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ETHICAL TRADE: ISSUES IN THE REGULATION OF GLOBAL SUPPLY CHAINS

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Abstract

Ethical trade – initiatives that seek to improve the social and environmental impacts of global supply chains – is growing because of perceived shortcomings in globalisation and in traditional forms of state regulation. This paper analyses and categorises stakeholders, incentives and mechanisms of ethical trade. On the basis of current (limited) evidence, it summarises the impact of ethical trade via six performance measures: existence, extent, expedience, effectiveness, efficiency, and externalities. The mixed picture of impacts is analysed and understood from two perspectives: a design focus, and an institutional focus. The former sees impacts as guided by design-reality gaps in planning and implementation of initiatives. The latter identifies key institutional elements affecting impacts: underlying stakeholder interests, regulatory incentives, asymmetries of power and information, and trust. The paper concludes by looking at regulatory changes and challenges arising from globalisation; by critiquing current recommendations for ethical trade improvement; and by identifying ongoing research issues.

INTRODUCTION

The growth of globalisation, including international trade, is typically regarded as a two-sided coin; bringing both benefits and problems. Implicit within many commentaries on problems is an assumption of market failure: that, left to their own devices, global production and international trade will fail to adequately reward and protect workers and their communities in the South. Put another way, the assumption is of failure to deliver public goods, such as good wages and working conditions; and of success in delivering 'public bads', such as pollution (Lee 1997).

Ethical trade can be defined as initiatives that seek to improve the social and environmental impacts of global supply chains. By definition, then, ethical trade can be seen as an attempted solution to a perceived problem of market failure. Despite the name, trade *per se* is typically not the main preoccupation of such initiatives. The focus has been more on the conditions and impacts of production. For example, there has been a concern with International Labour Organisation core labour standards: freedom of association and right to collective bargaining, abolition of forced labour, elimination of child labour, and elimination of employment discrimination (ILO 1998). Code SA8000 includes all these and adds: health and safety, disciplinary procedures, remuneration, working hours, and management systems (SAI 2001). These issues of labour standards are the typical fare of ethical trade, but there has recently been recognition of the overlaps with – and value of integration with – environmental standards, which focus largely on limiting emission of pollutants (Blowfield 1999).

Given its social and environmental goals, the *impacts* of ethical trade are of significance to development. However, the *mechanisms* of ethical trade are also of significance – both practical and intellectual – because they place relatively little reliance on 'traditional' regulation; that is, on legal regulation by national governments.

This paper investigates both angles. It begins by analysing the mechanisms underlying ethical trade, seeking to order the rather chaotic proliferation of initiatives seen over recent years. It then runs through the (limited) evidence on impacts of ethical trade, and analyses ethical trade systems to understand factors underlying their success or failure. Finally, the paper draws conclusions from ethical trade about regulation and about issues for further research.

ETHICAL TRADE AS REGULATION

Debate on Regulation of Global Supply Chains

Concerns about globalisation are nothing new, and can be traced back many hundreds of years as they followed in the wake of growing international trade. More recently, they have arisen particularly alongside rapid growth in trade since World War II. There is an ongoing basket of concerns, with particular issues rising up the agenda from time to time, and with the concerns periodically being repackaged and relabelled (Kearney 1999, Jenkins 2001).

In the 1960s and 1970s, one focus was the political and economic power of multinationals. In the 1980s, unease grew about environmental impacts of globalisation. In the 1990s, there was a growth in focus on the impacts on workers and communities in the South.

All these issues can be interpreted as pointers to market failure: divergence between public interest and the private actions of key stakeholders in global trade that leads to negative externalities of trade. In the 1960s and 1970s, what we might now call the 'traditional' approach to dealing with such failures was mandatory state regulation. Hence, the plethora of discussions and policy measures that aimed to control the activities of multinationals in developing countries (DCs), and to regulate trade.

Starting slowly in the 1970s, but gathering pace from the 1980s, there arose a series of challenges to traditional regulation. One set of challenges focused on implementation. In some countries, state regulation was seen as infeasible. Those countries lacked the capacities to effectively develop or apply regulations. These and related weaknesses led to various shortcomings in implementation (Khanna 2001, Lazzarini & de Mello 2001, Minogue forthcoming):

- Regulatory capture and hold-up: the skewing of regulatory design and implementation to the interests of powerful groups. One cause is the asymmetry between resource-poor regulators and resource-rich regulatees. This, for example, enabled politically and economically powerful corporations to force through or manipulate loopholes that helped them escape effective regulation.
- Implementation failure: where regulations exist on paper but not in practice. Again, asymmetries are a cause, such as the information asymmetries that mean multinationals could use transfer pricing and similar self-interested processes without the knowledge of regulators.
- Entrenchment: the inflexibility of regulation once enacted. Regulators – perhaps because they were resource-poor – were not only reluctant to give up regulatory powers, but often actively sought an expansion to those powers regardless of the public interest. Around regulation, there grew up a whole set of vested interests, able to extract rents from the existing set-up. They, too, wanted 'more of the same', and so regulatory schemes could readily develop a rather rigid path dependency.

Studies of state regulatory systems, particularly related to developing countries, therefore painted a pessimistic picture (Parker & Kirkpatrick 2002). Despite the relatively high costs of such systems, they often failed to deliver the intended impacts and they suffered from low credibility. International trade continued to be associated with corruption, and with perceived exploitation of local workers and local environments.

Where state – or inter-state – regulation was effective, the effects could well be perverse (NCC 2000, DFID 2001). Measures intended to protect workers in the South could act, instead, to raise barriers to Northern markets and thus reduce trade. Workers in relatively good export-related jobs could be forced into much worse domestic market jobs; with the extreme being the case of children forced from their stitching and weaving into prostitution and crime. This has motivated many developing country governments to oppose incorporation of ILO core standards into World Trade Organisation rules (in which they find themselves in a rather uneasy alliance with the multinationals). They fear the metamorphosis of mandatory standards into tools of Northern protectionism they would have little power to resist (Lee 1997, UNDP 2000).

All of these concerns with traditional regulation united within – and were driven on by – changing ideology (Gore 2000). State-centred modernisation of the 1950s and 1960s gave way to the neo-liberal 'Washington consensus' of the 1980s and 1990s. Mandatory state regulation was out of favour. The state must be rolled back, with its function changed from regulation to promotion of market-friendly policies that work 'with the grain' of multinationals, globalisation and international trade.

As mandatory state regulation fell out of favour as a way of addressing globalisation and its discontents, what should be done? In the 1990s, two main answers were given (Lazzarini & de Mello 2001, Cawthorne 2002).

The first answer was: "nothing". A few tried to reframe: to argue that there was not actually a social or environmental problem that needed to be addressed. Others varied this by arguing that, while there might be some short-term problems, the market would rectify those problems by itself but only if left to itself. Yet others argued that, while leaving it to the market might not solve all the problems, it was the least worst approach in terms of achieving the greatest benefit at lowest cost.

The second answer was: "something else". As described in the next section, this covers a wide variety of methods which we will initially lump together as "alternative regulatory mechanisms" (ARMs). Using the rather simplistic notion of a regulatory continuum, these can be seen to lie somewhere between – and as alternatives to – mandatory state regulation at one end, and no regulation at the other end.

Ethical trade arose from the 'something else' answer. Like many in-between positions it has drawn admirers – at least initially – from both left and right. Those on the left can see it as a collective endeavour that draws a broad range of stakeholders to work together; as empowering individual consumers; as focusing on values and rights; and as attempting to address directly the needs of poor employees and their communities. Those on the right can see it as working 'with the market'; as imposing relatively low costs; as flexible; and as providing an alternative to the 'heavy hand' of state regulation.

