5. Fairtrade International governance
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INTRODUCTION

Voluntary standards-setting organizations are not neutral entities. They are political constructions in which actors' interests play out and power dynamics shape outcomes. The standards they create are likewise not simple derivatives of scientific evidence or aggregates of professional expertise but instead the products of political negotiation. In private regulatory bodies, as in all political arenas, the good and the awful manage to coexist, and the outcomes are just as subject to manipulation by powerful actors as in any other realm of global politics (Hurrell 2005, 44; Meidinger 2011, 407; Renard and Loconto 2012, 53).

In the late 1990s, as non-state actors began playing an increasingly significant role in the global political economy, a body of literature emerged to discuss the nature and power of private authorities in international affairs (e.g., Cutler, Haufler and Porter 1999; Hall and Biersteker 2002). Scholars argued that private actors had the *potential* to bring public interests – such as sustainability and poverty reduction – and traditionally marginalized voices to the fore of global economic policy-making. They showed how private regulators might provide a counter-weight to increasingly powerful multinational corporations or raise social standards in a moment when states were lowering the bar in order to attract foreign direct investment. Yet alongside such optimistic accounts loomed a formidable concern: such (desirable) outcomes depended on private actors' capacities to understand and represent nebulous constituencies with complex and sometimes contradicting objectives. Would private actors be able to create and maintain representative, accountable, transparent systems of governance? Authors in this field continue to suggest that the challenge of developing rigorous systems of democratic participation is a hurdle that voluntary standards-setting organizations have yet to overcome (see Brown 2008; Collingwood 2006; Hammer, Rooney and Warren 2010; Sending and Neumann 2006).

These insights from international relations have encouraged scholars of fair trade to examine how power is balanced among the movement's stakeholders and how fair trade's key institutions play a role in shaping

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this balance. As Peter Utting argued in the previous chapter of this volume, such variables are key determinants of the extent to which private standards-setting bodies are capable of creating a new politics of sustainable consumption and global justice. This chapter contributes to research on the politics of fair trade governance by examining the movement's foremost institution, Fairtrade International, through a lens of stakeholder participation and representation. The key argument is that formal inclusion (seats and votes) in the highest governance bodies is a necessary but not sufficient condition to ensure that private actors bring traditionally marginalized perspectives to bear in global economic regulation.

Fairtrade labeling stakeholders have a long history of disagreeing about many aspects of fair trade labeling. But since they (generally) feel a harmonized, worldwide label is more effective than a multitude of unique systems, stakeholders seek to develop unified strategies despite their disparate preferences. Particularly contentious issues have included: whether or not to certify hired labor groups; who should pay for third-party auditing; and what percentage of composite products must be Fairtrade certified for the product to bear the seal. Because stakeholders hold very different – and very strong – beliefs about these issues, the institutional rules that balance how each stakeholder is able to influence policy-making are extremely important. The question of how to weigh producers' opinions against the positions of the national labeling initiatives has been a particularly difficult struggle for Fairtrade International.[1] Some fair trade scholars and activists have argued that producers have been largely marginalized by the organization's highest governance bodies and that this arrangement has compromised Fairtrade labeling's ability to deliver on its promises. But in 2011 the organization announced that it would give producers equal ownership over the label. This chapter compares this new iteration of Fairtrade governance with previous arrangements. It answers the questions: How does Fairtrade International include producers of Fairtrade certified products in its governance bodies? And when producers *are* included, to what extent do they reflect and represent the broader producer population?[2] It argues that today's governance structure is the most democratic and representative in the organization's history, even more so than the original Max Havelaar Netherlands label.

The chapter proceeds as follows. First a background section positions this analysis in relation to relevant fair trade studies. Next the data and methods section describes the collection and synthesis of over 17 000 archival documents and more than 100 interviews with Fairtrade leaders

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and participants. Then an empirical section describes producers' participation in Fairtrade International governance from 1988 to 2014. It is presented in five time periods: label creation (1988–1995); label proliferation (1992–1997); label unification and development (1997–2005); producers as members (2005–2011); and producers as equal owners (2011–2014).[3] The discussion argues that the new structure could be pivotal in shifting Fairtrade outcomes, and it identifies key variables that shape the policy-making process. Some of the policy-making challenges were generated by Fairtrade International's extended period of excluding producers, while others are broadly experienced, enduring problems in governance. The chapter closes with suggestions for future research and by emphasizing the value of including marginalized voices in private regulatory regimes.

