Greener than Thou

The Political Economy of Fish Ecolabeling and Its Local Manifestations in South Africa

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Greener than thou:

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1. INTRODUCTION

Protecting consumers from unsafe food, the environment from over-exploitation of resources and pollution, and workers and producers from unjust labor and trade relations are generally considered objectives worthy of intervention in development circles – whether through public regulation or, increasingly, through the establishment of voluntary standards, labels, and codes of conduct. Yet, abstract principles are eventually applied in concrete situations and have a variety of effects on differently endowed countries, groups and individuals. What may seem a good idea to consumer groups, food retailers and processors, or government agencies in a Northern setting, may not turn out to be so advantageous to producers in the South – even though the initial stimulus in the North may have been exactly to safeguard these producers.

Food safety, environmental and social standards have become key features in the trade of agro-food products in the last 15 years. International organizations, government agencies, NGOs, corporations and industry associations behind the formulation of these standards were initially defensive of efforts aimed at critically examining their effects in different settings. Questioning the inherent "justness" of these initiatives was considered reactionary and necessarily intended to discredit them. This was usually followed by a more open attitude towards reaching a better understanding of the contradictions, limitations, and differential impact of these standards. From a "defensive" phase, these initiatives have now moved into a "constructive dialogue" phase, where they are making efforts to be more inclusive and to reflect upon past experiences to improve the content, monitoring and management of their standards. In other words, they are trying to "make

their system management right". This means that procedures to develop standards, governance structures, indicators, monitoring, verification and management systems have all become much more sophisticated than even a decade ago. Where there has been little movement so far within these initiatives has been in acknowledging that standards are developed and applied in specific political economies, within complex power relations, and in extremely diverse local conditions and politics. In a sense, an increased focus on systems management brings these labels even further away from a politico-economic understanding of their effects.

In a neo-liberal setting, the legitimacy of market-based instruments to assure food safety and environmental and social protection is based on non-discrimination and equality of opportunity. In this context, if a system has been devised openly, is monitored transparently, and is administered properly, standards are seen as performing a market-lubricant function that provides fuller information to those involved in transactions. Where clear disadvantages are highlighted for certain countries, groups or individuals, technical assistance and capacity building instruments are provided, or simply suggested, as solutions. Is transparency and non-discrimination all that is needed, perhaps coupled with technical assistance, for developing countries to feel at ease with social and environmental labels and certifications? Although justifications for these labels are often couched in a discourse of science, objectivity, independent certification, transparency and systems management, they need to be understood in relation to market dynamics, the influence of special interests and pressure groups, the role of NGOs, scientific and expert communities, and local politics in shaping actual compliance (among others, see Duffy, 2003; Freidberg, 2004; Guthman, 2004; Robbins, 2004).

Much of the burgeoning literature on the "developmental" impact of standards, labels and certifications in agro-food value chains still focuses on standard *setting* (the development of principles, indicators, measurement devices and compliance systems) and standard *implementation* (compliance and certification) (most recently, see Gibbon & Bolwig, 2007; Giovannucci & Ponte,

2005; Hanataka, Bain & Busch, 2005; Henson & Reardon, 2005; Muradian & Pelupessy, 2005; Raynolds, 2004; World Bank, 2005). Other work examines the ethics and governance of standards, standards as a tool of governance, and the service industry of consultants, auditors and certifiers that has emerged around these standards (among others, see Busch, 2000; 2002; Hughes, 2006; Mutersbaugh, 2005b; Ponte & Gibbon, 2005; Taylor, 2005). Two areas that have been relatively neglected are standard *adoption* (the decision to attempt compliance and certification) and standard *verification after certification* (routine monitoring, auditing, re-certification). While covering some ground in relation to standards setting, implementation and governance, this article also places emphasis on local standard adoption and verification after certification. On what basis do producers and other industry operators decide to implement a standard? What are their motivations? What are the expectations and political/economic calculations? What is routine verification achieving? Under what circumstances is it possible to "fail" after certification? What are the commercial and political pressures under which verification takes place?

Specifically, this article examines the political economy of the Marine Stewardship Council (MSC) label for "sustainable fisheries" and the processes of MSC adoption and verification in the South African hake trawl fishery.[1] Global trade in fish and fishery products has grown strongly during the past 25 years. Export values have increased by approximately 600 per cent during this period (in nominal terms), reaching US$58.2 billion in 2002 (FAO, 2004). Fish exports from developing countries currently amount to around 50 per cent of global fish exports. They are developing countries' most valuable export item among agro-food products – exceeding the combined export revenues derived from key agricultural products such as coffee, tea, rubber, rice, meat and bananas (Ahmed, 2005). Hake is a white-flesh, mild-flavoured, low-fat demersal fish. It is caught in both Southern and Northern Hemisphere Atlantic and Pacific waters and processed into a large variety of products (Pitcher and Alheit, 1995). Europe alone imported 260,000 tons of hake in 2003, or 20 per cent of its groundfish imports (Lien, 2006).[2]

MSC, South Africa and the hake industry were selected for this case study for the following reasons: (1) MSC is the main ecolabel in the global fish market; (2) only three developing country fisheries have been certified so far, in South Africa, Mexico and Argentina; (3) MSC certification in South Africa concerned the hake trawl fishery; hake is also the largest fishery in the country, accounting for approximately 50 per cent of total value of catches and 40 per cent of total value of exports;[3] and (4) South Africa is the largest exporter of fishery products from Africa by value.[4]

In the next section, I introduce the main features of the MSC initiative and the critical issues that have emerged since its inception in 1996. In section three, I examine how MSC certification in South Africa took on peculiar meanings as the certification process played out within the local political economy of fishery conservation and the post-apartheid "empowerment" of previously-disadvantaged groups. In section four, I compare the political economy of the MSC initiative with other "sustainability" certifications – relating to timber and coffee in particular. In section five, I conclude by arguing that special flexibilities and systems of compliance with standards are necessary to cater to the needs of developing countries and small-scale producers.

