relevant trenches where the fight for hegemony is to be fought are identified. But that’s not the only place, since the material available for the grassroots organizations (steering committees, for example) also gives strategic advice on how to get the project started, how to proceed and succeed. In this way, the Fairtrade Foundation—the UK’s most important representative of Fair Trade’s bureaucracy—provides a “legal framework” (definition of goals, criteria to evaluate their fulfillment, confirmation of the Fair Trade Town status) and orientation (material, ideas, support, etc.) to grassroots movements in order to contribute to the expansion of the FTCC across civil society. According to the Fairtrade Foundation, there are over 2,000 Fair Trade towns all over the world, out of which more than 600 can be found in the UK, showing not only the market relevance that this country has in the Fair Trade world, but also the important development that Fair Trade politics have acquired in comparison to other countries.

While the Fairtrade Town initiative appears as probably one of the most ambitious and comprehensive strategies developed in order to progress in the war of position, similar but more modest schemes also exist. These more specialized initiatives are focused on specific trenches, and could be seen as stepping-stones on the way to achieving the Fairtrade Town status. Hence, the Fair Trade recognition can be granted individually to universities, schools, and faith groups if they express their commitment in the form of serving Fair Trade products whenever possible, raising awareness within their social basis, and setting up their own steering committees. The division of labor among Fair Trade actors works in the same way as in the case of the Fairtrade Towns strategy, with the Fair Trade bureaucratic institutions providing an official framework for these initiatives and delegating the actual implementation of the strategy to their supporters. At the same time, these strategies do not only foster the expansion of the FTCC throughout a wide variety of civil society institutions, but also contribute to the development of the Fair Trade grassroots sphere, since the creation of stable committees or steering groups is always involved among the objectives.

On top of these more concrete schemes, the Fairtrade Foundation organizes every year the Fairtrade Fortnight, which is basically a period of two weeks when a variety of Fair Trade–related events take place. Such a big concentration of activities, and the variety of organizations and institutions that get involved, usually produce an important impact, grabbing also media attention, which magnifies its effects. The Fairtrade Fortnight is the “high season” of Fair Trade campaigning and awareness raising, as all relevant actors become engaged, including not only the Fair Trade bureaucracy and grassroots organizations, but also traders and retailers. While on the one hand, the Fairtrade Fortnight works in the same way as a marketing campaign and businesses and Fair Trade actors use it alike in order to promote sales, on the other hand, it functions as an opportunity in order to present to a national audience what the FTCC is all about.

While Fair Trade actors are particularly active in the promotion and defense of the FTCC, capital—especially commercial—seems to be well aware of the importance of the Fair Trade politics. It is precisely due to this that Christian, manager for one of the main Fair Trade wine importers in the UK, sees wine as a product which faces more difficulties when it comes to the struggle in certain civil society trenches:

I think the reason it is difficult [to position Fair Trade wine], and you may think it's unrelated, but the reason I think it's difficult is because you can't market Fair Trade wine to children. And for me that's where Fair Trade starts: in schools, in villages, in the community projects; right down to the grassroots. When children are young, they are understanding the qualities of Fair Trade (...) But wine, because of the nature, it's alcohol at the end of the day. And you can't have the same level of interaction with children. And I think that is why. Certain mystery or block against it. (Interview UFT1).

This wine importer also becomes involved in the Fair Trade promotion, since they organized their own event during 2014's Fairtrade Fortnight, which, as the interviewee suggests, allows them to contribute to the diffusion of the FTCC and make sales at the same time (ethico-political + economic): “that's going to be a nice consumer event, raise awareness of Fair Trade and, you know, maybe get a couple of sales as well, that would be great.” (Interview UFT1).

The promotion of the FTCC and the struggle for its hegemony assumes most of the time the form of a pedagogic relationship, in which the promoters try to explain, to teach, the problems in international trade identified by the FTCC and the particular ways in which this system contributes to solve them. That is why, and following Gramsci, it can be said that the FT politics are based on the construction of pedagogic relationships:

The pedagogic relationship cannot be limited to the strictly "scholastic" relationships (...) This relationship exists throughout society as a whole and for every individual relative to other individuals, between intellectual and non-intellectual sectors, between rulers and the ruled, between elites and their followers, between leaders and led, between vanguards and the body of the army. Every relationship of "hegemony" is necessarily a pedagogic relationship (...) (Gramsci, 2014:1331).

The pedagogic dimension of the Fair Trade politics is quite clear when we go back to the subaltern-consumer nexus described as part of the FTCC. One of the key elements presented there was that the alleged proximity between the subaltern and consumer was to be facilitated by providing *information* to the latter about the former's situation. In this way, consumers (in the form of individuals but also, as we have seen in this section, public and private institutions) have the possibility to learn and understand about the difficulties faced by "southern workers and producers." Furthermore, the pedagogic relationship at stake also teaches consumers about the virtues of the Fair Trade system and its transformative impact, encouraging taking action and joining this initiative. The pedagogic dimension of the Fair Trade politics can be best appreciated by reviewing not only the amount of promotional and informative material that Fair Trade actors, certified organizations, and licensees produce, but also the variety of ways in which this "education" is attempted.

The Cooperativist is one of the UK's biggest supermarket chains and a leading player in Fair Trade retail sales in general and wine in particular, since it became the first retailer in the country to offer that product. Brad, its Fairtrade strategy manager, shows very clearly how the struggle for the imposition of a concept of control comprises both dimensions, one that engages with education and another one that is based on activism: "It's an ongoing process of education on one side and campaigning with our membership and product development and trying to drive the market on the other hand. And it all basically comes to the question... it's about the matching between the *ethos* of Fair Trade and what The Cooperativist stands for, in a nutshell." (Interview UFT5). Particularly interesting from the last quotation is the fact that, seen from the point of view of the supermarket, the FTCC (or "ethos," as Brad calls it) is not a representation to be put forward in itself, purely, but this has to be done in such a way that it secures a match, a fitting, with the company's own representation. Because, while the company is in one way functional to the Fair Trade movement, promoting and spreading its concept of control, the latter is in another way functional to the company, by contributing to its legitimized accumulation.

Interestingly enough, pedagogic relationships are not only established between certified actors (be they producers or commercial capital) and consumers, but also takes place among the former. A good example of this emerged during the part of my fieldwork which took place in the UK. When interviewing the UK representative of Larex AB—La Chilcriteña’s importer—he emphasized the importance of conveying the “Fair Trade message” not only to consumers, but also to the buyers themselves:

I’m taking the buyer there in a few weeks’ time, I’m taking him to Argentina (...) And when you show them the projects... we’ve taken them to see the projects, then they go “wow, ok, get it, get it.” That’s one of the reasons for taking the new buyer. We are paying for it, because they usually go for a trip, he has three hours with us, goes to somewhere else and sees four wineries a day or whatever there is. Now we just take him, we are paying for him, and I’m gonna show him, it will be two days at the winery, and he will see all the projects, he will see everything (Interview UFT3).