BACKGROUND

The politics of Fairtrade International's governance is a frequent topic of scholarly inquiry. The consensus is that its organizational structure is riddled with problems. Among the critiques: it lacks the mechanisms required to facilitate widespread representation (Lyon 2011); its decision-making processes are not democratic (Bacon 2010); the balance of power favors the North over the South (Renard and Perezgrovas 2007); and its bureaucracy does not operate transparently (Johannessen and Wilhite 2010; Mutersbaugh and Lyon 2010). Producer participation is argued to be desirable (Jaffee 2010), though cost and efficiency tradeoffs are acknowledged (e.g., Conroy 2007).[4] Some studies have suggested that producers have recently had less influence over Fairtrade policy decisions than in the early years of labeling (Howard and Jaffee 2013; Marie-Christine Renard's chapter in this volume).

There are several arguments for increasing producer participation in governance. Some arguments emphasize the value of participation as an outcome in itself. Participation can be considered a form of empowerment or a way to promote equality and diversity in global governance (Moore 2004). It can also be considered an appropriate or ethical extension of producers' roles in the past, as producers played a principal role in pioneering the first label in 1988 (Jaffee 2012; Renard and Loconto 2012). Other studies focus on the ways in which producer participation alters outcomes, illustrating how the presence or absence of producers has affected Fairtrade International's policies in specific situations (Bacon 2010). In this volume, Marie-Christine Renard argues that Fairtrade International would have pursued different policies on working

with transnational corporations, certifying hired labor groups, increasing fees for certification and creating standards for some new items, had producers been able to participate more fully in governance. Likewise Bradley Wilson and Tad Mutersbaugh (also in this volume) document producers' opposition to Fairtrade International's decision to pursue the ISO (International Organization for Standardization) approach of third-party auditing and certification, suggesting they would have lobbied for an alternative strategy, given the opportunity.[5] And Jaffee (2010) argues that greater producer participation in governance would have prevented Fairtrade International from rigorously pursuing relationships with corporations in order to achieve mainstreaming objectives.

A subset of these arguments stresses that Fairtrade policy outcomes and strategic decisions may not only be *different* because of producer exclusion but actually *against producers' interests*. Bacon (2010) argues that benefits to Fairtrade producers have been diluted, and he argues an eroding Fairtrade minimum price for coffee is an example. Jaffee (2012) argues that producer exclusion has reduced standards for corporations participating in the Fairtrade system. Mutersbaugh and Lyon (2010, 30) argue it has reduced the notion of 'fairness' in fair trade to a minimum price. And Renard (this volume) finds that inadequate producer participation has resulted in low standards for composite products.[6] Collectively, fair trade scholarship argues that low levels of producer participation in strategic decision-making and standard-setting have prevented Fairtrade from 'radically transforming trade relationships into vehicles for social justice' (Lyon 2011, 162).

DATA AND METHODS

This chapter draws on the author's collection of over 17 000 archival documents gathered from ten sources (organizations and individuals) in six countries. The author also interviewed and corresponded with over 100 members of the Fairtrade labeling community including current and former CEOs, board members, executive directors and the staff of Fairtrade International and other relevant organizations and businesses. This chapter cites several specific documents from the archives of Max Havelaar Netherlands and Fairtrade International, interviews with several high-level representatives of Fairtrade International and publicly available documents such as press releases and annual reports. The overall argument, however, reflects insights from the broader set of data.[7]

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PRODUCERS IN FAIRTRADE INTERNATIONAL GOVERNANCE (1988–2014)

Each of the following sections describes how producers, as a single stakeholder group, have been included in or excluded from the principal governance bodies in Fairtrade labeling. It also compares the producers *included* in governance with the *broader population* of producers, in terms of commodities produced, countries of origin and type of producer organization. The first two time periods, label creation and label prolifer-ation, overlap by three years (1992–1995) since labels were operating relatively autonomously during that period.

Label Creation (1988–1995)

Max Havelaar Netherlands launched the first fair trade label in 1988 and made major strategic decisions largely independently of other labels for several years before collaborating more closely with other, newer labeling organizations. During this time the Max Havelaar Netherlands board reached decisions on several important, complicated and highly contentious issues, such as how to set a Fairtrade minimum price, the terms of pre-financing, how to incorporate benefits for organic practices, whether to expand to non-coffee products and how to manage relation-ships with companies engaged in fair washing (MHN 1992d, 1–3; 1995, 5–22).