2. THE MARINE STEWARDSHIP COUNCIL (MSC) INITIATIVE

(a) *General Features*

Wild fish stocks are self-renewing, but their capacity to do so depends on leaving enough fish in the sea to regenerate the stocks in subsequent years.[5] In the last couple of decades, the Food and Agriculture Organization (FAO) and conservation groups have repeatedly highlighted the plight of over-exploitation of fish stocks around the world, and the impact of intensive fishing efforts on the overall aquatic environment. To address these challenges, several fishery management systems have been devised, such as: legal instruments, including global conventions and national/local fisheries laws; soft instruments, such as the FAO Code of Conduct for Responsible Fisheries; and market and

civil society initiatives, such as the ISO 14000 series of standards and the MSC label (Allison, 2001; Gardiner & Viswanathan, 2004; Wessels et al., 2001).

Eco-labeled fishery products are a small but growing segment of the fish industry. Their rise relates not only to increased concern with environmental issues (Potts & Haward, 2006), but also to increased competition in the retail sector, thus the search for additional properties in products to add profitability and/or market share. The history of voluntary labels before the advent of the Marine Stewardship Council (MSC) initiative was limited to two single-issue labels (neither of which was third-party certified), aiming at reducing by-catch[6] of dolphin in tuna fishing (Bonanno and Constance, 1996) and of turtles in shrimp fishing. In both cases, the main issue was not one of over-fishing and over-capacity, but one of animal rights and the protection of endangered species (Allison, 2001, p. 945). Current efforts in developing organic certification of fishery products are mainly focused on aquaculture (Mansfield, 2004).

MSC is the main independent third-party certified ecolabel that covers wild-catch fisheries. It was established in 1996 as a joint initiative of the World Wildlife Fund for Nature (WWF), the world's largest private non-profit organization, and Unilever, at the time the world's largest frozen fish buyer and processor.[7] Unilever operates its own internal evaluation system on sustainable fisheries, but also actively promotes MSC certification among its suppliers. At the MSC launch, Unilever committed to buy fish only from sustainable sources by the year 2005.[8] MSC became an independent initiative in 1999. The idea behind MSC is to address world-wide decline in fish stocks by awarding sustainably-managed fisheries with a certification and a label that could be affixed to retail products.

MSC certification partly depends upon a chain of custody system that keeps "sustainable" and "other" fish separate from each other from catch to supermarket shelf or ice display. MSC allows, via its logo, consumers to promote sustainable fishing through a market-based (rather than regulation-based) mechanism by choosing the labeled product over the unlabeled product (Jaffry et al., 2004;

Johnston et al., 2001; Roheim, 2003). Certification is granted against a specific standard called the "Principles and Criteria for Sustainable Fishing". Assessment is carried out on a voluntary basis by accredited third-party certification bodies. The MSC standard is based on three principles, which are elaborated by a number of criteria (MSC, 2004b, p. 4):

1. *The status of the target fish stock*

   "A fishery must be conducted in a manner that does not lead to over-fishing or depletion of the exploited populations and, for those populations that are depleted, the fishery must be conducted in a manner that demonstrably leads to their recovery" (ibid., p. 14).

2. *Impact of the fishery on the eco-system*

   "Fishing operations should allow for the maintenance of the structure, productivity, function and diversity of the ecosystem … on which the fishery depends" (ibid., p. 15).

3. *Performance of the fishery management system*

   "The fishery is subject to an effective management system that respects local, national and international laws and standards and incorporates institutional and operational frameworks that require use of the resource to be responsible and sustainable" (ibid., p. 16).

At the catch level, certification is awarded to a "fishery", not to individual operators. Individual operators in the trade, processing and retail sectors can apply for chain of custody certification and for the use of the MSC logo. Certification of fisheries and chain of custody is carried out by independent bodies that are accredited by the MSC Accreditation Committee. Certification of the fishery begins with a confidential pre-assessment by a certification body for a client or client group. Clients are usually associations of fishing operators that catch and handle one or more species in a specific area.[9] If the results of the pre-assessment are such that the client decides to go ahead with a full assessment, the certification body appoints an expert team. This team develops performance indicators and scoring guide-points. Stakeholders can at this point provide feedback on the suitability of these indicators. The fishery is then scored against these indicators, which are aggregated to obtain

a score for each of the three principles. Depending on the score, a fishery can be: rejected; asked to fulfill some pre-conditions before obtaining certification; certified with conditions that need to be addressed within a certain period; or certified with no conditions. Certified fisheries are subject to annual audits. After five years, they must be reassessed before continuing certification for five more years (May et al., 2003; MSC, 2004a).

(b) *Early criticism of MSC*

The set up of MSC's governance structure and the elaboration of its standard drew a heated debate in fish industry circles in the second half of the 1990s. Industry questioned the motivations of involvement by WWF, while much of the early conservation and "development" critique found an outlet in various issues of SAMUDRA, a publication of the International Collective in Support of Fishworkers (ICSF) (see Constance & Bonanno, 2000). In short, these critiques focused on seven main issues: (1) the motivations of Unilever in starting it; (2) the centralized and corporate structure of MSC; (3) a bias in favor of industrial fisheries, and developed country fisheries in particular; (4) the lack of consultation with fishers in general, and developing country representatives in particular; (5) the perception in developing countries that ecolabels constitute technical barriers to trade; (6) the financial and human resource costs that achieving certification would entail in developing country and especially small-scale fisheries; and (7) the recognition that the current state of scientific knowledge is no guarantee of sustainability (SAMUDRA, various).

In 1996-1999, MSC and other supporters of the initiative responded to these criticisms, also in SAMUDRA, assuring that workshops and consultations were being carried out around the world. MSC also argued that its certification system was being field-tested in various settings, including small-scale fisheries and fisheries in the developing world. It assured that because the scheme was voluntary, it would not be imposed on anyone, and that it would be market-neutral and non-discriminatory. Finally, MSC claimed that their standard was not going to work against the interests of small-scale fishers because it would promote, among other things, socially-responsible fishing.

MSC took action in revising its governance structure in 2000: alongside the Board of Trustees, its executive decision-making body (now including developing country members and a fishery economist), two groups reporting to it were created – the Technical Advisory Board and the Stakeholder Council. The Technical Advisory Board provides advice on technical, scientific and quasi-judicial issues to the Board of Trustees (Cummins, 2004). It comprises 13 members, mostly fishery and ecological scientists, and experts on chain custody and processing – only two natural resource/fishery economists and no other social scientist. The Stakeholder Council represents specific interests, grouped under eight categories represented by 28 individuals. Among these, we find a "developing nation group" represented by three academics (from Brazil, Mexico and Nigeria) and a "catch-sector interest group" with a representative from South Africa occupying one of the seven seats.