The SPO La Chilcriteña, together with its commercial branch in Europe, relies on some sort of “touring the buyer” strategy, in which they invite their buyers from time to time in order to show them the impact that Fair Trade producing is making in their community. In this way, they do not only provide information, but get their buyers to experience what the FTCC is all about. This strategy serves as a way of conveying the message to the buyer and it is also appropriated by the buyer, not only as an “awakening” to the reality of Fair Trade, but also as an input that the retailer can use in order to build its own pedagogic relationships with consumers. This is clearly transmitted by The Cooperativist’s wine buyer statement:

[It was] my first trip to Argentina, to see the projects out there and what we do is incredible, I’m absolutely thrilled about it (...) I think getting the Fair Trade message over to the consumer is always hard as a product, because, there used to be a documentary about... sometimes there’s a natural suspicion about Fair Trade, whether it’s really helping people on the ground. Which, you know, it’s fair enough, but actually what I’ve seen with my eyes deserves attention, for the visible, material difference it makes. So, in wine, I’m going to be looking at, over the next months, to display that more directly in the bottle. (Interview UFT6)

This partnership between La Chilcriteña, Larex AB, and The Cooperativist has also gone the journey in the opposite direction, by developing a “touring the producer” strategy. In this case, as it happened in 2014 during the Fairtrade Fortnight, two representatives from La Chilcriteña were taken to the UK in order to present their experience in a variety of Fair Trade events. Some of their presentations took place within civil society “trenches” (with talks at universities,

for example), while others were related to Fair Trade wine tasting events. I had the chance to participate in one of them, held in London, and observed how the typical wine tasting was infused with elements typical of the FTCC. The event was not only based on the activity of savoring different (Fair Trade) wine samples—led by an expert in the field—but also involved a presentation by the representative from La Chilciteña who not only told the story of her grandfather and his experience becoming a member of this cooperative, but also offered a PowerPoint presentation with images from Chilecito—the village where the winery is located—and the different projects that had been funded thanks to Fair Trade and The Cooperativist.

Both sorts of tours can be understood as pedagogic activities, where corporate buyers, Fair Trade supporters, or potential consumers are taught what the FTCC is and how it works. These two examples are interesting also because they show how the struggle for hegemony is not only fought by the Fair Trade bureaucracy or grassroots organizations, but also by other actors. In the first of the two examples, La Chilciteña, a certified producer organization that reunites subaltern classes, together with its co-owned merchant house, organized a program of activities for The Cooperativist's buyer. In the second example, the initiative is taken by The Cooperativist instead, who invited two members from La Chilciteña and made them take part in a variety of events they had arranged—sometimes in cooperation with steering committees or other sorts of grassroots organization—in some of the key institutions for the war of position.

As the last example shows, the cooperation between corporations and Fair Trade actors is not uncommon, especially because the former many times lack the power of mobilization that the latter possesses. Brad explains how this need has made them build “strategic relationships” with the Fair Trade organization Traidcraft, in order to use their supporter base: “the original motivation with Traidcraft actually wasn't about the products and, first and foremost, it was more about the campaigning side and trying to build awareness of Fair Trade, so it just came from there.” (Interview UFT5). While at the level of production, the Fair Trade bureaucracy likes to portray itself as domesticating capital through the imposition of their standards, in the war of position, instead, the relationship seems to be inverted, with the NGO sphere acting many times in a way that is instrumental to capital.

#### 4. The FTCC: a reaction against or a consequence of neoliberalism?

The analysis presented in this chapter so far has been mainly concerned with a discussion of the FTCC in relation to the Fair Trade sphere. This section attempts to put it into a broader social context by discussing how the FTCC relates to past and current hegemonic concepts of control: corporate-liberalism and neoliberalism. In this way, it will be possible to analyze how the FTCC stands in relation to these alternative world-views and the ways in which it is articulated to them.

As it was described in Chapter 1, the Amsterdam Project identified two main comprehensive concepts of control that have achieved hegemonic status globally since the post-war: corporate-liberalism and neoliberalism. As van Apeldoorn (2002:51) describes, the corporate-liberal concept of control:

synthesizes the two ideal-typical orientations of money and (domestic) productive capital respectively, the former premised on the principle of economic liberalism and the latter on the principle of social protection. This synthesis, however, entailed not only an articulation of the interests of these two idea-typical capital fractions, but also a class compromise between capital and labor as the newly emerging regime of industrial accumulation brought with it a further incorporation of the working class.

The corporate-liberal concept of control can be therefore characterized by three main elements: first, it results as a synthesis of a concept of control put forward by the money-capital class fraction and another one promoted by the productive capital class fraction. As a consequence, corporate-liberalism proposes a balance between “(international) economic liberalization and (domestic) state intervention” (Holman, 1996:27). Second, this concept of control promotes not only the conciliation between the two most relevant competing class fractions, but also between the capitalist class as a whole and labor. Third, the corporate-liberal concept of control was able to mobilize a broad social base, being backed up by a historical bloc “containing both a coalition of bank capital with the new Fordist industries (with the latter being the dominant fraction), and an alliance of Fordist capital with organised labour” (van Apeldoorn, 2002:52). This concept of control, which was pivotal in the construction and legitimation of the welfare state, remained hegemonic until the economic crisis of the 1970s questioned its main pillars.

One of the outcomes of the critical 1970s was the emergence of the neoliberal concept of control, which by the 1990s had already become globally hegemonic. The neoliberal concept of control expresses “the general objective of “unmaking”

the post-war class compromise and a fundamental restructuring of social relations in favour of private enterprise and propertied interests” (van Apeldoorn, 2004:195-60). The main objective of transforming the balance of forces between capital and labor is what made the neoliberal concept of control a “political project to restore capitalist class hegemony by, in its own rhetoric, freeing the market from the shackles of the state (disembedding the market)” (van Apeldoorn, 2002:55). As a consequence, already by the end of the 1980s, and especially during the 1980s, the dominant tendency all around the globe was marked by the retreat of the state regulation that sought to tame a pure market logic and, as a consequence, an increased power of the capitalist class over subaltern groups.

It is not casual that initiatives of “private regulation” begin to flourish within the context of the state’s weakening. Areas of social life that were formerly subject to the state’s intervention in the definition of the rules of the game start to be more and more under the control of players themselves. Additionally, it is also within this period that NGOs begin to emerge as actors that attempt to exercise regulatory functions over transnationalizing processes, either substituting the state in those terrains where it has retreated from or tackling issues where it had not been present before (cf. Hirsch, 2003). This trend, as Hirsch (Ibid) has well explained, is not simply the result of activism from below, but is also promoted by the most relevant international organizations of the moment (IMF, World Bank, etc.) and states themselves, as it can be evidenced in the extraordinary increase of resources that are directed toward NGOs. It should come as no surprise, therefore, that the Fair Trade movement is institutionalized in its certification-based variant during, and experiences a permanent growth from, the 1990s.

In this subsection I will argue that the FTCC and its specific institutionalization can be seen as both a reaction against and a consequence of the hegemonic imposition of a neoliberal concept of control. The FTCC should be understood as a reaction against a neoliberal concept of control because much of its content can be understood as vindication of the corporate-liberal concept of control in opposition to neoliberal developments such as the flexibilization of production and labor relations, the retreat of the state in terms of social services provision, and the enhancement of socioeconomic rights or, more generally, the disembedding of the economy from the social and political realm. However, the FTCC is also to be understood as a consequence of neoliberalism because it assumes the typical form of a neoliberal political project—as its private-governance approach is shaped by a multi-stakeholder architecture that comprises only non-state actors—and relies on a logic of market-driven social change. Therefore, I argue, the FTCC is crossed by



a contradictory relation to the neoliberal concept of control because it, on the one hand, seeks to overcome some of its most characteristic features by reintroducing central elements of corporate-liberalism but, on the other, attempts to do so by relying on a neoliberal strategy. The remainder of this section will analyze the tension that emerges from this contradiction and will discuss its implications.

The FTCC, as a reaction to neoliberalism, could be understood as an attempt to return to the main pillars that characterized the corporate-liberal concept of control. The similarities of the FTCC's content to that of corporate liberalism can be appreciated by reviewing the latter's three defining characteristics: a *combination of international economic liberalization and domestic state intervention*, the *conciliation of antagonistic class interests* and the construction of a *hegemonic historical bloc* with a wide social base.