Before moving on to consider ethical trade in more detail, though, we should note an ongoing third answer: "improve state regulation" (Mayne & Le Quesne 1999, Mansfield 2002). Proponents argue that to ditch traditional forms because they have problems is to throw out the baby with the bathwater. Instead, the focus should be on strengthening state capacities, on mandatory social and environmental standards, and on developing mechanisms that are appropriate to specific contexts.

Understanding Ethical Trade as Regulation

Traditional regulation is seen as dyadic: the regulating state and the regulated corporation are the key players. One characteristic of alternative regulatory mechanisms like ethical trade is that their design, ownership and implementation are spread across a much broader range of stakeholders (BRTF 2000). Step one in understanding ethical trade will consequently be to map out its stakeholders and their relations, as shown in Figure 1 (developed from Jenkins 2001).

Within these stakeholders, it is those involved in trade and production that have been the main focus for regulation. If that regulation is to work, then it must provide some lever, some incentive – a reward or punishment – that affects those stakeholders. Otherwise, no action will be taken to address social or environmental impacts.

What are these incentives? In brief, they fall into six main categories: economic gain, avoidance of economic loss; social benefit, avoidance of social disadvantage; politico-legal benefit, avoidance of politico-legal disadvantage. Table 1 provides greater detail and examples of specific incentives that fall into these categories (adapted from Burns & Blowfield 1999, Jenkins 2001, Khanna 2001, Perry & Singh 2001).

Figure 1: Stakeholder Relations in Ethical Trade

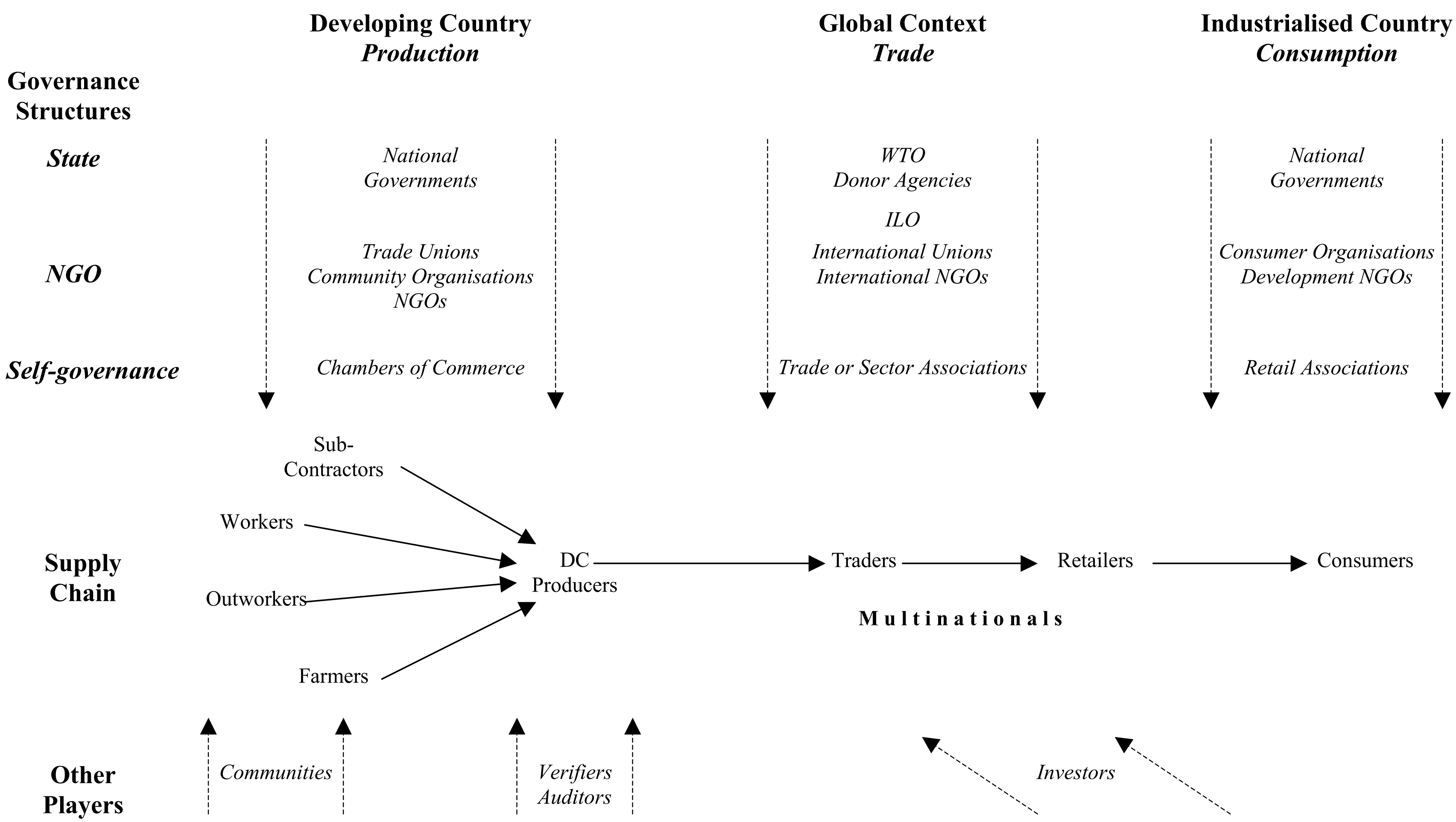


Table 1: Incentives Used in Regulation of Ethical Trade

Category	Lever	Reward	Punishment
Economic	Internal efficiency and effectiveness	Lower costs, higher quality	Higher costs, lower quality
Economic	Government finance	Lower taxes, higher subsidies	Higher taxes, lower subsidies
Economic	Information (e.g. technical or best practice) provision	Public provision	Private provision
Economic	Product market share	Retention/growth of market share	Loss of market share
Economic	Product market price	Ability to charge price premium	Inability to charge price premium
Economic	Stock value	Rise in share price	Fall in share price
Economic	Capital market investment	Access to new investment	Loss of investors
Economic	Labour market	Ease of recruitment and retention	Recruitment and retention difficulties
Economic	Internal labour relations	Good industrial relations	Strikes, industrial relations problems
Social	Peer group membership (e.g. trade association)	Acceptance into group: both formal and informal	Exclusion from group
Social	Morality	Redemption	Guilt
Politico-legal	Current regulations	Relief from regulation	Imposition of regulation
Politico-legal	Future regulations	Ability to shape regulation	Imposition of new regulations

In viewing these, it is useful to distinguish between actual and potential incentives. The latter – threats to formally regulate; threats of consumer boycotts, promises of greater market share, etc – play an important role in ethical trade. For example, there is evidence that a key motivator behind multinationals' 'voluntary' actions is the attempt to pre-empt regulatory threats (Khanna 2001).

In much of the literature, such incentives – both actual and potential – are assumed to operate economically. Producers' behaviour is assumed to be shaped by the bottom line implications of these incentives. This is even true of non-economic incentives, where financial considerations are often assumed to be the iron fist within the velvet glove of social or politico-legal levers. Arguments thus circulate about:

- indirect internal efficacy; i.e. that firms adhering to regulations will be more resource-efficient, will have more productive staff and lower turnover, will be at lower risk of liability, and will be more innovative (Burns & Blowfield 1999);
- direct internal efficacy; i.e. that firms adhering to regulations will experience lower costs in gathering and disseminating information (Doane 2002); and
- external efficacy; i.e. that firms will gain access to greater investments or market share by following codes or rules. In the UK, for example, the market for ethical consumption is estimated at several billion pounds and shows double-digit growth; even greater figures fall under the heading of socially-responsible investment (Doane 2001).