Even though MSC has been fashioned after the Forest Stewardship Council (FSC) (established in 1993, also with input from WWF and other conservation groups), the latter is an open-member organization, while the MSC structure is "significantly different and more corporate. Its managerial structure is designed to insulate the Board of Trustees from the political influence of civil society actors" (Gale & Haward, 2004, p. 28-29). Gale & Haward (ibid.) tentatively argue that WWF, having learnt from the FSC experience, decided to promote a less inclusive and more efficient governance structure for MSC that could keep up with a fast-moving business environment. This very insulation, however, meant that MSC in its formative years was only partly responsive to the needs of developing country fisheries, and within these, of small-scale and data-deficient ones in particular.

(c) *New challenges*

In the 2000s, criticism of the MSC initiative has coalesced around two main issues: (1) the actual sustainability of certified fisheries; and (2) the failure to cater to the needs of developing country fisheries, especially small-scale and data-poor ones.

(i) *Sustainability*

A first line of recent criticism of MSC has come from conservation groups arguing that MSC-certified fisheries are not sustainably managed in reality. Certification of New Zealand hoki, Patagonian toothfish and Alaskan pollock have been at the centre of this criticism. Space limitations do not allow a case-by-case analysis here. In lieu, I will reflect upon the results of a recent study commissioned by MSC (Agnew et al., 2006) that examined the 10 out of 22 currently certified fisheries that have been subject to at least one post-certification audit. The study analyzed 62 certification conditions to determine whether they could be assessed quantitatively and whether they could ultimately lead to environmental benefits. The study identified eight instances of "no gain" (there was no category for "deterioration") and 89 environmental gains. However, these gains are of very different nature: 29 were "institutional gains" that *could* lead to environmental benefits (thus, these are hypothetical, or conditional, gains); the same can be said of the 27 instances of "research gains". The 17 "operational action" gains are activities in the fishery (such as new regulations) that are expected to lead to environmental gains, but for which there is no automatic link. The most desirable gains, "operational result" gains, amounted to 16 instances – within these 16 instances, only eight (the same number of "no gain" cases) were judged to be most likely stimulated (or partially stimulated) by the certification process (Agnew et al., 2006).

In short, the study paints a mixed picture of the environmental impact of MSC. The authors also highlight some lessons learnt. Two of them are particularly interesting: (1) the biggest gains seem to arise in areas where conditions for certification were attached; thus one could argue for stricter certification processes; and (2) the authors argue that "difficult fisheries" should be encouraged to apply for MSC certification, because they are the ones where certification is likely to create the biggest environmental gains. This creates a dilemma for MSC: on the one hand, certification is deemed to be a good pedagogical tool for all fisheries, and the worse the fishery, the higher the potential gains. On the other hand, placing stricter certification conditions seem to lead to higher environmental gains, but this makes it more difficult to be certified and thus decreases the incentive

for all fisheries (and especially for "difficult fisheries") to apply. If fisheries do not apply, the market coverage of MSC-labeled products can not expand further. Thus, to some extent, there is a trade-off between market spread and environmental gain.

(ii) *Developing country, small-scale and data-deficient fisheries*

A second line of criticism against MSC concerns the failure to certify developing country fisheries, especially small-scale, data-deficient ones. Linked to this concern are issues of compliance, certification costs, and shortcomings of scientific data. So far, only three developing country fisheries have been certified (South African hake, Mexican Baja California Rock Lobster and Patagonian scallops [Argentina]) and two are undergoing certification (Chilean hake and Gulf of California [Mexico] sardine). All five fisheries are located in upper-middle income countries. Especially in the early years of operation, MSC did not pay enough attention to developing country needs, despite the warnings raised as early as 1996 in the pages of SAMUDRA. Representatives from developing countries were only invited to one consultative meeting in London. Out of about ten workshops that were carried out to present the initiative to various fisheries, only one took place in a developing country (South Africa).

Barriers to achieving MSC certification in developing countries range from institutional weakness (lack of know-how) to financial costs (MSC does not provide funding, although it facilitates contacts). Recently, a "Sustainable Fisheries Fund" has been set up, independently from MSC, to help developing country fisheries to go through the certification process. However, the fund can only make small grants to "help ensure broadbased stakeholder input into fishery assessments ... It will not be in a position to support large-scale research projects" (SAMUDRA, July 2002, p. 25).

The overall cost of obtaining certification depends on the nature of the problems uncovered in the assessment and the corrective actions that have to be undertaken. Most MSC products are processed seafood preparations, and retailers are generally able to push certification-related costs upstream to processors. A more recent article on MSC that appeared in SAMUDRA (July 2004, p. 41-42)

highlights that financial arrangements for certification are left to private negotiation between clients and certification agencies, and calls for MSC to channel such negotiations, which would allow discounts and "soft" payment options for selected fisheries. Another problem with certification costs is that only three certifiers are currently accredited to carry out fishery certification (and one of those has only assessed a single fishery), providing a small base for competitive pricing.[10]

MSC has finally recognized that its standard and certification procedures are not geared towards the realities of developing country fisheries, especially small-scale and data-deficient ones. A special program (MSC Developing World Fisheries Program) is seeking to improve the awareness of MSC in developing countries and to develop guidelines for the assessment of these fisheries. The project aims at developing guidance for certifiers on the use of "unorthodox" information on fisheries, such as traditional ecological knowledge and management systems.[11] It also aims at using a "risk-based" approach to qualitatively evaluate fisheries. A further adjustment would be to use the analysis of hazard (a specific threat to sustainability posed by the practice) when analysis of risk (the calculated probability of a practice having a negative impact) is not possible, practical or it is too expensive. It is still early to assess the likely impact of such a program. Funding will not be available to developing country fisheries directly from MSC, however.[12]

A stimulus for revising the MSC system in a way that is friendlier towards developing countries could have been the adoption in March 2005 by the FAO Committee of Fisheries (COFI) of voluntary guidelines for ecolabeling of fish products (FAO, 2005). These guidelines provide a framework of reference for governments and organizations that have or want to establish ecolabels for marine capture fisheries. They include the need for independent auditing, transparency of standard-setting and accountability, and the need for standards to be based on "good science". But unfortunately, transparency and inclusivity in standard *setting* do not work retroactively. The guidelines also lay down minimum requirements and criteria for assessing whether a fishery should be certified – drawing on FAO's Code of Conduct for Responsible Fisheries. They allow for special

consideration to be given to small-scale fisheries (Para. 29) and for the use of less elaborate methods for stock assessment (Para. 32). They also recognize that there are management measures in small scale fisheries that can achieve adequate levels of protection even when there is uncertainty about the state of the resource (Para. 32) (FAO, 2005).

