University of Massachusetts Boston

Starbucks: A Case Study in Corporate Social Responsibility

Danielle Robidoux

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Professor Ursula Tafe

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INTRODUCTION

The dynamics of politics are undeniably shifting, eliciting a rise in contentions between international relations scholars. In many cases, as global interactions persist in the absence of states, scholars may fear their very existence is becoming obsolete. Questions arise of how exactly state sovereignty and autonomy have shifted due to forces of globalization. Though it is perhaps brash to suggest the irrelevance of states since they still capture a pivotal role in global interactions. A relevant point of discussion is the increasingly shared role in global governance and blurred territorial boundaries as complex interactions between a myriad of actors expand.[1]

How can we create an effective system of global governance that does not undermine the salience of relevant actors and acknowledges the complex realities of shared global powers? Just as it is unclear who exactly governs the globe, and who the "relevant actors" are it is also unclear who should accept responsibilities for its inefficiencies. Voluntary or mandatory? Vertical or horizontal? Realistically there is no clear cut answer as to which is the most effective governance structure, and effectiveness varies in different contexts and manifestations. Exceedingly relevant are resilient and flexible institutions that can withstand the changing nature of global interactions. The necessity for multi-level global governance is becoming increasingly apparent.

Though it is evident the United Nations is by no means a pristine example of successful global governance, initiatives like the UN Global compact display the ability of intergovernmental organizations to adapt to changing global structures.[2] The United Nations as the closest physi-

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[1] Stefan Fritsch "The UN Global Compact and the Global Governance of Corporate Social Responsibility: Complex Multilateralism for a More Human Globalisation?" *Global Society* 22, no. 1 (2008) 1-26.

[2] Fritsch, Global Governance of Corporate Social Responsibility, *3*.

cal representation to the international community, must realistically be accepted as an imperfect structure in which actors must engage with to create global solutions.

Often ignored are civil society actors who influence global institutions. "As globalization signifies the interdependence of national governments, international trade organizations, and transnational business interests, the lines between local and global issues blur, making it unclear to whom citizens must appeal to in order to effect change."[3] The interdependent nature of the world complicates global interactions, making conventional ideologies of political citizenship increasingly irrelevant. Traditional ideology of political citizenship that accepts the state as the only arena in which to participate and create change fails to recognize contemporary complexities.[4]

Starbucks as a member of the UN Global Compact exists as an example of the way in which large corporations interact with intergovernmental institutions and engage in multi-level governance. The UN opening doors to business interests is somewhat of a contentious subject, particularly with civil society actors. The growing result of the above described multi-polar system is actors engaging in global governance "at different levels of the international system" and reformulating conventional statist ideologies.[5]

It is the goal of this paper to examine Starbucks as a case study of Corporate Social Responsibility (CSR) and assess Starbucks as one example of the way in which private corporations

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[3]Paula Mathieu, 'Economic Citizenship And The Rhetoric Of Gourmet Coffee', *Rhetoric Review* 18, iss 1 (1999): 112–127.

[4] Eleftheria J Lekakis, Coffee Activism And The Politics Of Fair Trade And Ethical Consumption In The Global North, 1st ed., 2013

[5] Fritsch, Global Governance of Corporate Social Responsibility, *3*

can interact with intergovernmental organizations and multi-level governance structures. Complex interlinkages that exist within the global system must be considered when attempting to formulate solutions to global issues such as CSR. It is the aim of this paper to examine Starbucks within the UN framework of CSR.

Research Question/ Hypothesis

The goal of this paper is to answer the questions, Does Starbucks serve as a model of CSR that is consistent with their disseminated literature? What is their actual impact in coffee producing countries? I wish to examine these questions within the UN framework of CSR literature, and assess where Starbucks fits within this framework.