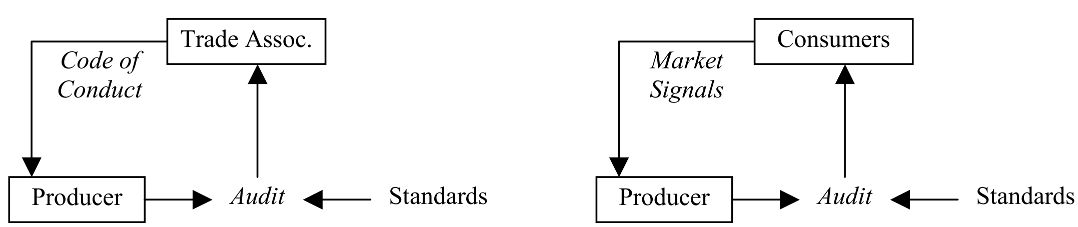
It is unclear, though, to what extent economic factors guide decisions in practice. General evidence suggests hearts and souls as well as brains are used in decision making (Laudon & Laudon 2002). It may well be that economic rationality must sit alongside mimetic effects, peer pressures, incrementalism, sense-making, morality, etc. in determining the adoption and impact of regulatory incentives. This is especially likely since it is corporate reputation – something largely intangible in economic terms – that acts as the pressure point for a number of ethical trade incentives.

There are various mechanisms that seek to apply these incentives. These can be *laws*, as found with traditional state regulation. However, other mechanisms are much more common in ethical trade:

- *Contracts* are used, for example between multinationals and their developing country suppliers; or by governments providing subsidies for particular firm activities.
- *Rules and codes* have had a high profile in ethical trade, typically being created either by individual multinationals, or by trade/sector associations. In addition to hundreds of firm and sector codes of conduct, there are also core codes, intended to be widely applicable (such as SA8000 or the UK Ethical Trade Initiative's model code); and issue-specific codes, such as those dealing with child labour.
- *Informal agreements* are important, such as promises by government around future relief from, or shaping of, formal regulation.

- *Peer actions* can relate to permission to join or be excluded from particular associations. Competitors may also undertake 'market leadership' (Burns & Blowfield 1999). This occurs when a firm demonstrates that markets can be created from ethical behaviour. Fair trade can be seen as one example. Whereas most ethical trade seeks to improve the performance of existing global supply chains, fair trade creates new markets and new global supply chains based on alternative trading organisations that typically deal direct with small-scale producers and their communities (Tallontire 2000).
- *Supply flows* from capital and labour markets. This encompasses the actions of investors, especially major investors like pension funds, in deciding where to channel their investments. It also includes the actions of workers and the labour pool; actions that range from interest in recruitment to strikes.
- *Demand flows* from consumer markets. This is commonly seen as the driving force for ethical trade; the most potentially powerful alternative to state control. It covers loss of consumers for 'sub-standard' social/environmental performance, and retention/gain of market share, or the ability to charge higher prices, for 'good' performance.
- *Information flows* are wide-ranging. Every one of the mechanisms listed above has an associated information flow, of which the *audit* flow is one of the most important. This gives feedback to producers and other stakeholders to help them know if decisions and actions have been appropriate, and what further action to take. Two examples are shown below in Figure 2.

Figure 2: Audit-Related Information Flows in Ethical Trade



Information flows are also fundamental to *advocacy*; a widely-used mechanism in ethical trade. It encompasses exhortations to producers to get them to comply with social/environmental standards (e.g. trying to persuade them of the internal or external efficacy of compliance); data for producers on best practice (e.g. on workplace health and safety); encouragement to governments to create new regulations (e.g. the ILO's attempt to get governments to ratify core child labour conventions); and data for consumers on production conditions. The most well-known form of the latter – forming the vertical flow to consumers in Figure 2 – is labelling schemes on products. Examples include Rugmark, that identifies child labour-free carpets, and the Forest Stewardship Council's label to identify products taken from sustainably-managed forests (Zadek et al 1998).

Some analyses categorise these mechanisms into mandatory and non-mandatory, with the laws of state regulation falling into the former, and all other mechanisms into the latter (Khanna 2001). The practical applicability of this categorisation must be questioned. As seen above, there are government regulations that, while theoretically mandatory, have no impact because they are not implemented or because they are corrupted. Equally, there are supposedly voluntary mechanisms that firms feel they must react to. Consumer boycotts are one example, but codes of conduct can be another. Codes of conduct in the Kenyan flower industry, for instance, are non-binding but 'represent industry entry requirements' for new firms (Collinson 2001b:2).

What actually matters is the contingent power of a particular incentive for a particular stakeholder in a particular situation. Nonetheless, we can still categorise mechanisms, as direct or indirect. To understand, we must see that the ultimate focus for almost all activity is the decisions and actions (behaviour) of developing country producers. It is they who have the immediate social and environmental impact.

In this light – as summarised in Figure 3 – virtually all mechanisms can be seen as indirect because, surprisingly at first sight, most regulatory activity is not focused on those stakeholders. Instead, it is focused on organisations that have some Northern component, most of which are also multinationals: the retailers, or marketers, or traders who contract with DC producers, or the multinational producers who own DC-based production subsidiaries. Even most self-regulation is self-regulation of organisations that themselves do not usually directly control social/environmental impacts of production in developing countries.