As the analysis offered in this chapter has shown, even if Fair Trade seeks to regulate some aspects of international trade, it ultimately depends on constantly growing trade flows in order to assure the system's subsistence. In this way, even if Fair Trade imposes some extra conditions (*vis-à-vis* conventional trade) to those merchants engaged in international trade, it has to keep the amount and degree of its requirements relatively limited. Ultimately, Fair Trade needs to favor the international circulation of Fair Trade products, without which the system—which is built on the basis of a North-South dichotomy—could not work. Additionally, the lower level of burdens imposed on commercial capital when compared to productive capital—and subaltern fractions, as in the case of SPOs—evidences not only the importance of international economic liberalization, but also an analogic idea of “domestic state intervention.” While the standards regulating commodity flows across borders are less rigid, the most detailed and demanding requirements are included in the two standards related to production: HL situations (productive capital) and SPOs (subaltern fraction). As Chapter 6 has shown, many of the points included in these standards resemble some of the aspects that characterized, for example, the corporate-liberal wage relation, or at least attempt to tackle those of its features that have been threatened the most by neoliberal flexibilization. In this way, interpreting the role of the Fair Trade bureaucracy in a way analogous to the state—both as the structure that provides the framework for the system and as the political authority that oversees and regulates it—it can be said that the importance given to the regulation of the conditions of production could be interpreted as a way of domestic intervention in order to guarantee a certain balance between capital and the subaltern classes.

The second main element, the compromise between capital and labor, understood in my case study as a compromise between capital and subaltern classes, has been shown in great detail in this chapter. The Fair Trade bureaucracy, in a fashion similar to that of the welfare state, seeks to arbitrate the relationship between capital and the subaltern. This arbitration is guided by the attempt to reconcile the interests of these two groups, in an analogous way that the welfare state sought to do with capital and labor. In this way, it incorporates without questioning constitutive capitalist contradictions, attempting, at its best, only to attenuate their effects. The specific content of the FTCC and the concrete ways in which it is put into practice are, therefore, the result of the negotiation between, and the mutual acceptance by, capital and subaltern classes within the framework provided by the Fair Trade bureaucracy. This negotiation, nevertheless, is characterized by different quotas of power that each actor acquires due to their more or less strategic position within the Fair Trade system.

When it comes to the particular historical blocs that support each concept of control, a common feature is that both are based on the integration of capital and subaltern class fractions. However, while corporate-liberalism is characterized by the synthetic result of the concepts of control put forward by productive and money capital (under the hegemony of the productive capital fraction), the case of the FTCC shows an alternative articulation between the capitalist class fractions, with a commercial capital fraction acquiring a hegemonic position and the productive capital one following its lead. And if we look at the subaltern section of this historical bloc and its internal power relations—something that is not done in the analysis offered by the Amsterdam scholars—we can also argue that the FTCC favors an articulation of subaltern classes in which small producers have a higher hierarchical position than the other subaltern classes. This can be seen, especially, in the fact that they are more directly represented in the transnational producer networks, which are members of the main organs of the Fair Trade bureaucratic structure and also own it together with the National Initiatives.

When interpreted as a reaction to neoliberalism, the FTCC's *content* can be understood as an attempt to re-create a welfare state-like regulation at the transnational level, and that is why FTCC can be considered to resemble the corporate-liberal concept of control. However, the FTCC is crossed by a contradictory relation to neoliberalism, as it constitutes not only a reaction but also an outcome of it. The FTCC's nesting in a wider neoliberal framework becomes most evident when we consider its *form* (i.e., the sort of politics through which changes are promoted) as Fair Trade constitutes a system of private regulation that

seeks to do without state intervention. In this way, Fair Trade legitimizes the power of market relations to bring about change and builds a framework that relies on self-regulation by the actors involved. In total coherence with the neoliberal spirit, the Fair Trade system supports a form of control and coordination that excludes the state and, at the same time, is based on market logic.

The FTCC not only attempts to do without the state, but also seeks to channel the transformative will of its supporters through market. Criticism to unjust international trade relations, marginalization, and exploitation is not to be directed against the economic system, but expressed through that very same economic system; problems are not to be solved by public actors, but by private ones. As we have seen, the struggle to disseminate the FTCC is to happen in the “private” realm of civil society, and even if it comprises activism, grassroots movements, campaigning, and other typically “political” activities, all of them have the ultimate goal of motivating more sales of Fair Trade products. The exaltation of the subaltern-*consumer* nexus is clear evidence of the role that any virtuous citizen is given: at the end of the day, Fair Trade can be understood as a market democracy, where consumer-citizens express their normative views through purchases. In this manner, the particular way in which the FTCC is to be implemented perfectly reproduces neoliberal elements such as the retreat of the state, the disembeddedness of the economy—or actually, the embedding of the political in the economy—the self-regulation by private agents, the expansion of market rationality, etc.

If I have argued that, in terms of content, the FTCC resembles so closely the corporate-liberal concept of control, especially due to their shared aim of conciliating conflicting interests in order to guarantee a broad social base as their historical bloc, how is one to explain the FTCC’s strong neoliberal form? I consider there are two reasons to explain this. In the first place, one should look at the role of the hegemonic class fraction. While in the case of the corporate-liberal concept of control, it was the productive-capital fraction that exercised hegemony—privileging, in the last instance, a logic of domestic intervention or social protection—in the case of the FTCC, hegemony is exercised by commercial capital. I believe that this fact explains quite clearly why the FTCC, so closely resembling the corporate-liberal concept of control in many aspects, ends up introducing a plainly neoliberal political logic. Commercial capital, being one of the forms that capital assumes in the moment of circulation and, therefore, detached from the process of production, is not concerned about the conditions of production; instead, its main interest is to accelerate and increase the process of

realization in the market, which becomes easier in a cosmopolitan regime of free trade with little external intervention and no barriers. In this way, the commercial capital fraction resembles in important ways the other relevant capital fraction engaged in circulation: money-capital, which is the class fraction that has been behind the hegemonic expansion of neoliberalism.

In the second place, the neoliberal elements of the FTCC are to be explained not only by the similar functional positions of money and commercial capital, but also by the sectorial dimension of Fair Trade. As it has been explained, the FTCC entails a project that is restricted, by definition, to circumscribed economic and social spheres (mainly, agricultural production and trade) and, unlike neoliberalism or corporate liberalism, it does not provide a global project for the economy as a whole. In this way, the FTCC has not been constituted as a contender for hegemony vis-à-vis neoliberalism, but has instead been embedded in it as a way to facilitate its success. In this way, in its attempt to increase the level of social protection in international agro-food markets, Fair Trade has adopted political tools and strategies compatible with the dominant neoliberal concept of control.

All in all, in terms of its content, the FTCC can be described as an attempt to reconcile the interests of the subaltern and capital, resembling in this way the corporate-liberal concept of control. However, if we complement the analysis of the FTCC's content with one of its form, it becomes clear that the FTCC weakens corporate-liberalism. This element clearly shows why the FTCC is to be understood not only as a reaction to but also as a consequence of neoliberalism, introducing elements that do not only contradict, but also undermine, its potential as a reaction to the neoliberal concept of control. This tension is fundamental not so much because it shows an important contradiction within the FTCC, but especially because it proves to be self-defeating. As the analysis of this and the previous chapter have shown, most of the "progressive" objectives derived from the corporate-liberal concept of control—those that seek to protect the subaltern classes from, and reposition them in relation to, capital—end up being dissolved or weakened by the neoliberal approach that Fair Trade has chosen in order to implement them.