On the one hand, the wording of the FAO guidelines suggests that only *ad hoc* cases can be considered, not a *specific* verification system to be applied in developing countries (and/or to small-scale, data-poor fisheries in general). On the other hand, one could read parts of Para. 32 of the guidelines as a justification for adopting special standards (not only verification systems) in relation to specific cases. Yet, when MSC declared that its system would be fully consistent with the FAO guidelines,[13] only two organizational "refinements" were deemed to be needed: (1) separating the accreditation of certification bodies from MSC's standard setting functions; and (2) creating independence between the objections process (to be paid for by the objecting party) and the certification programme. So, despite the fact that FAO guidelines open the door for special treatment of developing country (and/or small-scale, data-poor) fisheries in ecolabelling, MSC interprets its own compliance with the guidelines essentially in terms of organizational improvement.

3. MSC AND THE SOUTH AFRICAN HAKE INDUSTRY

The challenges highlighted so far refer to the MSC initiative as a whole. In this section, the case study of MSC certification of South African hake will highlight that ecolabeling should be understood in relation to the local political economies of the places where it is applied. In South Africa, MSC certification was sought in an environment of competition against other hake/hoki supplier countries to Northern fish importers and processors (especially Unilever), of internal divisions within the hake industry (between the trawling and longlining sectors), and of fears of further quota losses due a post-apartheid, government-engineered attempt to "transform" industrial fisheries.

(a) *Main features of the South African hake industry*

Hake is the most important commercial fishery in South Africa, accounting for 40 per cent of total value of fish and fishery product exports, or USD 143 million in 2003. Exports to EU-15 countries make up almost 80 per cent of all South African hake exports by value.[14] South Africa is the third largest exporter of hake to the EU by volume with 20 per cent of the total, behind Namibia and Argentina. Hake itself represents 20 per cent of total EU-15 imports of groundfish by volume, the largest single species after cod (Lien, 2006).

The hake fishery of South Africa is currently organized into four sectors: deep-sea trawl, in-shore trawl, longlining, and handlining. Deep-sea trawl is by far the most important and will be the focus of this analysis. The hake fishery in South Africa started in the 1890s, with the employment of the first deep-sea trawlers, and grew rapidly after World War II. Before 1978, the fishery was by and large unregulated and catches peaked at over 300,000 tons in the early 1970s. Following the establishment of an Exclusive Economic Zone (EEZ) in 1977, the industry has been regulated through the allocation of an annual total allowable catch (TAC) quota and of individual (non-tradable) quotas assigned to fishing companies. Foreign vessels have been excluded from the EEZ from 1983. The deep-sea trawl hake TAC has fluctuated between a minimum of 105,000 tons (in 1983) and a maximum of 140,000 tons (in 1997). About two-thirds of the total hake trawl catch is landed in order to be packaged and exported in one of over 50 shore-based facilities (a few of these have advanced processing lines). The balance is processed and packaged aboard factory ships at sea (Hutton, 2003). Established rights holders are organized in the South African Deep-Sea Trawling Industry Association (SADSTIA). Newer and smaller entrants in the industry have formed a separate organization, the Association of Small Hake Quota Industries (ASHQI). The regulatory agency in charge of fisheries is Marine and Coastal Management (MCM), a branch of the Department of Environmental Affairs and Tourism.

In order to understand what drove the deep-sea trawl hake industry to apply for MSC certification in the early 2000s, it is first necessary to provide a historical background to hake quota allocations in the context of apartheid and post-apartheid politics. The history of the hake trawl fishery under apartheid is one of systematic exclusion of "blacks" from access to fishing quotas, licenses and harbors.[15] When individual quotas were introduced in 1979, three white-owned companies controlled over 90 per cent of the TAC. Despite the entrance of other trawling companies in the following years, the TAC remained in the hands of white capital. By 1991, there were less than 20 quota holders in the hake trawl sector, and 80 per cent of the TAC was still in the hands of two groups of companies. The opening up of the industry to disadvantaged groups started only in the early 1990s (see, among others, Nielsen & Hara, 2006; Ponte & van Sittert, 2007).

Following the first post-apartheid elections in 1994, there were high expectations among disadvantaged groups that the ANC-led government would radically alter the distribution of fishing rights even in industrial fisheries such as hake (Nielsen & Hara, 2006, p. 47). The period of 1995-2000 was marked by the entrance of new players despite the protestations of the established industry. It was also marked by the long and tortuous formulation of a new fisheries policy, the 1998 Marine Living Resources Act (MLRA). The MLRA mandated that the fishing industry should reflect in ownership and management the demographics of contemporary South Africa. The proposed radical redistribution of quotas of 1998-99, however, was successfully challenged by the established industry in the courts on procedural grounds (see Ponte & van Sittert, 2007). Consequently, from the early 2000s, government started to switch from an "external" transformation approach focused on new entrants to an "internal" transformation approach focused on what happens within established companies.[16] The 2001 allocation, which for the first time covered a period of four years instead of one (2002 to 2005), provided the maintenance of status quo in the distribution of quotas. This meant that in 2002 only 25 per cent of the total TAC was in the hands of majority black-owned companies

(MCM, 2004, p. 11). It is in this context, and as government prepared for the allocation of long-term rights (15 years) in 2005/06, that MSC certification of the South African hake industry took place.