From 1988 to 1990, producers were on its board of directors, but their representatives were appointed, not elected (MHN 1992b, 1). Beginning in 1990, producer representatives were elected for a term of two years. Any organization of small coffee producers supplying at least 2000 bags of green coffee of 60 kilos during the preceding two years under Max Havelaar's trading conditions was invited to elect three producer repre-sentatives to the board (MHN 1992b, 1). The board comprised 13 full voting members and one observer. Of the 13 members, three seats were designated for producers' representatives (MHN 1992e, 6). Representa-tives for the 1990–1992 term came from cooperatives of smallholder coffee farmers in Zaire, Mexico and Costa Rica (MHN 1992a, 54). In the fall of 1992, coffee was still the only labeled product but cocoa was forthcoming (MHN 1992b, 1, 3). However, in 1995 the governance system was still 'completely based on coffee' (MHN 1995, 21). Max Havelaar divided fair trade producing countries into six regions, with the goal of eliciting a representative or alternate from each: English-speaking Africa, French-speaking Africa, Mexico, Central America, Caribbean and

South America. The 1990–1992 representatives were from cooperatives of smallholder coffee farmers in English-speaking Africa (with an alternate from French-speaking Africa), Mexico (with an alternate from Central America) and the Caribbean (with an alternate from South America) (MHN 1995, 21).

According to Max Havelaar Netherlands (MHN 1992b, 1), there were several reasons for including producers. Logistically, it facilitated communication and increased legitimacy. It was also the 'structural expression' of the organization's principle that the label was 'not launched *for* the producers but mainly *with* them'. The presence of the producers in the board was meant to serve as a 'guarantee that the Max Havelaar Foundation sticks to its roots and purpose' – as a 'democratic instrument to get permanent and fluent feedback on priorities and interests of the producers, depending on changing conditions on the national and international level'. Despite this commitment to inclusion it remained informal – 'the relationship between Max Havelaar and the partner [producer] organization does not have a formal basis, only a personal one … rights and obligations have not been laid down in a formal agreement' (MHN 1992c, 1).

Already in 1992, however, the foundation identified several challenges related to the inclusion of producers on the board and raised doubts about the 'effectiveness and the cost and time efficiency of the producers' representation in the day-to-day practice, due to shortcomings from the producers representatives themselves as well as from the staff and organization of Max Havelaar' (MHN 1992c, 2–3). On the staff side, problems included communicating with many organizations and in more languages, difficulty in providing adequate information to producer board members, the staff's tendency to give more attention to more demanding producer representatives, and the time and organizational resources required to bring representatives to the Netherlands for meetings and send materials to producer representatives in preparation for those meetings. These challenges were attributed to limited institutional capacity and the concerns arising from the organization's motivation to invest as much money as possible in the 'actual promotion of the coffee sales' (MHN 1992b, 2–3).

On the producer side, problems included diversity of interests and circumstances of producer communities, difficulties in communication, organizations reporting that they did not feel adequately represented and informed, representatives growing distant from the coffee farmers, represented organizations gaining advantages over other organizations (allowing them to sell more product) and producer representatives not always being equipped and/or informed to provide a qualified opinion on the

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issues under discussion at board meetings. As Max Havelaar Netherlands (MHN 1992b, 2) concluded, 'many producers' organizations don't feel themselves effectively represented'.

In 1995 the board discussed how the representation of producers on the board could better reflect their increasing diversity (MHN 1995, 21). Max Havelaar Netherlands had already started labeling cocoa and honey produced by farmer cooperatives and was considering working with the tea and banana plantations other organizations had started labeling as fair trade (MHN 1995, 22).[8] Despite these changes the board continued to include only smallholder coffee farmers. To capture regional diversity, producers continued to elect a representative or deputy from each of six regions: English-speaking Africa, French-speaking Africa, Mexico, Central America, South America and the Caribbean. In sum, although the original fair trade labeling organization always included producers (with a minority vote) on its board, those producers were at first not elected and later on did not capture the diversity of producers within its labeling system (International Coffee Register Committee 1997).

Max Havelaar Netherlands convened the first General Producers' Assembly in 1990 (MHN 1990). The objective of assemblies, which were then convened every two years, was to provide an opportunity for the board and coffee producer organizations to evaluate the previous two years, discuss the current situation and establish policies on important issues (e.g., price policy, minimum prices, organic) (MHN 1995, 1). At that time coffee was the only labeled product. Although producers developed, debated and voted on policies, the outcomes had to be approved by each initiative's board. In sum, the Assembly was only authorized to make policy recommendations to boards, and participation and scope were limited to coffee cooperatives.

Label Proliferation (1992–1997)

In June 1992 TransFair International, a coalition of national labeling initiatives, established a new fair trade label called TransFair. By the end of 1994 its membership included six national labeling initiatives, each promoting labeling in a specific country: Austria, Canada, Germany, Italy, Japan and Luxembourg (TransFair International 1994). Simultaneously, several organizations created their own version of the Max Havelaar label, borrowing some ideas from Max Havelaar Netherlands but also working independently. By 1995 there were 12 Max Havelaar and TransFair labeling initiatives, each working in a different country, each with its own board of directors (MHN 1995).

