

NORWEGIAN UNIVERSITY OF LIFE SCIENCES



DECLARATION

I, Sigrid S. Melkeraen, declare to the senate of the Norwegian University of Life Sciences (UMB) that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature.....

Date.....

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ABSTRACT

Melkeraaen, Sigrid. 2009: Black Economic Empowerment in the South African wine industry: Fair Trade, power relations and socio-economic rights

The following study was conducted in the Western Cape region in South Africa, with the purpose of contributing to the understanding of Fair Trade in the South African wine industry on the background of socio-economic conditions and power relations in the sector, the South African Constitution's commitment to equality and transformation, as well as previous empowerment strategies in the sector. A theoretical perspective combining Human Rights Based Development approaches with Value Chain Analysis was applied. The study combined policy analysis with case studies of three different farms in the Western Cape Province, South Africa, and interviews with other actors in the value chain of wine production from the marketing level, as well as from non-governmental organizations. Fieldwork was conducted in the Western Cape Province, South Africa from August to October 2008, as well as extensive literature reviews between January 2008 and May 2009. The thesis argues that the increase of corporate retail participation in the value chain of South African Fair Trade wine has significant implications for the politics of transforming the industry. Central contradictions exist within the policy-practical oriented levels, whereas on the one hand, the policy formulation process endeavors to realize a broad spectrum of human rights, including socio-economic rights. On the other hand, policy implementation reveals an experience of flawed strategies that iterate more narrow conceptions of human rights. In South Africa, Black Economic Empowerment (BEE) requirements are incorporated in the Fair Trade standards, but there are important differences between choosing a social brand and the set of codes and principles entrenched in the BEE strategy. The growing tendency of ownership in brand, instead of land is one aspect of this. It can be argued that dominant actors working with the BEE and Fair Trade initiatives are appropriating the language of transformation are but appear unwilling or unable to really grasp and address the reality of power inequality in the wine industry in South Africa.

LIST OF ACRONYMS

AISE	Adverse Incorporation and Social Exclusion
ANC	African National Congress
ATO	Alternative Trade Organizations
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
CLEP	The Commission on Legal Empowerment of the Poor
COSATU	Congress of South African Trade Unions
CP	Civil and Political (rights)
DTI	Department of Trade and Investment
DoL	Department of Labour
EME	Exempt Micro Enterprises
EMG	Environmental Monitoring Group
ETI	Ethical Trading Initiative
ESC	Economic, Social and Cultural (rights)
FAWU	Food and Allied Workers Union
FINE	Common term for FLO, IFAT, NEWS! and EFTA
FLO	Fair Trade Labelling Organization International
FLO-CERT	Fair Trade Labelling Organization – Certification
FTSA	Fair Trade South Africa
GCC	Global Commodity Chain
GEAR	Growth, Employment and Redistribution
GVC	Global Value Chain
ODI	Overseas Development Institute
HRBD	Human Rights Based Development
RDP	Reconstruction and Development Programme
SANAS	South African National Accreditation System
SAWB	South African Wine and Brandy Company
SAWIS	South African Wine Industry Information & Systems
UNHCHR	United Nations High Commissionaire for Human Rights
WIETA	Wine and Agricultural Ethical Trade Association
WOSA	Wines of South Africa

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CHAPTER ONE: INTRODUCTION

The reconciliation of the principles of equal protection, affirmative action and non-discrimination is not an option for South Africa. It is a necessity (Sachs, 2007).

1.0 The issue and its context

The New Constitution of the Republic of South Africa was adopted in 1996. It focused on the tenets of human rights, and embraces dimensions of equality, non-discrimination and affirmative action. In order to safeguard human rights in the Constitution, the Bill of Rights was put in place. For this reason, together with other features in the Constitution, the South African Constitution is acknowledged as one of the most progressive and transformative in the world. The Bills of Rights is an important element of the Constitution in that it protects the rights of all South Africans and affirms the values of human dignity, equality, and freedom (Bill of Rights, 1996). A range of socio-economic rights are embedded in the Bill, such as rights to land, housing, health care, food, water, environmental rights, social security and education.

Since the end of the Apartheid regime in 1994, the government has embarked in numerous policies and strategy programmes with an aim to empower historically disadvantaged groups and individuals in South Africa. One example of this is the active way in which the government endeavours to address racial discrimination within the economic sphere. The strategy for Black Economic Empowerment (BEE) has been a central policy of the African National Congress (ANC) government in the process of overcoming the racial and social divides left by the Apartheid regime. The policy raises the issue of how to best integrate the provisions manifested in the Constitution into a socially and constitutionally meaningful whole (Sachs, 2007).

The concept emerged in the early 1990s, and has in recent years been rebuilt into a 'Broad Based' BEE strategy. The main criteria which reflects the way in which black empowerment are to be assessed is; black ownership, employment equity, skills development, management representation, preferential procurement, enterprise development, and corporate social investment. Additionally, the government has put in place four key principles for the strategy, stating that; BEE is broad based, it is an inclusive process, it is associated with good governance, and it is part of South Africa's growth strategy (DTI, 2003).

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According to the South African government the objective is to achieve an economy characterized by growth, employment and equity by 2014. Since 1994, the South African economy has experienced consistent growth and the economy has become increasingly integrated into global markets. However, progress in terms of 'meaningful participation' of black people in the economy has been limited, firstly by the dismal employment creation that has failed to keep up with the growing labour force, and secondly, as a result of industry restructuring, employment has been shifting to more skilled jobs (Ponte et al, 2006).

Problems of poverty and inequality in South Africa are highly concentrated in rural areas. Over 70 percent of the country's poorest people live in rural areas, and over 70 percent of all rural people are poor (Kepe & Cousins, 2002). In terms of overcoming the apartheid legacy of racially skewed land distribution, the progress of redistribution of land has been

very slow. The government's target for transfer of land was set to accomplish 30 percent within 2014. However, this goal appears very distant, as only 4 percent of the land is in black hands so far (Langford, 2007). The agricultural sector is also characterized by poor treatment of farm workers and high rates of eviction. Figures on displacement and eviction of farm workers in the period between 1984 and 2004 shows that the absolute number of farm workers being evicted or displaced from farms has in proportional terms been increasing (Langford, 2008)

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The wine industry is one of South Africa's largest industries; the 2009 wine grape harvest is estimated to amount approximately 1 322 490 tons, and the industry provides employment to about 300 000 South Africans, including agricultural entrepreneurs, farm workers and their dependants. (SAWIS, 2009). The South African wine industry is the ninth biggest in the world, and produces approximately 3 percent of the wine worldwide. Since 2003, there has been a dramatic increase in the number of commercial wine producers certified by the Fair Trade Labelling Organization (FLO). The relevance of this study is based on how actors in the value chain of wine production meets the challenges that followed with the inclusion of the Broad Based BEE targets and requirements in the Fair Trade Standards for South Africa in 2004. In the wake of globalization, processes of empowerment have remained difficult in the South African context as the tremendous market-driven restructuring took place in all sectors and made access to the industries very hard. As for the wine industry, the shift from being isolated from the international market for many years, to become a participant in free international trade, led to both

great opportunities for the sector, all the while new threats and challenges emerged for the wine industry as a whole.

This study analyzes the relation between policies of Black Economic Empowerment and Fair Trade in the wine industry in the Western Cape region in South Africa. The study examines policies that have been introduced for the realization of socio-economic rights in the wine industry, with emphasis on recent implementation of Fair Trade arrangements. The study sets out to understand the processes and outcomes of Fair Trade within the context of black economic empowerment in the wine industry. I shall do so by looking at the broad context of different actors in the value chain of wine production. The aim is to look at both policy and practice against the power relations on the ground and the political and ethical questions these power relations pose.

In this paper, the actor focus is on farm workers, farm owners, marketers, retailers, and the institutionalized movement of Fair Trade; it examines the relationship and the power dynamics between the different actors. The study combines policy analysis with a study of three different farms in the Western Cape Region and interviews with other involved actors. Issues related to black economic empowerment and Fair Trade will be emphasized in order to contribute to the understanding of linkages between policies of Black Economic Empowerment and practices of Fair Trade in the South African Wine industry.

The political point of departure in this study lies within the discourse on black economic empowerment in the context of the capital concentration in a country that is still characterized by mass poverty and inequality. I find the policies for black economic empowerment in South Africa compelling – both in terms of its significance and its implications – and because it is highly relevant in the discourse around socio-economic rights in South Africa. The link between black economic empowerment and Fair Trade in the wine industry is important when examining recent development in the agricultural sector – particularly in terms of the increasing participation by commercial actors in the wine industry. Lastly, I argue that a deeper discussion around the nature of the institutionalized movement of Fair Trade is needed at this point in time, due to the pace

with which the Fair Trade movement is growing and the implications this has. We need to assess the realities of this dynamic concept and understand it through a perspective and assessment of its legitimacy and moral, ethical and policy-based aspects and implications.

1.1 Research goals

The main goal of this study is:

To contribute to the understanding of Fair Trade in the South African wine industry on the background of socio-economic conditions and power relations in the sector, the South African Constitution's commitment to equality and transformation as well as previous empowerment strategies in the sector.

Sub-goals are:

(i) To broadly document and understand the socio-economic conditions and power relations in the South African wine industry of the Western Cape, including the role of earlier and current empowerment policies in the wine sector.

(ii) To document and analyze Fair Trade initiatives for the wine sector in Western Cape and actors' participation in and discourses on Fair Trade in relation to power relations, problems, opportunities and earlier empowerment policies in the wine sector.

(iii) To assess Fair Trade against the aspirations for transformation and racial equality as expressed in the South African constitution and relevant policies.

1.2 Chapter structure

Having outlined the central concerns of this study, I have organized the rest of the thesis into six further chapters. Chapter Two outlines two distinct theoretical approaches, and I shall also give explanation for the choice of the two different analytical tools.

The following chapter outlines the research methodology. Chapter Three will first give an introduction to the epistemological orientation I have taken in this research project, followed by sections concerning research design, study area, selection of cases and respondents, the research methods employed in the research, and last, the chapter emphasize challenges of research and ethical considerations.

Chapter Four provides background for the context. Firstly, a brief history of the South African wine industry is included, secondly, the background for, and the strategy of Black Economic Empowerment will be outlined. Lastly in this chapter, the concept and the origins of Fair trade will be outlined.

In Chapter Five I shall present the main findings from farm cases, marketers, and from the Fair Trade movement.

Finally, Chapter Six is devoted to the analysis of – and a discussion of discussion of results emerging from my empirical data. This chapter is further divided into five sections. The first section in the analysis explores the effects of Black Economic Empowerment in the wine industry, with emphasis on the political economy discourse around the BEE policy and the challenges the requirements of the BEE strategy the wine industry are facing – as reflected upon through my interviews with various actors involved in wine production. After this, the chapter moves on to examine the underlying political economy dynamics that led to the dramatic increase of Fair Trade arrangements in the wine industry, and furthermore it highlights the link between BEE and Fair Trade and how this has been impacting the wine sector. The next section in the analysis discusses the controversial issue of landownership, here in terms of it being a part of the

BEE requirements from the government, and as being included in the Fair Trade standards for South Africa. The section draws attention to the tendency of giving black workers ownership in brand, instead of in land. The increased corporate retail participation in Fair Trade is then emphasized and discussed in light of the South African Fair Trade certified wine producers. Finally in the analysis chapter, I have included a section where a broader discourse on development in agricultural sector is highlighted – in terms of Human Rights Based Approaches to Development and the question of the need of more cooperative development on a global level. The chapter finishes off with a brief look on how the recent financial crisis so far has imposed problems for the South African wine industry.

Last of all, I have a concluding chapter. Chapter Seven brings together the results emerging from the data, and summarize the key arguments highlighted in this thesis.

CHAPTER TWO: THEORETICAL PERSPECTIVES

In order to frame the relationship between Black Economic Empowerment and Fair Trade, I shall analyze the study from both an economic point of departure using global value chain (GVA) analysis, and by employing a Human Rights Based approach to Development (HRBD) with emphasis on notions of ‘empowerment’. Socio-economic rights in a South African context will also be included here. Seeing either one of these perspectives as insufficient on their own, I choose to make use of both. The concept and rise of Fair Trade must be understood within the political economic context in which it has arisen and gained prevalence. During recent decades, the analysis of changes in business practice and the regulation of national and international economies have benefited greatly from the development of commodity chain analysis (Taylor, 2005). In the context of a global competitive market on the one hand and the South African focus on human rights and black empowerment on the other, one must see the value chain of wine production within both an economic analysis and one that and a more rights-focused analysis of where development is heading for the majority of the people in South Africa. As the study sets out to understand power relations in the South African wine industry as affected by Fair Trade and the national BEE strategy, I choose to include both normative and descriptive approaches in understanding connections between global and local levels of development.

2.0 Human Rights Based approaches to Development

In the development thinking of the late twentieth and early twenty-first century, the widespread use of terms like ‘freedom’ and ‘human rights’ have to a large extent taken the focus away from mainstream development theories and strategies on economic growth and modernisation within an north–south, core–periphery sphere. It has instead focused on recognition of the inherent dignity of every human being as the foundation of freedom, justice and peace in the world,¹ and where everyone has a right to participate in decisions that affect their lives. One definition of human rights holds:

“Human rights” are claims which every human being has by virtue of his or her humanity without distinction on such grounds as race, gender, religion, national origin or social group (An-Na'im 2003: 3)

As the development-focus turned from economic growth, free markets and a top–down structure, ideas like ‘bottom–up’ development, ‘empowerment’, and ‘human rights-based approaches’ to development emerged. One driving force behind this change was civil society, making social movements important actors in a alternative ways of thinking.

New notions and definitions of development were crafted, such as: “Development is the process of expanding human freedoms” (Sen, 1999: 36). A new focus on participation in development processes was central, emphasizing the concept of ‘development from below’. The idea emphasizes human agency and the importance of making people informed and active in processes of changing their own realities. These notions of personal agency are expanded on by Amartya Sen, who in his approach to ‘Development as Freedom’ focuses on what he calls the *real* freedoms that people enjoy, freedoms that we should be able to enjoy as individuals. Sen sees the expansion of human freedoms as both the *end* and the *means* of development. This approach stresses the role of freedoms of different kinds in enabling individual agency as a key factor in overcoming plights and

¹ From the Preamble of the United Nations’ Universal Declaration on Human Rights (1948), where Article 1 further states that “all human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.”

hardships that people face in their everyday lives. To understand and promote development, Sen focuses on the removal of what he calls ‘unfreedoms’, such as poverty, lack of economic opportunities, social deprivation, neglect of public facilities, and intolerance by repressive states. He argues that it is important not to oppose, but rather to see the empirical linkages that tie the different ‘types’ of freedoms together and how these connections reinforce the importance of different freedoms. In other words, these freedoms are interconnected and interwoven into a diverse quilt of freedom.

The ‘freedoms’ that people enjoy in their lives in various countries, communities, and in families around the world are based on values that differ significantly between the global North and the South, between castes, families, religions, and between individuals (Sen, 1999). Sen proposes, however, that freedoms or human capabilities may be used in cross-cultural analyses and evaluations of human well-being. It is difficult to measure levels of freedoms of different kinds, as when the World Bank measures the gross national product and per capita income in every country and hence defines a level of development. In contrast to the figures and formulas emphasized by the World Bank, the Senian approach is more agent-oriented; it focuses on how individuals can shape their own future when enjoying different freedoms to create a good life for themselves and being able to help others. He does not reject the importance of economic growth and markets, but stresses that the freedom to participate in economic interchange has a basic role in social living, is an end in itself, and makes a significant contribution to development (Sen, 1999). Black Economic Empowerment in South Africa can be seen as a development strategy that aims to remove certain ‘unfreedoms’ for the black people by focussing on the freedom to participate effectively in the economy.

Sen’s approach to ‘development as freedom’ emerged in the late 1990s, alongside but in some respects different from the recently established rhetoric on human rights-based approaches to development. Human rights-based perspectives on development had in various forms been a part of the discourses and development thinking since the major ‘human rights breakthrough’ in 1948 when the Universal Declaration on Human Rights was adopted by the United Nations. The declaration stood as a milestone, recognizing *all*

people as ‘human’ by affirming several rights as universal for all human beings regardless of their race, colour, sex, language, religion, origin, birth, and beliefs (Peter Uvin, 2004). However, as declarations mainly function as statements of intent, a legal basis for the realization of the rights was needed. This process took about eighteen years to complete, and in 1966 two covenants were adopted: one on civil and political (CP) rights and one on economic, social and cultural (ESC) rights. The covenants have been ratified by respectively 164 and 160 states (UNHCHR, 2009). These covenants proclaim that all states must have the political will and means to ensure the realization of all human rights, and that necessary legislative, administrative and institutional mechanisms must be put in place to achieve this aim. (South Africa has ratified most international human rights conventions but only signed the Covenant on Economic, Social, and Cultural Rights).