Figure 3: Indirect and Direct Regulatory Mechanisms in Ethical Trade

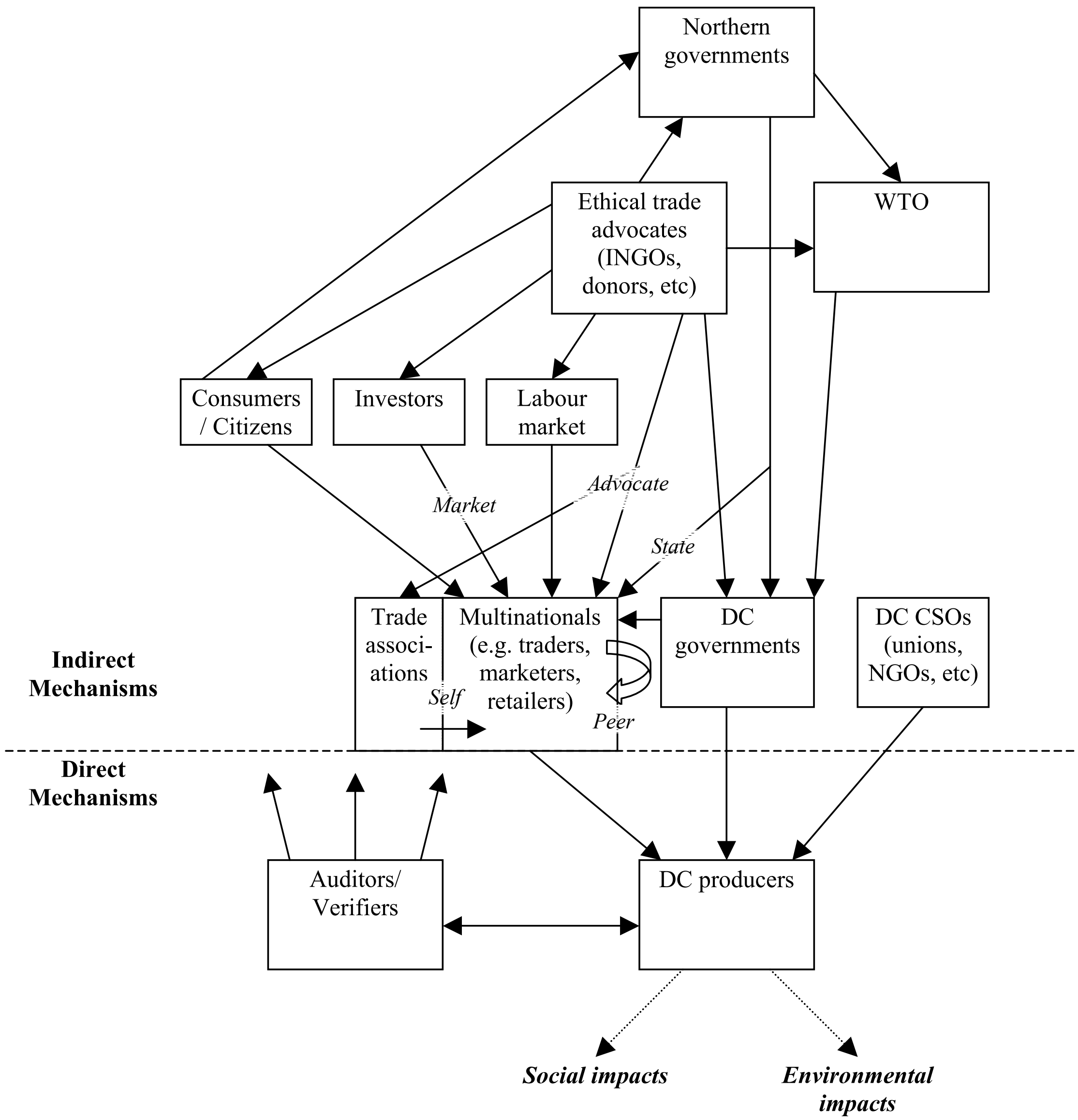


Figure 3 is complex enough, even though it presents only some of the main mechanisms of ethical trade. Yet real ethical trade initiatives can be even more complex.

They are complex in terms of who is involved. Some are bilateral: pick almost any two stakeholders from Figure 3, and there will be some ethical trade initiative involving such a pair. Taking a pair such as government and producer, we can see extremes of state-imposed laws, and unilateral producer codes of conduct. In between, though, are many varieties of co-regulated rules and codes: from negotiated through approved and recognised to official

(BRTF 2000). There are also complexities in the difference between who *develops* the regulatory mechanism, and who *implements*, and who *is affected by* the mechanism. In addition, initiatives are increasingly not bilateral but multilateral (Barrientos & Blowfield 2001). Examples of multi-stakeholder initiatives (which typically bring together corporate, NGO and union stakeholders, often facilitated by government) include the UK's Ethical Trade Initiative, and the Dutch Clean Clothes Campaign.

Ethical trade initiatives are also complex in terms of what is involved. They often use multiple mechanisms. Sector-based initiatives, for example, can involve codes of conduct, audit of production impacts, labelling schemes, and broad-based advocacy. Other initiatives have many links: one element in a recent Christian Aid campaign aimed to get UK citizens to pressurise the UK government to pressurise the WTO to change the rules that affect developing country governments in order to get those governments to alter the trading environment for multinationals and local producers. Thus global supply chains are mirrored in global regulatory governance chains.

This complexity is also seen in analysing the form of regulation. As well as an element of *state regulation*, one can also see within ethical trade elements of *self-regulation*: an organisation or group of organisations regulating itself. Codes of conduct fall fairly clearly into the self-regulation category. We have already seen, though, the presence of *co-regulation* – a half-way house of combined state and self-regulation – in the creation of some codes.

We have also seen examples of non-state, non-self regulation. That is, actions within institutions that are neither the state nor the producer organisation itself, which seek to modify the social or environmental behaviour of the producer organisation. One category, for want of a better term, can be called *market regulation*. It divides into supply regulation (actions by labour and capital markets that encourage social and environmental improvements), and demand regulation (similar actions within product/consumer markets). One can even argue for the presence of *peer regulation* (actions by competitors and other peers that change behaviour) and *advocate regulation* (actions by ethical trade advocates such as international NGOs). Examples are illustrated in Figure 3.

Ethical trade therefore defies simple categorisation. It is not simply 'non-mandatory', even though many of its mechanisms are not mandatory. Nor is it simply 'self-regulation', even though it includes stakeholders taking responsibility for their own regulation.

THE REGULATORY IMPACT OF ETHICAL TRADE

Having investigated the regulatory mechanisms of ethical trade, we now move on to look at the regulatory impacts. Is ethical trade producing the social and environmental improvements that are its goal?

This is not easily answered because of a dearth of impact assessment data, arguably due to the relative novelty of the topic. This has had a number of effects.

- Lack of research. New topics like ethical trade attract an inflow of researchers and research funds, but these take time to create a critical mass of work.
- Lack of impact research. Research tracks practice. A number of ethical trade initiatives only got underway in the late 1990s. Published research to date on these has tended to focus on their upstream elements (creation, design and content) and is only more slowly moving into the downstream elements of implementation and impact.
- Lack of good impact research. It is not easy to do regulatory impact research. There are relatively few guides, which self-reinforces with the lack of impact cases and data already noted. It is also difficult to tease out the specific impact of a given initiative when firms face multiple regulatory measures, and when one cannot readily identify control samples.

The result is a growing body of work that, in impact terms, remains dominated by hypotheticals rather than actuals. Nonetheless, we will review what data there is available, classified according to six performance measures for ethical trade regulatory systems (developed from OCA 2000 and Barrientos & Blowfield 2001).

Three of these are pre-implementation measures:

- Existence: is there a regulatory instrument?
- Extent: who and what is covered by the regulation?
- Expedience: are regulatory goals appropriate to social/environmental needs?

The other three are post-implementation measures:

- Effectiveness: does the regulation achieve the goals set?
- Efficiency: does it achieve its impact with minimum cost?
- Externalities: what other effects does the regulation have?

Each of these will now be discussed in turn.

Existence

There has been a sharp growth in the number of ethical trade initiatives in the past few years. At present, initiatives are strong in certain sectors but weak or absent in others (Jenkins 2001). Measures aimed at raising labour standards have been strong in areas with relatively low-cost branded consumer goods such as apparel, footwear, and toys. Measures aimed at environmental issues have concentrated in the primary sector (forestry, oil, mining) and resource-based manufacturing, such as the chemicals and wood product sectors. Within given sectors, measures tend to exist only for the traded segment and not for domestic market-focused producers.

Extent

Within a given global supply chain, the spotlight of ethical trade initiatives tends to fall on some areas and not others. Commentators analysing codes of conduct have tended to focus on what is not covered rather than vice versa, with concerns expressed about exclusion of home-workers and casual labourers (Barrientos 2000), and about exclusion of more peripheral production locations (Sharma et al 2000).

Starting from the global level, ILO core standards or the broader set from SA8000, have been seen as something of a benchmark that certain initiatives fail to achieve; missing out on key standards (Curtis 2001). Starting from the local level, some initiatives fail to reflect the concerns of local workers and their communities; such as those expressed by women workers (Pearson & Seyfang 2001). In either case, the analysis has been that regulatory content reflects the interests of its creators, rather than the interests of its potential beneficiaries. This may also lie behind the fact that some initiatives are rather long on aspiration but correspondingly short on details of how exactly they are to be implemented (OECD 2001).

Expedience

The distancing between content and local beneficiaries just noted also rolls into a feeling that the goals of some ethical trade initiatives are too limited in what they seek to achieve. This has arisen particularly when commentators are comparing goals to those they feel state regulation would aim for or achieve. At the same time, ethical trade goals are at times judged unrealistic, with donors and NGOs setting social and environmental objectives that business cannot be induced to achieve (Lewis 2000).