As a consequence, I consider that this combination of corporate-liberal content that ends up being diluted by a neoliberal form makes visible the fact that the FTCC could be best understood as an example of *roll-out neoliberalism*. Peck and Tickell (2002) distinguish two phases of neoliberalism. The first one, roll-back

neoliberalism, represents its negative face, as it was characterized by deregulation and dismantlement. Roll-back neoliberalism, dominant until the 1990s, entailed the active destruction and discredit of the social-collectivist institutions that characterized the welfare state (Ibid:384). Such an image of neoliberalism is similar to the one that has been presented so far in this chapter. However, Peck and Tickell's main argument is that this characterization of neoliberalism shall not be essentialized, as this destructive and reactionary moment of anti-regulation was later on superseded by a new stage of roll-out neoliberalism. This second moment emerged as a reaction to the institutional and political limits posed by "the perverse economic consequences and pronounced social externalities of narrowly market-centric forms of neoliberalism" (Ibid:388). In this way, roll-out neoliberalism represents a positive moment, in which the initial process of destruction and dismantlement is progressively complemented by a constructive moment that involves the deployment of new modes of governance and regulatory relations. This process, however, shall not be understood as a return to previous institutional arrangements, but rather as the construction of new, properly neoliberal forms of "metaregulation".

The concept of roll-out neoliberalism, I argue, synthesizes the FTCC's combination of a content that longs for some of the social protection principles characteristic of corporate liberalism and a form that epitomizes a neoliberal understanding of political praxis. Additionally, it contributes to the explanation of Fair Trade's self-defeating tendency, as it exposes the system's overall acceptance of a neoliberal understanding of regulation, which ultimately undermines its reformist potential. Lastly, it highlights the conservative political outcome of Fair Trade: because the FTCC manages to channel the concerns of those dissatisfied with the social inequalities produced by the current economic system through, precisely, the very same means that the system proposes, it turns out to contribute toward neoliberalism's "reconstitution" rather than its "implosion" (Ibid).

## 5. Conclusion

Chapter 6 identified the modest transformative potential of the Fair Trade mode of regulation and, in the case of the Argentinean wine industry, the way in which it contributes to furthering sectorial inequalities. The present chapter, in a complementary way, sought to identify the main causes behind those outcomes by examining the ideological elements and political processes that have shaped the

Fair Trade system as we know it. This was done in a number of steps, each of which comprised (a combination of) different levels of analysis. First, the most relevant class fractions and their main characteristics were identified. This was done both at the level of my concrete case and, more generally, the level of the Fair Trade system as a whole. Second, I offered a reconstruction of the FTCC by analyzing its three most relevant elements and their implications for different class fractions. While the FTCC of control was understood here as a general feature of the Fair Trade system, its more abstract examination was complemented by the concrete analysis of the ways in which it is embedded in my case and appropriated by the relevant actors. Third, by using the concept of hegemony, I sought to explain the type of interest articulation that the FTCC makes possible and the political strategy adopted by Fair Trade in order to disseminate its world-view throughout society at large. Again, this analysis proceeded at two levels of generality, identifying features that are common to the overall system and discussing the concrete ways in which they take place in relation to my case. Fourth, the relationship of the FTCC with previously and currently hegemonic concepts of control was discussed. This last section proceeded at the highest level of abstraction, as it sought to compare the general features of the “sectorial” FTCC with two other “macro” concepts of control.

All in all, the analysis presented in this chapter has shown that Fair Trade’s modest transformative ambitions, and their further dilution through implementation, are a consequence of the system’s acceptance of the main capitalist contradictions. The FTCC attempts to deny their inherently conflictive and destabilizing nature by displacing the subaltern-capitalist cleavage with a geographical one, postulating the compatibility of contradictory interests and presenting the relationship between subaltern classes and northern consumers as unmediated and unproblematic. However, FLO’s market-driven approach, which depends on voluntary certification and a system of private governance, enhances the power of capitalist fractions at the expense of the subalterns’ position. As a consequence, its attempts to improve the situation of marginalized small producers and workers are undermined by the acceptance of the legitimacy of capitalist interests.

## Conclusion

The overall logic of this dissertation was presented in Chapter 2 as a dialectical movement that begins with an abstract general concept of Fair Trade and progresses towards its further concretization in the particular case of Fair Trade wine produced in Argentina and consumed in the UK. In this way, the initial notion of Fair Trade was critically confronted with the concrete forms it represents along different levels of generality. Thus the various moments of the research process have contributed to the transformation of the concept of Fair Trade – not in the sense of fully replacing one concept with another, but emerging from the specific (though partial) conclusions developed while operating at different levels of generality. The goal of this concluding chapter is therefore to finish with the dialectical movement and systematically present the knowledge – Generality III – that has resulted from it.

In contrast to the research process, which logically proceeded from the general to the particular, the partial conclusions presented here will progress from the most concrete (case-specific) to the most general (common to the entire Fair Trade universe) in order to make explicit the way in which the increasing levels of concretization involved in this dissertation have transformed the general concept of Fair Trade. Therefore, the conclusion about the Fair Trade system as a whole is the result of a series of arguments that has been built on the specific effects of: (1) the coupling of the Argentina Fair Trade wine mode of regulation and the sectorial regime of accumulation, (2) the comparison of the conventional and Fair Trade modes of regulation, (3) the evaluation of the Fair Trade mode of regulation as in the standards and (4) the analysis of the ideological underpinnings and political implications derived from the FTCC.

The remainder of this section is divided into five parts: the first reconstructs the main argument that has emerged from the process of inquiry. Moving from the most concrete to the most general conclusions of my empirical analysis, it offers a definitive answer to the question of Fair Trade's transformative potential. The second section will build on the previous argumentation in order to discuss more generally the implications of the Fair Trade initiative for today's field of transformative political praxis. The third and fourth sections will offer some reflections on the theoretical and methodological frameworks that have guided my research process. Lastly, the fifth section presents possible paths for further research.

## 1. Fair Trade: A final assessment

Far from promoting transformation, the concrete effects of the Fair Trade mode of regulation in the Argentinean wine sector have proven to be clearly reproductive. The local regime of accumulation is currently characterized by a hierarchical split, in which a dominating and expanding quality-led regime of accumulation has eclipsed the hegemony previously enjoyed by a decaying quantity-led regime of accumulation. The most marginalized actors are located within the latter: small grape and wine producers that, since they are still attached to the table wine value chain, are the prey of the very concentrated power held by the three major wineries that dominate the market. Against this background, Fair Trade helps maintain this hierarchical split, as it only offers opportunities to actors that are part of the more successful and dominant quality-led regime of accumulation. This is a consequence of Fair Trade's international orientation and representation of products, because they, when embedded in the Argentinean wine sector, de facto exclude the production and commercialization of table wine (together with the small grape and wine producers that are part of its value chain). Consequently, the (limited) benefits offered by the Fair Trade mode of regulation are delivered to actors that occupy more strategic positions in the sector, and are denied to those whose future sustainability is at stake.

The Fair Trade mode of regulation in the Argentinean wine sector does not imply major transformations compared to the conventional one. While most important features remain unchanged, only a few could be considered to have the potential to contribute to necessary modifications in the sector, most importantly the regulation of hiring and working hours, the introduction of an administered minimum price and the promise of long-term trading relationships. However, as the empirical analysis has shown, the implementation of the Fair Trade standards in the Argentinean wine sector seems to systematically undermine their actual application and the transformative power that would come with them. Given that Fair Trade bureaucrats consciously decided on these gaps of implementation, I described them as the outcome of the Fair Trade system's self-defeating behavior, which involves granting exceptions to its own regulations and subjecting its standards to adaptation and a lack of enforcement. Therefore this mode of regulation as conducted in practice provides no opportunities for significant transformations in the Argentinean wine industry.