Each of the labeling organizations faced the same strategic questions as the original label: What products and producers should be labeled? How should those producers benefit? And which conventional actors could be good collaborative partners in delivering those benefits? The organizations came to different conclusions. TransFair Germany, for example, almost immediately extended labeling to hired labor groups on tea plantations in India (Eshuis and Harmsen 2003), while other organizations committed to working exclusively with smallholder farmer cooperatives.

As each initiative composed its own board, the balance of stakeholders was not uniform across initiatives (MHN 1995, 10). Aside from Max Havelaar Netherlands (discussed above), TransFair Germany was the only initiative to include producers on its board. Although the organization worked with both hired labor groups in Asia and smallholder coffee cooperatives in Latin America, the seat was always given to a Latin American smallholder coffee producer (International Coffee Register Committee 1997). In sum, at this time, each initiative had authority to develop and pursue its own strategies. It was highly unusual to include producers in the highest bodies of governance (the boards of directors), and as more products and organizational types were added, the initiatives that were including producers did not capture this diversity by adding seats or rotating seats among different producer types.

Label Unification: Fairtrade Labelling Organizations International (FLO) (1997–2005)

Since many of the labeling initiatives shared information and collaborated on specific issues, their leaders formed the 'Trans-Max' working group to examine the potential for an organizational merger. The goal was to streamline activities and save money by consolidating all of the initiatives' individual boards into a single body (FLO 2003, 6). One of the key debates was about the degree to which the initiatives had to be harmonized: Would they all have to label tea from hired labor in India, even if they had previously abstained from working with landless workers? If one initiative wanted to cut a deal with a local brand, did the others have to approve? As it became clear that the initiatives would have to be unified on several issues, the debate turned to how to balance power among them: Should votes be distributed equally among initiatives? Or weighted by Fairtrade volumes sold? (FLO 1997).

Though producers were excluded from these negotiations, the appropriate role for producers in a worldwide system was another topic of (contentious) debate. While some initiatives, such as the Swedish Fair

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Trade Association, excluded producers from their governance proposals (Swedish Fair Trade Association 1997), others aimed to elevate the role of producers in governance. In the latter category, Max Havelaar Denmark argued:

> it ought to be 50 per cent producers and 50 per cent labeling organisations in such an international organisation. At the least the producers should have the right to vote. The influence of producers should as a minimum be increased … It is important to include the producers in the debate regarding the international structure … Surely this is crucial if producers are to take a stand on whether they support the international structure. (Max Havelaar Denmark 1997, 1)

In 1997 the national initiatives, without input from producers, launched Fairtrade Labelling Organizations International (FLO) as the worldwide association of all national initiatives. They presented the new organization to producers at the 1997 General Producers' Assembly. The new organizational governance structure comprised three 'organs': the Meeting of Members, the board of directors and a register committee for each product (FLO 1998a). The role of producers was somewhat undecided. As a temporary provision, until an agreement could be reached, producers were given observer status in the Meeting of Members (FLO 1997). The register committees would include producers, but those representatives would be appointed by the Meeting of Members (not selected by producer organizations themselves). No producers sat on the board of directors (FLO 1998a).

According to the 1997 FLO report on the Assembly, the new organization was not well received (FLO 1997, 13). Producers requested FLO make a new proposal regarding the role of farmers within the new structure, to be discussed during regional producers assemblies scheduled for 1998 (FLO 1997, 14). The labeling initiatives' response was mixed. On the one hand, the report expressed understanding of producers' discontent. As it described the situation:

> Producers are right in their complaint that [the creation of FLO] has been a European organization process in which producers were not involved, nor informed about. Among producers it has created a lot of confusion, uncertainty about their role in fair trade and uncertainty about the purpose and weight of an Assembly. They feel left out and without any influence. … most producer representatives feeling that they lost their influence and that the outcome of the Assembly is of no value. (FLO 1997, 13)

The report, however, argued that nothing had changed – FLO simply consolidated all of the individual organizations' boards (all but two of

which excluded producers) into a single membership organization (which continued to exclude them). This was justified by arguing that such an arrangement bolstered credibility:

> The initiatives apologize for not having informed the producers before, nor included them in the discussions about the structure of an umbrella organization. Producers, however, have to take into account the fact that the initiatives are social certifiers and like organic certifiers they need independence to build and maintain credibility. (FLO 1997, 13)

The following years were fraught with tension, miscommunication and compromised trust about the role of producers in FLO. 'The producer participation issue' (literally) remained on the agenda for years to come (FLO 1998b, item 1.8.2). Latin American producers lobbied unsuccessfully for a new governance body in which producers, traders and labeling initiatives would come together to take decisions.[9] They were unsuccessful and General Producers' Assembly decisions continued to require approval by the Meeting of Members (FLO 1999a). Raúl Del Aguila, a representative of smallholder coffee farmers in Latin America, recalls his experience as a producer observer in the Meeting of Members:

> The Meeting of Members was for labeling initiatives to discuss how to create a global organization, and some producers were invited to attend as spectators, not as members. I was there … One of the debates was about whether or not to include producers in the Meeting of Members … There was a lot of resistance to this, and it was debated for four years. We [the producers] were not part of this, only spectators. (Del Aguila 2011)

In November 2001, the Meeting of Members created a second board of directors. The existing board of five national labeling initiative representatives was renamed the 'executive board' and expanded to six members. A second, 'extended' board included the executive board members plus four producers and two traders, one alternative and one conventional (FLO 2003). The former maintained authority over overall management and strategy, finances, personnel issues and other elements of FLO's day-to-day functioning. The latter managed and decided on policy and standards issues, appointed the members of key committees and advised the director on standards issues (Zonneveld 2001). The four producers on this board were from Latin America (two), Asia and Africa; three were from cooperatives, one from hired labor; two produced coffee and two produced other products.[10] At that time other major products included cotton, flowers, honey, juices, sugar, rice, sports balls and wine (FLO 2007a).

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In sum, producers held four of 11 seats on the board, but the board's authority remained limited, as the Meeting of Members (which excluded producers) was authorized to overrule its decisions (FLO 1999b). During this period of extremely limited producer inclusion, FLO made several pivotal decisions that had deep and enduring impacts on the Fairtrade certification system. The members voted to pursue the ISO-65 inspired strategy of social auditing – sending 'independent' auditors to farms to verify compliance with standards. This decision led to the creation of a new organization, FLO-Cert, to conduct the audits, charging producers a fee to be audited. As noted in the backgrounds section, fair trade studies suggest that a producer-led membership body may not have pursued this strategy.

Producers as Members of FLO (2005–2011)

In 2005 the Meeting of Members dissolved the executive board and made the multi-stakeholder board responsible for all strategic and fiduciary responsibilities. The new board was expanded to include two outside experts – people knowledgeable about fair trade but not representing a specific stakeholder group. Thus, FLO's board composition beginning in 2006 gave producers a percentage of votes unprecedented for a labeling board:[11] five national labeling initiatives, four producer representatives, two traders and two outside experts (FLO Board of Directors 2005, FLO 2007b). Each of the producer networks nominated a candidate or two and the General Assembly approved one from each region plus one additional (FLO 2007b). During this time, FLO pursued the '5-10-15 goals': increasing the number of producers in the Fairtrade system fivefold, delivering ten times the Fairtrade premium and increasing Fairtrade sales tenfold, by 2015 (Cameron 2010, 3).[12] While delivering benefits to a greater number of producers is widely viewed as a good thing, fair trade studies point out that producers already participating in Fairtrade certification may have prioritized maintaining or increasing their own benefits. Renard and Loconto (2012, 57), for example, describe in detail Fairtrade coffee farmers' extensive efforts to increase the minimum price for coffee during this period.

Producer networks are 'associations that Fairtrade Certified Producer Organizations may join if they so wish and which are recognized by Fairtrade International as the representative body of farmers, workers and others belonging to Fairtrade Certified Producer Organizations' (FLO 2007a, 6). Each of the three producer networks – Fairtrade Africa (previously the African Fairtrade Network), the Network of Asian Producers (or 'NAP') and the Coordinadora Latinoamericana y del Caribe de

Comercio Justo (or 'CLAC') – had to be represented, and one network sent a second representative. Each network's suggested representatives had to be approved by a majority of the board and ratified by the General Assembly (FLO 2007b).[13]

In 2006 the national initiatives also expanded the membership body to include producers. The board's Governance Committee argued that this more 'representative and participative governance structure' would demonstrate 'real commitment to the principles of partnership and respect' (FLO Board Governance Taskforce and Executive Staff 2006, 1), and a group of national initiatives, advocating for this shift, said they aimed to demonstrate 'commitment to working with the producers as our equal partners' (TransFair USA, Max Havelaar France, Comercio Justo España, Fairtrade Foundation UK, Comercio Justo Mexico, outgoing FLO president and FLO managing director 2006, 1). Thus, the Meeting of Members was renamed the General Assembly and this new group convened for the first time in May 2007. The General Assembly remained FLO's highest governance body, retaining all of its rights and responsibilities. It was comprised of representatives from 20 national initiatives and three producer networks. Each member had one vote, so producers held three of 20 votes in FLO's highest governance body (FLO 2006).