As with the points about existence and extent of measures, these matters can, in part, be put down to the ethical trade's relatively short history. If feedback and learning mechanisms are in place, then coverage and relevance should increase over time. This will only be true, though, if ethical trade regulatory mechanisms are seen to work and to work well. We now move on to consider the evidence on this.

Effectiveness

Despite the data limitations, there is evidence of ethical trade delivering on social/environmental goals. Examples include:

- Reductions in child labour in Central American garment manufacture (Sajhau 1998).
- Workers being reinstated and allowed to unionise in garment factories in Central America (Jeffcott & Yanz 2000).
- Reductions in the number of child labourers employed to make carpets in India (Sharma et al 2000).
- Improvements in environmental management in electronics factories in Thailand (Foran 2001).
- Improvements in health and safety conditions in footwear factories in South-East Asia (Jenkins 2001).
- Reductions in water and air pollution emissions from factories in Asia and Central America (Khanna 2001).

In addition, pressures from socially-responsible investment initiatives have been shown to affect multinationals' decision on product pricing for Africa, and on debt-forgiveness in South America (though these impacts lie outside the normal scope of ethical trade) (Slavin 2002, Bowers 2003).

Alongside this positive picture, there is rather more mixed evidence that highlights the limitations of alternative regulatory mechanisms. Relatively successful consumer campaigns – such as the growth of fair trade coffee – are overshadowed by the larger number that have little or no impact (Burns & Blowfield 1999). The successes achieved on child labour in India are put down to stricter enforcement of pre-existing state laws, with alternative mechanisms such as labelling having had only a "limited impact" (Sharma et al 2000:74).

Voluntary mechanisms to encourage reporting on social and environmental issues by big firms have led only a small percentage of firms to comply (Doane 2002). Where self-regulated initiatives, such as codes of conduct, have been accepted by firms, they have come in for criticism as window-dressing: "to date such [voluntary] initiatives have had a more visible effect on their [firms'] market image in the north than on the actual pay and conditions of workforces in the south." (Pearson & Seyfang 2001:94). Labels have thus come in for criticism as being just a marketing tool to serve multinationals rather than a mechanism to deliver development benefits (Childs & Whiting 1998).

Efficiency

If there is little data on the effectiveness of ethical trade, there is even less on its efficiency, let alone the type of comparative cost/benefit analysis that could provide guidance on the optimum portfolio of regulatory instruments. Costs can be divided into administration costs (creating and implementing standards), compliance costs (fulfilling those standards), and social costs (the externalities discussed next) (Parker & Kirkpatrick 2002).

In terms of administration, theoretical work suggests, not surprisingly, that self-regulation costs more than no regulation (Collinson 2001a). It may attract lower administrative costs than state regulation because, with fewer stakeholders and use of 'insider knowledge', the information and transaction costs of formulating, interpreting, monitoring and enforcing standards should be lower (Ogus 2001). Even this quite simple conclusion is of uncertain value, though, because of the real-world imperfections in implementing state regulation, and because ethical trade is much more than just self-regulation: it often involves many stakeholders, raising the possibility of high information and transaction costs. All we can say for certain is that alternative regulatory mechanisms shift the balance of administrative costs between actors, with 'new' stakeholders – like ethical trade advocates – facing new costs; and that costs will be affected by factors such as the number and asymmetry of stakeholders.

As regards compliance costs, the burden varies for producers depending on their 'starting position', e.g. how close they were to compliance before the regulation was introduced (Collinson 2001a). A comparative picture depends on what one compares this to. Some argue that ARMs present lower costs (and lower achievements) than state regulation but this assumes a feasibility, perfection and separation of state regulation that may well not exist in practice (Lazzarini & de Mello 2001).

Externalities

Before looking at the possible costs of externalities, we can first cite some of the benefits. In a very general sense, ethical trade has helped give a higher profile to social and environmental development, and helped citizens and firms in the North understand the consequences of their actions in the South. It is also catalysing an integration of debates on social, environmental and economic development; showing the indivisibility of issues that have been separated in the past (Pearson & Seyfang 2001).

Other benefits are equally intangible, and relate to the emergence of new institutional mechanisms for regulatory governance. Ethical trade often brings several stakeholders in the global supply chain together, creating informal institutional structures through which a dialogue can be established. This dialogue, and the mutual trust that it helps create, stands in contrast to the adversarial relationships that often existed previously (Blowfield & Jones 1999).

Breaking down these barriers can bring several benefits because regulatory systems based on trust and dialogue seem to outperform those based on confrontation (Minogue 2001). Flows of information and knowledge can be improved, thus reducing costs, because far more data is shared in situations of trust. Trust also enables the system to be more flexible – it can learn and adapt more readily than systems based on more formal organisational boundaries, and it can draw on resources wherever they reside within the system (Lewis 2000). This flexibility could lead as far as more formal, state-led regulation if stakeholders come to share goals and accept traditional mechanisms as the most effective means of achieving their goals. Something like this has happened in the European textile and clothing sector, where dialogue and institution-formation has produced an agreement with legal status and binding force that covers the four ILO core standards (EC 1999).

If the theme of positive externalities is institution-forming, then the theme of negative externalities is displacement. The analogy is that of squeezing the balloon: bearing down on a problem in one area will only cause it to emerge somewhere else. In some ways, this is a literal metaphor. Some of the children squeezed out of carpet-making in certain core locations in India re-emerged elsewhere, either in physical locations outside the core, or in other jobs such as beedi-making or weaving (Sharma et al 2000). Southern jobs can also be lost due to ethical trade if producers centralise or automate or squeeze sub-contractors in order to reduce their compliance costs (Collinson 2001a, Jenkins 2001). Whatever the deficiencies of employment in the export sector, they tend to be less than either employment in the domestic sector or unemployment.

In other situations, it is production – rather than labour – that could move as contracts and capital flow to locations that are more loosely regulated (Burns & Blowfield 1999). This is the much-feared "race to the bottom", used as an argument both by those opposed to regulation per se, and by those in favour of global regulation.

The final negative externality is institutional, with worries that ethical trade will undermine other regulations and institutions. In particular, it could weaken both unions and governments if it promotes the idea that regulation can take place perfectly well without those institutions. This parallels concerns – with some limited supporting evidence – that any window-dressing by multinationals is not just a marketing ploy to sell products, but also an effort to pre-empt formal regulation by the state (Curtis 2001).

In all, these externalities should not be overstated at present. They are more hypothetical than proven. Nonetheless, they form an important part of the overall picture of regulatory impacts of ethical trade.

ANALYSING THE REGULATORY IMPACTS OF ETHICAL TRADE

The overriding image of ethical trade impact to date is of the glass half-full … or half-empty. Multinationals and some ethical trade advocates have tended to take the former view, focusing on what ethical trade has covered and achieved. Many academic commentators have taken the latter view, with a tone that has tended more towards the critical than the supportive. Whether there is any overlap is hard to say, but there is also a sense that those coming from the right of the political spectrum have been more optimistic about ethical trade, whereas those from the left are more sceptical.

The division may relate to comparison with theory and with practice. It is quite easy to compare alternative regulatory mechanisms with some mythical situation in which a noble and independent government sets out ideal laws that are implemented by highly efficient, skilled and incorruptible civil servants. Such a comparison will cast ARMs in an unfavourable light. But it would be fairer to compare them with the reality of what state regulation has actually achieved and, indeed, of whether or not state regulation is even feasible (OCA 2000, Perry & Singh 2001). Seen in this way, the limitations of current ethical trade may not seem quite so severe.

Whichever view one takes, it is hard to deny that ethical trade does currently have limitations and shortcomings. It would be useful to understand these as a step towards improvements. We can base such an understanding on two analytical approaches: design-focused and institution-focused.