In the beginning of the 1990s, a new development paradigm emerged: the Human Rights-Based Approach to Development endeavours to shorten the distance between the two concepts of development and human rights. The new human-rights agenda derived gave rise to new international development targets, focussing on poverty alleviation and human development through the realization of both civil–political rights and economic, social and cultural rights. The United Nations High Commissioner for Human Rights (UNHCHR, 2009) defines human rights-based approaches as “a conceptual framework for the process of human development that is normatively based on human rights standards and operationally directed to promoting and protecting human rights”. This means that actors should integrate the norms, standards and principles of the international human rights system into the plans, policies, and processes of development (Frankovits, 2005)

In order to discuss what it means, intellectually and operationally, to integrate human rights into the practice of development, Uvin (2004) presents four levels of ‘integration’. These different levels are seen to occur jointly, and often within the same organization. At the lowest level, he describes the rhetorical incorporation of human rights terminology into a classical development discourse, referring to the bilateral and multilateral aid

agencies that, in the 1990s, published a slew of policy statements, guidelines and documents to demonstrate that they had incorporated human rights into their mandate. According to Uvin, this level of ‘integration’ does not challenge priorities and practice; it is just “a little more than thinly disguised repackaging of old wine in new bottles” (Uvin, 2004: 50). The next three levels presented in this work are, however, seen as constituting significant changes in development cooperation: political conditionality, positive support, and the rights-based approach to development. Political conditionality is related to the perception that aid donors should threaten to cut off development assistance to countries with poor human rights records. Conditionality was put on the table after donors had been continuing for many years in giving aid assistance to regimes regardless of their human rights practices. Scholars, activists and politicians demanded conditions concerning the respect for democracy and human rights. However, most bilateral donors and policy-makers incorporated language concerning the importance of human rights and democracy – but applied conditionality merely by the requirement to hold elections. Many countries were told that they would receive no more aid if they did not hold multi-party elections. This practice is criticized for representing a double reduction: from human rights to democracy, and from democracy to elections. The use of conditionality to promote democracy and human rights presents further difficulties. Uvin (2004) categorizes the arguments against conditionality as: (1) conditionality is unethical, (2) it is never fully implemented, (3) it does not produce the results it aims for, and (4) it destroys that which it seeks to achieve by causing harm. Claiming that conditionality is about shortcuts and absolute power, Uvin stresses that the ‘dream’ that ‘our’ money can function as a lever to force change in the favour of things we consider important does not hold true, in the sense that one cannot ‘buy’ human rights in other societies. The focus on conditionality thus runs a risk of weakening the quality of governance, the domestic accountability of governments, the legitimacy of opposition groups, and the capacity to develop internal processes of change (Uvin, 2004)

The next step in bringing human rights into development is ‘positive support’. Rather than forcing countries to respect human rights, the aim with this level of integration is to create the conditions for the achievements of specific human rights outcomes. While

conditionality lies within a short-term field, the potential of positive support lies in the long run. The practice is also undertaken by all kinds of actors, including NGOs, whereas the conditionality approach is mainly a practice available to large aid donors. Positive support has, Uvin asserts, become one of the fastest growing fields of international development assistance in the past decade, consuming more than ten percent of aid budgets. This 'positive approach' has, according to Uvin (2004), become the favoured way by all donors to promote democratic development. An exception is human rights organizations, who often argue that such 'technical assistance' constitutes only a small part of their work. From a critical point of view, one could argue that programs for positive support are caught in the ambiguity between their politically interventionist mandate and their willingness to be technocratic and short-term; between their need to be highly flexible and adaptable and the bureaucratic stifling of the project tools; and between their desire to recreate social contracts in poor countries and the outward orientation that seems inherent in their presence (Uvin, 2004).

Hence, at both the conditionality level and the positive support level, there is a risk that the concepts of development and human rights remain separate. Accordingly, Uvin discusses a human rights-based approach to development as a new paradigm that emerged at the 'highest level of integration', where development is redefined in a way that includes human rights as an integral part, rather than only as a *complement* to development. Central in Uvin's notion of a human rights-based approach is the view that all processes of social change are simultaneously rights-based and economically embedded. Within this framework, it is impossible to separate human rights from economic and social improvement, as the terms means nothing without each other (Uvin, 2004). Uvin (2004) also reminds us that the intellectual history of development is much shorter than the history of human rights. He links the origin of human rights to the concept of natural rights, an idea developed in the seventeenth and eighteenth century in Western Europe as a tool to protect individuals from the arbitrariness of the absolutist state. Other factors that contributed to the growing focus on human rights were the increasing formation of nation states, whereas more and more governments participated in formulating and guaranteeing human rights. The growing power of the 'civil society'

has also promoted human rights; rights are claimed and realized in everyday life through social and political struggle.

2.1 Socio-economic rights in South Africa

The South African Constitution is well known for its extensive inclusion of *socio-economic rights*. In the South African context, socio-economic rights have become a more entrenched concept than the language of civil-political or economic, social and cultural rights. Yet, the term is used interchangeably to refer to the human rights guaranteed by the Covenant on Economic, Social, and Cultural Rights (Gloppen, 2005). The rights are incorporated in the Bill of Rights, and include:

[The] right to equitable access to land, the right to access to adequate housing, the right not to be arbitrarily evicted, the right to access to health care service. To sufficient food and water and to social security and assistance and the right not to be refused emergency medical treatment; the right of children to shelter, basic nutrition, health care services and social services and their right to parental or alternative care; the right to basic education and further education; and finally, the right of detained persons to the provision, at state cost, of adequate accommodation, nutrition, reading material and medical treatment (Brand and Heyns, 2004:3)

If we are to follow Brand & Heyns (2004), the constitutionally recognized socio-economic rights play two roles: firstly, the Constitution places a duty on the state to actively implement socio-economic rights, as the Constitution requires the state to fulfil constitutional duties, and to respect, protect, and promote rights. Brand & Heyns (2004) argues that in this sense, the socio-economic rights are blueprints for the state's diverse activities that "proactively guide and shape legislative action, policy formulation and executive and administrative decision-making" (Brand & Heyns, 2004:2). Secondly, the

Constitution enables the enforcement of socio-economic rights in that they are translated into concrete legal entitlements that can be enforced against the state and society by the poor and other marginalized groups to ensure that appropriate attention is given to their plight (Brand & Heyns, 2004). Gloppen (2005) further sees the provision of socio-economic rights as constitutionalized human rights *norms* – with a dual legal and normative validity. By this, she argues that their validity as positive law stems from their genesis through a legitimate, democratic constitution-making process. Gloppen goes on to argue that the socio-economic rights can also claim validity as international human rights norms, legally binding on states that are party to the relevant treaties, in this case the Covenant on Economic, Social, and Cultural Rights. The argument is rooted in the notion that these rights form part of the value system that UN member states commit to upon joining the organization, and should thus be regarded as international common law – binding on all states (Gloppen, 2005). The Constitutional Court of South Africa has considered claims for the enforcement of socio-economic rights in an increasing number of cases, and it and other courts have recognized that the state has a constitutional duty to comply with the socio-economic rights (Jones & Stokke, 2005).

A lively discussion amongst scholars pertains to the justiciability of socio-economic rights and the unclear boundary between law and politics, particularly around the ability of the court to instigate actual policy change and other changes on the ground. In this study, the focus on socio-economic rights is related to the everyday lives of farm workers in the South African wine industry, where a range of socio-economic rights is central in their struggle for social justice, dignity, and equality. In terms of black economic empowerment and Fair Trade, socio-economic rights such as equitable access to land, access to adequate housing, the right not to be arbitrarily evicted, to health care services, to social assistance and to education, are fundamental and articulated in various forms both in the Generic Fair Trade Standards for Hired Labour (FLO, 2009) and in the Black Economic Empowerment Strategy – which is defined as an integrated and coherent socio-economic process, where the Broad Based Black Economic Empowerment Act, Act No. 53 of 2003, in particular aims to promote the achievement of the constitutional right to equality (DTI, 2004).

The next section briefly looks at notions of empowerment and legal empowerment in order to provide a point of departure for understanding the South African way of 'dealing' with development in the name of socio-economic rights and Black Economic Empowerment.

2.2 Trajectories of Empowerment

The term 'empowerment' has become part of everyday development-talk in recent times and is widely seen as a concept that focuses on people and the environment, rather than production and profits (Friedmann, 1992). Additionally, it is considered an important tool for improving the well-being of the poor in the developing world (Banik, 2008). As with other fashionable concepts, a range of different definitions and perceptions exist amongst scholars and development agencies around the world. 'Empowerment' is one of the most ubiquitous terms in the development debate; it has been used rather loosely by all kinds of actors, from the local to the global within the sphere of development thinking. It is a term considered as fundamental in alternative development thinking, and deals with prospects of self-sustainability and personal – where 'personal' includes several aspects that pertain to the process of the economic, social, political, and rights-based development for poor people. As the term contains the word *power*, it is according to Batliwala, (1994) important to understand power relations in order to understand the concept of empowerment. Power is here defined as control over material assets, intellectual resources and ideology. Material assets can be physical, human or financial, such as land, water, forests, people's bodies and labour, money, and access to money. Intellectual resources include knowledge, information, and ideas, while control over ideology is the ability to generate, propagate, sustain, and institutionalize specific sets of beliefs, values, attitudes that affect how people act within given socio-economic and political environments (Batliwala, 1994).

The politics of an alternative development is expanded on by Friedmann (1992), who focuses on civil society and on the conditions of life and livelihood from a household perspective. He examines the household's struggle to increase the social, psychological

and political power through empowering its members. Social power can be understood as the access to certain bases of household production, such as information, knowledge and skills, participation in social organizations, and financial resources. Political power concerns the access of individual household members to the process by which participation of individuals in decisions, particularly those that affect their own future, are made. So, political power here is not only the power to vote for instance but also the power of voice and of collective action. Psychological power is related to a sense of potency, through self-confident behaviour. The thought is that an increased sense of personal potency will have positive feed-back on a household's struggle to increase its effective social and political power. Here, households are treated both as production-centred and public. As production units they articulate both market and non-market relations and as political communities they are the terrain of struggle over the allocation of household resources to particular ends and particular rights, such as property claims.

In Friedmann's approach to empowerment, the aim of alternative development is to seek the empowerment of households in all three senses. It is therefore also understood as a process that originates both from below and within specific territory-based social formations, such as village neighbourhoods. According to Friedmann (1992), the basis for this approach lies within a local context; the idea is that empowerment starts locally, but does not end locally. The state is considered to play an important role, and to take responsibility for poor people and their demands. In this regard, alternative development is here seen as a process of social and political empowerment whose long-term objective is to re-balance the structure of power in the society by "making state action more accountable, strengthening the powers of civil society in the management of its own affairs, and making corporate business more socially responsible" (Friedmann, 1992:31). The approach focuses more on the moral relation between individuals and households than directly on their material needs. However, in common with Amartya Sen, Friedmann's notions of an alternative development do not deny the need for continued growth in a dynamic world economy; rather, it seeks change in the existing national strategies through politics of inclusive democracy, appropriate economic

growth,² gender equality, and sustainability or inter-generational equity. The approach incorporates a political dimension, inclusive democracy, as one of its principal ends of action (Friedmann, 1992)

In terms of understanding the concept of ‘empowerment’ in engaging with BEE, one way of doing it is by reflecting on what the Senian approach highlights: reflecting on economic empowerment as a process of expanding the different freedoms and opportunities that people enjoy. In the Senian sense, one must move beyond ‘primary goods’ for the realization of certain primary powers, such as the power to fulfil one’s nutritional requirements, clothing, shelter, and movement (Sen, 1984).

As this study focuses on power relations and black economic empowerment within a process of rights-based development, I find it helpful to focus on the different dimensions of the discourse of ‘legal empowerment’. The idea of ‘legal’ empowerment has been introduced to focus the attention on the “process of systemic change through which the poor and excluded become able to use the law, the legal system and legal services, to protect and advance their rights and interests as citizens and economic actors” (The Commission on Legal Empowerment of the Poor, (CLEP) 2008).

While socio-economic rights are guaranteed at a Constitutional level in South Africa, and the politics of acquiring and transforming such rights is enabled, Uvin (2004) stresses that there is a missing link for the transformative potential for human rights in development in claiming that “ it is not so much about asserting legal claims, but rather it lies in political struggles, in which human rights are tools that crystallize the moral imagination and provide power in the political struggle, but do not substitute for either” (Uvin, 2004:176). From this angle, Jones & Stokke (2005) argue that there is a potential for a more dynamic human rights-based approach, in that an understanding of the transformative potential of human rights provides a more nuanced view by relating to local and national struggles

² Friedmann stresses that ‘efficiency’ in its most general form is a measure of the relation of input to output, that mainstream economists assume that an aggregate measure of output, such as GNP, is the ‘obvious’ goal of development. But other measures of efficiency are conceivable: for example, efficiency in relation to an employment objective or in relation to resource conservation.

and power dynamics. However, Banik (2008) argues that the ‘legal’ part of empowerment is related to the human rights-based approaches to development. He refers to the view that the empowerment process “involves states delivering on their duty to respect, protect, and fulfil human rights, and the poor realizing more and more of their rights, and reaping the opportunities that flow from them, through their own efforts as well as through those of their supporters, wider networks, and governments” (CLEP, 2008:3). The Commission argues that the elements of legal empowerment are grounded in ‘the spirit and letter’ of international human rights law, particularly in Article 1 of the Universal Declaration of Human Rights, stating that all human beings are born free and equal in dignity and rights (CLEP, 2008). To further link legal empowerment to development, the Commission has developed an agenda for legal empowerment, through four pillars that the commission regards as central in national and international efforts to give poor and excluded people protection and opportunities: access to justice and the rule of law, property rights, labour rights, and business rights. The idea is that it is the convergence of synergy between these pillars that creates legal empowerment and through their synergy, legal empowerment can be achieved (CLEP, 2008:5). Continuing in this evocative spirit, the report suggests everything from policies to implementation strategies and tactics for national and international action in order to achieve legal empowerment.

Nevertheless, the discourse on law and development, which for a long time focused on law, lawyers, and state institutions rather than on the legal needs of the poor (Banik, 2008), continues to appear similar to the discourse on human rights statements and practice: characterized by uncertainty and vagueness when it comes to challenges of implementation and of transforming rights into legally enforceable entitlements. Access to justice and the rule of law, property rights, labour rights, and business rights are all central in a study of South African Fair Trade wine in a black economic empowerment perspective.

The following section will provide an introduction to Global Value Chain (GVC) analysis, used here as a methodological tool in understanding how the value chain of

wine is governed. The approach is also helpful when examining the complex dynamics that determines changes that are taking place in the value chain of South African Fair Trade wine.

2.3 Global Value Chain analysis

Appearing in the early 1990s as a new methodological tool for understanding the dynamics of economic globalization and international trade, Global Value Chain (GVC) suggests that the global economy can be usefully understood as a combination of discrete, product-specific ‘value-chains’, rather than as ‘generic markets’. In these chains, firms are linked in internationally dispersed but integrated systems of input supply, production, trade and consumption or disposal (Ponte, 2007). Much discussion has revolved around how value chains are governed and how ‘upgrading’ or ‘downgrading’ takes place in global value chains, with an interest in how power and rewards are embodied and distributed along the value chain. The value chain perspective allows the researcher to cut through some of the complexities of the global economy by following just one product through the various steps in the chain. It also serves to link global economic flows with concrete local realities at both the producer and consumer ends (Kleine, 2008). In this study, the focus will be on the debate on governance of value chains in the GVC literature, with emphasis on value chains of Fair Trade products. A major challenge persist in analyzing the governance of Fair Trade value chains due to contradictions inherent in the Fair Trade initiative itself, as it seeks to operate both against the conventional ‘unfair’ market, as well as within the market, when trying to create more egalitarian trade practices between producers in the South and consumers in the North (Raynolds & Murray, 2007)

Global Value Chain analysis first emerged in the literature under the term ‘Global Commodity Chain’ (GCC) analysis. Hopkins & Wallerstein (1986, 1994) used it to discuss the variety of international chains for agricultural products from the beginning of the early modern era. They see all involved firms as either producers of inputs to others or users of inputs from others, in processes that are said to persist through

historical cycles of economic expansion and contraction. During expansionary phases, chains are extended and become more vertically integrated; during phases of contraction, chains tend to become vertically disintegrated into layers of contractual relations to reduce labour and transaction costs (Ponte, 2005). The use of the term ‘chain’ suggest a focus on a ‘vertical’ relationship between buyers and suppliers and the movement of a good or service from producer to consumer. The value chain analysis is thus centred on flows of material resources, finance, knowledge, and information between buyers and suppliers (Ponte, 2008)

Gereffi & Korzeniewicz (1994) developed the notion of global commodity chains as a larger paradigm for coherent analysis. Gereffi and his collaborators were more concerned with industrial commodity chains, and mainly applied the global commodity chain framework in analyzing export of clothing from East-Asian countries to the United States. At that time, most case studies within the global commodity chain analysis were concerned with manufacturing. In his original formulation Gereffi identifies three key dimensions of commodity chains: their input-output structure and geographical coverage, their form of governance, and their institutional framework. His work highlights the importance of coordination across firm boundaries – and also the growing importance of new global buyers, such as retailers and brand marketers – as key drivers in the formation of globally dispersed and organizationally fragmented production and distribution networks. He further links governance to issues of authority and power relations within GVCs and distinguishes between two types of GVCs on the basis of the nature of their lead firms; producer-driven and buyer-driven chains. In producer-driven chains the barriers to enter lead firms are located in large-scale, high-technology production facilities that involve heavy investments and economies of scale. These chains are often characterized by production to order where suppliers are tied together rather than competing internally, and they also tend to be located close to the sites of end-production. The term ‘buyer-driven’ chain is used to denote how global buyers coordinate to create a highly competent supply-base upon which global-scale-production and distribution systems can be built without direct ownership. These chains differ from producer-driven chains in that they have low barriers to entry in production.