Producers' participation on the board and in the Assembly represented the interests of producers within their regional networks. However, as the Governance Committee noted, this arrangement did 'not achieve universal representation of Fairtrade-certified producers and workers' (FLO Governance Committee 2006). Palestinian olive oil cooperatives, for example, were excluded because the Middle East was not part of any of the three regions. Hired and contract workers in Latin America were also excluded, as the CLAC was an association of smallholder producer cooperatives – not organized labor. And on the board, the General Assembly always elected a Latin American representative to hold the fourth producer seat.[14] In addition to these issues, the producer networks were not all equally well funded and organized, and each struggled to aggregate the interests of diverse populations within their regions.

Producers as Equal Owners of Fairtrade International (2011–2014)

In January 2011 FLO changed its name to Fairtrade International, dropping the 'Labelling' from the name to acknowledge labeling as a tool for achieving the organization's principal mission but not the mission itself (Kratz 2014).[15] In October it began the process of establishing the organization's current governance structure. Fairtrade International and

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its US labeling initiative, Fair Trade USA, jointly announced Fair Trade USA's departure from the international Fairtrade system. While the organizations continued to share a mission, they had 'different perspectives' on how to achieve that mission (Fairtrade International and Fair Trade USA 2011). In particular, they could not come to an agreement on the details of how, when, to what extent and with which stakeholders' approval the label should be extended to new producer groups (Fairtrade International 2011a).

Fairtrade International differentiated itself from Fair Trade USA by explaining that its policies were developed in consultation with 'all stakeholders in the system' (Fairtrade International 2011a). It noted: 'We are proud of the increasingly prominent role of producer organizations in our governance and decision-making bodies. Each year Fairtrade aims to engage in more dialogue and become even more consultative' (Fairtrade International 2011b). Subsequently, the General Assembly voted to make producers equal owners of the organization, giving them the same number of votes in the Assembly and seats on the board as the labeling initiatives. In Fairtrade International's words,

> The vote marked a further strengthening of Fairtrade's unique ownership model; networks of certified producer organizations have been co-owners of the system alongside labelling initiatives from consumer countries since 2006. The new shared ownership model means that producers will now have an equal voice in the highest decision-making body of Fairtrade. (Fairtrade International 2011c)

Stakeholders negotiated how to implement this commitment through 2012 and in 2013 the Assembly ratified and began implementing the new constitution. At the June 2014 General Assembly national initiatives were each invited to send a representative and producer networks were invited to send at least four representatives. Each representative voted, and the votes were weighted such that each group (producers and initiatives) had the same number of overall votes. To elect the board, producer networks nominated candidates and the entire General Assembly voted to approve one candidate from each network and one additional board member, based on skills. For the first time, the additional representative came from Africa, not Latin America. The board was comprised of four producers, four national initiatives and two independent experts (who are knowledgeable about fair trade but not responsible for representing the perspective of a particular stakeholder group) (Bretman 2014; Fairtrade International 2013b). Traders are no longer included in the board, which increases the leverage of producer networks over actors in the North.

This arrangement differs from the previous governance structure in that producers and initiatives have equal votes in both governance bodies. Another difference is that all producer countries are included in a producer network. The African network has been expanded to include the Middle East, and the CLAC, at their 2012 assembly in Ecuador, agreed to represent workers on estates. While networks still lack the capacity to foster broad participation and represent diverse interests, the goal is to improve their ability to do so over time (Bretman 2014; Fairtrade International 2013b).

DISCUSSION

Table 5.1 summarizes Fairtrade's shifting balance of power, pointing to how it has included or excluded producers from key governance bodies and the degree to which those included producers reflect the profile of the broader producer population. In the early years of Fairtrade labeling (1988–1997), producers were included on only two of 17 boards of directors. When FLO was established in 1997, producers were completely shut out from the membership assembly and the board of directors. For over a decade they remained largely excluded from these bodies, holding at most 30 per cent of the board seats and 15 per cent of the votes in FLO's membership (in 2005). In 2011[16] producers became, for the first time, equal partners in the governance of Fairtrade International. Today, producers have more formal influence over strategic decisions and policy-making than ever before. They cast half the votes in the General Assembly and hold over a third of the seats on the board of directors (four of 11, equal to national initiatives). Through the producer networks, which can be expanded if new producer countries are added, this organizational structure ensures that all producers – regardless of how they are organized, what they produce or where they live – are represented.