Design-Focused Analysis

Some analyses of ethical trade identify relatively practical issues behind shortfalls in the "6E" performance measures. We can frame these issues in terms of design-reality gaps: the notion that initiatives are more likely to fail when there is a significant gap between design assumptions/requirements and 'on-the-ground' realities (Heeks 2002). In some cases, this emerges as a general lack of implementation detail within initiatives, but there are also examples of specific design-reality gaps, including:

- Designs mismatched to the real availability of information channels: causing poor awareness of ethical trade initiatives among producers and workers in the South (ActionAid 2002).
- Designs mismatched to the real existence of other, overlapping initiatives: so that implementation costs rise as implementation effectiveness falls (Blowfield 2001).
- Designs mismatched to the real availability of funds: so that promised complementary supports to bans on child labour are not put in place (Sharma et al 2000).

- Designs mismatched to the real availability of human capacities: so that audits can only rarely be undertaken, and so that those undertaken are done poorly (Prieto & Bendell 2002).
- Designs mismatched to the socio-economic realities of poor livelihoods: so that blunt-instrument bans on child labour cause more problems than they solve (Basu 1998).
- Designs mismatched to the socio-politics of the workplace: so that audits are seen by workers as a management initiative, causing them to paint a partial or falsely-positive picture to auditors (Jenkins 2001).
- Designs mismatched to the complexity of supply chain realities: so that only a small part of the supply chain is ever monitored (Sharma et al 2000).

These design-reality mismatches undermine the crucial audit process by producing audit data that falls short on some of the key data criteria: completeness, accuracy, relevance, timeliness and appropriateness of presentation (Duncombe & Heeks 2002). More generally, design-reality mismatches explain the implementation gap between regulation on paper and regulation in practice.

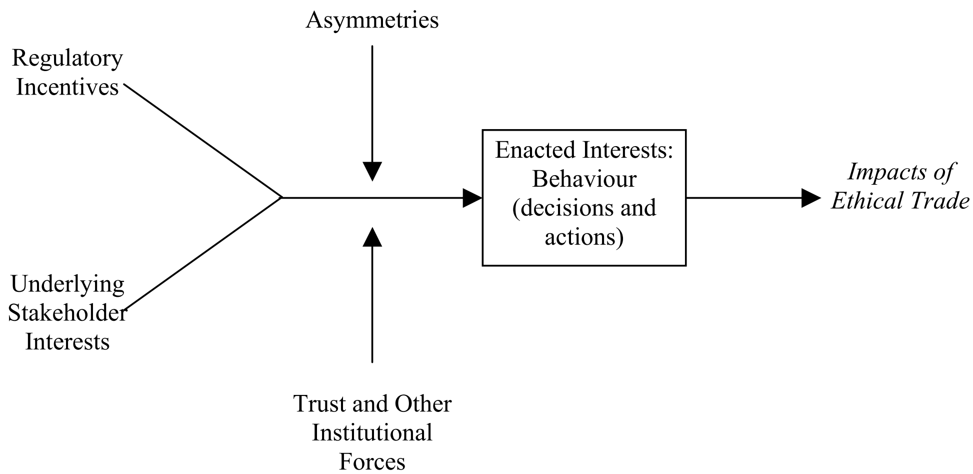
We can attribute these design-reality shortcomings to problems with regulatory design or, going deeper, to problems with the *process* of design. This draws us back to a point made earlier, that ARM design reflects the interests of the designers. These designers are typically drawn from organisations in the North, since ethical trade has so far been largely a Northern project (Blowfield 1999). In the case of self-regulatory mechanisms, they will be drawn from Northern multinationals. It is thus predictable that design mismatches the realities – including needs and priorities – of workers and communities in the South.

Institution-Focused Analysis

Design-focused analysis implicitly assumes that relatively straightforward improvements to the process and/or outcome of design can address the shortcomings of ethical trade. Institution-focused analysis provides a deeper critique that sees more inherent – and resilient – challenges to ethical trade.

This understands the "6E" shortfalls as a failure to close the gap between public and private interests, leading to negative public externalities of private actions and an inability of private firms to internalise the public benefits of socially and environmentally beneficial actions (Lazzarini & de Mello 2001). It models those interests as shown in Figure 4.

Figure 4: An Institutional Model of Ethical Trade Regulation



If we look at one of the key ethical trade stakeholders – the multinationals – then teasing out their underlying interests is not easy. However, surveys suggest that key interests include: reducing costs, avoiding risks (including litigation and damage to reputation), and retaining/gaining market share (EC 1999, Khanna 2001). As enacted, those interests do not always match the public interest, as seen in the findings above about limited impacts, 'window-dressing' and negative externalities.

Why should this be? We can explain it in terms of the Figure 4 model, and issues that arise in the other elements of the model.

Incentives

If incentives – main examples are listed in Table 1 – are sufficiently strong, they modify multinational interests to cause behaviour in the public interest. Such incentives can be seen at work in the ethical trade effectiveness successes cited earlier. However, the incentives are often weak in many forms of ethical trade. The weaknesses of state regulation in some countries – and consequent failure to provide incentives for public interest behaviour – have already been discussed. Only in countries with a credible state will state regulation, or desire to pre-empt state regulation, act as a viable motivator.

Other forms of ethical trade regulation include:

- Self-regulation: per se, self-regulation provides no clear incentives for behaviour change; a fact underlying some critiques of measures such as codes of conduct (Fitzgerald 2001). Any incentives tend to be comparative, and come from avoidance of other forms of regulation.
- Peer and advocate regulation: having been studied relatively little, the incentive strength of these regulatory forms is unclear. Advocacy, though, may suffer from a lack of clear incentives: like self-regulation, any strength it derives tends to come indirectly from state or market incentives, such as the threat of consumer action.
- Supply market regulation: there is little evidence about strength of incentives from the labour market. Socially-responsible investment can have an effect if well-focused, but there are few signs that firms which fail to adhere to social/environmental standards are affected by under-investment (Cowe 2002).
- Demand market regulation: if ethical investment has been undersold, ethical consumption may have been oversold as an incentive at least in terms of its practice, if not its potential. Perhaps more than anything, limits on change in consumer behaviour have limited the impacts of ethical trade to date. Doane (2002), for example compares the 89% of UK consumers who say they are concerned about social/ethical issues, with the less than 5% who make active choices on these factors in the majority of their purchasing decisions. Data on consumer willingness to pay a price premium for perceived ethical products is mixed, but at the pessimistic end lies work cited by Jenkins (2001) indicating that only 5% of Canadian consumers would pay more for fair-traded products. The result – when motivation and willingness to pay are added to factors like brand loyalty, switching costs, lack of alternative products, and information asymmetries – is that consumers will generally not switch in large numbers from goods that rank poorly on ethical criteria to goods that rank well (Lazzarini & de Mello 2001). Only where consumers form a large demand bloc (such as major institutions) does the power of competition and the market start to work more effectively, providing the intended driving force for ethical trade.

If labour, capital and demand will not switch to reward good ethical performers and punish bad performers, this in practice creates disincentives. Good performers have to bear compliance costs that bad performers do not, with limited prospect of the market rewarding this behaviour (Doane 2002). The public benefits of compliance are spread unevenly throughout the supply chain, but concentrated at the production and pre-production end rather than with the multinationals. If the extra costs cannot be passed on to the consumer, they will either be avoided through bad performance or, perhaps, passed on to workers and producers in developing countries, potentially cancelling out any benefits, and creating some of the negative externalities noted earlier.

This is not to argue that public interest incentives are always deficient in ethical trade. We have seen cases where incentives work. However, we do argue that incentives are critical and yet often deficient in ethical trade. In such cases, companies are only likely to participate in an initiative where there is a small 'ethical gap' between their current interests/behaviour and the interests/behaviour required to comply with the initiative.