Aims, Objectives, and Motivations

I speculate there will be a gap in the information Starbucks disseminates regarding their CSR and their actual impact in coffee producing countries. When I traveled abroad to Nicaragua I studied coffee from when it is picked to the moment it reaches our cup. With a study group we toured a Starbucks farm and the stark injustices that were experienced motivated me to seek out more information about the products I was buying and the way my everyday actions had global implications. Coffee is a product consumed daily by many and can draw attention to the global implications of an individual's everyday actions. I speculate that the literature and information that Starbucks puts forth is significantly different than the reality in coffee producing countries. I am interested in studying whether my experience was an isolated incident or whether the gap between Starbucks' professed image and their actual impact is significant.

Methodology

I will examine literature regarding Starbucks' brand image and identify key aspects in their marketing strategies, particularly those that include components of CSR. I will examine 3 examples that discuss the actual impact Starbucks has had in producing countries. Within these examples I will identify "economic, social, and environmental" indicators, which is the way in which Starbucks categorizes their own self-evaluations, as well as a common categorization that exists within the framework of CSR.[6] I will then examine the most recent "C.A.F.E. Practices Generic Scorecard" which is the way in which Starbucks evaluates its suppliers. I will use this scorecard as one way to classify the indicators present in the case studies. I will also classify the indicators identified using the 10 Principles of the UN Global Compact. I will then evaluate where Starbucks fits in the UN Framework for CSR based on the analysis developed within this paper.

The paper will begin by discussing a background and history of the global coffee sector, then it will discuss the current state of the global coffee economy. This will develop a foundation from which to acknowledge the interdependence between the private and public sectors in the global coffee economy. It will then explore a history of the Starbucks coffee company, introduce the company's culture, and explore Starbucks' relationship with sustainability initiatives. The paper will then review CSR literature, more specifically the UN Framework of CSR to provide a standard from which to assess where Starbucks fits into this framework. Finally the paper will provide an analysis of the company's disseminated literature including its private certifying ini-

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[6] Conservation International, C.A.F.E. PRACTICES RESULTS ASSESSMENT FISCAL YEARS 2011-2012, 2013 1-31.

tiative "Starbucks CAFE Practices" and examine three examples from which to assess the company's actual impact in coffee producing countries.

Limitations

Biases may exist in those who critique Starbucks and assess their impact on coffee farmers in producing countries, by examining Starbucks within the UN framework of Corporate Social Responsibility (CSR) it will help to minimize some of these biases. Some variables may be hard to quantify but may still pose a significant point of analysis, for example non-monetary benefits that farmers may receive from alternative models such as feelings of empowerment. There are also external factors that influence the relationship between Starbucks and its suppliers, for example natural disasters, climate change, state actors, and financial crises, these variables will be discussed but will not be the main focus of this paper.

BACKGROUND

ICoA (International Coffee Agreement) Regime

Coffee is the most traded tropical agricultural commodity in the world; it is produced in about 70 countries and provides a livelihood for 125 million people.[7] Out of 141 developing countries 95 of these countries depend on primary commodities such as coffee for at least 50% of

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[7] Benoît Daviron and Stefano Ponte, *The Coffee Paradox*, 1st ed. (London: Zed Books in association with the CTA, 2005) 88.

their export earnings.[8] Commodity Dependent Developing Countries (CDDCs) are subject to vulnerability in times of extreme commodity price fluctuations. With higher dependency on commodities CDDCs often do not have the capacity to absorb price shocks in the same way that developed countries do. Some of the least developed countries have populations that spend up to 70-80% of their income on food, when commodity prices are highly volatile situations of extremely low prices result in hunger and increased poverty. Starbucks is the largest specialty roaster in the world[9]; therefore making it a salient actor in the global coffee market. Starbucks has the potential to create meaningful partnerships to lessen the harsh realities that are characteristic of commodity markets.

Cooperation in regards to commodities occurs under the International Commodity Agreements as a result of related UN Conferences. Related commodity organizations, study groups, FAO intergovernmental groups, and subgroups have been appointed as International Commodity Bodies by the Common Fund for Commodities. These International Commodity Bodies facilitate cooperation and are eligible for "Common Fund for Commodity-financed projects".[10] The International Commodity Bodies include International Commodity Organizations, International Study Groups, FAO Intergovernmental Groups and Subcommittees, and other commodity bodies. The International Coffee Organization (ICO) is an International Commodity

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[8] UNDP, Towards Human Resilience: Sustaining MDG Progress In An Age Of Economic Uncertainty (New York, 2011) 57-58.