Moving to a higher level of abstraction, one can discuss the implications of these findings for the assessment of the Fair Trade mode of regulation "in general." This



can be partly done by analyzing the Fairtrade standards, which are common to producers and workers all over the world. The analysis of the Fair Trade mode of regulation “in the standards” showed that, far from transforming the productive and commercial structures that cause inequality, it attempts – at best – to improve the situation of producers and workers by repositioning them within those same structures. One of the main limitations of the Fairtrade standards is their formalist approach, as they recursively resort to national or sectorial legislation to define minimum requirements. This has two main drawbacks. First, it fosters uneven levels of protection globally, as the requirements will depend on the legal frameworks of each state or sector. Second, by relying on official parameters, the Fair Trade mode of regulation is ill equipped to solve problems caused by the official legislation itself. The main consequence of these drawbacks is that the effectiveness of this mode of regulation at providing social protection will depend on the context in which it is applied, as the discussion of the minimum wage vis-à-vis the living wage exemplifies.

While the Fair Trade mode of regulation is far from revolutionary, when compared to the *status quo* it presents some progressive innovations that could improve the position of marginalized producers and workers (as already identified: a reaction to some aspects of labor flexibilization, a minimum price, long-term contracts, a Fairtrade Premium, etc.). The analysis of the Argentinean wine sector showed that the implementation of the standards swept away most innovative developments, but are there reasons to believe this will be always the case? Argentina possesses certain specificities that are responsible for some of the shortcomings in implementation, which cannot be universalized. The clearest example is the minimum price. In a context of high annual inflation, FLO has not managed to keep its minimum price updated, thus making it totally irrelevant. As a consequence, Fairtrade’s minimum price does not play a role in the Argentinean wine industry, but could potentially do so in other contexts if properly calculated. However, most of the shortcomings related to implementation were a consequence of Fair Trade’s self-defeating behavior; this, I argue, does not seem to be unique to the Argentinean case but is rooted in Fair Trade’s ideological underpinnings and more general form of politics.

The main reasons for Fair Trade’s limited reformist standards – and the tendency towards their further dilution in the process of implementation – are found in the FTCC. Its core element, the fairness principle (according to which Fair Trade is committed to the conciliation of capitalist and subaltern interests) constitutes the backbone of a system that attempts to satisfy the contradictory demands of

different social classes. Additionally, the choice of voluntary standards and certification as its main instruments of intervention in essence replaces state power with a multi stakeholder-based form of governance. Both elements imply that in the process of empowering the subaltern classes, capitalists' cooperation cannot be forced or go unrewarded. As a consequence, the introduction of clashing interests acts as a de facto limitation of Fair Trade's transformative potential "in the standards", and favors a self-defeating attitude in favor of capital in their implementation.

All in all, Fair Trade's limited transformative potential can be seen at the highest level of generality as emerging from an uncritical acceptance of the main capitalist contradictions. However, unlike other economic forms, this one has been developed in the name of "just" and "alternative" relations of production and trade. In this way, Fair Trade seeks to legitimize itself among those concerned with global inequalities as an ethical alternative to a de-humanized economy. It invites them to join forces as consumers and contribute to global transformation. Since such a transformation is far from occurring, the Fair Trade system is instead legitimizing the current order of things: it attracts and channels discontent with neoliberalism in a form – and through means – that are compatible with it.

## 2. First as tragedy, then as farce

*Hegel remarks somewhere that all facts and personages of great importance in world history occur, as it were, twice. He forgot to add: the first time as tragedy, the second as farce.*  
(Marx, 1972:10)

The first pages of the introduction to this dissertation justified the relevance of examining Fair Trade due to its potential contribution to a broader debate on the emerging forms of global political praxis. The case of Nicaragua was presented as a paradigmatic example of the way in which global solidarity and commitment have been transformed in recent decades. In this concluding section, I return to that example in order to trigger a more general discussion of the implications of a Fair Trade model of politics.

At a first glance, when looking at the case of Nicaragua in the 2010s one could be tempted to have a feeling of *déjà vu*. As in the 1980s, we find the Sandinistas in power again. As in the 1980s, we see that coffee cooperatives in Nicaragua are

internationally endowed with a symbolism that incarnates the values of egalitarianism and emancipation. As in the 1980s, the production and commercialization of coffee seems to be the most popular way in which socially concerned individuals around the world express their solidarity with the Nicaraguan people. Are we, therefore, witnessing the repetition of a historical period? Is history happening a second time? A closer examination of the ways in which these *a priori* similar historical facts have been actualized shows that if one were to interpret history as occurring twice, it should be done following Marx's famous axiom: "the first time as tragedy, the second as farce".

A discussion of the 21<sup>st</sup> century version of the Sandinistas is, of course, well beyond the scope of this work. I will therefore only focus on the transformed way in which the coffee value chain continues to be a means of expressing international solidarity and support. In the 1980s thousands of people travelled to Nicaragua, in the context of a long-lasting and violent civil war, in order to work in coffee cooperatives and state-owned plantations. The formation of the so-called international coffee brigades was a political act: through the direct involvement in the production of coffee, activists were expressing their support for the Sandinista's cause directly on the field, in the battle ground. The work of the coffee brigades in Nicaragua was combined with an attempt to develop alternative means of commercialization through which other sympathizers of the Sandinista revolution could contribute with their purchases. Participation in the coffee brigades demanded important levels of commitment and sacrifice: travelling to a distant country immersed in violence, taking part in physical labor during long working days, living in modest conditions, etc.

However, very few of these elements be found in today's paradigmatic coffee-solidarity incarnation: Fair Trade. As the analysis presented throughout this work has made clear, Fair Trade has its origins in cases of solidarity trade like that in Nicaragua; nevertheless, the system's current features present stark differences. While Fair Trade still appeals to an internationalist logic similar to that of the coffee brigades, it proposes channeling solidarity in a very different way. While in the 1980s involvement in the coffee brigades would require important levels of sacrifice, nowadays, instead of harvesting the coffee, you can simply enjoy it in the coffee shop around the corner. While in the 1980s solidarity with Nicaragua represented a political statement in favor of socialist-oriented reforms, today's vaguer commitment to empowering small producers evidences much less radical connotations. And closely connected to this is the fact that, while involvement in coffee production in the 1980s was intended to be an anti-capitalist action, today's

purchase of Fair Trade coffee not only relies on – but also contributes to – the system’s preservation. In this way, if Fair Trade politics are to be compared to the international coffee brigades in any way, it should be in the form of a *farce*. It is a farce because even if Fair Trade might resemble the latter in many ways, and present its message along very similar lines, the intended economic and political effects are very different. As a consequence, Fair Trade offers a political project in which, under the guise of an ethical alternative to the unfair north/south divide, it simply works as a safety valve that channels opposition to the system through the very same means that the system has developed. As Marx (1992:247) asked and answered: “Why does history take this course? So that mankind may part happily with its past.”