The current governance structure is more democratic than all of the iterations that preceded it, including the original Max Havelaar Netherlands label. Compared to the first label, producers (as a group) now have more seats in governance bodies, and the producers in those seats are more representative of the overall producer population. As the literatures on fair trade and private authority in international affairs argue, formal inclusion in official governance bodies is desirable. The narrative provides evidence for that argument, showing that without official seats at the decision-making table, producers were unable to consistently secure

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Table 5.1   *The role of producers in Fairtrade International's organizational governance structure (1988–2014)*

Governance change and year	Relationships between governance bodies	Producer inclusion in governance bodies	Producers included in governance, compared to population		
			Organization	Product	Region
Label creation (1988–1995)	The board was the highest governance body, though many decisions were made informally.	**Max Havelaar Netherlands board:** producers held 3 of 13 seats.	Small producers – *MHN did not work with hired labor*	Coffee – *MHN also worked with honey and cocoa*	4 Latin America and 2 Africa *– no products from Asia*
		Producers' assemblies: only producer representatives voted.	Small producers – *all coffee from small producers*	Coffee – *exclusively discussed coffee*	Latin America and Africa – *all coffee producing regions*
Label proliferation (1992–1997)	Each initiative's board had full authority over its activities; decisions from producer assemblies ratified by each board.	**Boards of other labeling initiatives:** of 16 initiatives only TransFair Germany, with 1 producer representative.	Small producers– *TransFair Germany initiated hired labor in 1994*	Coffee – *5 other products labeled: tea, cocoa, sugar, honey, bananas*	Latin America – *products also sourced from Asia and Africa*
		Producers' assemblies: only producer representatives voted.	Small producers – *all coffee from small producers*	Coffee – *exclusively discussed coffee*	Latin America and Africa – *all coffee producing regions*
Label unification (1997–2005)	The Meeting of Members is the highest governance body, appointing the board and approving board decisions.	**Meeting of Members:** only national labeling initiatives.	None	None	None
		FLO Board: 0 of 5 seats in 1997; 4 of 12 seats on an extended board in 2002 (initiatives have 6).	3 small producers, 1 hired labor – *contract labor standards still developing*	2 coffee, 1 tea, 1 fruit – *more than a dozen products exist*	2 Latin America, 1 Asia, 1 Africa

Governance change and year	Relationships between governance bodies	Producer inclusion in governance bodies	Producers included in governance, compared to population		
			Organization	Product	Region
Producers as members (2005–2011)	The Meeting of Members becomes the General Assembly. The General Assembly appoints the board.	**General Assembly:** 3 producer networks and 20 national labeling initiatives, each with 1 vote.	Asian and African networks represented all; Latin American only small producers, excluding hired/contract labor	Wide variety of products represented but network leaders from historically important products	Not all producers included in a network (e.g., Palestinians)
		FLO Board: 4 of 13 seats for producer networks (initiatives have 5). Each network sends 1, plus 1 additional.			1 from each region; additional rep always from Latin America
Producers as equal owners (2011–2014)	The General Assembly appoints the board.	**General Assembly:** 3 producer networks share 50% of the votes.	Each network represents all types of certified producers of all products in its region: Latin America/Caribbean; Asia/Pacific; and Africa/Middle East		
		FLO Board: 4 of 11 seats for producer networks (initiatives have 4). Each network sends 1, plus 1 additional.	Each network represents all organizational types	Each network represents producers of all products	1 from each region; plus 1 (currently from Africa)

Source: Author's archival research.

positions of influence in the governance structure. That is to say, the informal influence they wielded in the early 1990s did not provide enough leverage to negotiate a place in FLO governance in 1997. This narrative also illustrates how those governance bodies were able to shape Fairtrade strategies and make policy decisions independently of other, informally included, stakeholders.

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So what will change now that producers are co-owners of Fairtrade? If scholars are correct in their counterfactual arguments about *what would have happened* had producers been included in formal governance bodies, then we should expect this new structure to increase minimum prices, raise premiums, bolster standards for corporations, improve forward financing and lower certification fees. However, there are a few variables that remain uncertain, and each could be pivotal in determining how the new structure's policy making will unfold. First, to what extent will Fairtrade's bureaucracy implement policies created by the new structure?[17] In the past, Fairtrade's administration at times lacked capacity to fulfill its commitments. For example, it has been unable to review minimum prices according to schedule and has had trouble eliciting feedback when directed to collect input from diverse stakeholders (Fairtrade International Staff 2012). Second, how will producer networks balance original Fairtrade stakeholders and traditionally powerful producer organizations with newcomers or less assertive groups? Currently, the networks are heavily under the influence of producer organizations that have been part of the Fairtrade system since the early years and were pushed out of formal governance in 1997. On the one hand, allowing those groups to maintain their role as leaders in the system would provide some redress for their historic exclusion. On the other hand, continuing to marginalize some producer groups perpetuates the problems generated by exclusive governance. Third, early producer groups (e.g., coffee and cocoa in Latin America and Africa) have inherited a labeling system that scarcely resembles the one they might have created. Will they reshape Fairtrade to reflect the decisions they would have made over the past two decades, or will they move forward in a way that reflects the national initiatives' vision? Finally, to what extent will producer networks be successful in creating systems of communication and interest aggregation so that they can truly represent their diverse constituencies? It is unclear how the networks will afford the requisite investments in bureaucratic infrastructure to work across languages, cultures, countries and economic sectors, reaching out to hundreds of millions of people, many in incredibly remote places.