[9] Gavin Fridell, 'The Co-Operative And The Corporation: Competing Visions Of The Future Of Fair Trade', *Journal Of Business Ethics* 86, iss 1 (2009): 81–95.

[10] 'International Commodity Bodies', 2014, www.fao.org/fileadmin/templates/est/CCP/oewg/International_Commodity_Organisations_.pdf.

Organization along with the International Cocoa Organization, International Grains Council , International Olive Council, International Sugar Organization, and the International Tropical Timber Organization.[11]

Historically coffee has been one of the few commodities literature agrees has been successfully regulated. It has also been one of the longest commodity agreements and was in place for several decades. The International Coffee Agreement (ICoA) was formulated in New York at the United Nations Coffee Conference in 1962, it represented countries that accounted for 93% of world coffee exports. It also established the ICO to administer the provisions of the agreement. Its goal in part was to bring stability, prevent further price declines, and regulate the world coffee market. From the perspective of the US it was meant to safeguard against price rises and inadequate coffee supply as well as bring long-term equilibrium to the market.[12] Under this regime target prices were set and export quotas were given to each producer. When the indicator price rose quotas were relaxed, when it declined more strict quotas were established. The regime was seen as successful because it included participation of consuming countries in the quota system, the governments of producing countries had more control of decisions regarding exports, Brazil accepted a shrinking market share, and import substitution was adopted as a common strategy in producing countries. Overall the ICoA contained stabilizing forces that provided

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[11] 'International Commodity Bodies', 2014, www.fao.org/fileadmin/templates/est/CCP/oewg/International_Commodity_Organisations_.pdf.

[12] US Congress, *International Coffee Agreement* (Washington: US Government Printing Office, 1963) 3.

countries with an institutional framework where rules were clear, change was politically negoti-

ated, and income was more fairly distributed between consuming and producing countries.[13]

Post ICoA Regime

The breakdown of the ICoA regime was in 1989 when an agreement on quotas could not

be reached. The spread of the free-market, liberal ideologies, deregulation, growth of multina-

tional coffee companies, as well as pressure from the US contributed to the breakdown of this

regime. State intervention and regulation of international trade became less popular, due to

changes in ideologies producing countries were forced to give up their ability to regulate world

coffee trade. During this period coffee traders and roasters consolidated into large corporations

and consumed greater control and influence in the coffee market. Coffee prices dropped sudden-

ly starting in 1989 with the breakdown of the ICoA regime.[14] Consequences of the breakdown

include the loss of producing country influence in the international coffee market, stock control

moving from public agencies to private trading companies, a significant drop in international

prices, bankruptcy of state agencies in the coffee sector, and over time a breakdown of stabiliza-

tion systems in coffee producing countries.[15] The end of the quota system resulted in a strong

bargaining position for Transnational corporations that were located in consuming countries.

Consuming countries captured 75% of the income, while producing countries captured only

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[13]Daviron and Ponte, *The Coffee Paradox,* 87.

[14] Steven Topik, John M Talbot and Mario Samper, 'Introduction Globalization, Neoliberalism, And The Latin American Coffee Societies', *Latin American Perspectives* 37, iss 2 (2010): 5–20.

[15] Daviron and Ponte, *The Coffee Paradox,* 84-123.

15%. The breakdown of the ICoA regime resulted in an extreme drop in international coffee price and income for producing countries.[16] Without a regulated coffee market, alternative sustainability initiatives such as Starbucks CAFE practices, Fair Trade, Utz., Rainforest alliance, etc. are becoming more relevant in creating market changes and engaging in innovative solutions to common issues in the governance of the coffee sector.