In what way, then, does Fair Trade make it possible to *happily part with the past*, to leave behind more radical (often anti-systemic) forms of political engagement? It is precisely due to its farcical relationship to previous forms of internationalism, in which it vindicates the cause of transnational solidarity and engagement but attempts to operationalize it in a deeply transformed way, that Fair Trade can be seen as an invitation to overcome older, obsolete forms of political action that used to be informed by outdated ideals of radical transformation, and channel transformative synergies through new, updated means that do not challenge the system. Hence, this new form of political engagement raises the flags of previous struggles but reverses their consequences, as the Fair Trade mode of regulation and its structural forms do not pose any relevant challenge to conventional modes of regulation and regimes of accumulation. On the contrary, through its integration of opposition to the system, it helped pave the way for accumulation and maintaining the *status quo*. One could affirm that, in developing a system that relies on the very same structures and mechanisms that are at the root of social inequalities, Fair Trade simply contributes to solidifying their dominance because, as stated in one of the quotes that inaugurated my conceptual framework, the movement of history “is all the more governed by the logic of accumulation, the more the class struggle occurs in modalities that are compatible with the extension of commodity exchange” (Aglietta, 2000:67). At the end of the day, Fair Trade redirects the conflictive potential that originated in class antagonism towards a market-based and commodity-centered model of politics, thus diminishing any possible major disruptive effects.

All in all, the Fair Trade initiative does not seem to provide a viable alternative for transforming the global inequalities derived from transnationalized commodity circuits, because its only aim is to keep marginalized producers and workers in the

game by making some improvements in their living conditions. This, of course, is better than nothing. However, its failure to tackle the very structure of social relations that produces (and reproduces) its marginalization has perverse consequences. The first is the futility of this struggle: if the causes of poverty and inequality are not solved, the only thing that Fair Trade can aspire to is alleviating the hardship – to lessen the suffering. The second consequence is the self-defeating behaviors that this analysis has brought to the fore. Because even if Fair Trade activists attempt to produce some transformations or improvements, their acceptance of the most basic capitalist institutions and relations – that lie at the origin of the problems that are to be solved – end up eroding, subverting and undermining any attempts at progressive change. The third (and most perverse) consequence is the fact that Fair Trade ends up legitimizing the order of things, and therefore contributing to its preservation. However, this is not done in a straightforward way, because Fair Trade does not simply say “the system we have is good.” Instead, it denounces the system, declares it “unfair” and proposes a different path to follow. The problem is that this alternative path is no more than a new, friendlier head of the same monster. In this way, Fair Trade constitutes a false alternative that, since it is portrayed as an ethical option, presents the same old social relations under a new legitimizing light.

### 3. Theoretical reflections

Theoretically, this dissertation can be understood as an attempt to outline a renovated regulationist perspective that takes the original Parisian formulation as its point of departure and seeks to overcome its main weaknesses by complementing it with the work of the Amsterdam Project. Its most immediate goal was to provide a conceptual framework for the empirical research presented here. However, its ultimate aspiration is to make a theoretical contribution to the wider field of critical political economy.

The proposed regulationist framework has not simply combined the two original perspectives; it has also critically appropriated them in various ways. While the French Regulation Approach provided the main pillars on which my conceptual framework was built, its main weaknesses were nevertheless highlighted: a relative neglect of agency, the reduced conceptualization of extra-economic dimensions and its fixation with the nation-state as the main scale of analysis. In order to overcome these problems, key concepts developed by the Amsterdam

Project were introduced, such as class fractions and class formation, comprehensive concepts of control, the transnational and hegemony. Furthermore, the sectorial dimension of my study demanded a reflection about adapting these macroeconomic theories to this new scale. In relation to the French Regulation Approach, this led to the discussion of the conditions of possibility and the characteristics of properly sectorial modes of regulations, regimes of accumulation and institutional forms, plus the development of a sixth structural form: the representation of the product. In relation to the Amsterdam Project, efforts to adapt its macroeconomic formulations involved reflecting on the implications of using the notion of a comprehensive concept of control at the sectorial level and the different forms in which it might relate to broader, hegemonic concepts of control. While it provided a fruitful way to deal with the main weaknesses of the French Regulation Approach, the Amsterdam Project was also critically appropriated, as it became necessary to overcome some of its limitations. This was done in two main ways. First, the concept of subalternity was introduced in an attempt to remediate the relative neglect and lack of theorization that subordinated class fractions have received in the original Dutch formulation. Second, a discussion of NGOs within a historical materialist framework was provided in order to face the challenge of accounting for actors with no obvious links to the structure of class relations.

Applying the resulting conceptual framework to an empirical examination of Fair Trade made it possible to put forward an original and unprecedented perspective of analysis that sought to overcome some of the limitations of the current literature. In this way, it was possible to examine the ways in which Fair Trade attempts to structure socioeconomic relations, to compare them to the ones that dominate the conventional economy and to determine its concrete effects. However, the analysis was not limited to this more structuralist and economic dimension of Fair Trade, as the process of inquiry was further developed in order to explain the political processes and ideological elements that are responsible for the concrete socioeconomic outcomes identified. Consequently, this regulationist framework sought to overcome both the fragmentary and utilitarian tendencies that dominate the literature in a way that made it possible to account for Fair Trade's multidimensional nature.

From a broader point of view, this conceptual framework should also be understood as an attempt to move forward the development of the critical social sciences and, more specifically, political economy. When describing the present state of the critical social sciences, Žižek (2006:55) concluded that “the ‘pure

politics' of Alain Badiou, Jacques Rancière and Étienne Balibar (...) shares with its great opponent, Anglo-Saxon Cultural Studies and their focus on struggles for recognition, the degradation of the sphere of economy." Denunciations against economic reductionism by cultural studies and post-structuralism have led to the prioritization of the study of culture, discourses and signs in isolation from material determinations, which has seriously reduced the scope and potentiality of social criticism (Rojek and Turner 2000; Sayer 2009). This "culturalist offensive" has had analogous effects in the field of political economy, where its vindication of the cultural dimension of economic life has been conducted at the expense of "reducing the economic systems to the lifeworld in which they are embedded" (Sayer 2001:687). As a consequence, attempts to develop political economy have been marked by 'culturalism', i.e., the reduction of all social (economic) facts to culture. While the advancement of critical political economy does indeed require serious engagement with the symbolic dimension of social life, this should not be done at the cost of denying the relative autonomy of economic social relations and the effects they produce in terms of constraints and opportunities. Within this background, the proposed regulationist framework should be welcomed as a double reaction: in the first place, as a reaction to the deterministic and economistic tendencies present in neoclassic economics and some orthodox forms of Marxism; in the second place, as a reaction to the culturalist variants of political economy that end up subsuming the specificities of the economy in the reign of language and discourse. The critical appropriation of the French Regulation Approach and the Amsterdam Project put forward here, I argue, makes it possible to examine economic phenomena, paraphrasing Gramsci, in its "integral sense": as the complex totality of specifically economic, but also political, social, ideological and cultural processes.

Theoretically, this dissertation sought to provide a fruitful conceptual framework for analyzing Fair Trade and developing its potential applicability to other empirical realms. Therefore, the theoretical perspective presented here can be seen as a possible path for the advancement of the original regulationist formulations and, hence, a contribution to the field of critical political economy.

However, some of the developments presented here, while useful enough for my empirical analysis, would still require further elaboration in order to become relevant theoretical contributions. This can be said in relation to both the *representation of the product* structural form and the concept of *subaltern classes*. In relation to the first, it must be admitted that the Regulation Approach still lacks the conceptual elements necessary for its further refinement. Therefore, my use of

this concept has been mainly empirically driven, lacking a deeper theoretical elaboration. By contrast, my attempt to conceptualize subaltern classes was characterized by a more important theoretical discussion. Nevertheless, in order to more fully develop this concept within the framework of a transnational historical materialist perspective (as the Amsterdam Project usually describes itself), more empirical research and analytical work will be needed to explore the subalterns' internal cleavages, processes of class formation and, especially, their ability to act transnationally.

#### 4. Methodological reflections

Methodologically, I developed a dialectical justification for the research design that guided my process of inquiry. By using a dialectical perspective, I attempted to explicitly reflect on the various levels of concreteness/generality at which the research process has operated, and to discuss the implications of this fact for the different phases of the project.