Producers are instead subordinated to lead agents who control design and marketing, particularly international brand names and retailing in which barriers to entry are high and profits concentrated. Ponte (2005) argues that this original distinction between buyer-driven and producer-driven forms of governance remains a key to understanding current changes in the global economy. However, he also argues that Gereffi and colleagues largely ignore the long-term historical and cyclical context and advocate a focus on the emergence of a new global manufacturing system ‘in which economic integration goes beyond international trade in raw materials and final products to encompass centrally coordinated but internationally dispersed production of the activities along the chains of given commodities or manufactured products’ (Ponte, 2005:74). Ponte emphasizes the importance of specifying the historical dynamics of the rise of buyer-driven chains in the context of changing regulatory environments, as well as focussing on how lead firms define and manage quality, in arguing that this process is critical to the shaping of the functional division of labour and entry barriers along the chain (Gibbon & Ponte, 2005:165). Important in the GVC research is the attempt to identify a group of ‘lead’ firms that are placed in one or more functional positions along a value chain and which are able to ‘drive it’. Lead firms can be buyers, traders, processors and/or producers. So far in the GVC literature, analysis has examined the first and the last of these, focusing on the relation between buyer-driven and producer-driven value creation (Ponte, 2007).

Researchers have recently called for a more systematic attention to the impact of chain functioning and restructuring on marginal groups and communities along the various stages of commodity trade. The approach called Adverse Incorporation and Social Exclusion (AISE) has been successful in unpacking the local, regional and national contexts within which structural and behavioural elements of chronic poverty play out (Ponte, 2008). AISE is employed to the literature on chronic poverty with the aim of advancing current understandings of chronic poverty “because they force us to examine the multi-dimensional, political and historical nature of ‘poverty that stays’” (Hickey & Du Toit, 2007). AISE can be seen as a programmatic approach and is part of a structuralist (re-)turn in understanding poverty and marginalization that builds upon

earlier political economy approaches so as to highlight the relational and long-term aspects of poverty (Ponte, 2007). ‘Social exclusion’ is a concept developed in industrialized countries to describe processes of marginalization and deprivation which often arise where processes of economic and social transformation render ‘traditional’ systems of welfare and social protection inadequate or obsolete. The concept refers to processes by which entire communities of people are systematically blocked from rights, opportunities and resources such as housing, employment, health care, civic engagement, and democratic participation (Adler, 2007). It is linked to poverty, but is not coterminous with it – one may be excluded without being poor.

Ponte (2008) contributes to chronic poverty research by developing an explicit vertical dimension that focuses on AISE. His recent work presents a number of case studies in order to highlight the vertical dynamics of GVCs that may have an impact on small-scale producers, workers and their communities. Linking horizontal and vertical processes at the conceptual level is not new to the chronic poverty literature, but Ponte (2008) argues that the call for applications in the field has remained unanswered because the focus has been on describing how external changes have mediated value chains locally and regionally – instead of looking at the nature of changes that have an impact on local communities. Fair Trade, codes of practice of enterprises, eco-labels, ethical sourcing initiatives of major retailers and brand owners are examples of the ways in which vertical and horizontal linkages are addressed through analyses of social, labour and environmental standards and certifications (Ponte, 2008). However, a persistent critique of these initiatives is that the developmental impact of standards, labels and certifications has been limited. While the literature shows that these initiatives have created new opportunities for the supposed beneficiaries, negative impacts have also been found among those unable or unwilling to participate.

In developing a vertical agenda, Ponte is addressing many questions about how, when, and under what condition governing processes in value chains change. One of his cases illustrates a mainstream GVC, the South African wine production, which is governed by supermarket chains in the North and where a process of restructuring is taking place.

The focus in this case is on the indirect impact on labour causalization and broader changes taking place upstream in the value chain. Ponte argues that studying the value chain of wine is instructive for research on AISE, because it specifies the challenges tied to incorporation in a value chain that arise through its normal functioning. Here, the features of normal functioning are changing due to increasing expectations from retailers that are transmitted directly to their suppliers and indirectly to primary producers and workers. Changes that are taking place in this process are, according to Milberg (2007), not only imparted to 'please' the preference of consumers, but also to extract value from suppliers – which has become one of the main sources of contemporary corporate profit-making. Studies show that integration of people or areas into global value chains and trading relationships will exacerbate chronic poverty if the 'normal functioning' of the chains remains unchecked (Ponte, 2008)

Ponte's case from the South African wine industry also shows that the dynamics in the sector are reinforced by changes that are taking place elsewhere in the value chain – especially in the UK, where most of the South African wine is sold. In South Africa, the main drivers in the value chain of wine are producer-wholesalers and marketers such as the 'big five': KWV, Distell, the Company of Wine People, Winecrop and DGB Ltd. However, their power over retailers is limited by their own need to deliver volume and quality to importers. Ponte (2007) argues that retailers and importers are shaping the functional division of labour within the South African wine sector by moving away from growing grapes towards buying in grapes with 'hands-on' management (vertical integration, long-term contracts, explicit control of suppliers and regular engagement with suppliers and buyers). They try to divest from winemaking as well or to move from 'hands-on' to 'hands-off' management (use of specifications that can be transmitted in codified, objective, and measurable or auditable ways, an ability to set standards that are followed along the chain, where information that is not easily codifiable is transmitted in other ways) (Gibbon & Ponte, 2005).

A large proportion of the wine produced in South Africa falls under the category 'basic quality wine'. The most important step to assure a listing in this category is that

suppliers must assure ‘basic material quality’. Three elements are needed in this delivery before price and promotions come into play: (1) basic intrinsic quality and packaging, (2) codified solutions to food safety, and (3) logistics. UK retailers further communicate highly specific demands on intrinsic quality and packaging to their suppliers; they tell them what to bottle, what kind of label and cork to use, the weight and shape of the bottle and the recycling possibilities. In recent years, the demands have become more and more strict, and UK retailers have managed to transfer control over logistics to agents and marketers, which means that they can place a call with a lead-time of three days for delivery. Basically, suppliers now own the wine until the very last minute. The South African wine industry has recently developed different policies and specific codes on social issues through ethical trading and/or Fair Trade certification in order to meet challenges of tightening demands, logistics and lead times. But, as one marketer explained to Ponte, “on the one hand, they insist on good labour conditions; on the other hand, they do not want to pay more; actually, they are squeezing the producers ” (Ponte, 2008: 18). Ponte therefore concludes that ethical/Fair Trade considerations are not enough to lift producers and communities out of chronic poverty through labels, standards, and certifications that work ‘with the market’.

The analysis of changes in the global economy has benefited greatly from the development of value chain analysis in providing a way to understand the diversity of production in the rapidly globalizing economy, and also to understand how different actors get integrated into the economy. In terms of Fair Trade, value chain analysis has been used to explore issues such as: (1) the factor that leads to its rise, (2) its advantages over traditional corporate production, and (3) its relative advantages vis-à-vis other types of certification programmes (Reed, 2008). However, Reed stresses that this kind of analysis has *not* been systematically employed to look at the role of corporate participation in Fair Trade. Many would argue that the tremendous growth in the sales of certified Fair Trade products during the last two decades is due primarily to the increasing involvement of corporations in Fair Trade. Corporate participation certainly has the potential of rapidly extending the market for Fair Trade products, which threatens the original vision of Fair Trade to pursue the primary concern for the

plight of small producers and the goal of developing an alternative approach to trade and development. The discussion of corporate participation – particularly in terms of corporate retail participation, is a central feature to include when analyzing and discussing Fair Trade in the South African wine industry. This debate will be discussed further in the analysis later on.

CHAPTER THREE: METHODOLOGY

The observational field of the social scientist; social reality – has specific meaning and relevance structure for the beings living, acting, and thinking within it (Schutz, 1962:59, in Bryman, 2004)

3.0 Epistemological orientation

The fundamental difference between the ‘subject matter’ of the natural sciences and the social sciences lies in the fact that human action is meaningful – “because it has a meaning for them and they act on the basis of the meanings that they attribute to their acts and to the acts of others” (Bryman, 2004). In social research, the methods are closely tied to different visions of how social reality *should be studied*, and the question of how research methods connect with the wider social-scientific enterprise is vital. Concerning epistemological considerations of research, this research is informed by the social constructivist position, wherein it is asserted that social phenomena and their meanings are continually being (re-)constructed by social actors. The constructivist approach considers how social phenomena develop in particular social contexts and assumes that we can only fully understand the social world through examining meaning and including qualitative methods of research in our work (Bryman, 2004).

Drawing on Foucault’s examination of discourses and power-knowledge-truth relations, I find discourse to be a helpful concept in understanding the character of the ‘wine-society’ in the Western Cape by exploring how the different actors form and share notions of the world through different discourses and how truth reflect and shape the social systems they are a part of. One key to understanding the character of society is to explore how notions of the world are being formed through discourse and how certain social systems make them “true” (Robbins, 2004). Truth is here seen as deeply imbued with power relations. According to Foucault, each society has its own truth regime and its politics of truths, through “the types of discourses that it accepts and makes function as true”

(Robbins 2004). Moreover, in the constructionist approach, social objects are seen as socially constructed. In this study, the different discourses derive from the positions and perspectives of farm workers, farm owners, marketers, retailers including within the Fair Trade system. According to Foucault, there is no 'conscious rational subject' leading history forward. One should rather look into the discursive formations, where internal systems of rules determines what is being said about which objects. 'Real knowledge' is determined in the setting of the epistemological field in which a set of relations between discourse practices in a given period creates formalized systems of knowledge (Peet & Hartwick, 1999).

In this study, the relationship between theory and research has been mainly inductive. Induction entails inferring the implications of one's research for the theory that prompted and guided the research project. Findings are fed back into theoretical debates, so that theory generation is an outcome of the research (Bryman, 2004). The interaction between theory and research was important in carrying out this study, for example because the fieldwork involved the range of different actors in the value chain of Fair Trade, a concept that was particularly important for the background research before entering the field in South Africa. As is characteristic for inductive studies, this research is based on in-depth, semi-structured interviews that have produced qualitative data in the form of respondents' detailed answers to my questions.

The next sections will clarify the research design, the study area, the selection of cases and respondents, the methods used in collecting data and, last, some challenges and ethical considerations with which I was confronted during the research.

3.1 Research design

This study employs a qualitative research approach and, more specifically, a case study research design. A research design is a strategic framework for action that ‘serves a bridge between research questions and the execution or implementation of the research’ (Durrheim, 1999). According to Bryman, a case or a setting is chosen in the case study design (Bryman 2004). The distinction between research design and research methods is that research designs represent a structure that guides the execution of research method and the analysis of data collected, whilst the method itself is the technique one uses for collecting data. In this study the case is the wine industry in the Western Cape region in South Africa. Then again, the case in point has been broken up into smaller cases-in-the-case: farms (workers and owners), other actors in the value chain (managers, marketers, exporters), the Fair Trade movement (FLO, FTSA), plus other NGOs involved in Fair Trade projects in the wine industry. The research design is further employed in a non-sequential, flexible approach – where things can change during the period when the research is carried out (Durrheim, 1999). I regard the case as relevant and valuable for contributing to the understanding of Fair Trade in the South African wine industry on the background of socio-economic conditions and power relations in the sector, the South African Constitution's commitment to equality and transformation as well as previous empowerment strategies in the sector – which are the main purpose of this research.

3.2 Study area

South Africa's vineyards are mostly situated in the Western Cape region near the coast. The province is bordered in the north by the Northern Cape Province, in the east by the Eastern Cape Province, in the south by the Indian Ocean, and in the west by the Atlantic Ocean. Approximately 4.2 million people live in the province, the majority of whom are Afrikaans-speaking. Official languages are Afrikaans, English and Xhosa. According to the provincial government of the Western Cape, the province makes the third highest contribution to the country's GDP, and produces between 55 percent and 60 percent of

South Africa's agricultural exports. The main products from this province are wine, fruits, vegetables, ostriches, milk, and dairy products. There is a great variety in rainfall and soil types in the region, which contributes to the wide variety of crops grown (Provincial government of the Western Cape, 2008).

During my fieldwork, I stayed in the wine capital, Stellenbosch, as I considered that I would then be able to meet with and interview several actors involved in wine production. The wine route of Stellenbosch is arguably the country's most famous, and the area includes 106 wine cellars. Said to be the oldest city in South Africa, Stellenbosch is well known for its university, which hosts around 25 000 students, a third of the city's total population. A range of NGOs involved in agricultural issues are based in Stellenbosch, as well as the biggest marketers and exporters of wine in the country.

3.3 The selection of cases and respondents

I conducted my fieldwork in South Africa over a period of two and a half months (August–October 2008). At farm-level, I had decided in advance to study three wine farms in the Western Cape region. After considering different opportunities, I saw it as an advantage to study sites that were located geographically both close to and more distant from the city. And so, I landed on Fair Trade projects in three different districts: *Fairhills Association* in Rawsonville, in the Cape Winelands District (Breede Valley Local Municipality), *Thandi Wines* in Elgin, which is located in the Overberg District Municipality (Theewaterskloof Local Municipality), and *Citrusdal Cellars* in Citrusdal, located in the West Coast District Municipality (Cederberg Local Municipality) – all areas within the Western Cape Province. More than the three farms I visited are involved in these projects as well.

The decision of researching these particular areas was further based on background information and contact details provided to me by various NGOs I met with in Cape Town during my first two weeks of fieldwork. Another reason for my choice of farms was that they were all Fair Trade certified farms and had been so for at least three years,

so that it would be possible to examine some of the impacts of the involvement in Fair Trade production on the different farms. I worked in the same way on every farm, both in terms of time and research methods. I compare some aspects of the three farms, but do not carry out a systematic comparison; the information provided to me by farm workers and farm owners is used in the understanding of the issues under study.

When I present my findings later on, the farms will be referred to as farm 1, 2 and 3, independently from how they are listed above.

As this was my first visit to South Africa, my network in the country was quite limited. I did my best in seeking out information, and sending e-mails in the months (June–July) before setting out for South Africa, but as the internet response from both farms, organizations, and other actors was limited, most of the planning and arrangements of meetings and interviews took place after arrival in Cape Town. After establishing contact with the farms, a schedule for field trips was set up and coordinated with my interpreter Jaen Adams. From the Fair Trade movement, I visited Fair Trade South Africa’s office in Cape Town, where I conducted one interview with the Executive Director. From Fair Trade Labeling Organization International (FLO-I), I was fortunate to meet with one of the liason officers working in South Africa at the time. As regards the other respondents, I had the opportunity to meet with a variety of NGOs working with issues related to black economic empowerment and Fair Trade in the wine industry, based in Cape Town and Stellenbosch. At marketer level, it was more difficult to get in touch with, and to arrange meetings with exporters/marketers. I did, however, meet with two of the biggest marketers in South Africa: Distell and the Company of Wine People. In addition to these, I also visited WOSA (Wines of South Africa), which represents and promotes all exporting South African producers in key international markets. I also met with Center for Rural Legal Studies in Stellenbosch, one Legal Advice Office in Citrusdal, the Legal Aid Clinic in Stellenbosch, and with Institute for Poverty, Land, and Agrarian Studies (PLAAS) at the University of Western Cape. Due to restrictions of time and resources, it was not possible to conduct interviews with actors based outside the country, such as

retailers in the North and the FLO-I head office in Bonn, Germany. Accordingly, part of the analysis relies on secondary sources.

3.4 Research methods

I have conducted my research based on qualitative methods, mainly by performing semi-structured interviews. A research method is a technique for collecting data – which involves specific instruments. We seek to understand and describe the world, and understanding *how* this is done is the job of methodology (Terre Blanche & Durrheim, 1999). The purpose was to analyze views of different actors within the sphere of the value chain of wine production. The interviews took form as semi-structured interviews, due to the different ‘views’ and perceptions I searched for to document in this study. A semi-structured form of conducting interviews implies that the process is flexible in that the interviewee has flexibility in his/her answers. Key questions due to the objectives of the research was specified in a research guide, but did not follow exactly the way they were outlined on the schedule. This method also allows for questions not included in the guide to be asked due to things that the interviewer pick up on things said by interviewees during interviews (Bryman, 2004). The emphasis was on how the different actors frame their own view and perception of the central issues and also the variability between the different interviewees. In this study, there is a broad range of actors involved, from the local level of farm workers and farm owners, to the national level of marketers and exporters, the Fair Trade movement in South Africa and other NGOs, and to the international level of actors involved in the system of Fair Trade, here FLO-I and retailers in the North. The ruling dynamics of power existing in this complex sphere can best be presented through a method where individuals and groups are the focus of the study. The study combines policy analysis with qualitative study of the different actors in the value chain, and thus also include analysis of documents as well. The content of official documents from the government, from the Fair Trade movement and also from the producers is reviewed for the purpose of analyzing policy perspectives.

In order to understand the complexity of the links between both the different concepts in focus, and between the different actors involved, my research questions was as follows: How do the different actors perceive policies of BEE for farm workers in the wine industry? How is the concept of Fair Trade perceived by the different actors involved in the value chain of Fair Trade wine production? What kind of benefits do farm workers get from participating in Fair Trade projects? What are the benefits for the farm owners? How can practices of Fair Trade and BEE policies address and change the situation of historically disadvantaged farm workers in the wine industry? How are these practices perceived by the different actors? How does FLO monitor and control that the certified products are following the special certification standards for South African Fair Trade wine production? How do the different actors participate in the process of trading 'fair' wine? In what ways does practices of Fair Trade in the wine industry relate to commitments of the right to equality manifested in the Bill of Rights in the South African Constitution?

In total, I conducted 40 interviews during fieldwork. 20 of these where farm workers, and the rest were interviews with other actors in the wine industry and organizations. My interpreter, Jaen Adams, assisted me with all interviews of the Afrikaans-speaking workers at the three farms.