(b) *Motivations for the adoption of MSC certification*

Various motivations for seeking MSC certification were mentioned in official documents and in interviews with South African hake industry actors. These can be divided into two categories: (1) "official" motivations, promoted by the regulatory agency, major rights holders and conservation groups, which fall within mainstream understandings of what ecolabeling can achieve in competitive fish markets; and (2) "unofficial" motivations, mentioned by some of the same actors under confidentiality, which stem from domestic politics or are reflections on the established relations of power within the South African hake industry.[17]

Among the "official" motivations for seeking MSC certification, we find the following:

1. To keep up with international competitors, such as New Zealand hoki (also MSC certified); and to remain ahead of Namibia, Chile and Argentina;
2. To open up/increase South Africa's share in new markets where there is "environmental demand" (the UK, Germany, Switzerland) – mostly for frozen products; and to keep ahead of possible developments in "traditional" chilled fish markets, such as Spain, Italy and Portugal;
3. To match buyer demands (Unilever is the biggest buyer of frozen fish for the two main South African fishing companies), thus maintain preferred supplier status;
4. To achieve a price premium for sustainable fish management.

While these "official" motivations played a role in gathering momentum for the application of MSC certification, three other "non-official" motivations seem to have contributed to the decision as well:

1. To entrench interests of major South African fishing companies, as MSC certification was expected to benefit the two large companies that dominate the industry. These companies have advanced processing lines, where they prepare processed products such as fish fingers, burgers, cutlets, and marinated fillets. They dragged along SADSTIA and the in-shore hake

sector, even though other companies have much less interest in MSC certification because their main markets (domestic, Spain, Italy) are, for the time being, not particularly interested in ecolabeling for fisheries products. As of 2005, only three companies held a MSC chain of custody certification in South Africa.

2. To avoid "external" transformation in South African fisheries through international legitimation of "conservative management". MSC certification was expected to provide a guarantee against the possibility of a further re-allocation of quotas away from the main (white-owned) fishing companies. Very few players held hake rights up to the 1990s. But following the end of apartheid, the number of rights holders increased to 40-50. The overall argument constructed by large trawling companies is that it is easier to manage the resource and police catch levels when there are few players in the industry. This argument was developed and put forward at a key moment in time, when the regulatory agency in charge of managing quotas (MCM) was thoroughly revising its system of allocation.
3. To marginalize hake longliners. This motivation relates to an intra-industry battle between the trawling and longlining sectors after the establishment of the latter in the hake fishery in the early 1990s. This conflict is couched in a natural resource management discourse: longliners accuse trawlers of destroying the seabed and of catching juvenile fish; trawlers accuse longliners of targeting bigger females.[18] There is no definitive evidence on which of the two techniques affects the hake stock more adversely, but there is a general scientific understanding that a badly managed combination of the two can be lethal.

(c) *The certification process*

MSC certification was the result of an evaluation process that lasted almost two years, and that started with an application prepared by SADSTIA. The overall cost of fishery certification to the industry was USD 100,000 in direct costs of certification, plus USD 100-200,000 to meet conditions

in the mid-term. The direct cost of certification has been paid by SADSTIA members in proportion to the quota allocated to them.

The assessment conducted by the certification body resulted in a relatively high score on stock management (88 points out of 100; the minimum pass is 80) – the first of the three principles of the MSC standard. According to industry sources, this was expected as there has been a relatively long history of proper monitoring of the resource in South Africa. Only one condition was appended by the certification team (Powers et al., 2004, p. 40). In relation to the second principle (ecosystem impact), the South African hake industry barely made the grade (80 points). Gaps were identified in four areas: by-catch management; ecosystem relations; impact of trawling on the benthic habitat; and impact of trawling on seabird populations. The certification team required specific corrective actions for each area. In relation to the third principle (fishery management system), the industry's score was relatively high (88 points). The only condition placed was a review of the compliance system (ibid.).

Despite the fact that the South African hake industry achieved certification, a number of problematic issues remain: (1) the trawling sector has been certified, but not the longlining sector – even though they exploit the same stock; (2) it is not clear whether the hake stock is shared with Namibia, which is not certified either; and (3) complaints have been raised on the relevance and rigidity of some indicators in the MSC standard, and on the lack of participation by some segments of the industry in the process.

(d) *Verification after certification*

In 2005, the South African hake industry was subjected to the first surveillance exercise by the certifying team. This resulted in a report released in May 2005 (Tingley et al., 2005) that covers progress in all the conditions that were set at the time of certification. It is worth going into the details of some of these to understand what it means to maintain compliance with the MSC standard.

Condition 1 refers to the claim that there are some by-catch species under pressure from hake trawling. The condition demanded a management plan to be in place within 12 months and its

implementation soon thereafter. Disagreements within the industry on a by-catch policy meant that it was not prepared in time for the first surveillance visit by the certification team. Yet, the surveillance report noted that the industry had made moves in that direction, and that implementation was expected to proceed quickly after the plans were in place. The message is that although the system is not in place, it would be soon. This should be read in connection with Condition 6 on compliance monitoring. In this case, the team observed that measures have been implemented, and that partial fulfillment is due to "ongoing issues with staffing". Problems with staffing (see also below) should raise alarm on the ability of the regulatory agency to carry on managing the resource effectively. Yet, here they are used as a mitigating factor.

The report also noted that "no regulatory infringements occurred during the current reporting period" (Tingley et al., 2005, p. 12). However, shortly after the publication of the report, a hake trawler was arrested and fined by MCM for "illegally catching" *snoek* (a low value fish species consumed locally). The vessel was found in possession of 39 tons of hake (for which it has a quota allocation) and 300 tons of snoek, which is supposed to be "by-catch" (*Cape Times*, July 20, 2005). But industry interviews suggest that trawlers have been using by-catch to make their operations financially viable for at least 15 years. Evaluated in terms of systemic performance, the arrest of the vessel is a positive outcome. However, the underlying causes of by-catch abuse are not addressed.

Condition 3 related to gaps in understanding ecosystems relations. This is one aspect that MSC recognizes as difficult to achieve, even in most advanced fisheries. In addition to a new research program on the topic, the certification team noted that the allocation policy of 2006 explicitly recognizes the importance of an ecosystem approach, which will be entrenched in the future management of all fisheries (Tingley et al., 2005, p. 7). A policy statement is sufficient to appease the certifiers.

In its general comments, the monitoring team reflected upon the results of stock assessment in 2004, which indicated that stock levels had not changed. The team noted a series of weaknesses in

data collection and in the understanding of long-term historical and ecological implications. Interestingly, the 2006 TAC in South Africa was reduced by 10,000 tons below the 2005 TAC. This figure, however, was arrived at on the basis of the precautionary principle – for the first time since the 1970s the hake survey did not take place in 2005 due to an unresolved dispute on overtime payment for the vessel crews that were supposed to operate the survey. This led to a non-scientific reduction that could in theory undermine MSC certification.