Asymmetries

Where incentives are weak in ethical trade regulatory systems, private interests will tend to dominate behavioural motivation of stakeholders. However, the ability of particular stakeholder interests to dominate the outcomes of trade depends on the asymmetries that exist between stakeholders.

The fundamental asymmetry that exists in global supply chains is the asymmetry of power. Power relates to direct or indirect control over a basket of capital resources: financial capital, natural capital, physical capital (e.g. technology), human capital (e.g. skills), social capital (including relationships, brands and reputations), and knowledge capital (covering both knowledge and information). The greater the asymmetries of capital between stakeholders, the more the 'haves' can dominate the institutions of the global supply chain – markets, regulations, standards – and impose their interests.

Each supply chain will present a unique distribution of power and capital resources between stakeholders. However, a relatively common picture is one in which the multinational intermediaries are foremost, approaching oligopoly in some supply chains (Cawthorne 2002). In such situations, the exact form of regulation may not matter very much. Whatever the form, it will likely be prone to outcomes of oligopoly noted at the start of the paper (Lazzarini & de Mello 2001, Parker & Kirkpatrick 2002):

- Regulatory capture: the annexation of a whole regulatory mechanism or even initiative by a particular stakeholder group, skewing that mechanism/initiative to its interests.
- Regulatory hold-up: the use of oligopolistic power by one stakeholder in an otherwise neutral regulatory regime to force particular self-interested outcomes.

Both outcomes can be seen to lie behind the criticisms of poor performance of ethical trade regulatory systems, such as window-dressing.

Information asymmetries – highly unequal access to data between stakeholders – are both a cause and a consequence of oligopoly. This helps create a self-reinforcing cycle as dominant stakeholders seek to retain their power through non-disclosure of information, and as ethical trade systems create disincentives to disclosure. Exposing sub-standard social/environmental behaviour, for example, damages reputations even where the problem is being addressed (Nunez 2001). Concealment – and maintenance of information asymmetries – is the rational choice. The same point applies to audit where, because of power asymmetries, audited workers often prefer to say nothing rather than speak out thus, again, preventing a reduction of information asymmetries (Barrientos & Blowfield 2001).

Information asymmetries damage the effectiveness of ethical trade. As well as enabling capture and hold-up, asymmetries between multinational intermediaries and state/NGO stakeholders also engender a lack of transparency and accountability, particularly for self-regulated mechanisms (Ogus 2001). Information asymmetries between multinationals and groups in the South limit the effective engagement of those groups in ethical trade, as do North-South disparities more generally (Blowfield 1999, Foran 2001).

Information inequalities between multinationals/producers and consumers lead to the problems of adverse selection (where consumers do not know enough about production conditions to differentiate products from good and bad performers) and variants of moral hazard (where firms that initially perform well are tempted to abandon labour/environmental standards because consumers will not be able to detect this abandonment) (Khanna 2001). Both problems prevent good performers charging price premia or gaining market share. This, as noted above, helps undermine demand market regulation and prevents compliance costs being shared with consumers.

The informational component of many ethical trade initiatives has been described: attempts to redress the imbalances, particularly between multinationals and consumers. To date, though, the effectiveness of such work has been limited, partly because of data-gathering problems previously analysed.

Trust and Other Institutional Factors

The interaction of interest, incentives and asymmetries is both constrained and enabled by other institutional factors. In a general sense, societal values affect outcomes: for instance, market regulation by consumers works better in societies with greater awareness and valuation of social/environmental issues (Fitzgerald 2001).

More specifically, it is features of the institutions that seek to regulate – governments, markets, advocates, etc. – that matter (Parker & Kirkpatrick 2002). These features include their capacities, their autonomy, and their commitment to particular regulatory outcomes. Together this bundle establishes the credibility of the regulatory institution and, hence, the credibility of its related incentives. Credibility, in turn, establishes whether or not an institution is trusted by other stakeholders. As described above, trust between stakeholders is seen as crucial to the effective functioning of ethical trade, though this should not be taken too far. NGOs and unions which organise consumer boycotts or strikes may be seen as credible by producers without necessarily being trusted.

Multinationals as the Focus

The main focus of this institutional analysis has been multinational corporate stakeholders. Before moving to conclusions, two points will be added.

First, a reminder that – within global supply chains – it is developing country producers, not the multinationals, whose decisions directly affect social and environmental outcomes of production. Yet multinationals have been the target of both analysis and practical actions. This indirect targeting through multinationals rather than direct targeting of DC producers has occurred partly because ethical trade has, to date, been principally a Northern-led phenomenon. From that perspective, multinationals are easier to identify, easier to interact with, and easier to help or hurt (e.g. via their reputations and their strong links to consumption and investment markets). Perhaps more importantly, they are the 'kingpins' in the global supply chains: the stakeholders who principally control those chains. They can therefore be seen as the most appropriate leverage point.

Second, we must question an implicit assumption: that global governance chains – represented by states, international bodies, and NGOs – act in the public interest. There is plenty of evidence and discussion that this assumption is not correct in the case of governments and bodies like the WTO (Curtis 2001). There is less evidence and less discussion about the divergence between public and private interest for NGOs. Yet there are noteworthy parallels between NGOs and multinationals.

International NGOs have global brands and global reputations they seek to protect, and which can be damaged (as Greenpeace's was over perceived misrepresentations in the Brent Spar affair (Rice & Owen 1999)). On the ground, NGOs running ethical trade initiatives can be found indulging in the very activities – competing with each other over-zealously rather than coordinating, focusing more on short-term image than long-term delivery, acting in their self-interest rather than the interests of supposed beneficiaries – they decry in the multinationals (Sharma et al 2000). In this light, the growth of ethical trade could be explained not in terms of its effectiveness, but in terms of the desire of NGO and related advocates to be doing – or to be seen to be doing – something active about social and environmental development.

DISCUSSION AND CONCLUSIONS

Globalisation is fundamental to an understanding of ethical trade because it has changed the context for regulation (Barrientos 2000). On the one hand, globalisation has greatly increased the value and power – but also the vulnerability – of brands and of corporate reputations. These form an increasingly important part of the relationship between firms and markets as firms decreasingly come into direct contact with consumers, and as goods increasingly embody 'credence' components: elements like their social and environmental attributes that consumers cannot know but have to take on trust (Klein 2000, Nunez 2001). Coupled with a globalised media and global spread of information and communication technologies (ICTs), this has provided new levers for those seeking to regulate the social and environmental impacts of production.

On the other hand, globalisation – enabled by liberalisation and technological change – has been associated with a growing complexity and fragmentation of both supply chains and governance chains. This has generated many regulatory challenges:

- A growing divergence of interests as more, and more distant/different stakeholders are drawn into ethical trade. This divergence has grown since the promotion of poverty elimination goals for developing countries (Parker & Kirkpatrick 2002).
- A shift in power from producers to intermediaries as production becomes an outsourced commodity and as knowledge about design, brands, and markets becomes ever-more important (Greig 2002, Ponte 2002). One developing country producer can become increasingly substitutable for another, while the oligopolistic power of multinational retailers, marketers and traders grows. Simultaneously, and despite the rhetoric, consumer power does not grow.
- A growth in information asymmetries as sites of production and sites of potential regulation (including supply and consumption markets) grow further apart, and as reputations are more strongly managed and protected. ICTs are a two-edged sword here. They can re-connect distant sites but, at the same time, they contribute to a data blizzard through which information on ethical trade penetrates with increasing difficulty (Duncombe & Heeks 2002).
- A growth in indirect rather than direct mechanisms of control. This has led to the 'denial of responsibility' defence (Greig 2002). Where a chain stretches from multinational retailer through developing country manufacturer and then sub-contractor to outworker, the multinationals may claim little control over, and little liability for, outworker conditions. It has also changed the nature of regulatory actions and incentives since these, too, are increasingly indirect (see Figure 3). Among other things, this makes it much harder to evaluate the impact of regulation.
- A decline in trust, partly due to greater distancing of stakeholders, partly due to the influx of new regulatory stakeholders with limited knowledge of each other and, in some cases, little track record of regulatory competence and/or some track record of confrontation.
- A growth in risk, uncertainty and change, all of which will encourage short-term, self-interested, opportunistic behaviour by stakeholders.