3.5 Challenges of research and ethical considerations

A number of challenges were encountered during the research process. With respect to data collection, it proved difficult to get in touch with the management at the Fair Trade farms I had contacted at the beginning of my fieldwork. At this time, many of the Fair Trade farms were busy with inspections by the FLO, and told me that they could not afford to take more people out of work to give interviews. Another challenge at farm level was the process of selecting respondents among the workers. I had in advance asked the management at the farms for permission to make one-by-one interviews with the workers. This was accepted, but I soon realized that the management had chosen workers who had a high position at the farm, such as shareholders, permanent workers, members of the joint body and so on. However, it was important for me also to meet those among the workers who were non-shareholders, not involved in any committees or joint body. I also wanted to interview female workers and non-permanent workers. A majority of the workforce at the farms are non-permanent workers. Fortunately, two of the farms were willing to let me meet with the workers with whom I wished to speak with. At farm 3, the management only let me meet with two of their employees and explained this by referring to lack of time due to the recent inspections at the farm. The two I met were respectively chairperson of the trust at the farm and shareholder, and the supervisor at the farm. This seriously weakens this farm case study as far as documenting the breadth of views among workers. The field trip to this farm turned out to be a guiding tour where I was introduced to people working at the crèche and the primary school at the farm. The Fair Trade project that farm 3 was a part of, involved a total of 150 farm workers – so it was very unfortunate that I only could meet two of them.

Consent was given by all respondents to be interviewed and all were explained the nature of research. At one of the farms, the casual workers, and some of the women, did not wish to participate as respondents.

As the research project is based on information provided by different respondents, the collection of data required careful considerations regarding social, cultural, political, and

economic contexts. It was obviously an obstacle that I did not speak the same language as the workers. However, the presence of my Afrikaans-speaking interpreter made the research possible, and I felt that we, together, in a good way managed to obtain trust between the researcher and the respondents.

In terms of ethnicity or race, as it is often referred to in a South African context, I found it difficult to consider how I could, and should relate to the existing tensions and power relations between, in this situation, black and whites, and between black and coloured people. In the South African wine industry, the majority of the farm workers are coloured. I did not meet a single black worker during my fieldwork at the farms. I was told that during high-season, black seasonal workers were often employed, but as this was low-season, black workers were almost absent. This study does not address issues of *why* race has come to matter so much in South African history and still in contemporary politics, but it is important to emphasize that the different ways in which people conceive of ‘races’ within South Africa still characterizes the political environment in the country. Michael MacDonald’s (2006) account of ‘race in South Africa’ argues that notions of race originated in political experiences as well as cultural similarities: the white supremacist state made communities of ‘blacks’ and ‘whites’ by conferring citizenship on the one and denying the other. White identities were thus molded by the political experiences of inclusion, and the blacks branded by exclusion as well as their respective cultural affinities (MacDonald, 2006). As regards this study, and my fieldwork at farm level, I think the interviews with the farm workers would have turned out differently if I had not brought an interpreter whom they regarded as belonging to their own ethnic or racial group as coloured. While my ‘whiteness’ was not explicitly mentioned as a problem by any of the respondents, my position as a researcher from Europe certainly had ethical repercussions for research and for most respondent would likely link my status to that of white land owners. The dilemma of the position researchers from the North are taking can here be related to postcolonial theory and postcolonial attempts to rewrite history from the point of view of the colonized rather than the colonizer. Being a researcher from the North, doing research in the South is certainly challenging, and it is, and will always be, a question of ethics, moral, and common sense.

In this research project, both social and ethical aspects were challenging, as the study deals with processes where power, ethics, cultural, and economic values are at stake. Hence, one challenge when conducting interviews with workers was the fact that some respondents felt some of the questions elicited feelings of frustration and fear. Some were afraid to talk about the relation between the workers and the management, or to talk about conflicts between the workers. This may put at stake both the quality of the research and the sense of assurance and dignity of the workers. I tried to respond to such challenges by again assuring that the information they gave me would not be used for any other purpose than in a thesis, and that their names would not be referred to in this work. Moreover, I feel that the trust that was built between interpreter and workers was crucial in the setting of interviews with the farm workers.

CHAPTER FOUR: BACKGROUND

4.0 History of the South African wine industry

Slavery is central in the history of the South African wine industry, as the slave-owners of the Cape were a white elite that became the owners of most of the farms in the Western Cape. This elite was characterized by close ties through family and intermarriage, and was bound together by political affiliation and culture. Their relation to landownership was linked to a racialized and authoritarian discourse of mastery which linked blackness to servility and reduced black people to the status of minors (Du Toit 1993). These power relations did not only exist at farm level; white power was also embodied in the structures of local government and in agro-institutions. This political and cultural power was made possible through the elites' membership and control of local cellars, producer co-operatives, the boards of credit institutions and banks, schools, estate agents, and the circuits of white rural civil society (Du Toit et al., 2006). These deep linkages between political, economic, and cultural power of the white landed elite continued to dominate for more than 150 years after the nominal 'end' of slavery.

South Africa is not a new player in international wine trade. The first wine was made in 1655 by the first Dutch settlers in the Cape Peninsula, and by the nineteenth century wine represented almost 90 percent of exports from the Colony (Vink et al., 2004). Most of it was exported to the UK, despite continuous complaints about the quality of the wine (Kassier, 1997). However, by the end of the nineteenth century the exports almost collapsed as a consequence of a free trade agreement between the UK and France that made French wines less expensive to import and made it impossible for South African wine to compete in the British market. Along with other political and market forces, this led to an immense over-production of wine, with the result that millions of litres of wine

had to be dumped. The industry also suffered from serious epidemics of phylloxera³ in the late nineteenth century, destroying most of the vineyards in the Cape (Ewert & Du Toit, 2005). After a series of meetings in 1917, a leader in the wine industry promoted a scheme among wine farmers which in turn led to the establishment of the ‘Ko-operatiewe Wijnbouwers Vereniging van Zuid-Afrika’ (KWV), the Co-operative Viticultural Union of South Africa. The plan with this scheme was to give producers greater bargaining power through regulating the prices at which wine products were sold. By the end of 1917, approximately 90 percent of all wine producers had signed the KWV Constitution (Ibid.). The statutory power of the KWV gave it power to control all sales, stabilize prices and, later, to manage a quota system regulating new plantings, floor prices, and wine material imports. It also involved mechanisms for surplus removals and a complex ‘pool system’ to protect growers from price pressures and impulses from the market. Besides controlling all this, the KWV represented a powerful and conservative political voice that was closely linked to the power structures of the National Party (Ponte, 2007; Du Toit et al., 2008). The National Party had been established in 1914 by Afrikaner nationalists, who effectively worked to undermine the ‘coloureds’ (inhabitants of mixed race) and who were later to enforce the system of legal racial segregation through implementing a programme of apartheid, in order to maintain and extend control of South Africa by the white minority. In the wine industry, black farm workers suffered under a paternalistic, authoritarian and racialized labour regime, characterized by production-oriented slavery, poor working conditions, alcohol abuse, technological stagnation, poor quality and production surpluses (Du Toit et al., 2002) Well-known is also the *tot* system – a practice of giving alcohol to workers as part of their payment. It was abolished by law in the 1960s, but survives even today on many wine farms (Du Toit et. al, 2008).

In a deeper analysis of the history of the industry, Du Toit criticizes earlier commentators for depicting the authoritarian labour regime’s survival as atavism, since the persistence of pre-capitalist social and labour relations are ‘ill-suited’ to modern capitalism. He argues instead that, although the institutions of farm paternalism are rooted in times of

³ Phylloxera feeds on vine roots and leaves, causing them to rot and the plant to die, driving the pests in search of new live hosts and spreading inexorably through entire vineyards and regions (vincyclopedia, 2008)

slavery, there is nothing about them that is essentially incompatible with modernization and capitalist development. He argues that the dominant notion that farmers needed to be benevolent and ‘rescue’ their workers from the bad habits they acquired as slaves is perhaps as old as paternalism itself (Du Toit et al, 2008). Taylorist practices of the 1980s are used as an example of twentieth century paternalism promoted by reformist or ‘enlightened’ innovators, such as the Rural Foundation that introduced new management practices and discourses to the farms in order to make farmers invest in the ‘development’ of their workers. Despite significant changes at a managerial level, the ‘enlightened’ role farmers were given, that of ‘developing’ their workers, never ridded the industry of racial and political doctrines of farm paternalism (Du Toit et al., 2008). It is therefore argued that the initiatives for ‘social upliftment’ of farm workers in the 1980s, rather than transforming labour relations, created a kind of ‘neo-paternalism’, a combination of modern and paternalist farm management (Ewert and Du Toit, 2005). After all, a fundamental aspect of the Rural Foundation was the fear of the spectre of rural trade unionism (Mayson, 1990). In spite of the labour movement and scattered practices of rural trade unionism in South Africa, it has never been the practice for workers on wine farms. They were rather seen as members of a left-behind community, minors unable to act independently in need of being uplifted by their betters. The betters, who had imposed the *tot* system on their workers, used the endemic alcoholism that they themselves created, as an important referent in this discourse – saying that the workers were not victims of white power, but of the *bottle*. For the coloured farm worker, this new ‘medical’ problem, including the widespread foetal alcohol syndrome, overshadowed the racial cultural legacy deployed on the coloured farmers’ identity – and was now to be visible through their *drunkenness*. This was further linked to the notion of the ‘merry Hottentots’,⁴ identified by Jakes Gerwel (1988, quoted by Ewert and Du Toit, 2005) as a key motif in the portrayal of coloured identity, as shown in his analysis of racism in Afrikaans literature.

⁴ Refers to the ethnic group KhoiKhoi (“people people”), the native people of Southwestern Africa. European settlers labelled them Hottentots, after the frequency of certain sounds in their languages. The term is strongly pejorative today.

The political transition of the 1990s brought hope for black farm workers and changes for white farmers. The Afrikaner elite had benefited greatly from the patronage offered by the National Party over a long period of time. Now, the democratically elected ANC government adopted new labour and employment legislation that complied with or exceeded ILO provisions of basic human and social rights for workers.⁵ The extension of the Labour Relations Act of 1995 and the free movement of unions in the sector led to a burst of union activity in agriculture (Ponte, 2007). However, while by the mid 1990s farmers had adopted new technologies as a result of industry restructuring through deregulation and opening of export markets, labour practices at the farms had remained virtually unchanged. Wine farms were said to be stuck in a low-productivity and low-wage model, with no formal contracts between farm workers and owners, no middle management, and very low levels of unionism. Moving into the twenty-first century, practices of labour causalisation and externalization became the norm of labour management on wine farms in the sense that farm owners cut down their permanent workforce because of new labour-saving technologies (Ewert and Du Toit, 2005). It has been argued that in just a few years of market restructuring, a ‘double divide’ was created in the wine industry between ‘winners’ and ‘losers’ among cellars and farmers, depending on how they were positioned to take advantage of export opportunities – and between permanent workers and casual or outsourced workers. This development towards a minimization of the permanent workforce and the causalization of unskilled and low-skilled labour is argued to be part of a wider process in the Western Cape and in South Africa, especially in labour-intensive branches of farming (Du Toit et al., 2008)

⁵ Among these are the Basic Conditions of Employment Act, 1998; the Occupational Health and Safety Act, 1993; the Compensation for Occupational Injuries and Diseases Act, 1993; the Labour Relations Act 66 of 1995; the Skills Development Act of 1999; and the Extension of Security of Tenure Act of 1997 (Ewert and du Toit 2005).

4.1 Black Economic Empowerment

The Act on 'Broad Based Black Economic Empowerment' (BBBEE) was launched in 2003 by the South African government with an aim to establish a legislative framework for the promotion of black economic empowerment, and in order to:

[Promote] the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth rate, increased employment and more equitable income distribution; and establish a national policy on broad-based black economic empowerment so as to promote the economic unity of the nation, protect the common market, and promote equal opportunity and equal access to government services (DTI, 2003)

The BBBEE Act defines 'black people' as a generic term which means 'Africans, Coloureds and Indians' (DTI, 2003). Further, the Act states that 'Broad-Based Black Economic Empowerment' means the economic empowerment of all black people, including women, workers, youth, people with disabilities, people living in rural areas, and urban dwellers. According to the Act, the empowerment of black people is going to succeed through diverse but integrated socio-economic strategies. These include: increasing the number of black people that manage, own and control enterprises and productive assets; facilitating ownership and management by communities, workers, cooperatives and other collective enterprises; and promoting human resource and skills development. The overall objective of the Act is to facilitate empowerment by promoting economic transformation in order to enable meaningful participation of black people in the economy (DTI, 2004)

During the apartheid era, the structure of the South African economy earned the label of 'racial capitalism', as it functioned to benefit white at the detriment of black communities

(Sheperd & Robins, 2008). The exploitation of the black work force proved to tear down the economy as its bastions, mining, and agriculture, were weakened as foreign income earners by the mid-1970s. It is argued that the apartheid regime became an impediment to growth, as the economy had little room for the abundant, low-skill labour produced by the regime (Ibid). This, coupled with the increasing isolation of the country put the export-oriented sectors under big pressure, as business leaders realized that they would not be able to compete effectively unless they enjoyed access to international markets. This explains why many of the big corporations in South Africa supported the new government in the transition period 1986 –1994, they were expected to ‘do something’ by their clients and customers abroad.

The new ANC government attempted to dismantle racial capitalism and its legacies through a set of economic and social policies that aimed to deal with the high levels of inequality between black and white, rich and poor, skilled and unskilled (Koelbe, 2008). At first, the government adopted the Reconstruction and Development Programme (RDP) as its main economic policy platform. The government suggested that its RDP would create millions of jobs and houses, and form the basis of a flourishing economy able to tackle the challenges of poverty and inequality. A major policy shift towards economic liberalization of the South African economy was consolidated in 1996 with the neo-liberal ‘Growth, Employment and Redistribution’ (GEAR) strategy, which facilitated a climate for privatization, investment and open markets.

A key element in promoting a new direction of ‘reconstructing and developing’ South Africa was the creation of new black-owned and black-controlled enterprises. Since the mid-1990s, several national strategies have been adopted, and institutions established, to provide an enabling environment for *the new entrepreneurs* among South Africa’s previously disadvantaged black people. The demand for black economic empowerment is supported by the Constitution through its provision of affirmative action, where it is acknowledged that the subordination of black people has characterized the development of South Africa. The National Small Business Act was also introduced in 1996, in order to facilitate an enabling environment for small, medium and micro-enterprises. This Act

also established two institutions to provide financial and other support for entrepreneurs. In 1997, the government issued a Green Paper on public sector procurement reform. This was the beginning of *broad-based* black economic empowerment thinking, as the government recognized themselves as the biggest buyer of goods and services in the economy and thus had the responsibility to use this purchasing power in support of its economic policy objectives (DTI, 2007:8). In 1998, the Skills Development Act was launched with an aim to develop skills of the South African workforce and to improve the quality of life for workers. The Employment Equity Act of the same year aimed to eliminate unfair discrimination in employment and to ensure the implementation of employment equity to address past discrimination, as well as to achieve a workforce that is representative of the people of South Africa. Since then the government has enacted several pieces of legislation, created funds, and attempted other measures to promote black economic empowerment. However, the ANC efforts to eradicate discrimination and redistribute the wealth of the nation through all these Acts and programmes has been criticized for not assisting the previously disadvantaged, and that its promises of delivery has failed to materialize.

The BBBEE policy can be divided into three focus areas: direct empowerment, human resources, and indirect empowerment. The BBBEE compliance is measured by means of a scorecard based on various elements, where scores are measured out of a maximum of 100 points. Seven elements covers various aspects of the economy, society and the companies: (1) Ownership (percentage of shares in the business that are owned by black people); (2) management (the directors and top management of the business); (3) employment equity (the employees in the business); (4) skills development (the amount of money spent on training of black employees); (5) procurement (the company's suppliers and their scores); (6) enterprise development (spend on helping other black owned enterprises); and (7) socio-economic development. The codes define three types of companies: Exempt Micro Enterprises (a company that has an annual turnover of less than 5 million Rand), Qualifying Small Enterprises (companies with an annual turnover of between R5 and R35 million), and Generic companies (all companies with an

annual turnover above R35 million per annum) (Econo Serv Group, 2008). For a company to become BEE compliant is all about the points you have earned and about producing a scorecard to certify this. In terms of verification, the only direct reason a company will need a scorecard is because customers are asking for it. Currently, there are no accredited verification agencies in place. This means that it is not yet possible to get a verified scorecard. The responsibility for accreditation lies with the South African National Accreditation System (SANAS), and the Association of BEE Verification Agencies (ABVA) has a list of members who are awaiting accreditation and who will then be able to supply their businesses with a verified scorecard. However, in July 2008 the government launched a framework for accreditation and verification to be used by all agencies when performing BBBEE verification (DTI, 2008).

4.2 Fair Trade: concept and origins

The Fair Trade movement is commonly seen as having its origin in the post–World War II period. It emerged through movements and organizations, many of which were associated with Christian denominations that initiated programmes selling handicrafts from developing countries in the North. The emphasis was not on the consumer, but on helping the producer, which is why these early efforts have been characterized as ‘charity’, ‘goodwill trade’, or ‘solidarity trade’. As the optimism of the 1960s faded and gave way to a call for a New Economic Order, the political awareness of actors and organizations involved in Fair Trade began to change. Other more politically motivated movements sprang up as a new discourse on development emerged, a call for change. By the 1970s, a gathering of different actors involved in Fair Trade characterized themselves as ‘alternative trade’ organizations (ATOs) (Reed, 2008). It may be regarded as a political movement, which advocated an alternative system of international trade. Today, the movement is comprised of a set of groups linked together through their membership associations – the Fair Trade Labelling Organization International (FLO-I), the International Federation of Alternative Trade (IFAT), the Network of European Worldshops (NEWS!), and the European Fair Trade Association (EFTA). Together, the four associations are identified as the FINE network, an acronym created from the first letter of each of their names (Murray & Reynolds, 2007).