The overall assessment of the monitoring team was a positive one, and continuation of certification was recommended. No MSC fishery has been de-certified so far. Is this an instance of "path dependency" or a sign of improved management? South African observers of the fish industry made it clear that with the current rate of loss of scientists and managers at MCM, there will be no capacity to properly monitor the use and possible abuse of quotas. Thirty-five scientists have left MCM between 1996 and 2005 (*Fishing Industry News,* December 2005, p. 12). After the 2006 allocation, that for the first time assigned quotas for a period of 15 years, industry compliance to regulation is likely to decrease. A review of allocations should follow every 2-3 years to assess compliance with the allocation policy, but there is very limited capacity at MCM at present to undertake that. Yet, the MSC monitoring team's report does not use the limited managerial capabilities at MCM to provide a case for de-certification. On the contrary, staffing problems are used as a justification for failure to comply with some conditions.

(e) *An evaluation of MSC certification in South Africa*

The expected commercial benefits that were to accrue to the South African hake industry from MSC certification have for the most part not materialized. According to one of the key beneficiaries of MSC certification in South Africa, hake suppliers of MSC fish have received the same price as for "regular" fish from their buyers. Their market share has not improved either. In terms of actual impact on sustainability, recent reports suggest that the hake stock is in danger, and that catches are

at historically low levels (*Fishing Industry News*, June 2006, pp. 10-11; *Mail & Guardian*, June 30, 2006).

Yet, these outcomes may not be such a problem for the main drivers of MSC certification in South Africa, since they have achieved two other objectives. First, the proportion of TAC allocated to the longlining industry has not increased in the key allocation of long-term rights of 2006. But even more importantly, MCM embedded in its own policy the argument that fewer players are better for conservation than many players (MCM, 2005). No new entrants were assigned quotas and some of the smaller existing quotas were not renewed. Although large companies lost a proportion of their quotas, the allocation of long-term rights is likely to create a secondary market for quotas. As a result, an even more concentrated industry may emerge in the mid-term to extract an increasingly scarce resource (Ponte & van Sittert, 2007). This does not mean that the lack of meaningful transformation in South African industrial fisheries is MSC's responsibility, but indicates that ecolabels are not simply neutral and scientific tools that operate in a de-politicized level playing field. They can be appropriated, used, and justified in a variety of political and politico-economic fields

4. THE POLITICAL ECONOMY OF LABELS: INCLUSION, EXCLUSION AND REWARDS

The main debates in the literature on "sustainability" standards and labels for food and beverages are currently centered on issues of inclusion and exclusion, the reward structure of inclusion, and the scale and location of actors that are included/excluded.[19] In particular, case studies on coffee and timber have shown that sustainability certifications can indeed marginalize smaller producers and producers in poorer countries (Daviron & Ponte, 2005; Klooster, 2005; Morris & Dunne, 2004; Muradian & Pelupessy, 2005; Pattberg, 2006; Taylor, 2005). Some of these studies also show how certification agencies have recognized the problem of marginalization and have tried to address it externally by inviting small producers to contact NGOs or foundations that would provide technical

assistance and capacity building. Only those initiatives that are (at least partially) stakeholder-driven, however, have developed special flexibilities for small-scale producers (see Table 1).[20] "Old wave" initiatives (established before 1990) such as organics and fair trade are the only ones paying regular and predictable premiums at the farm (or cooperative) level, and are the only ones where certification costs are not fully paid by producers.[21] Fair trade attempts to address some of the inequalities that are built within the trading system itself. The organic movement questions the nature of an industrial approach to agriculture. In both cases, however, these "radical" challenges seem to be on the wane in the name of commercial success (Guthman, 2002; Raynolds, 2004; Raynolds, Murray & Taylor, 2004; Mutersbaugh, 2005b).

TABLE 1 HERE

Among the "new wave" initiatives (see Table 1), it is mainly a "preferred supplier" status that retailers and importers offer to certified suppliers. In no case where corporate involvement was heavy at the time of formulating a labeling initiative is a premium paid to producers on a regular and predictable basis. In time, the standards that underpin "new wave" initiatives may actually become the new minimum standards for mainstream products as well, effectively re-designing the nature of market access. This has already happened to food safety and good agricultural practice standards in fruit and vegetables (Hanataka, Bain & Busch, 2005; World Bank, 2005).

In relation to sustainable timber initiatives and the Forest Stewardship Council (FSC) certification, Klooster (2005) argues that large buyers, such as IKEA and Home Depot, do not only demand certification from their suppliers, but also high volumes, uniform characteristics and a competitive price (see also Morris & Dunne, 2004). "These commercial values condition the ability of other actors to fully realize the social and environmental values of environmental certification of forests" (Klooster, 2005, p. 404). In a similar manner, the certification of large fisheries such as Alaskan Pollock, New Zealand hoki and South African hake was a central commercial objective for MSC. An additional complicating factor for achieving sustainability in fisheries through the market

is that it is only one element of "complex [quality] assemblages of political-economic, cultural, and biophysical relations" (Mansfield, 2003, p. 11), where consumer-oriented quality (organoleptic and nutritional properties) of fish rather than sustainability is the primary concern of retailers (Wilkinson, 2006, p. 146).

Klooster (2005) aptly describes the historical path of FSC certification in four phases. It is worth going through them here in some detail, since the flow of events follows fairly closely the one described above for MSC. In a *first phase*, conservation groups organized boycotts and direct actions against big wood retailers and logging companies. The parallel in fisheries were the pressure from conservation groups against consumption of "dolphin unfriendly" tuna and other initiatives that drew lists of "irresponsible" fisheries to be boycotted by consumers. In a *second phase*, WWF and other groups started to work on guidelines for "good wood" buying, facilitated the creation of an organization (FSC) that also included large wood buyers, and developed a standard. WWF was also instrumental in setting up the MSC and in drawing its standard together with Unilever. In a *third phase*, the same conservation groups aggressively promoted the FSC label among retailers under the silent threat that avoiding certification would damage their brands. During this phase, certification also spread to forest management companies. According to Klooster, the FSC initiative, which started as a grass-roots campaign to curb deforestation in the tropics, became a mainstream, "document-intensive, buyer-driven preoccupation for delivering large quantities of certified wood products to market, with a focus on big forest producers and large wood consumers" (2005, p. 412; see also Morris and Dunne, 2004; Pattberg, 2006; Taylor 2005). As a result, 80 per cent of FSC certified forest area is located in the US, Canada and Europe – with only 10 per cent in tropical countries, and only 3 per cent under community management (Klooster, 2005, p. 412). There are strong parallels with MSC here as well. According to Klooster, FSC is going through a *fourth phase* that entails working on corrective measures to reduce costs of certification and modify methodologies and indicators to adapt them to the needs of small-scale producers. Exactly the same