Current State of Coffee Economy

After the breakdown of the ICoA regime in 1989 the ICO's role shifted from being a mechanism to regulate the global coffee market to a body that gathers information, and runs programs to enhance the quality and production of coffee. Brazil still dominates coffee production, and in 2012 Ethiopia has for the first time surpassed Colombia in coffee production due to varying factors including climate change, and a shift to coca production in Colombia. A dependence on coffee for exports in producing countries has in general decreased globally, but coffee is still a major export in many countries, especially Burundi whose production of foreign earnings from coffee is 59%.[17] A prevalent concern with current coffee market conditions is that only a small amount of the wealth generated from coffee remains in producing countries.[18] Specialty coffee companies such as Starbucks, often located in consuming countries, capture a majority and in-

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[16] John M Talbot, 'Where Does Your Coffee Dollar Go?: The Division Of Income And Surplus Along The Coffee Commodity Chain', *Studies In Comparative International Development* 32, iss 1 (1997): 56--91.

[17] Ico.org, 'International Coffee Organization - World Coffee Trade', 2014, http://www.ico.org/trade_e.asp?section=About_Coffee.

[18] Robert W Thurston, Jonathan Morris and Shawn Steiman, *Coffee*, 1st ed. (Lanham, Md.: Rowman & Littlefield, 2013).

creasing portion of income generated from coffee leading to growing inequalities between pro-

ducing and consuming countries. This increased profit captured in consuming countries along-

side the simultaneous decreasing profit captured by producing countries is referred to as the "cof-

fee paradox" by Stefano Ponte and Benoit Daviron.

Major transitions in the global coffee market in the past century have included the break-

down of the ICoA regime, market consolidation of roasters and international traders that led to

oligopolistic market conditions, producing countries loss of ability to control exports and stocks,

and low levels of stocks and international prices.[19] "The biggest transnational coffee sellers,

Kraft (U.S.), Nestle (Swiss), Sara Lee (U.S.), Folgers (also U.S. recently sold by Procter and

Gamble to the Smucker Corporation), and in some counts Tschibo (German), together continue

to sell more than 50 percent of the world's coffee annually."[20] Starbucks prides itself on being a

model of CSR in the context of large conglomerates such as those listed above. It is the goal of

this paper, in part, to examine the validity of current critiques regarding Starbucks as well as the

facts behind Starbucks' CSR claims compared to their actual impact in coffee producing coun-

tries.

History of Starbucks

The history of Starbucks begins with a story of friends in Seattle frustrated in their inabil-

ity to find a decent cup of coffee. With the help of Peet's Coffee and Tea, Starbucks began roast-

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[19] Daviron and Ponte, *The Coffee Paradox, 77.*

[20] Robert W Thurston, Jonathan Morris and Shawn Steiman, *Coffee*, 1st ed. (Lanham, Md.: Rowman & Littlefield, 2013) 7.

ing modestly and expanded. All was changed when Howard Schultz stumbled upon a Starbucks in Seattle and was eventually hired and obtained a small piece of the company. Schultz, inspired by Italian coffee culture, wished to change Starbucks from a coffee retailer to an Italian espresso bar "experience". The founders of Starbucks and Schultz had divergent goals and visions for the company, as Starbucks strayed further from its original vision it was eventually sold to Schultz who expanded his vision of an Italian-style coffeehouse chain. Starbucks became public, grew exponentially, expanded their ventures internationally, changing coffee culture forever. By 2012 Starbucks ran 17,244 stores in 54 countries, and plans to grow in China are currently under-way.[21]

Starbucks Culture

Companies that will thrive will turn "ideas and emotions into products".[22] Starbucks does not simply sell a product it sells an "experience". The evolution of specialty coffee cannot be discussed without mention of Starbucks. Starbucks revolutionized European coffee bar culture in a way that was "palatable" to Americans. They sell "symbolic attributes" such as "brand, ambience, interior design, the spatial organization of the place, its architecture, the clothes of the employees and so on." [23] Starbucks faces a contradictory existence, it aims to embody a small business image as a multinational corporation. While some may argue its rhetoric amounts to little

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[21] Marie Bussing-Burks, *Starbucks*, 1st ed. (Santa Barbara, Calif.: Greenwood Press, 2009).