Fair Trade is defined as a “trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade” (FLO, 2008). The Fair Trade movement’s strategic intent is:

[D]eliberately to work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency; to empower producers and workers as stakeholders in their own organizations; and, actively to play a wider role in the global arena in order to achieve greater equity in international trade. (FINE, 2001)

The aim is further to contribute to sustainable development by offering better trading conditions to, and securing the rights of disadvantaged producers and workers in the South. An important goal is also to educate consumers in the global North by appealing to their sense of social responsibility. Fair Trade is based on a system of labelling products as 'fair', in the sense that they have been produced and traded in accordance with good principles: that the farmers have received adequate prices and that they and their staff enjoy good working conditions. The umbrella organization Fair Trade Labelling Organization International (FLO-I) was established in 1997 with a mission to set Fair Trade standards, to support, inspect and certify producers, and to harmonize the 'Fair Trade message' across the movement (Reed, 2008). In line with previous practice of Fair Trade, the basic goal of the certification programme was conceived of as empowering small producers in the South and their local communities. Several components are understood as part of the 'empowerment package': facilitating market access, increasing market knowledge, providing support for local infrastructure, strengthening internal organization, increasing product quality, developing contact networks, developing alternative sources of income, increasing income and services for members and extending the benefits to the broader community (Reed, 2008).

In 2004, the FLO-I split into two distinct organizations, where the FLO-I remained as the standard-setting body and continued to work with producer organizations, trade bodies and other external experts in the promotion of Fair Trade, while the new FLO-CERT was established as a separate company to provide certification at an arms-length from the mother organization. Labelled products are certified through a dual system: social, economic and environmental aspects of production are certified against 'Fair Trade Standards for Producers', while buying and selling is certified against 'Fair Trade Standards for Trade'. Certificates are issued after a physical inspection to confirm that all relevant standards are complied with. To ensure this, the organization works with a network of more than 60 independent inspectors that visit producer organizations and report back to FLO-CERT. In order for a product to be certified, several requirements must be met:

[The] Fair Trade Standards are not simply a set of minimum standards for socially responsible production and trade. The Fair Trade Standards go further: they guarantee a minimum price considered as fair to producers. They provide a Fair Trade Premium that the producer must invest in projects enhancing its social, economic and environmental development. They strive for mutually beneficial long term trading relationships. They set clear minimum and developmental criteria and objectives for social, economic and environmental sustainability. (FLO, 2009)

The movement certifies all kinds of products as long as it fulfills the requirements set by FLO.

During the recent decade, the Fair Trade movement has grown rapidly. The sales of Fair Trade certified products have been growing at an average of 40 percent per year during the past few years, and the 2007 sales worldwide amounted to approximately 2.3 billion Euros. By the end of 2007, there were 632 Fair Trade certified producer organizations in 58 producing countries, representing around 1.5 million farmers and workers in Latin America, Africa and Asia. The FLO estimates that 7.5 million people benefit directly from Fair Trade, including families and dependants (FLO, 2009).

In the South African wine industry, there are 31 Fair Trade certified wine producers and exporters, of which 20 are certified producers, nine are export certified, and two are certified as wineries (FTSA, 2009). The Fair Trade certification policy for South Africa has adopted the codes of the Broad Based Black Economic Empowerment Strategy into the Fair Trade standards in order to improve and monitor the level of worker empowerment in the different industries in the country. The certification policy was launched in 2007 by FLO-CERT, and requires that all certified producers must be 'worker empowerment projects' in which (i) the workers have at least a 25 percent legally protected interest, (ii) the workers are represented on all levels of operational management and (iii) the producers have implemented an auditable skills development and capacity-building programme. The term 'legally protected interest' is used by FLO

in this context to allow empowerment projects to structure their arrangements in the ‘most efficient and tax effective way’. The auditable indicators require that shareholder agreements must indicate the share allocation. This may include land ownership, share certificates, and a trust deed, indicating that at least 25 percent of the beneficial interest will accrue to the workers.

In terms of skills transfer, a written workplace Skills Development Programme must be submitted to the Department of Trade and Industry (DTI), and must be regularly updated and audited. Indicators for management participation requires that employees participate in approval of budgets, that regular consultative meetings with employees are held, and that the Employment Equity Plan⁶ has been filed with the DTI, and is regularly updated and audited (FLO, 2004). FLO-CERT is also aligned with national legislation on BEE by adopting the measurement tools of the Codes of Good Practice, and does not allow exemptions for any enterprise. All enterprises are further expected to make a contribution in terms of the direct empowerment and human resources development components of the scorecard – in particular ownership, management control, employment equity and skills development. The ownership dimension must include worker ownership, but a single entity can also be certified if there is worker ownership through a workers trust.

FTSA is the national umbrella organization for Fair Trade; they work on behalf of all stakeholders of Fair Trade, including producers, traders, retailers, support organizations, and consumers of Fair Trade products. Until December 2007, FTSA was only a board of volunteers, whereas there now are two employees. One arm of FTSA is the Fairtrade Label South Africa, which is only focusing on the FLO label and on the promotion of FLO products in South Africa, with a view to increase the amount of FLO products on the market in South Africa. This organization was only established in 2008, and became an associate member of FLO in May 2008. The intension is that South Africa in the future can get their own Fair Trade Label, like Max Havelaar in many countries in

⁶ According to the Employment Equity Act, employers must draw up a plan indicating how persons of designated groups will be promoted in the workplace (FLO, 2004).

Europe. FTSA believes that South African consumers should be able to support the movement with their purchasing power, and that, hence, they should be given a chance to purchase Fair Trade products in their own country.

CHAPTER FIVE: FINDINGS ON FARM CASES AND VALUE CHAIN ACTORS

5.0 Main findings at farm-level

I studied three different farms during fieldwork, representing parts of three unrelated Fair Trade projects in the Western Cape.

Thandi was established in Elgin in 1995, with an aim to empower previously disadvantaged farming communities. The Cluver family gave 100 hectares of unfarmed land from their 2 000 hectare farm to the then 147 people living in the villages close to their farm. After growing fruit for some time, Thandi Wines was established in 2000, and is today owned by respectively 250 families at three different farms in the same area, and by The Company of Wine People. One of the farms own 52 percent of the shares while the two other farms holds 7 percent each, and the Company of Wine People has a 34 percent share.

Fairhills association is a joint venture between Origin Wine, Du Toitskloof Winery, and the working community. Du Toitskloof Cellar is owned by seven shareholders, where a total of 22 farms encompass 750 hectares of land. Origin Wine plays the same role as the Company of Wine People; it is the exclusive exporter of the Fairhills brand, and all auditing and promoting of the brand within the global markets is done by this company. All twenty-two farms were Fair Trade accredited in 2005, and all producers supply their wine grapes to Du Toitskloof Cellars. On the farm I visited, there were 45 farm workers employed, whereas 25 were males and 20 female workers.

At Citrusdal Cellars, I visited one of the two Fair Trade farms, Bergendal, which has been Fair Trade certified since 2004. Of a total of 150 workers, who all works at both farms, 91 of them hold shares in the Workers Trust. Bergendal farm hold 50 percent of the

shares in the trust, while the other farm, Maneberg, holds a 32 percent of the shares. The rest of the ownership shares belong to the Van Zyl family.

The main focus in the interviews with farm workers was on how they understood the concepts of Fair Trade and Black Economic Empowerment, and on whether and in what ways the involvement in Fair Trade had affected them as workers at the farms. Emphasis was also placed at the relation among workers at the farm, and between workers and management. Issues such as labour unionism, discrimination, and labour conditions were also examined in the interviews.

When farm workers were asked about their perception of BEE and Fair Trade, they often highlighted positive changes in terms of BEE, but their examples did however refer to the involvement in Fair Trade and the investments through the premium money thereof.

There appeared to be striking differences between the farm (1) where the workers were given shares in the land, and the farm (2) where the changes in ownership arrangements concerned shares in brand were. Further, there is clearly a conflict between the workers who were shareholders, and those who were not, both with regard to ownership in land and in brand. On farm 1, where workers hold shares in the land, the non-shareholders were complaining about the decision-making around the distribution of shares. A male farm worker said: “There is a fraction between shareholders and non-shareholders. For instance, people who grew up on this farm are not shareholders. The management just chose from all those who were married and who had a house to become shareholders. The other workers are obviously not very happy about that” (Interview 27.08.2008)⁷.

At farm 3, 91 of the total 150 workers were shareholders. The chair person of the workers’ trust, which controls and manages the shares, said that the BEE deal was put in place in the period November and March (2008–2009), and that 900 Rand extra for each shareholder had been transferred in December 2008. This was money from the premium of Fair Trade.

⁷ In this work, dates are written as follows : 14.10.2008 (dd.mm.year).

A widely held view among the workers I met was that, after getting involved in Fair Trade, positive changes had been brought about at the farms. At farm 1, the premium money had so far been spent on school uniforms, school fees, a community hall, and a day care centre for small children. At farm 2, some houses had been improved, a community hall had been built, and the joint body had invested in a bus at the farm. At farm 3, money had been invested in upgrading of houses, the day care centre for children, and the primary school on the farm.

Labour unions were not present on the three farms I visited. A majority of the workers argued that there was no need for a labour union at the farm, as they said they had *verstaanding* (Afrikaans word for understanding) with the owner. At one of the farms, there was, however, established a labour committee where representatives discussed problems with the management on behalf of the farm workers. At farm 2, some of the workers related that a labour union had visited the farm a while ago, but that the workers were not interested. However, I could not check how representative that statement was. The trade union under the Congress of South African Trade Unions (COSATU) umbrella which deals with farm workers in the wine industry is the Food and Allied Workers Union (FAWU). I tried repeatedly to set up a meeting with representatives from FAWU during my stay in South Africa, but my efforts never came to fruition.

The Advice Office in Citrusdal works on labour issues, evictions and displacement, and human rights issues. The manager provided me documentation on the eviction cases they were currently working on. The cases concerned evictions, unfair dismissal of farm workers, unfair labour practices, and conflicts about salaries and deductions for housing and services. He gave me one example: In Citrusdal there are seven orange factories. The manager at the Advice Office told me that they became in the week prior to the interview they had been notified of four eviction cases (Interview 07.10.2008). In total, the Advice Office had heard and sought to influence the resolution of 134 eviction cases in this area in the period 31.01.2008–05.09.2008.

When asked about the lack of labour unionism in the wine industry, Oerson told me that there was a workers' union in Picketberg (a town close to Citrusdal), but he stated: "This is a problematic union, and their members come to us instead. People have very little trust in unions in general, because of their lack of resources and staff" (Interview 07.10.2008). A view shared by Oerson and many of the workers I met was that the unions are coming to the farms to sign up new members – and then, they rarely return to the farm.

Despite the *verstaanding* between worker and owner at farm 2 and the set-up of a labour committee at farm 1, many farm workers complained about the lack of response from the management on the issues they wanted to discuss. At farm 2, the workers had for a long time wanted to discuss salaries and working hours with the owner, without being heard. A woman who had been working on farm 2 for more than 30 years told me that: "We would like to start earlier, so that we can be able to earn more. As it is now, we are not allowed to start working before 08.30 in the morning, but we would like to start at 07.00" (Interview 05.09.2008). Another worker told me that they would like to get paid on a monthly basis, not every week. He said: "The income is not enough, we only know how much work we can get from week to week. We want to move to a monthly salary level, also because people here are drinking too much" (Interview, 05.09.2008). All workers interviewed at farm 2 said that alcohol abuse was a big problem in the farm worker community, but that it might be reduced if workers did not get paid every week.

When the farm workers were asked if they had experienced any form of discrimination in their job, only female workers responded, in terms of personal experiences related to gender based discrimination. At farm 1, there were 8 women workers, whereas 6 were permanent workers and 2 occasional/contract workers, out of a total 36 workers at this point in time. A woman at the farm said: "Things are getting better I think, women are treated more equally to men now; but the income has not increased for us, and it is still very difficult for women to get permanent jobs in the wine industry, unless you have education and qualifications" (Interview 27.08.2008). At farm 2, one of the female workers told me that she was being humiliated by the *baas* (one of the owners), and that

the women were afraid to talk to him because of his insolent behaviour. She also told me that despite the fact that some women, including herself, had been working on the farm for over 20 years, they were still contract workers and were being paid 43 Rand per day for picking grapes. A women who had been working at farm 2 for more than 30 years, told me: “We have not signed any contracts for this season. The owners tell us that there is not a lot work during winter. We feel much discriminated against as compared to the men here who are employed on a permanent basis” (Interview, 05.09.2008).

Key issues brought up by owners and managers formed two clusters: one that supported and believed in the visions of BEE, and one that did not. One owner in particular highlighted the view that BEE is badly implemented in the sense that black farm workers do not know how to use the land, and should thus not become owners of land. He said: “Ownership in land is not viable for farm workers; they will not be able to keep the land as they do not know how to use it, and it is impossible to educate them” (interview with owner, farm 2, 05.09.2008). A more positive view was, however, emphasized by the manager at farm 1: “Owners in the wine industry are still far away from complying with the BEE strategy, but it is moving; slowly, but surely forward”. The manager argued that the wine industry do not have the financial capacity to push the BEE strategy in a faster pace, and that the government has not been offering enough support in terms of the costs of driving BEE.

An interesting finding with regard to Fair Trade was that the management at all of the three farms highlighted a similar view with regard to the obstacles of getting involved in Fair Trade. They argued that it is very costly to get involved in Fair Trade, referring to the fees claimed by the Fair Trade movement (FLO). One manager said that: “this can be really devastating for small-producers, as you need to create volume to cover the costs. This farm has been Fair Trade certified since 2003, but last year (2007) was the first year with profit from Fair Trade” (Interview, farm 1, 14.10.2008).

5.1 Main findings from FTSA, FLO, and marketers

In this section I will present the main findings from interviews with Fair Trade South Africa (FTSA) and FLO, as well as responses from two of the major marketers of wine in South Africa, Distell and The Company of Wine People.

5.1.1 FTSA and FLO

When I met Fair Trade South Africa (FTSA) in September 2008, they were very concerned about the future of Fair Trade in South Africa. Their main goal for FTSA in 2009 is to facilitate a project to establish Fair Trade shops in South Africa. The director, Boudevjin Goossens, expressed that he was not satisfied with how the Fair Trade system itself is organized: “The headquarter of FLO International is located in Bonn in Germany. This means that all the money from the license fees goes out of the country instead of staying within South Africa. I find this very unfair, and I have been fighting a lot against this” (Interview, 01.09.2008). Goossens argued that too much money is spent on administration; it is a big problem that the system is only constructed for exporting products from countries in the South to importers in the North. He draws attention to the fact that a number of the countries in the South – such as South Africa, Brazil, and Mexico – have the potential for developing their domestic market for selling their Fair Trade certified products. He argued: “this is what makes it so difficult, because in a domestic market there is no importer, and currently, if a company in South Africa wants to be licensed to use the Fair Trade label in South Africa, all the benefits go to Bonn to the headquarter, because they are issuing the licenses that producers have to pay for” (ibid). FTSA has applied to the FLO headquarters for permission to use their own label in South Africa, and there is currently one wine company that is licensed to sell with the FLO label in South Africa.

When I asked FTSA about the awareness of Fair Trade amongst consumers in South Africa, Goossens argued that there is a growing awareness of the role Fair Trade can play in the economy, and that the concept enjoys support from those who are aware of it. A survey in August 2008 on the extent of South Africans' recognition of Fair Trade was conducted by Arianna Baldo, an intern at FTSA. Her research shows that from a total of 149 respondents, 18,5 percent were aware of the Fair Trade concept, whilst 81,5 percent had never heard about it. The survey also shows that the highest percentage (82,5 percent) of awareness was amongst the white population (Baldo, 2008).

However, while the focus on business and consumers were of high priority, FTSA was not able to answer my questions related to farm workers at the fair trade certified farms, or issues concerning Black Economic Empowerment. When asked about how the implementation of BEE requirements in the Fair Trade Standards for South Africa, Goossens responded by saying: "I am not able to say whether BEE has had any effects or not. It is FLO-CERT who knows; I have no clue; it is not a part of my job. FLO accredits the producers, so it is not FTSA's job to contest this" (Interview, 01.09.2008). When asked if one could see any improvements for farm workers on Fair Trade farms, his answer was: "If there are any improvements at the farms, this depends on the performance that took place before the FLO audits. Some follow the law; many do not. But I hope there have been some improvements" (ibid). This response was somewhat surprising. Not the fact that many producers are not following the law, but that the focus on farm-level seemed almost absent. Another farm and farm worker related question concerned the information about Fair Trade that is given to farm workers. All official information from FLO only comes in English, whereas the majority of the farm workers in the Western Cape are Afrikaans speaking. On this issue the FTSA director responded: "Yes, this is a big concern. I was not aware of it since I have never been an auditor for FLO. We are working a lot with creating awareness, but we are so much focused on creating awareness about business and consumers and with our funders in Europe, who are also most concerned with the consumers" (Interview, 01.09.2008).

Nathi Tshabalala is a Liason Officer for the Fair Trade Labelling Organization International (FLO) in Southern Africa. Tshabalala strongly criticized the different organizations, networks, and Fair Trade initiatives in South Africa, including the FTSA, for not collaborating in a good way: “They are all making their own plans for their own benefit – but no one is trying to educate people, like the farm workers” (Interview, 14.10.2008). He further argued that there are many loose ends in the FTSA, and that it is too early to keep the main focus today at the creation of a South African Fair Trade label. With regard to BEE, Tshabalala emphasized that Fair Trade is about business, and that good marketers will be the main beneficiaries of this trade. In terms of the impact of BEE for farm workers, he said: “I am just glad something has been done, but implementing BEE takes time. One must in the end of the day grapple with the core problem: is their economic condition getting better? There is a great challenge in terms of directing people to make the right decisions, and this must happen through skills development and knowledge” (ibid). He also criticized the FLO for not spending more money on employment of people to monitor the Fair Trade projects, particularly in Africa, where there has been a dramatic increase over the last few years. Tshabalala acknowledged that it is very expensive for small producers to get involved in Fair Trade, and suggested it might be about time that one considered a decentralization of the FLO office.