In methodological terms, this dialectical approach offers a specific framework for understanding the limitations and potential of analyzing concrete cases. Going beyond dichotomic positions – singularizing and generalizing ones – I have argued that empirically examining a case provides both an entry point to some general aspects shared by other cases and concrete aspects that are unique to the case under examination. As a consequence, it becomes the researcher's responsibility to determine which general and concrete aspects her/his case leads to, and to develop her/his analysis with this layered understanding in mind.

Consequently, my research design was characterized by a sequence of moments that – even if all were necessary for the assessment of Fair Trade (in the case of wine produced in Argentina and consumed in the UK) – involved varying levels of generality. Thus different types of data (and different methods of data collection and analysis) became relevant for the various moments in my dialectical research process. This led to a plural strategy of data collection that relied mainly on in-depth interviews with relevant actors and the collection and analysis of a variety of documents produced by Fair Trade organizations. Participant observation was also conducted when possible, though to a much lesser extent. These qualitative primary sources were complemented with quantitative ones, which consisted of statistical databases. Secondary sources were also important and came from the



academic literature. All these different types of data were used, analyzed and combined in different ways according to the different moments they contributed to in the overall research process, as was explained in Chapter 2.

All in all, a dialectical understanding of carrying out a case study was particularly useful in my empirical analysis, as it made it necessary to identify the different levels of concreteness and abstraction at which I was working at each stage and, consequently, reflect on the level of generalizability or uniqueness of my conclusions. This made it possible to elaborate a more complex and accurate argument, which was capable of distinguishing how the different dimensions assessed were specific to the case under examination or common to the whole Fair Trade universe.

Though the wide variety of data sources used was enough to accomplish the goals that guided my inquiry, this dissertation would have benefited from the possibility of obtaining data from “within” the most relevant Fair Trade organizations, especially Fairtrade International. Internal data could only be gathered for this analysis via secondary sources, but primary source data would have been important to reconstruct the internal processes that guide the governance of the Fair Trade sphere, and to explain how the relationships between different actors take place and are negotiated. Observation of board and general assembly meetings, and the work in the commissions that decide on standards and minimum price modifications, would have been particularly relevant. Unfortunately, due to lack of access, this could not be done.

## 5. Future research

The main conclusions presented in this dissertation – and the research process through which they have been achieved – signal possible paths for further research in order to enrich the state of the art both thematically (in the Fair Trade literature) and theoretically (in the field of critical political economy). In this last subsection, I present three possibilities: (1) deepening the conceptualization of (transnational) subaltern classes through a closer examination of Fairtrade Producer Networks; (2) a comparative analysis of the role of productive capital throughout the system in the form of a critical study of Hired Labor certifications and (3) a theoretical engagement of the regulationist perspective used here with Convention Theory in

order to better account for the concrete socioeconomic effects of Fair Trade's "quality moment."

1. This dissertation has provided a first attempt to develop the Amsterdam Project's conceptualization of social class (fractions) in order to account for subaltern classes, their internal cleavages and their possibilities of class formation. The Amsterdam Project has argued that because subaltern groups are usually impeded from exercising their agency transnationally (as capitalist fractions much more easily do), they have received little attention within a framework that attempts to better understand the increasingly transnational nature of global capitalism.

Future research on Fair Trade could thus be useful in the further conceptual refinement of "subaltern classes" within such a theoretical strand. This could be done by studying the three Fairtrade Producer Networks that bring together representatives of various Small Producer Organizations and Joint Bodies in Africa and the Middle East, Asia and the Pacific, and Latin America and the Caribbean, respectively. These organizations, as it has been described, have improved their institutional representation and position within Fairtrade International in recent years, as they have not only become co-owners of the organization but also, more recently, have been made responsible for the provision of direct services to producers. In spite of these recent changes, producer networks have received little attention in the academic literature. In this dissertation I have argued that changes in FLO's architecture have had little impact on the subalterns' power within the organization; however, it would be relevant to examine the concrete dynamics that take place among subaltern groups within producer networks. Consequently, their examination could be enriching not only as a form of generating knowledge about a thus far unexplored phenomenon, but also as a driver of theory development. In this way, one could ask whether producer networks can offer grounds for the process of forming a transnational subaltern class, how different subaltern classes relate to each other, and the diversity of interests and hierarchical relations established between them. Given the fact that, as argued by the Amsterdam scholars, subaltern groups have few chances of acting transnationally, future research could examine producer networks as possible arenas for the transnationalization of subaltern groups and, in this way, contribute to the further refinement of the conceptualization of the subaltern classes.

2. This dissertation used a class-based conceptual framework to question the north-south cleavage put forward by the Fair Trade geography. As a consequence,

it was able to identify (and highlight the contradictions associated with) the important presence of fractions of productive capital in the “south” – these are often major sectorial players and/or are connected to transnational circuits. This fact, unsurprising for many Fair Trade scholars, is much more obscure for ordinary consumers and the general public, who have no means of distinguishing whether the Fair Trade product they are buying comes from the property of a marginalized small producer from the south (as the FTCC narrates) or the plantation owned by transnational capital from the north.

In the case of the Argentinean wine industry, it was possible to see that major fractions of transnational capital had much easier access to international markets and, in this way, were in a better position to profit from Fair Trade. When the examination became more general, the attention was turned to the process of negotiating minimum prices, where the presence of big plantations – with relatively lower costs of productions due to economies of scale – pushed minimum prices below the costs of sustainable production for small producers. In this way, the evidence presented here points to the fact that Fair Trade is not only benefiting conventional capitalist fractions but also that, in so doing, it undermines the possibility of improving the situation of subaltern classes.

These findings, in addition to the fact that the creation of the Hire Labor certification has always been strongly contested by many actors and observers (CLAC, the Producer Network for Latin America being one of the most relevant examples), indicate the need for a global and systematic study of the presence of capitalist fractions certified as Fair Trade producers, the relative power and importance they have in the system vis-à-vis Small Producer Organizations and the effects that their participation in the system has on the position of Small Producer Organizations.

3. Fair Trade is currently undergoing what Goodman et al. (2014) have defined as its *quality moment*, i.e., a historical phase in which the goal of mainstreaming has pushed the system to embrace the quality criteria that dominate conventional food networks (e.g., better taste, higher quality and packaging capable of conveying these attributes) at the expense of alternative representations – linked, for example, to solidarity with marginalized producers or an ethical commitment to their communities. In light of my empirical analysis, this quality moment came to reinforce the already-dominant tendency in favor of high quality in the international wine market; its main effect is the de facto exclusion of players connected to the value chain of table wine in Argentina. While the analytical

framework put forward in this dissertation was able to identify such a phenomenon, an in-depth exploration of the role of quality in the representation of Fair Trade products exceeds the scope of this project and the possibilities offered by its conceptual apparatus. Future research, hence, should examine in a comparative way the role played by “conventional” quality criteria in the representation of Fair Trade products and determine whether the Fair Trade quality moment also leads to the exclusion of the most marginal players, as was the case in the Argentinean wine industry.

The previous literature on Fair Trade, as showed in Chapter 3, has already analyzed the way in which Fair Trade transforms/reproduces quality conventions in relation to certified products. This literature has convincingly described the symbolic and institutional impacts of the struggle for quality representations. However, it has been weaker in identifying the concrete socioeconomic effects that changing representations of Fair Trade products have had, and the structural constraints (posed by the Fair Trade system and conventional economic sectors) that have framed the emergence of such representations. In this way, it would seem appropriate to expect future explorations of the role of quality in the representation of Fair Trade products to transcend a narrow deployment of Convention Theory and commit to its articulation within a regulationist framework.