is happening within MSC. The difference is that FSC, a member-driven organization, has devised a special procedure for small-scale forest management; similarly, in organic coffee, a special "group" procedure has been devised to minimize the costs of certification in developing countries; instead, MSC is considering special "flexibilities" within the same procedural framework and standard that are applied to large, developed country fisheries.

A similar overall evolution of events took place in two "new wave" coffee sustainability initiatives, with the difference that Rainforest Alliance and Utz Kapeh skipped the first phase of "negative publicity" altogether, since this had already been carried out by the fair trade movement and by NGOs such as Oxfam. Rainforest Alliance and Utz Kapeh were able to focus on a more "positive" approach, and a commercially-friendly one, from the start. They also adopted standards on environmental impact and social conditions of production that individually were less demanding than existing fair trade, organic and "shade-grown" standards (Giovannucci & Ponte, 2005; Mutersbaugh, 2005b). In all the three value chains for timber, fish and coffee, "new wave" certification organizations rarely directly provide resources for standard compliance. Normally, they facilitate access to a network of foundations and NGOs that provide small-scale financing and technical assistance. This is consistent with a neo-liberal approach to trade, where inequality of resources can be addressed by equality of opportunity, even though technical assistance is spotty, politically-motivated, and reliant on expensive expatriate advice.

5. CONCLUSION

Many observers of agro-food industries in the South see sustainability certifications and labels as a way of addressing skewed power relations along global value chains. But these certifications and labels only go part of the way, as they themselves play within specific political economies and power relations (Hanataka, Bain & Busch, 2005; Mutersbaugh, 2005a; 2005b). By externalizing functions such as achieving sustainability, "lead firms" in global value chains, such as large retailers and branded processors, may actually be in a better position to focus on what they do best and at the

same time outsource "trouble-solving". This allows them to be even more "hands-off" with their immediate suppliers and to outsource "non-core" functions more effectively – thus to perform better in key financial indicators (Gibbon & Ponte, 2005). In order to save on costs of auditing, some retailers have even moved further onto risk assessment matched with self-evaluation procedures for their "low risk" suppliers – a further step away from engagement and towards outsourcing "sustainability" (or ethical sourcing) (Hughes, 2005). Lead firms then can pay better attention to short-term returns, play more effectively in switching between "preferred" suppliers, and fine-tune economies of scale and scope to their advantage. This happens in an operational environment where the extra costs of achieving food safety, environmental and social standards are moved up the value chain towards producers. Increased sustainability may indeed result from these initiatives, but Northern consumers and corporations rarely foot the costs.

Criticism of sustainability certifications and labels has highlighted the embedded protectionist elements of some of these initiatives, their differential impact on stakeholders, and the naiveté of some standards in assuming that certain models of environmental management can be exported *tout court* to the South. These observations have been counteracted with assurances of transparency, non-discrimination and technical assistance. In essence, certifications and labels are assumed to be "good for the global commons" within a discourse of science, objectivity, independent verification of claims, and proper systems management.

As sustainability certification systems generally move from a holistic and hands-on engagement with suppliers towards more hands-off, auditable, systemic and managerial approaches, expert knowledge comes to play an increasingly important role. Scientists (marine biologists in the case of MSC) and systems managers become key actors. Social scientists and to some extent even economists are relatively marginalized. At the same time, activists are "expertized". If shortcomings arise in terms of stakeholder participation and/or barriers to entry, it is claimed that they can be fixed

with more transparency, better management systems, and technical assistance (Potts, 2006; Potts & Haward, 2006).

But systemic compliance masks as much as it reveals. The arrest of a vessel that had fished illegal quantities of by-catch is a positive indicator for MSC in terms of fisheries control, monitoring and compliance. But the underlying cause of by-catch fishing (assuring the financial viability of a fishing company) is not addressed. It could be addressed, for example, by paying a premium for "sustainable fish" over "regular fish" at the supplier level. Verification is used to reconcile the contrasting objectives of ensuring both conservation and financial viability. Conformity to systems performance and specific rules becomes more important than achieving the stated objectives of "sustainability", safe food or fair trade (Ponte, 2007). Verification in particular is explicitly constructed as a pedagogical exercise. It is not meant to exclude, but to teach management and better conformity (Power, 1997). This is implicit in the nature of auditing, but does not bode well for actually achieving sustainability.

Much of the literature on sustainability labels has focused on standard setting, governance and implementation. Under this rubric, the MSC initiative has been criticized on a variety of counts: for having been driven by the largest commercial player in the industry, at least at the beginning (conversely, parts of the fishing industry questioned the involvement of WWF in MSC); for not having consulted with fishers and with developing country industry actors at the stage of standard development; for having a centralized and corporate structure; for being biased in favor of industrial fisheries – and developed country fisheries in particular; for the high costs of compliance and certification; and for not ensuring sustainability.

This article placed more emphasis on the local motivations behind the adoption of MSC, on the interplay between the conservation, financial and political aspects of certification, and on verification procedures that follow certification. The MSC label is not simply a non-political, neutral and scientific tool in the fight against over-fishing and towards guaranteeing the sustainability of marine

resources. It is achieved in the context of global and local competition, special interest battles, and local politics. In South Africa, although couched in a discourse of conservation, MSC was one of the instruments used to justify positions in debates that had race relations and possible redressing of past wrongs under apartheid as the main issues at stake. Local politics and the political economy of conservation do matter for sustainability certifications.