5.1.2 Marketers

The main findings from the marketers’ perspective derive from two interviewees: Vernon Henn, Director of Human Resources at The Company of Wine People and Kurt Moore, Group Manager for Broad Based BEE in Distell. Vernon Henn was also interviewed in his other capacity, as General Manager at Thandi Wines.

The Company of Wine People is marketing branded wines under different brand names owned by the company. One of their core brands is Thandi Wines, one of the Fair Trade projects I visited. The Company of Wine People own 34 percent of the shares in Thandi. Thandi is a registered, but dormant company where the Company of Wine People provides the entire infrastructure, the know-how, expertise and mentorship. About 25

percent of Thandi's sales go back to The Company of Wine People. Director Vernon Henn argues that the success of Thandi could not have been achieved without the assistance provided by their 'big daddy', which interestingly suggests a paternalistic relationship. Henn goes on to argue that such assistance from big players in the industry is crucial for black owned small producers if they want to succeed: "You see so many failures among black owned companies that have to start on the ground and build up everything by their own. The deal with Thandi and the Company of Wine People is, however, a win-win situation for both: Thandi is protected, and The Company of Wine People is credited in terms of the BEE scorecard" (Interview, 14.10.2008).

It was complicated to understand the structure of the Fair Trade value chain of wine: Who has the Fair Trade certification? The farm or some other involved company? What elements are being out-sourced to what company? Who holds the shares, and what kind of shares are they holding? If the certification lies with the company, as a processor and as exporter, what status does the farm then have? And, what processes are being audited and monitored by FLO?

These questions turned out to be complicated to answer for the Director of the Company of Wine People/General Manager of Thandi. It appeared that, another farm, Paardensklouf, which holds seven percent of the shares in Thandi, is not Fair Trade certified. This means that the Company of Wine People can not source anything from this farm. The solution on that problem was not clear at the time, but it seemed that the non-certified farm had to transfer its shares back to some other wing in Thandi, or to The Company of Wine People. Later, in my meeting with FLO, I was also aware that two other farms that hold respectively 7 percent and 52 percent of the shares in Thandi had been suspended from FLO certification (FLO, 15.10. 2008). Henn explained that, both farms were suspended—but were given 9 months to set things straight. At the farm with the majority of the shares, the reason for the suspension was that no employment equity plan was put in place, and at the other farm, the problem was 'something about a maternity leave from last year' (from Interview with Henn, 14.10.08).

The meeting with Distell focused more on technical concerns of the BEE Strategy. The Group Manager at Distell argued that with the scorecard put in place, the whole industry is now feeling a growing peer pressure in terms of becoming compliant with the BEE rules, as this has major effects on the trading relationship between the different actors involved in the value chain (Interview, Marketer, Distell, 08.10.2008). The arguments gleaned from this interview I shall discuss in appropriate detail in the following chapter.

CHAPTER SIX: ANALYSIS AND DISCUSSION

6.0 The effects of Black Economic Empowerment in the wine industry

The wine industry is to a large extent still owned and managed by white South Africans, and may thus be seen as one of the toughest sectors testing the political willingness to effectively implement BEE in South Africa (Ponte et al., 2006). However, the wine industry has increasingly acknowledged the mounting pressure for change in the agricultural sector, particularly in the aftermath of its first consultative conference on Black Empowerment in November 2003, when the press reported that the wine industry was at last entering the New South Africa. Moreover, in 2007, the South African Wine Industry Council adopted 'The Wine Industry Transformation Charter', where the industry recognizes that broad-based change and development are essential to move forward to a deracialized industry – and a non-racial society (Wine Industry Council, 2007). The council acknowledges that there has been limited impact of BEE so far, and argue that the main challenges to be addressed in the wine industry by BEE are: (1) The highly skewed ownership regime, (2) Improving labour relations and fostering human dignity, (3) security of tenure and security of employment, (4) economically viable transformation, (5) an integrated value chain, (6) mobilizing knowledge, business acumen, capital and 'social capital', (7) rural development and poverty alleviation.

In terms of ownership, the wine industry acknowledge that less than 1 percent of the land under wine grapes are under black ownership, management, and control, and argue that the transformation of primary production in general are crucial to BEE (Wine Industry Council, 2007). It is vital for transformation in the industry that charters like this is put in place. However, it is six years since the Broad Based BEE strategy was set on the national agenda of transformation, but transfer of ownership in land is still very hard to deal with for the majority of white owners. When I met with the Communications Manager at Wines of South Africa (WOSA), who promotes wine on behalf of over 500

producers in South Africa, his view on BEE was that: “The argument around now is that BEE is done in a wrong way. We keep giving people fish, when what they need is a fishing rod; you cannot just give away pieces of land to people without skills of how to use the land. BEE needs to be a slow process; where skill training must be the most important focus” (Interview, 03.09.2008). A similar view was highlighted by Jaco Van Der Merwe at The Wine and Agricultural Ethical Trade Association (WIETA), where the perception of BEE, particularly in terms of ownership, was clear: “This is a dangerous way to go, we are talking about individuals not able to read or write, and moreover: if you empower through capital, you need more than literacy skills, you also need business skills” (Interview, 14.08.2008). When discussing transfer of land into the hands of black farm workers, Van Der Merwe also argued that the workers only wanted the land for their own status, not to cultivate it or use it in any other way. He continued by arguing that: “They can not grasp the concept of a company; the moment you start talking about concepts, you loose them” (ibid). The following argumentation seemed to be an effort of turning the whole vision of BEE upside down: “It is so unethical and so unfair to put these people into this highly educated environment” (ibid). While similar views were highlighted by other actors as well, no suggestions divulged from these interviews with regard to other alternative ways of ‘doing BEE’ in the wine industry.

The lack of belief in the BEE strategy was expressed by many of the interviewees I met in South Africa. One view that was highlighted in this regard was that: “the BEE policy might lead to some changes, but that the white elite will remain the main beneficiaries, and things will be the same” (Interview with EMG, 28.08.2008). Among scholars in South Africa, a live discussion pertains around the political economy that shapes the reality of Black Economic Empowerment. Kruger et al. (2006) argue that far from representing a decisive break with the past, the BEE in the wine industry is in important ways continuous with it. They suggest that BEE allows the wine industry to avoid potentially more uncomfortable options to redress current and past race-based imbalances, such as land redistribution, import boycotts, and the provision of better working conditions for farm workers (Kruger et al., 2006). Further, they allege that the industry has mainly reacted to pressures for equitable change by trying to contain or

sideline them, and that the recent shifts only represent a continuation of this strategy. This argument is based on their notion that commitments to farm workers' interest is couched in a 'self-amelioration' discourse (education, training, and combating alcoholism) rather than on farm worker organization and the nature of the labour regime on the wine farms (Kruger et al. 2006)

The slow empowerment of black people in the wine industry is often explained by the opening up of the South African export markets, causing the prime focus to be on 'getting the business going'. Regarding the Broad Based BEE Strategy, a wine marketer draws attention to the 'long and hard reality' of the BEE project, which is that driving it costs money (interview, 14.10. 2008). He also emphasizes that, "we are talking about developed land here; no farm owner is going to give his land away to black empowerment for nothing, there should be some financial input to this process." For critics of BEE, this has remained a key concern: that the government has not fulfilled its responsibility for providing support and for coming up with more innovative ways for actors to get funding.

Concerning efforts made by marketers of wine to comply with the ownership requirements of BEE, both the KWV and Distell have completed Broad Based Black Economic Empowerment transactions. In 2004, KWV completed a deal where a consortium, Phetogo Investments (Pty) Ltd, acquired 21.1 percent of the KWV shares. Phetogo forms a consortium that holds the shares in KWV together with the KWV Employees Empowerment Trust, which has as its beneficiaries historically disadvantaged employees of KWV (KWV, 2004). Distell's BEE development is a broad based consortium comprising the employees, a Corporate Social Investment (CSI) trust, and a women's empowering group. It also includes WIPHOLD Distilleries and Wines Investments Limited, which acquired an effective 15 percent investment in Distell via South African Distilleries and Wines Limited (SADW). An Employee Share Ownership Plan (ESOP) holds 45 percent of the equity, WIPHOLD a 40 percent stake, and the CSI trust – which represents disadvantaged communities in areas where Distell operates – has a 15 percent stake (Distell, 2009). However, the marketer cited above criticizes deals

such as these for not representing any *real* empowerment in terms of uplifting the black farm workers in the industry with the lowest incomes and the poorest opportunities. “If you look at the deal in KWV, it is senior people who benefit from this; it is business people – it is not broad based, it is not the masses, this does not represent the majority of black people in South Africa,” (Vernon Henn, Interview 14.10.2008).

However, leaders of Distell argued that the BEE codes have already created a peer pressure in the industry, which has now started to grow throughout the whole supply chain (Interview, 08.10.2008). Distell is South Africa’s leading marketer of wine, with its 4 200 employees and an annual turnover of 7.9 billion Rand (Distell, 2009). In addition to the major BEE deal they completed in 2005, they are also trying to ensure that money is spent on socio-economic development and corporate social investment (Interview, 08.10.2008). When I asked the Group manager on BBBEE at Distell about what kind of impact BEE has had on the industry, the answer was: “the codes seek to broaden the base of empowerment. There are still many small and some bigger actors that have not yet been very interested in BEE, but if you look at the codes, there are some economic imperatives that are enforceable. It is difficult to police this, but the codes are aimed at creating peer pressure within the business community” (ibid). He argues that the codes encourage companies to put plans in place to improve their score: “It goes both ways. My supplier can say to me that I must improve, because my scores are affecting their score. Our score now is at level 6, which means that our customers can be 60 percent compliant with the codes. We are not 100 percent compliant yet. We have sold 15 percent of our shares to black investors, but our target is 100 percent. So if a customer spends 1 mill Rand on us, he can only claim 600 000 Rand of it as being BEE compliant” (Interview, 08.10.2008). He further emphasizes that there are many ways in which you can become compliant with the codes, and there is no need for a white-owned company to be black-owned in order to become BEE compliant. If producers fulfill the other elements of the codes (preferential procurement, skills development, employment equity, management control, socio-economic development initiatives, and enterprise development), they can be 100 percent compliant without an ownership deal.

The recent respondent believes that within a period of two or three years we will see how effective this 'self-policing' mechanism has been, as the pressure will eventually reach those who are reluctant today. Distell buys up to 75 percent of the wine grapes available for wine production in South Africa. It enjoys a dominant position so that clients are almost compelled to act in accordance with the business imperatives set by Distell. . As regards the role of the government, Moore argued: "here, the government is shooting itself in the foot, because the very mechanism to measure the BEE compliance is not yet in place. The verification agencies that have to come and give you a certificate haven't been accredited. In my opinion that is one of the biggest disservices to empowerment at this point in time, and the fault is purely that of government." (ibid)

In the midst of the pressure for black economic empowerment, the wine industry is also facing another challenge: the complete lack of black wine makers in the country. This problem was also highlighted in my interview with a marketer at Distell: "We have all these BEE targets now, and we need to have black wine makers – but there are not enough of them out there. At this point in time the employment market is going crazy because all of a sudden there is not enough black people to employ" (Interview, 08.10.2008). Moore argued that there is a growing phenomenon of 'job-hopping' amongst skilled black employees, who often stay within a company for about six months and then move on to a higher and better paid job: "People are poaching, and the salaries are getting higher and higher. This is just the classical law of supply and demand: – If you want something better, you will have to pay for it" (Interview, Marketer, Distell, 08.10.2008). Distell are expected to have a certain percentage of black employees to meet employment equity targets, but according to Moore there are less than ten black wine makers in South Africa so that to meet their targets they would need all of them.

Since the legislation on BEE was passed in 2003, a number of research reports have evaluated the progress of the strategy. A study by Consulta Research was launched in August 2007. The report finds that Small Business has showed no substantial progress in the empowerment of black people when measured against the scorecard. The report

concludes that small and medium enterprises to a large extent have adopted a wait-and-see strategy with regard to several elements of the BEE policy, by having started with the most direct benefits, in terms of ownership and skills development, whereas the indirect strategy of *empowerment* has largely been ignored by many companies. The report further highlights the lack of pull factors, or incentives, which could contribute to progress in the BEE process, since push factors (the Constitution, the Employment Equity Act and the BEE Act and so on) are seen as the causes of the progress so far achieved (DTI, 2007).

6.1 Prospects and pitfalls of South African Fair Trade wine

Fair Trade is a nice opportunity for the farmer, that's why so many white farmers step into this. Not because it is nice for the workers, but because it is nice for themselves. (Interview, FTSA 01.10.2008)

The debate about the present impact and the future of Fair Trade has reflected considerable tension over the tremendous growth of the Fair Trade movement, particularly concerning the move into the mainstream of international trade followed by the increasing engagement of large corporate actors in Fair Trade (Murray & Raynolds).

One of the study farms, Thandi, played a central role in the Fair Trade convention setting process in South Africa in 2004. With a vision of land transformation and community development, the imperative for the Thandi project is to involve community members at all levels, from growing to actual wine making. As the manager Vernon Henn stated: "Our goal is that the entire Thandi will be owned by black people and that all employees will be black. And if we find a black wine maker, it will be like winning the lottery" (In Aftenposten, 01.01.2008).

A milestone for Thandi wines was achieved in 2003, when they became the first wine brand in South Africa to achieve Fair Trade certification. With its black empowerment approach, Thandi set its own additional *internal* criteria, standards and timelines. These were articulated according to the BEE definitions, and involved specific benchmarks for participation and ownership (a 25 percent minimum requirement). The standards were agreed upon with FLO, but were not applied to other Fair Trade applicants from South Africa. However, it raised a question about how FLO should interpret and define empowerment in South Africa more broadly, as Thandi had presented an example of how it could be achieved (Kruger & Du Toit, 2007)

In the political context of change in South Africa, complex issues were raised for FLO, as the entry into the contested market happened at a critical stage in its own growth.

One of the central issues at the time of convention setting for Fair Trade principles in South Africa was the call for a ‘reconstruction’ of the term ‘fairness’ in order to make it applicable to South African conditions (Kruger & Du Toit). The South African context did not only raise policy questions for the movement and FLO, but also practical challenges for the certifying body, FLO-CERT. This resulted in a contested negotiating convention setting process, where relationships between members of the Fair Trade Producer Support Network (FTPSN) and FLO enabled the process within the established Consultation Forum,⁸ which then formulated a broad agenda of both empowerment issues and price setting of fresh fruit (Kruger & Du Toit, 2007). A consultation conference was held in South Africa in May 2004, whereas the logic and interpretation of the standards agreed upon was discussed and approved by the FLO Standards & Policies Committee in June 2004, and further approved by the FLO Board of Directors in July 2004 (FLO, 2004b).

However, since the new government accepted a neo-liberal strategy for the transformation of the agricultural sector, the demand for deregulation, dismantling and privatization of state institutions put a big pressure on the government. For the wine industry, this had complex consequences. The deregulation of the sector meant, on the one hand, that the European markets opened up for those who were able to adjust their production and find their way into these markets; on the other hand, pressures and risks increased because two important global trends in agrofood commodity systems occurred at the same time: the consolidation of buyer-driven commodity chains in northern markets, and the increasing levels of competition from other wine-producing countries, particularly in Latin America (Kruger & Du Toit, 2007). For the farm workers in the wine industry, this development had ambiguous results, as many producers responded to the new opportunities by adopting strategies that passed on costs and increased risks to workers (Ewert & Du Toit, 2005)

⁸ The Fair Trade Producer Support Network (FTPSN) in South Africa was formed by two organizations that had previously developed proposals for producer support. Members include a organizations, NGOs, academics, and trade associations who were in a position to forge direct links with individuals in FLO-I.

Further, in analysing the factors that motivated and enabled South African producers and exporters to become involved in Fair Trade, Kruger & Du Toit (2007) argue that part of the answer lies in the central role played by the white economic elite in South African agriculture before and during the apartheid era. The power of this group also shaped the development of the wine industry through the establishment of an elaborate regulatory apparatus, the KWV, which helped to stabilize production and control.

In the Western Cape the high market prices for land made the transfer of productive land into black ownership difficult. Instead of major land redistribution, programmes for *equity sharing* were initiated. This was seen as a method of redistributing farm assets and empowering farm workers through co-ownership arrangements and as a contribution to land reform. The method has been criticized for being difficult to implement and for lacking long-term viability, since the equity sharing scheme could not generate progressive labour relations and social formations. It is thus argued that the projects were often fragile, internally contested, and controversial (Kruger & Du Toit, 2007). However, in explaining the rise of Fair Trade arrangements in the wine industry, the equity sharing initiatives are seen as one of the factors that both motivated and enabled producers to get involved in Fair Trade. This is so because the investment in equity sharing projects offered benefits both to farm workers and the white owners. The farm workers gained materially, and also from opportunities for greater participation and voice in management (Kruger & Du Toit, 2007). For the white owners, investing in these projects was a way of gaining credibility with the government by portraying themselves as being a part of the 'new South Africa', and at the same time positioning themselves within the market. The fact that they could now persuade consumers to buy products of a 'social' project led to increasing engagement for getting involved in certification systems such as FLO and the Ethical Trading Initiative (Kruger & Du Toit, 2007). At the same time, the growing discourse on black economic empowerment complicated the politics of land reform, and began to dominate over the public discourse of land reform. The framework of the Black Economic Empowerment Strategy involved specific targets that defined the parameters in which land reform and empowerment projects are pursued – which opened up for

creative social and commercial partners to generate solutions that satisfied government policy and at the same time maintained the commercial sustainability of agricultural enterprises (Kruger & Du Toit, 2007)

Environmental Monitoring Group (EMG), a South African NGO raised a concern that Fair Trade gives a comparative advantage for producers and is often used as pure marketing. Its representative argued that Fair Trade provides a space for doing development according to the vision of the Fair Trade movement and the national BEE strategy, but to what extent Fair Trade is actually a mean to this end depends on how this space for development is used by the certified producers. The respondent further argued that: “Fair Trade is an unfair playing field. A challenge for the Fair Trade movement is to ensure that there is a balance between business and the social side of Fair Trade” (Interview, 18.08.2008).