Ethical trade is still young in regulatory terms and there is much knowledge-building and learning to be done about the way in which its alternative regulatory mechanisms are facing up to the challenges of globalisation. Some see ARMs as particularly appropriate to globalised contexts given their flexibility and their capacity to tap into knowledge and expertise embedded in different organisations (BRTF 2000). However, the verdict to date on ethical trade is 'not proven', with evidence both for and against effectiveness and other performance measures. Ethical trade has achieved more than nothing, but less than hoped for and, to date, its institution-building and process benefits have been stronger than social/environmental impact gains.

The learning that has occurred thus far has produced a series of better practice recommendations. Some are relatively straightforward, and represent advice to close design-reality gaps; for example, by more appropriate design of audit procedures (Auret 2001).

Other recommendations are less clear, partly because there is an unavoidable tendency for writers to view the world through their own lens: activists recommend more activism (Klein 2000), researchers recommend more research (e.g. Foran 2001), union officials recommend more union recognition (e.g. Mansfield 2002), and so on. This might explain why some commentators make recommendations that are actually still one half of unresolved tensions. Examples include:

- Recommendations for more local flexibility and participation in order to match regulation to local needs. Others point out the value of uniform global approaches to avoid the race to the bottom that can ensue if countries have exploitable differences in regulatory standards (Fitzgerald 2001).
- Recommendations for multi-stakeholder initiatives to integrate a broad range of interests into regulation, to reduce opportunities for regulatory capture, and to increase the "ethical space" (i.e. room for manoeuvre) for key actors (Blowfield & Jones 1999). Others point out the lower costs, greater flexibility and greater trust-building within bilateral initiatives (Mansfield 2002).
- Recommendations for greater focus within regulatory measures on outcomes. Others point out that process determines outcome, and that regulatory measures are thus often right to focus first on process (Blowfield 1999).

One tension that was much in evidence, though, now seems largely redundant: the opposition between state regulation vs. ethical trade. Ethical trade is often portrayed as something new:

"new means of facilitating the relationship between market and society." (Barrientos 2000:564). Implicitly, it is categorised separately from the 'old': traditional regulation by nation states. We did the same here by describing its mechanisms as 'alternative' to state regulation. Of course, there are things here that appear new and different: making greater use of supply and demand markets for regulation; getting producers to regulate themselves; harnessing information for direct and indirect advocacy; drawing multiple stakeholders together.

The appearance of novelty does seem valid, even though concerns about global trade stretch back many years, and self-regulatory codes for multinationals emerged in the 1970s after bribery scandals (Jenkins 2001). The sense of separateness, however, is false (Perry & Singh 2001). Regarding level, ethical trade is global and local, but it also operates strongly at national level. It erodes the validity of mandatory vs. non-mandatory. And the state is a key actor amongst the many stakeholders involved. State regulation must be understood as one part of ethical trade. Even where not directly involved, state regulation is frequently the threat, or promise, or benchmark, or ultimate goal behind many ethical trade mechanisms. To rework an earlier analogy, state regulation is often the iron fist within the velvet glove of ethical trade.

Put another way, ethical trade stripped of any relationship to state regulation seems likely to deliver relatively limited social/environmental gains – more, perhaps, than no regulation; less, perhaps, than state regulation; and certainly less than a co-ordinated portfolio of state and non-state regulation.

So ethical trade is not the 'white' that contrasts with the 'black' of state regulation. Instead, ethical trade represents many colours in a regulatory rainbow that includes traditional forms of regulation. 'Alternative regulatory mechanisms' could therefore be renamed 'supplementary regulatory mechanisms'.

Supplementary mechanisms grow outwards from – but always linked to – the state and its laws, typically seeking to encompass as broad a range of stakeholders and as broad a range of incentives and mechanisms as possible. They arise as those concerned with the market failures of trade seek out all possible means for achieving their goals. This might best occur in a relatively non-dogmatic manner; trying out a rich variety of regulatory avenues to see what will work and, hopefully, learning and improving along the way. This may include using supplementary mechanisms as a stepping-stone to return to improved state regulation.

Returning to the earlier points about debate, then, it seems inappropriate to ask "improved state regulation *or* something else?", and better to ask "what mix and what chronology of improved state regulation *and* something else?". The institutional analysis provided earlier demands a contingent answer to this question. What is feasible and what is desirable will differ from context to context depending on what fills in the particular institutional map (like that drawn in Figure 4).

Given this, we might argue that the nature of regulation is something of a red herring. Commentators can become somewhat obsessed by particular forms or mechanisms of regulation, getting drawn into specific design issues. Yet the shortcomings identified – inefficiency, ineffectiveness, capture, hold-up and, overall, the continuing divergence of public and private interests – arise with both state and non-state regulation. From a different perspective, we can see that the institutional factors in a context will 'infect' any form of regulation. Hence, arguably, we should be asking more questions about and paying more attention to the identified institutional factors: incentives, asymmetries, credibility and trust.

Using these analytical approaches, then, prescriptions for successful ethical trade would include:

- designs that have a relatively good match to the reality of the implementation context,
- incentives that give key actors a clear cost/benefit reason to act in the public interest,
- processes that enable development of trust between key players, and development of regulatory credibility,
- actions that reduce asymmetries, and
- mechanisms for learning and improvement.

Researching Ethical Trade

In this paper, we have reviewed knowledge and issues to date on ethical trade. However, research on ethical trade is still in its relative infancy. Two particular knowledge gaps stand out.

First, we know far too little about the impact of ethical trade. Building knowledge on impacts will require development of regulatory impact assessment methodologies that are suitable to global supply and governance chains, and to the supplementary regulatory mechanisms that abound in ethical trade. We have some starting points on this (e.g. Mayoux 2001, Lee 2002), but much has still to be done.

Second, much of the work has been approached in a pragmatic manner with little recourse to conceptual models, let alone theories. There is a danger, putting the work on ethical trade together, that it represents a random scatter of pebbles rather than a growing cairn in which new studies stand on the shoulders of existing knowledge. Similar criticisms have been levelled at the study of regulation and development more generally (Parker & Kirkpatrick 2002).

We can use conceptual models to investigate specific angles on ethical trade. As already described, the notion of design-reality gaps can be used to understand the transfer of ethical trade models from North to South, and the relevance of regulatory systems to specific local contexts. We can also use information systems analysis to understand ethical trade because it is such an information-intensive activity and because ICTs are critical enablers of both global supply and global governance chains (see Duncombe & Heeks 2002).

But ethical trade must also be viewed holistically and, from this perspective, it is institutional models that offer the best theoretical basis. Figure 4 has offered just a simple model, but a deeper grounding probably lies in the body of work on 'network/chain analysis' since this integrates a number of economic, political and contextual components (e.g. Gereffi 1999, Kaplinsky 2000, Raikes et al 2000, Henderson 2002). Using such institutional analysis, we can start to build knowledge on ethical trade with both theoretical and practical value.

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