Developing country fisheries, and small-scale, data-deficient ones in particular, have been marginalized in the MSC system. Only three fisheries in upper-middle income countries have been certified so far. This is not surprising if one looks at comparative evidence from other "new wave" sustainability initiatives in timber and coffee. Delivering sustainability at no additional cost and in large volumes demands standards that are tough in terms of systems compliance, but actually quite approachable in terms of the thresholds of sustainability indicators. Entry barriers to sustainability entail economies of scale and scope that require managerial resources and access to networks. Because managerial and systemic objectives are harder for developing country actors to match, this creates a hidden imbalance in favor of more endowed participants. Thus, transparency, technical assistance and capacity building are not sufficient. Dedicated systems of compliance and verification, not only special flexibilities, are needed for developing countries and small-scale, data-deficient producers. Until this happens, and until premiums are paid at the producer level, MSC and similar initiatives will keep putting sustainability at the service of commercial interests.

NOTES

[1] Fieldwork for this study was undertaken in London at the offices of the Marine Stewardship Council (May 2004) and in South Africa (July-August 2004; June-December 2005). In addition to secondary data and documentary collection, a total of 51 semi-structured interviews were carried out, four of which at the MSC headquarters. In South Africa, interviews covered a member of the MSC certification team, top-level officers from fish industry associations, officers of the regulatory agency

(Marine and Coastal Management), quality management companies, fisheries consultants, conservation NGOs, and representatives of twelve companies/groups holding hake rights. These included all the top five companies by size of rights allocation (representing 75 per cent of total allocated quota in 2005) and seven medium and small rights holders. The first group was selected purposefully to cover all the major players in the industry, some of which were also the main promoters of MSC certification. In all five, an upper management representative was interviewed (at the CEO/owner/marketing manager level) together with operations managers and/or quality control managers for a total of 14 interviews. The second group of companies was selected randomly from the list of hake quota allocations for 2004/2005. In these companies, at least an upper management representative was interviewed. Given the sensitivity of the information collected and the upper management nature of interviewees, both within companies and in government and industry associations, interviews were semi-structured and confidential. To maintain a pledge of confidentiality, all interview material used in this article is presented anonymously and was handled through interpretive analysis rather than a frequency count. Interview codes and locations are available from the author. Earlier drafts of this paper were circulated to both MSC and the South African hake industry, and feedback was received and addressed where possible.

[2] The seven main species of "groundfish" traded internationally are: hake, hoki, haddock, saithe, cod, redfish, and pollock.

[3] Source: *Fishing Industry Handbook: South Africa, Namibia and Mocambique* 2004, p. 62 (value of catches) and pp. 73-75 (value of exports).

[4] Source: FAO Fisheries Department, Fishery Information, Data and Statistics Unit. FISHSTAT Plus - Universal software for fishery statistical time series: Fisheries commodities production and trade 1976-2003.

[5] Fish stocks are discrete populations which have a degree of reproductive isolation from each other in space and/or in time.

[6] By-catch includes species caught in a fishery that targets another species and reproductively-immature juveniles of the target species.

[7] However, Unilever has since sold off major portions of its European seafood business.

[8] By the end of 2004, Unilever was buying about 50% of *fish used in Europe* (not the overall volume) from MSC sources, and expected this figure to rise to 60% by the end of 2005. Source: www.unilever.com/ourvalues/environmentandsociety/sustainability/fish.

[9] Certification of Alaska salmon is an exception – in this case, government applied for certification and paid for it.

[10] Three more agencies are accredited for chain of custody certification only; six agencies are undergoing accreditation for fishery and/or chain of custody accreditation.

[11] Source: MSC minutes of the "Special joint session of the Stakeholder Council and the Technical Advisory Board – The MSC claim of sustainability", Rome, May 27, 2004.

[12] MSC refers interested parties to the Sustainable Fisheries Fund, administered by the Resources Legacy Fund, the WWF Community Fisheries Grants, and the Sea Change Investment Fund.

[13] See "Leader in fishery certification and eco-labelling announces 100% consistency with UN guidelines", MSC Press release, available at http://www.msc.org/html/ni_241.htm.

[14] Source: calculations from *Fishing Industry Handbook* (2004, pp. 73-91).

[15] In this article, I use the term "black" as defined in South Africa's "Broad Based Black Economic Empowerment Act": "a generic term that means Africans, Coloureds and Indians."

[16] In the South African context, "transformation" of fisheries implies increasing the participation of "historically-disadvantaged individuals" (HDIs) in the industry – either through allocation of quotas to HDI-controlled entities (external transformation) and/or through increased equity participation by HDIs in historically-white companies.

[17] These "unofficial" motivations were not all mentioned by all key stakeholders, thus are not representative of the industry as a whole. However, the fact that they were mentioned at all – given

the very sensitive nature of the issues involved – suggests that they played at least some role in the portfolio of motivations that stood behind the decision to apply for MSC certification. This does not mean that MSC should be seen as being complicit with these political and economic calculations.

[18] Catching juvenile fish is problematic for stock renewal because they have not started reproducing yet. Catching large females can also be a problem because they contribute disproportionately to subsequent progeny ("recruits") due higher fecundity and egg quality.

[19] See, among many others, Gibbon & Ponte (2005) and the research output of the "Regoverning Markets" project based at IIED (www.regoverningmarkets.org).

[20] In fair trade coffee, only smallholder members of cooperatives can be certified.

[21] In fair trade coffee, cooperatives do not pay for certification. In organic coffee, producers may pay for certification (directly, or indirectly through pricing arrangements with an exporter holding the certification), but often not in full – in many schemes, governments and aid agencies heavily subsidize the cost (see Gibbon, 2006).

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Table 1: Sustainability certifications in coffee, timber and fish

Product	Certifications and labels	Old wave/ new wave (O/N)	Corporate involvment in formulation?	Stakeholder-driven?	Regular and predictable premium paid to the producer?	Producers bear cost of certification?	Special flexibilites for small-scale producers?
Coffee	Fair trade	O	N	Y/N	Y	N	Y
	Organics	O	N	Y	Y	Y/N*	Y
	Utz Kapeh	N	Y	N	N	Y	N
	Rainforest Alliance	N	N	N	Y/N	Y	N
	Bird-friendly	N	N	N	Y/N	Y	N
Timber	FSC	N	Y	Y	N	Y	Y
Fish	MSC	N	Y	N	N	Y	N

* Many organic certification schemes are subsidized either by governments or aid agencies

** Support in terms of providing scientific/managerial resources, research inputs