6.2 Ownership in land, or brand?

The controversial issue of ownership was central in the convention setting process for Fair Trade standards in South Africa, and is still a burning concern among particularly the white owners of wine farms in the industry. From my experiences at farm level, the way producers understand and comply with the requirements about a 25 percent interest by their black farm workers, differs significantly. Heated discussions during the convention setting process addressed the *level* of empowerment including questions as to whether 25 percent worker interest in a farm should be sufficient or if Fair Trade should be limited to farms where workers have a 75 percent interest. The resulting compliance with the standards has taken different courses at the Fair Trade certified farms.

Thandi's General Manager, Vernon Henn, argued that FLO-CERT does not keep their requirements consistent and applicable to everybody, in that it defines 25 percent ownership as *overall* ownership under the umbrella of the company/farm: "This is not ownership in *land*, it is ownership in *brand*; in other words this is a pure marketing structure. Some Fair Trade certified producers see Fair Trade as a gap in the market to sell their products, and they make sure that they comply with the standards required – but then they are, by clever thinking, even changing some of the rules, and in this way sidestepping the whole idea of real transformation. We miss the true spirit of both black empowerment and Fair Trade". Henn went on to argue that, "the premium money comes back to the joint body, which is fair enough, but where does the real money go? It is going to the white farmers who own that umbrella. The harsh reality of it is that this is business people, they are ruthless in terms of business, and if it means doing things in that manner, they will do it like this. To me, a model like this is not sustainable" (General Manager in Thandi, interview, 14.10.2008). In Thandi, currently 60 percent belongs to black owners, through ownership in land. At Fairhills Association, the workers have 25 percent ownership in the Fairhills brand, not in land. The retail groups in Fairhills are heavily involved in the Fair Trade project, and are the major contributors of funding and donations to the Fairhills 'country'. What does this mean for the workers? One of the farm workers at Fairhills said to me: "You cannot say that it is actually in advantage for

us, because nothing of it belongs to us, but to the owner”. A community center is donated by retail groups, houses are being painted, crèches for the children living at the farms are being upgraded and redecorated, and the joint body invests in school uniforms. These improvements are valued by the farm workers, who appreciate the positive changes Fair Trade involvement has brought to their community. However, underneath the support for the Fair Trade involvement, the issue of land ownership has never been addressed in this process or in any other way. A woman who has been working at one of the farms, for more than 30 years, and who lives with her family in one room, with no toilet, told me: “Yes, ownership would have been very nice, but we don’t know what is going on. Maybe in the future. I am happy as long as they are taking care of us” (Interview, 05.09.2008). For her, the owner’s promise of a toilet to her and her family was the first change she hoped for. She was still appealing to a paternalist discourse and practice of being taken care of.

Discussing black empowerment, the owner of Fairhills made his view clear: “Black Economic Empowerment is badly implemented. And bringing this into Fair Trade is not so fair, I think. It is unfair in the sense that it is only being done in South Africa. Every country has its minority, but still, this is only happening here. It is a good idea, but it is really not an advantage for the workers to receive land when they do not know how to use it. They won’t be able to keep the land” (Interview, 05.09.2008). To speak of black people in South Africa as a minority made me wordless, but I kept on listening to his arguments about why his farm was ‘excused’ from complying with the BEE scorecard. A clause in the BEE Codes of Good Practice⁹ states that the category of Exempt Micro Enterprises (EME), which is a company that has an annual turnover of less than 5 million Rand, does not need a BEE scorecard. They are automatically allocated a good BEE score, and are automatically given a score of 65 points (level 3) – or 75 points (level 4) if they are black owned (DTI, 2007). However, if you are a Fair Trade certified producer, you are obliged to comply with the BEE requirements that are entrenched in the South African Fair Trade standards no matter whether your company or farm has an annual turnover of less than 5 million Rand. So, the farm owners who still argue that their farm

⁹ The document describes how the BEE scorecard works.

is “too small for black economic empowerment” should not be permitted to be a part of a Fair Trade project as long as they do not follow the requirements specified by FLO-CERT – at least not after the passing of the three years that they were given by FLO to ‘get things right’ in the aftermath of the convention setting process in 2004.

When I asked the workers involved in the Fairhills project if they believed that the government’s black economic empowerment policies had contributed to any improvements so far for the farm workers in the wine industry, they often highlighted their belief in the idea or vision of black empowerment and the respect they felt they were given as black workers in the wine industry. However, when they tried to be more concrete about the impacts at the farm, arguments like this were often made: “It is much better now than before. Now, they pay the school fees and so on”. One worker said: “Yes, it is much better now than before, things have changed; if you must go to the doctor, you get paid. It was not like this before”. So, they define their situation as changed, to the better for them as workers. Yet, they do not own the land they are living on, the house they live in, and their salaries are still at the minimum level. Even if the premium money from Fair Trade are being used at the crèche or on building a community hall at the farm, workers do not own any of it. One worker on farm 2, said to me: “We still have to pay for electricity and water, we have to pay fees for having our children in the crèche, and we have to pay 32 Rand for the bus when we need to buy food, even when the premium money from Fair Trade was used to buy a bus” (Interview, 05.09.2008). Moreover, these issues are more related to the compliance, or the non-compliance, to the Fair Trade standards – not to the BEE requirements. When asked more specific questions about land ownership, and to what extent this is important for the workers, they all expressed views as the following quote: “The owners try to keep us away from talking about BEE. We have no shares in the land, and we have never spoken about it either” (Interview, 05.09.2008). In terms of ownership, some of the workers were concerned about the future of their children, as the property they live on does not belong to them. At one of the farms, the owner had decided that when the farm workers’ children reach the age of 21, they are not allowed to live on the farm anymore. A worker commented: “This is very difficult for us. We have tried to talk with the owner about this, but he thinks that the kids

must take responsibility for themselves, and he refuses to give them work here at the farm. What will happen if we die? Where would our children go? And when I am not able to work anymore, what will happen then? Will we all be thrown out of here, just like that?" (Worker. Interview, 05.09.2008)

6.3 Is it Solidarity? Fair Trade versus corporate retail participation

In recent times there has been a tremendous increase in participation by corporations in Fair Trade, a tendency not welcomed by all. A primary concern with the increased corporate participation in Fair Trade is the plight of small producers and the goal of developing an alternative approach to trade and development. An interesting aspect of the applying value chain analysis to Fair Trade is that it is undeniably an important distinction between the socio-economic foundation of Fair Trade and the corporate variant of the value chain. On the basis of this distinction, Reed (2008) outlines four different versions of the Fair Trade value chain, which represents both different approaches to governance and different levels of corporate involvement in the value chain. The first two are characterized as social economy variants of the chain, while the last two are dominated by corporate actors and thus have more in common with conventional corporate value chains. The first version, *the Fair Trade without corporate participation*, is primarily concerned with and oriented towards maximizing the value and the empowerment that goes to small producers. In this chain northern ATOs have engaged in Fair Trade with an aim to support producers in the South. In these cases, the producers have not sought to capture the benefits of Fair Trade exclusively for themselves, but have attempted to extend these benefits to their larger communities. As the goal in this alternative chain is to maximize the producer value, the it aims to make the chain as short as possible through a reduction in the number of profit-generating nodes between the actors along the value chain. It also seeks to help the small producers to move up the chain in order to capture more value.

The second variant, *Fair Trade with corporate retail participation*, is closely linked to the first certification label, Max Havelaar. Here, one of the key goals of certification is to make Fair Trade products more readily accessible to consumers by getting them on the supermarket shelves. This is also more or less accepted by the ATOs, because of the promise it holds of increasing the sales of Fair Trade products. Small producers, desperate to increase their sales at the Fair Trade price, have also been equally if not

more supportive of retail participation (Renard, 2005). This chain variant does not comprise only socio-economic actors, but is still highly dominated by them. Such an arrangement would not directly affect the basic social economy of production, because it would still be governed by FLO requirements. On the other hand there might be a risk for Northern actors who rely heavily upon retail sales of Fair Trade products, because fair trade retailers would now be in direct competition with large corporate retailers. A result over time could be that fair trade retailers are squeezed out of the market. But, as many Northern retailers also perform as importers and wholesalers, they would benefit from corporate retail participation. A risk for Fair Trade brands of getting involved in corporate retailing is that corporations with a bad reputation for social responsibility may become retailers. This is problematic, because some retailers also incorporate Fair Trade into their own brand, something that gives legitimacy to a retail brand that does not live up to the Fair Trade standards across its entire product range (Reed, 2008).

The third alternative, *Fair Trade with corporate licenses*, is concerned with corporations who are only likely to promote and offer Fair Trade products if they can do so by being licensed. The motive for this is that they will be provided with greater opportunities for influencing the governance of the value chain by holding licenses. These corporations are concerned about the quality of the production, and they therefore seek greater control over the chain (rather than merely working through arms-length market relations). This is often the case with niche products – although all Fair Trade products can be said to be niche products as they target consumers who are willing to pay more for a product made under conditions that provide for more just outcomes. On the other hand, as Ponte (2004) stresses, some Fair Trade products tend to operate primarily or exclusively in the higher end of the market and appeal to consumers who are willing to pay more for *quality* (Ponte, 2004). Corporate licensees are also concerned about costs. In terms of Fair Trade prices and the premium, there is no opportunity for the corporations to directly drive down prices by exploiting competing among small producers. On the other hand, they have a cost advantage as licensees relative to that of retailers in that they are competing against social economy actors, and to the degree that they can minimize their costs vis-à-vis them, they will end

up having a cost advantage in the Fair Trade market. Retailers would still have to accept the higher cost structure of the social economy actors (Reed, 2008).

The fourth chain variant presented is *Fair Trade with plantation production*. Plantation production in Fair Trade was permitted shortly after the initiation of certification, with an intention *not* to encourage participation by large international corporations, but rather to recognize that it would be difficult to open up some agricultural markets to Fair Trade if plantation production was not allowed, because most of the vulnerable people involved in exports from the Global South are engaged in these very sectors. Initially northern ATOs were the importers of these products, and they took special care in selecting plantations that had a strong reputation for corporate responsibility. However, Reed (2008) claims that the logic of allowing plantation production seems to be more closely tied to encouraging greater corporate participation in Fair Trade. The banana market in the USA is being used as the most evident example, where TransFair USA is now trying to convince Chiquita to offer Fair Trade bananas. The interest of TransFair in doing this relates to the dominance of corporate producers in this sector, in which sales are dominated by the three major producers, Chiquita, Dole and Del Monte. It is also related to the generic problem about increasing Fair Trade sales and the fact that the initial inroads made by Fair Trade in the banana market are being eroded by competition from other certification programmes. These kinds of agreements make us question on what basis this form of the value chain can continue to be characterized as 'fair' trade in the future. According to Reed (2008), this means a fundamental change to the original Fair Trade value chain as social economy actors are completely eliminated from the chain (Reed, 2008).

In what way may we assume that Reeds' chain variant of *Fair Trade with corporate retail participation* (where I would argue that Fair Trade wine from South Africa fits in) is able to modify value chain processes? The Fair Trade movement has shown an ability to modify global value chains with the establishment of an international institution (FLO) that acts to transform the perceived understanding of responsibility among Northern consumers. There have also been improvements in livelihoods for

producers in the South through higher and/or more stable incomes, capacity building and social infrastructure and services (from the premium payments) (Macdonald, 2007). However, there is clearly a power imbalance between controlling outcomes of the value chain functioning and the responsibility of defending entitlements of marginalized groups, a situation that often creates an accountability deficit for people who are not able to improve their situation (Ponte 2008). Macdonald (2007) argues that the only way forward for marginalized groups – who neither control private business decision making nor have the ability to mobilize necessary resources – is to put pressure on decision-makers to accept a share of responsibility. Macdonald’s point is that the focus must lie on the *normative* work in facilitating socio-economic change – a redefinition of ‘responsibility’ is not enough. This is also where Ponte (2008) adds the importance of expanding the normative work into the vertical realm of “normal functioning” of economic and political relations. Milberg (2007) argues that ad hoc measures that address specific symptoms such as poor labour conditions or environmental impacts on production do not fundamentally address the “normal functioning” causes of such symptoms, such as the pressures arising from competition and retailers’ strategy of “squeezing out profits from suppliers” (Milberg, 2007).

The corporate participation in Fair Trade raises a range of potential risks and benefits for the actors involved in the value chain. First of all, normative issues related to morality, ethics and legitimacy (Reed, 2008) have been at the heart of the Fair Trade initiative from the very beginning – and the movement has clearly stated the conventional system of international trade as *unfair*. With the increased participation in corporations, the Fair Trade movement is challenged in terms of these normative issues, raising ethical questions such as: What is the purpose of Fair Trade? Who are considered the primary stakeholders of Fair Trade today? Is it still the producers, or is it agricultural workers, who have been more and more incorporated into Fair Trade? What are the relationship between the social goal of helping small producers and the basic Fair Trade values of solidarity and participation, which are consistent with the social economy forms of organizations that ATOs have adopted? And are these values inherent in Fair Trade or are they more incidental? Reed (2008) emphasizes the

importance of looking at these kinds of questions, as the practice of Fair Trade is changing tremendously with corporate participation. In general, the original social economy variant of the Fair Trade value chain has changed to different extents with different levels of corporate participation – which evidently carries a risk of compromising the social economy values and goals of the Fair Trade movement (Reed, 2008).

When looking at the Fair Trade network in South Africa, I find that the normative issues raised above are highly challenging in terms of purpose and practice. The official main focus of Fair Trade South Africa (FTSA) this year, is on improving market access, promoting FLO certified products, networking, and lobbying (FTSA, 2009). This may sound very business-wise and progressive, but in a way that does not too clearly express the spirit of solidarity, participation, and empowerment. Thus, the basic Fair Trade values may, in this context, seem more incidental than inherent. FLO claims that Fair Trade brings the benefits of trade into the hands of communities and that it is a vehicle for sustainable development. Further, it makes statements such as these: “With Fair Trade prices farmers can feed their families”, and “their children can go to school instead of working in the fields” (TransFair, 2007). These are common development claims from the movement, where the main challenge, seen by the movement, is to increase the consumption of Fair Trade products, as this will bring more benefits to more producers (Holt-Giménez et al., 2007).

Seen from a value chain perspective, however, a broad coalition of social groups has in recent years directed intense criticism towards the governance of the Fair Trade value chains, arguing that the system shapes trade relations that are both distorted and unjust (Macdonald, 2007). Many question the ability of the Fair Trade movement to make good on their claims, as the retailers in the North seem to be capturing most of the profits from Fair Trade. In the South African wine industry, it was apparent that a small producer did not have any opportunity to get involved in Fair Trade unless he joined an alliance of producers who collectively could pay the costs for being Fair Trade certified producers. This was one of the main concerns of interviewed owners and managers in

the wine industry: that it is too expensive to get involved in Fair Trade. As Fair Trade has become ‘the big thing’ for producers in South Africa, many are collectively going into this, because it is a smart way of doing business because the Fair Trade movement provides a platform in the world market to sell wines that would otherwise be difficult to sell. However, Vernon Henn, General Manager at Thandi Wines thinks it is important to focus on small producers and the reasons why it is difficult for them to get involved in Fair Trade. He argues that Fair Trade can represent real transformation and empowerment of farm workers in the industry, “because it gives a space for development, and if producers choose to use this space, in the way they are supposed to, then we will achieve our goal” (Interview, 14.10.2008). When reflecting upon the tendency of building alliances amongst producers in order to get certified products, he admits that this is a concern in the industry:

Fair Trade comes with its own challenges in terms of the processes of getting certified, and de-certified. They are now going to change the certification in the sector. In the past they only gave you one year certification, and then it all needed to be renewed every year. During that process, you lose your certification, and there is always a lot of complications with deals that have been signed and so on ... So now they are going to do it in a three year cycle, to make it a little bit more practically easier for producers to be involved in Fair Trade – although, you must understand that they, by doing this, are also protecting the credibility of the certification mark, because there is so much corruption in any case as well in the system. But still, we have to balance things out in terms of practicalities that are workable for the people, because otherwise, if it becomes too much of a hazzle to comply, then people lose heart and find other avenues to make their product visible in the market in a social context form. But then, if you are a small farmer who wants to get involved in Fair Trade, the cost implications are quite challenging. It is really a nightmare for a small farmer who wants to become certified to pay those kinds of fees. (General Manager, Thandi Wines, Interview, 14.10.2008.)

The Fair Trade movement primarily promotes itself in terms of its support to small producers in the South and the consumers identify Fair Trade products with this support. When looking at the convention setting process, FLO’s conceptualization of empowerment in commercial or plantation agriculture had important implications for

Fair Trade in South Africa, in that it created new incentives for white commercial farmers to engage with the concepts of BEE. Moreover, the adoption of the empowerment principles had important implications for the plantation debate internationally, especially in the European and the African Fair Trade initiatives (Kruger & Du Toit, 2007). In arguing this, Kruger & Du Toit (2007) state that, “while FLO’s expansion in South Africa is contentious, the inclusion of plantations in other countries is not less contentious. The South African case has provided FLO with an example of how plantations can be included in the Fair Trade system in a way that maintains the political objective of changing power relationships”.