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## Annex: List of interviews

Code	Place	Date	Position	Organization	Description
AC1	Buenos Aires	20-08-2013	President	Institute for Equitable Trade	Local NGO that has been involved in different non-certified initiatives related to Fair Trade, social economy, etc.
AC2	Buenos Aires	21-08-2013	Board member	Amartya Foundation	NGO working on sustainability issues. It has a program to support responsible consumption
AFT1	Buenos Aires	21-08-2013	Liaison Officer	Fairtrade International	First representative of FLO in Argentina
AFT2	Buenos Aires	22-08-2013	Former Fair Trade advisor for La Chilecitera		Wrote his master thesis on Fair Trade in La Chilecitera and later worked for them as a Fair Trade implementer.
AC3	Buenos Aires	22-08-2013	Responsible for Fair Trade project	Fundación Fortalecer	Foundation that belongs to the Argentinean Agrarian Federation. Has worked quite closely with FLO since they got a project funded by the Inter-American Bank of Development to promote Fair Trade practices.
AFT3	Mendoza	06-09-2013	Manager	Paso Alto Winery (HL)	Fair Trade officer at Paso Alto
AFT4	Mendoza	07-09-2013	Worker	Paso Alto Winery (HL)	Worker and president of the joint body at Paso Alto.
AFT5	Mendoza	10-09-2013	Manager	La Mariana Winery (HL)	Fair Trade officer at La Mariana.
AFT6	Mendoza	10-09-2013	Liaison Officer	Fairtrade International	Has recently begun at FLO.
AC4	Mendoza	12-09-2013	Director of the Mendoza-San Juan Regional Center	INTA (National Institute for Agricultural Technology)	INTA is a state agency dedicated to research and technological development in the area of agriculture.
AFT7	Mendoza	13-09-2013	Manager	Tres Vientos Winery (Trader)	Market Coordinator: Europe-Canada-Africa. In charge of Fair Trade.
AFT8	Mendoza	13-09-2013	Agronomist	Uvasol (SPO) and Fabretti (Trader)	Implementer and advisor of Uvasol and Fair Trade Officer at Fabretti.
AC5	Mendoza	16-09-2013	Researcher	INTA (National Institute for Agricultural Technology)	Specialized in the situation of small grape producers in Mendoza
AC6	Mendoza	19-09-2013	Marketing and Communications Manager	Wines of Argentina	Wines of Argentina is the sectorial organization that promotes the image of the Argentinean wine industry internationally
AFT9	Mendoza	24-09-2013	Contratista	Uvasol (SPO)	
AFT10	Mendoza	25-09-2013	Contratista	Uvasol (SPO)	
AFT11	Mendoza	26-09-2013	Grape producer	Uvasol (SPO)	President
AC7	Mendoza	25-09-2013	Manager	COVIAR (Argentinean Viniculture Corporation)	COVIAR is the sectorial organization that administers the Wine Fund.
AFT12	Mendoza	25-09-2013	Manager	Medrano Winery (HL)	Export Manager
AFT13	Mendoza	26-09-2013	Manager	Palmer Winery (Trader)	Quality Manager. In charge of Fair Trade
AC8	Mendoza	27-09-2013	Researcher	INTA (National Institute for Agricultural Technology)	Interested in Fair Trade within the "Value added program"
AFT14	Mendoza	30-09-2013	Co-owner and general manager	Fabretti (Trader)	
AFT15	Chilecito	15-10-2013	Vice-president / grape producer	La Chilecitera (SPO)	
AFT16	Chilecito	15-10-2013	Grape producer	La Chilecitera (SPO)	Small Producer

AFT17	Chilecito	15-10-2013	Grape producer	La Chiliciteña (SPO)	Medium Producer
AFT18	Chilecito	15-10-2013	Worker	La Chiliciteña (SPO)	Former member of the Joint Body
AFT19	Chilecito	15-10-2013	Manager	La Chiliciteña (SPO)	Institutional Relations - Fair Trade officer
AFT20	Buenos Aires	04-11-2013	Owner and manager	Ecowine (HL)	Fair Trade officer
AC9	Buenos Aires	05-11-2013	Researcher	INTA (National Institute for Agricultural Technology)	In charge of an agreement between INTA and Fundación Fortalecer on Fair Trade
AC10	Buenos Aires	05-11-2013	President	Interrupción	NGO that promotes Fair Trade (Working with the certification IMO)
AFT21	Mendoza	18-11-2013	Manager	Medrano Winery (HL)	Fair Trade officer
AFT22	Mendoza	20-11-2013	Worker	Ecowine (HL)	Worker and member of the joint body.
AFT23	Mendoza	20-11-2013	Worker	Ecowine (HL)	Worker and member of the joint body.
AFT24	Mendoza	20-11-2013	Worker	Ecowine (HL)	Worker and member of the joint body.
AC11	Mendoza	20-11-2013	Manager	Zuccardi	CSR Manager at the winery Zuccardi (IMO certified)
AC12	Mendoza	21-11-2013	President	Bodegas de Argentina	President of the National Chamber of Wineries
AFT25	Mendoza	21-11-2013	Owner and manager	Finca Alentejo (HL)	Fair Trade officer
AFT26	Mendoza	21-11-2013	Worker	Finca Alentejo (HL)	Worker and member of the joint body.
AFT27	Mendoza	22-11-2013	Manager	Mendoza Wines (Trader)	Enologist. In charge of Fair Trade
AC13	Mendoza	27-11-2013	Manager	Foster Winery (non-certified)	Quality Manager
AC14	Mendoza	27-11-2013	Manager	Foster Winery (non-certified)	Sales
AC15	Mendoza	27-11-2013	General secretary	FECOVITA (non-certified)	This federation of cooperatives is one of the biggest wineries in the country.
AC16	Mendoza	28-11-2013	President	ACOVI (Association of Argentinean Wine Cooperatives)	
AFT28	Mendoza	29-11-2013	Manager	La Mariana Winery (HL)	Member of the joint body.
AFT29	Mendoza	29-11-2013	Worker	La Mariana Winery (HL)	
AFT30	Córdoba	30-11-2013	Auditor	FLO-Cert	FLO-Cert is the organization that controls the process of certification
UFT1	London	20-01-2014	Manager	Herrmanns	Wine importer
UFT2	Banbury	20-02-2014	Manager	Original Wine	Wine importer
UFT3	Reading	19-02-2014	Manager	Larex / La Chiliciteña	Wine importer
UC1	London	20-01-2014	Owner	Ruta 40	Argentina-specialized wine shop
UFT4	Reading	26-02-2014	Board Member	Fair Trade Steering Committee	
UFT5	Manchester	02-03-2014	Fairtrade Strategy Manager	The Cooperativist	One of UK's biggest supermarkets and leading Fair Trade retailer
UFT6	Manchester	02-03-2014	Wine buyer	The Cooperativist	
UFT7	London	08-03-2014	Consumer	Interview made during Fair Trade wine tasting	
UFT8	London	08-03-2014	Consumer	Interview made during Fair Trade wine tasting	
UFT9	London	08-03-2014	Consumer	Interview made during Fair Trade wine tasting	
UFT10	London	08-03-2014	Consumer	Interview made during Fair Trade wine tasting	
UFT11	London	08-03-2014	Consumer	Interview made during Fair Trade wine tasting	

UFT12	London	08-03-2014	Consumer	Interview made during Fair Trade wine tasting	
UFT13	London	19-10-2013	Product officer for wine	Fairtrade Foundation	The Fairtrade Foundation is the UK's National Initiative represented in FLO.



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