CONCLUSION

How Fairtrade's new constellation of leaders manages these challenges – some enduring, others newly emerging – will shape Fairtrade's ability to leverage certification as a tool for delivering impacts that are robust, appropriate, timely, efficient and long lasting. Given the elevated role of

producer networks in Fairtrade governance, there is a pressing need for research at the producer network level of analysis.[18] An appropriate next step in this agenda would be to pose the questions answered at the international level in this chapter to the regional level: How are producers included in governance bodies? Which producers can and do participate? Research should also focus on how historical practices to coordinate producers at the regional level are being adapted to meet producer networks' increasing responsibilities. What forms of communication and interest aggregation are appropriate for each region's population? To what extent can or should Fairtrade resources be used to engage and represent each of the 1.3 billion certified farmers and farm workers (Fairtrade International 2013a) in global policy decisions? Work in this area should be broadened beyond the categories analyzed here (organization type, product, country) to include whether and how women and minorities are brought into governance.

If private standards-setting bodies such as Fairtrade International are to succeed in bringing traditionally marginalized voices to the fore of global economic governance, they must formally include those groups in their highest governance bodies. Fairtrade International has taken unprecedented steps in this regard. But it must also support the groups that bear the primary responsibility of making inclusive governance work. Producer networks require support to create their own democratic structures of decision-making, representation and accountability. The goal of fostering democracy within a global multi-stakeholder initiative that represents over a billion constituents is as ambitious as making international trade fair; but if private actors are going to represent the populations and interests that public actors forgot, they must strive to do so.

NOTES

1. Fairtrade International is the international, non-governmental organization that sets the standards for the worldwide Fairtrade certification system. It certifies more than 1.3 million farmers and farm workers in more than 70 countries (Fairtrade International 2013a).
2. This chapter is part of a broader project that aims to identify the conditions under which voluntary, ethical standards-setting organizations include or exclude traditionally marginalized groups (e.g., the poor) in their organizational governance structures.
3. While this account focuses narrowly on the role of producers in governance bodies, Bennett (2012) provides details about the governance structure more broadly.

4. This is in contrast to the broader literature on private authority in international affairs, where many scholars question whether and how traditional methods of democratic organization should be applied to the non-state sphere.

5. Though this is sometimes given as the *cause* of producer exclusion as well as the result.

6. Note that not all scholars understand these policy outcomes to be against producers' interests.

7. The author wishes to acknowledge and thank all of these individuals and organizations for their invaluable contributions to this project. Any errors in fact or analysis belong, of course, to the author alone.

8. In 1994 TransFair Germany began certifying tea produced by hired labor groups working on estates (Eshuis and Harmsen 2003).

9. One FLO leader described these efforts as a 'manifesto' asking for an assembly in which 'producers, traders and labellers' could 'meet and take decisions' together, as opposed to producers simply advising labelers (FLO executive leader 1999, 1). As a result, two multi-stakeholder meetings (the FLO Forums) were convened (2001 and 2003) but never given more than advisory status.

10. This is based on a review of all board minutes during this time period. While two of the original board members were replaced in 2004, this did not alter the representation of regions, products and type of producer organization.

11. To review, producers held three of 13 votes on the Max Havelaar Netherlands board and in 2005 were awarded four of 13 seats.

12. Fair trade scholars publishing during that time also noted that growth had become 'a major strategic aim' (Ruben, Fort and Zúñiga-Arias 2009).

13. The organization of producers into regional networks facilitated increased representivity on the board and in the General Assembly as well as other governance bodies, such as the Standards Committee. While the Standards Committee had previously included producers in an ad hoc manor, they could now be more systematic about including one producer from each regional network (Kratz 2014).

14. Based on a review of annual reports, which are publicly available and list producer representatives to the board.

15. Labeling initiatives are now called 'national fair trade organizations' (Kratz 2014), though this chapter continues to use the former name for consistency.

16. 2013 was the year in which the constitution was ratified to reflect this change. The decision to include producers was made in 2011 and the new system was not fully in place until 2014 (Bretman 2014).

17. For more on discrepancies between policy and implementation see Marie-Christine Renard's chapter in this volume. Coscione (2014, 59) also examines the role of informal power in governance.

18. See, for example, Sutton (2013).

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