Even if the convention setting cannot be understood outside the local context of the South African agricultural restructuring, land reform, and social change, the redefinition of the concept of fairness opened up the opportunity for other Southern producers to engage in similar negotiations (Kruger & Du Toit, 2007). Actors involved in marketing in the wine industry, here Distell and the Company of Wine People, made it very clear that “trading wine is all about branding.” The value of the brand is decisive in Fair Trade, because it “rests on its ability to invoke meanings associated with freedom from moral taint” (Kruger & Du Toit, 2007). Reed (2008) also emphasizes the risks associated with incorporating plantation production into Fair Trade, in that it may compromise the brand, and that it will thus create greater confusion about what the brand represents. This is because Fair Trade always has been associated with helping small producers, and hence, to the degree that plantation production is permitted, the brand increasingly resembles rival certification processes. Even if Fair Trade has higher standards than these rivals, the distinction with regard to what the brand represents will be blurred and there will be a loss of consumer confidence due to the increased participation by corporations in Fair Trade (Reed, 2008).

6.4 The financial crisis: a call for global cooperative development

In the midst of the financial crisis that has struck the world, Eide & Eide (2009) argue that underlying this crisis is a deeper structural crisis in the real economy, concerning the mismatch between social and political institutions and changes shaped by the so-called 'new economy'.

Due to the corporate power created by the increasing investments in the agricultural sector through a neo-liberal economic development agenda, Eide & Eide suggest that such investments should be exposed and prevented through the development of a system that can ensure responsibilities for corporations, and that the international community should develop a multilateral and multistakeholder framework which can regulate the activities of the intermediaries in the global food chain from producer to consumer. These should include corporate buyers, processors, and retailers, aimed at protecting the interests both of local producers and the consumers of food (Eide & Eide, 2009). Two of the multilateral institutions that have the most impact on development policies are the World Bank and the United Nations. In 2008 the World Bank launched its policy considerations on responsible rural development through the *World Development Report* on 'Agriculture for Development' (World Bank, 2008). This report places agriculture at the core of development, arguing that, "today's agriculture offers new opportunities to hundreds and millions of rural poor to move out of poverty. Pathways out of poverty open to them by agriculture include smallholder farming and animal husbandry, employment in the 'new agriculture' of high-value products, and entrepreneurship and jobs in the emerging rural, non-farm economy" (World Bank, 2008:1). As Eide & Eide (2009) underline, this is the first time in twenty-five years that the World Bank has returned the focus to a agriculture-for development-approach. In the concluding remarks of the report, the World Bank highlights some interrelated issues in this new global agenda: the close link to the achievement of global justice and equity as entrenched in the Millennium Development Goals; the importance of agricultural research and development; the acknowledgement of agricultural sector being the most vulnerable to

climate change; the strong need for better coordination across sectors and institutions; and, finally, the need for reforming global institutions. The key points in the conclusion further reflect the view that:

Evidence suggests that the political economy has been changing in favor of agricultural and rural development. Both civil society and the private sector are stronger. Democratization and the rise of participatory policy making have increased the possibilities for smallholders and the rural poor to raise their political voice. Countries are passing laws that promote rural equality, as in Mexico and Senegal. New and powerful private actors have entrenched agricultural value chains, and they often have an economic interest in a dynamic and prosperous agricultural sector” (World Bank, 2008: 265).

From my point of view, however, the political economy has not been changing in favor of agricultural development. It is widely acknowledged that poverty is much more extensive in rural areas than urban areas, and that too little attention and effort has been given to rural development when comparing to industrial and urban development. Processes of democratization and transformation in developing countries have shown not to be coterminous with a rise of participatory policy-making by the rural poor. South Africa is another example of countries where the law promotes rural equality, but where increasing private regulation in agricultural sector can be argued to make inroads in social and environmental ambits that used to be the domain of the state (Kruger et al. 2006).

In the follow-up of the 2008 Report, the World Bank has recently launched the 2009 World Development Report – with an overall message that is completely different from last year’s focus on small-scale agriculture and a dynamic and prosperous agricultural sector. Paradoxically, the title of the 2009 Report is ‘Reshaping Economic Geography’. It emphasizes that economic growth will remain unbalanced and also argues that the way to get both the benefits of uneven growth and inclusive development is through economic integration, which according to the World Bank can be best done “by unleashing the market forces of agglomeration, migration, and specialization – not by fighting or opposing them” (World Bank, 2009: 21). Throughout the Report, the World Bank is referring to the need of supporting the ‘bottom billion’ countries in the world in order to

integrate their economies, within and across borders. This view is similar with what is highlighted in Paul Collier's (2008) work on "The Bottom Billion – Why the Poorest Countries are Falling and What Can be Done About It". The book is not about the one billion poorest people at the bottom, but about the poorest countries and the people living in these countries. Eide & Eide (2009) criticize Collier for not taken into account the many the poorest billion people live in countries with high economic growth. Some central constraints of the development recommendations by Collier and the World Bank are according to Eide & Eide the notion that making land more available for trade, and thereby for speculation, "is operating under the unfounded assumption that those who then are evicted can find a living in urban areas" (Eide & Eide, 2008:17). Eide & Eide's conclusion is that the neo-liberal economic development that has taken place in many parts of the developing world might have increased the wealth of the countries' economic elite, but still leaves little hope for poor people.

Drawing on these notions, Eide & Eide (2009) call attention to the strong need for collaboration at a global level between actors such as the UN, the Bretton Woods institutions, and the WTO, in order to coordinate activities and to adapt to each other under the umbrella of human rights based development. It is acknowledged that the primary responsibility for the protection and implementation of human rights rests with each state. However, Eide & Eide (2009) emphasize the need for a cooperative approach to development at a global level. They argue that the recent financial crisis may have opened up for more cooperative action with a broader perspective than the market-oriented policies have pursued so far. According to Eide & Eide (2009), the financial crisis has generated a widespread awareness and a degree of consensus on some points: (1) the crisis is the result of irresponsible speculation which has had global consequences and therefore has to be responded to at the global level; (2) the excessive and highly unequal energy consumption has led to global warming with ominous threats of climate change that have to be dealt with at the global level; and (3) the unregulated play of market forces must not be allowed to be repeated, but measures to protect against their harmful effects should not be left to national protectionism but to a common, global regulation and strategy formation.

It is still early to speak of the direct and the indirect impact the financial and economic crisis will have on South Africa. However, the UK has been hit hard by the crisis, and for the South African agricultural sector, the insecure future for business actors in the UK may also seriously affect producers and marketers in South Africa, particularly in terms of falling commodity prices. In terms of wine, South Africa is the 5th largest exporter to the UK market, with approximately 106 million litres of wine exported in 2006/2007 (WOSA, 2009). As the financial crisis was in its early stage when I conducted field research in South Africa in 2008, the marketers I met with found it difficult to make any assumptions about what impact it might have on the South African wine market. In early 2009, however, it is evident that South African wine sales in the UK have declined recently. In an article published by *The Business Times* in April 2009, Tai Collard, MD of direct wine marketer, Wine of the Month Club, one of the biggest direct wine marketers in the UK, stated that, “the rampant growth of the UK market has seemingly come to a sharp halt with sales falling by the most in living memory as consumers suffer the effects of rising taxes and the economic recession” (Collard, 2009). He notes that according to the local estimates of the South African wine market (31.12.2008); the total amount of wine has decreased with 28, 4 million litres from the previous year. Collard further points out that, “it is still all about a wine glut; there is still too much wine out there. It is still outstrips supply. This is a situation that will not change in the near-term, despite the fact that the South African domestic demand for natural wine has essentially shown zero growth for the 12-month period ending August 2008” (Collard,2009).

I have recently been in touch with the manager of Distell, who also expressed concern about the effects of the financial crisis in South Africa. He said that it is now evident that the wine industry has not escaped the impacts of the crisis, and that South African consumer in general have suffered as a result of the tightening of credit by the banks and the shrinking disposable income brought about by an increase in interest rates and the effects of inflation. He further states that, “many consumers are struggling to pay off mortgage bonds on their home and car finance deals and consequently they have cut back on discretionary spending which includes the purchase of alcoholic beverages. While

interest rates have started coming down over the last few months, that has not filtered through to the economy and even if there is a recovery, the wine sector will lag because consumers will tackle debt rather than increase spending” (Group Manager, Distell, 10.05.2009).

With respect to BEE, the manager at Distell argues that the financial crisis has also had a negative impact on BEE deals within the SA economy. Many BEE deals were financed by banks and investors bargained on paying back loans through dividends and growth. Many of the BEE deals, where black investors bought shares in companies which sought to gain black ownership in the business, are now under enormous pressure because dividends have dried up and many companies are experiencing negative growth. A concluding remark from the manager was that: “many planned BEE deals have now been put on hold because of the crisis. Banks have stricter lending requirements and financing is just that more difficult to obtain” (Distell, 10.05.2009).

The staggering economic inequalities in South Africa will remain difficult to change within the context of an export-oriented agricultural sector highly dependent on global trade markets. In the wine industry, the combination of a focus on international export markets and the policy of Black Economic Empowerment for transformation within South Africa can be seen as displacing the agenda of changing the immense problems of power inequality that exists in the sector.

Kruger et al. (2006) argues that both public and private regulation in the wine industry are taking shape through mechanisms of self-governance where the development of codes of conduct, standards, certification, labeling, and accreditation systems represents the implementation of ‘stakeholder’ capitalism. In this context, Kruger et al. (2006) further argue that the future ‘legislation’ of BEE will firmly remain in the realm of self-regulation, and hence, the policy will be depoliticized.

CHAPTER SEVEN: CONCLUSION

This study was conducted with the purpose of contributing to the understanding of Fair Trade in the South African wine industry on the background of socio-economic conditions and power relations in the sector, the South African Constitution's commitment to equality and transformation, as well as previous empowerment strategies in the sector. In particular, the study set out to understand the processes and outcomes of Fair Trade within the context of Black Economic Empowerment in South Africa.

The study was analyzed within both the framework of Human Rights Based Development approaches, with emphasis on notions of empowerment, and by employing Global Value Chain analysis.

The thesis has analyzed the relation between policies of Black Economic Empowerment and Fair Trade in the wine industry in the Western Cape in South Africa and examined policies that have been introduced for the realization of socio-economic rights in the wine industry, with emphasis on recent implementation of Fair Trade arrangements. The study combined policy analysis with a study of three different farms in the Western Cape Region and interviews with other actors involved in the value chain, as well as NGOs. The actor-focus was thus on farm workers, farm owners, marketers, retailers, and the institutionalized movement of Fair Trade.

Since the end of apartheid, the government has launched a series of policy and strategy programmes in all sectors, with an aim to empower historically disadvantaged people in South Africa. It can, however, be argued that vast challenges remain in order to achieve goals of transformation through the realization of socio-economic rights employed in the Constitution. In the wine industry, the Black Economic Empowerment strategy has gradually been acknowledged, and most recently, challenges for BEE have been employed in the Wine Industry Transformation Charter (The Wine Industry Council 2007). It is, however, argued that the future 'legislation' of the BEE wine charter will not

provide leverage of implementation by the state, as both public and private regulation is argued to take shape through mechanisms of self-governance (Kruger et.al, 2006)

Results that emerged from the farm cases reflect the existing power relations at farm level: among different groups of farm workers and between farm workers and the management/owners. Main concerns were issues of ownership, where the findings show that where transfer of land to farm workers had been initiated, conflicts between shareholders and non-shareholders among farm workers had emerged. A general view among the farm workers, however, were that ownership in land is important to them, and that the initiated transfer of land represents a positive change for the farm worker community.

At the farms where transfer of ownership in brand instead of land was put in practice, the workers did not feel that they were benefiting from being shareholders, as this had no impact on their income, and because they still do not own the house they are living in or the land it stands on. The workers acknowledged that the involvement in Fair Trade had led to some positive changes, such as improvements on houses and other material investments for the benefits of the worker community. However, underneath the support for the Fair Trade involvement, the issue of land ownership had never been addressed in this process or in any other way, and hence, the workers did not feel that any real transformative change was achieved.

Labour unionism was completely absent on all three farms. Despite one labour committee at one of the farms, all disputes and problems were discussed directly with the owner/management at the farm. From my point of view, this practice represents a deep concern, as farm workers' rights are neglected.

The thesis argues that the increase of corporate retail participation in the value chain of South African Fair Trade wine has implications for the politics of transforming the industry. Central contradictions lie within the policy-practical oriented levels, whereas one on the one hand, the policy formulation process endeavors to realize a broad

spectrum of human rights, including socio-economic rights. On the other hand, policy implementation reveals an experience of flawed strategies that iterate more narrow conceptions of human rights.

There has been too little emphasis on participatory processes in the implementation of BEE, with real chance to peak up and influence decisions concerning farm workers, such as the right to freedom of speech and the right to organize.

There are important differences between choosing a social brand and the set of codes and principles entrenched in the BEE strategy. The growing tendency of ownership in brand, instead of land is one example here. It can be argued that those who are appropriating the language of transformation are unwilling or unable to really grasp and address the reality of power inequality.

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Appendices

Appendix A: Guide questions for farm workers

Basic details

1. What is your name?
2. How old are you?

Personal information

3. Where were you born?
4. For how long have you lived in this area?
5. How long have you been working here?
6. How did you get this job?
7. If seasonal worker: why do you live in this area particularly?
8. If seasonal worker: where did you come from before moving here?

Income

9. What is your income?
Job?
Grants?
Any bonuses?
10. How many people do you support on your income? Where do they live?
11. How many members of your household/family have an income? Do any of them work here at the farm?
12. If seasonal worker: where does your family live?
13. If seasonal worker: how much money do you send to your family every month?

Fairtrade/ BBBEE

14. How do you understand the word fairtrade?
15. Do you feel that the managers give the information you need about fairtrade and fairtrade standards?
16. How would you explain what you are doing on this farm to a farmworker on another farm that is not involved in fairtrade production?
17. In what ways does fairtrade have an impact on your work and your income?
 - a. Do you know how the premium money from the fairtrade project is spent? How are the workers involved in decisions on the use of the premium money?
18. Have you participated in elections for the Joint Body at the farm? How is this arranged?
19. How would you describe the relationship between the farm workers and the owner? The manager?
20. Has this relationship changed over the last years? How?
21. What do you think of when I say Black Economic Empowerment? What does it mean to you?
22. Do you think that the government's empowerment policies have contributed to any improvements for workers in the wine industry? How?
23. Is ownership important to you? Do you know how the ownership is organized on this farm?
24. Have you experienced any form for discrimination in your work at the farm? In what way?
25. How would you describe the labour conditions at the farm?
26. Do you feel that you are given the information you need about your rights as a worker? What are the most important rights to you?
27. Is there any trade union present on the farm? Are you a member of any trade union?
28. What kind of problems/challenges do you face in your work at the farm?

Appendix B: Guide questions for managers

Basic details:

1. What is your name?
2. What is your position in the company?
3. For how long have you been working here?

Fairtrade/ BEE

4. When did this farm start with fairtrade production?
5. How many people are working in the company? On the farm/farms?
6. How many permanent and non-permanent workers are employed at the farm?
7. Who are the owners of the company? How are the shares distributed amongst the owners?
8. How do the workers benefit from holding shares of the land?
9. How is the premium money from the Fair Trade project spent?
10. What changes can be seen at the farm/in the company after you became Fair Trade certified?
11. How do the different actors participate in decision making processes at the farm?
12. How would you describe the labour conditions at the farm?
13. What kind of problems/challenges do you face in your work at the farm?

Appendix C: List of key respondents

Farm workers:

Male worker	27. August, 2006, Thandi farm
Male worker	27. August, 2006, Thandi farm
Female worker	27. August, 2006, Thandi farm
Female worker	27. August, 2006, Thandi farm
Male worker	27. August, 2006, Thandi farm
Female worker	05. September, 2008, Fairhills
Female worker	05. September, 2008, Fairhills
Male worker	05. September, 2008, Fairhills
Male worker	05. September, 2008, Fairhills
Male worker	05. September, 2008, Fairhills
Male worker	05. September, 2008, Fairhills
Male worker	05. September, 2008, Fairhills
Female worker	05. September, 2008, Fairhills
Male worker	05. September, 2008, Fairhills
Female worker	07. October, 2008, Citrusdal Cellars
Male worker	07. October, 2008, Citrusdal Cellars

Owners and managers:

Vernon Henn, General Manager	21. August and 10. October 2008, Thandi farm
Sewis, Manager	21. August 2008, Thandi farm
Thinus Myburgh, owner	05. September 2008, Tierstel farm (Fairhills)
Van Zyl, owner	07. October 2008, Bergendal farm (Citrusdal)
Ian Niewoudt, winemaker	07. October 2008, Citrusdal Cellars

Fair Trade Labelling Organization:

Liason Officer, Nathi Tshabalala

Marketers:

Distell, Kurt Moore	08. October, 2008 Stellenbosch
Company of Wine People, Vernon Henn	10. October, 2008 Stellenbosch

Organizations/NGOs/ research centers/ other:

WIETA, Jaco van der Merwe	13. August 2008, Cape Town
EMG, Lazarus	18. August 2008, Cape Town
FTSA, Boudevjin Goossens	01. September 2008, Cape Town
Pebbels Project, Sophia	02. September 2008, Stellenbosch
WOSA, Andre Morgenthal	03. September 2008, Stellenbosch
Karin Kleinbooi, University of the Western Cape	02. October 2008, UWC
Advice Office, Christiaan Oerson	07. October 2008, Citrusdal
Centre for Rural Legal Studies	08. October 2008, Stellenbosch