[22] Constance M Ruzich, 'For The Love Of Joe: The Language Of Starbucks', *The Journal Of Popular Culture* 41, iss 3 (2008): 428--442.f

[23] Daviron and Ponte, *The Coffee Paradox,* 77.

more than a facade of CSR.[24] Starbucks has been the target of activists and highly criticized for its marketing that blurs the distinction between its own sustainability initiatives and the certification system of Fair Trade. Activists fear the "watering down" of sustainability initiatives such as Fair Trade, as well as aiming to hold Starbucks accountable to its CSR claims.[25] Starbucks, despite attempting to retain the image of a small business, has adopted mainstream corporate strategies such as driving small cafes out of business, entered joint marketing programs with corporate giants, and providing a homogenized retail experience with a consistent product. Simultaneously Starbucks has provided relatively higher prices and in some ways higher quality coffee than other competitors, it has also engaged in Starbucks "CAFE Practices" a preferred supplier program and private CSR initiative.[26]

Starbucks Rhetoric

"The company need not concern itself with the economic conditions of its global business operations as long as it donates money to a charity." [27] The article *Economic Citizenship and Rhetoric of Gourmet Coffee* by Mathieu exemplifies the ways in which Starbucks uses imagery, public relations, marketing, and other tactics to convince consumers they are morally sound and may consume free of guilt. The article explains the transformation that has fundamentally

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[24] Ruzich, For The Love Of Joe, 438.

[25] Kate MacDonald, 'Globalising Justice Within Coffee Supply Chains? Fair Trade, Starbucks And The Transformation Of Supply Chain Governance', *Third World Quarterly* 28, iss 4 (2007): 803.

[26] Daviron and Ponte, *The Coffee Paradox,* 77.

[27] Mathieu, Economic Citizenship 112-127.

changed the nature by which citizens can exert influence in society. "Saskia Sassen adopts the term *economic citizenship* to describe how globalization decreases the importance of national sovereignty and redefines citizenship in economic terms. Economic citizenship means accepting the task of defining political agency around the roles each of us plays in the cycle of global production and consumption."[28]

This ontology is relevant to the current discussion of Starbucks and its clouded dissemination of CSR and its own brand image. If citizens can exhibit influence increasingly by engaging in consumption then their consumption related to Starbucks will influence the actions of Starbucks, and Starbucks will influence coffee producers. Fair Trade attempts to use this concept of "economic citizenship" as a tool to create societal change that questions current economic global structures. Fair Trade aims to create a more equitable and socially just global economy and arrangement of global production. While the difference between motivations and intentions between Fair Trade and Starbucks are different, much of Starbucks' literature portrays them to be so similar that consumers often see them as synonymous. It is this deception that motivates the paper to uncover the actual impact Starbucks has in coffee production, and assess if this impact it is consistent with their claims.

Starbucks and Sustainability Initiatives

Sustainability initiatives such as Fair Trade are based on "political consumerism" in which people make decisions in the market as consumers with the intention of shifting institu-

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[28] Mathieu, Economic Citizenship 112-127.

tional structures or market mechanisms.[29] Sustainability initiatives began as niche markets and are becoming increasingly mainstream as larger corporations such as Starbucks start to engage in certification schemes such as "Fair Trade". Alongside Fair Trade, companies have also been engaging in their own private sustainability initiatives such as Starbucks CAFE Practices. There are a growing number of certification processes and sustainability initiatives that adopt the "political consumerism" ideology, Fair Trade is one of the most prominent.

Fair trade is one of the top three "types of ethical consumption" (in the U.K) and its growth rate is about triple or more of the other two "organic and vegetarian products".[30] Fair Trade is a third-party certification system that connects small farmers and producers in the Global South to consumers in the North through a system that includes "democratic organization (of cooperatives or unions), no exploitation of child labour, environmental sustainability, a minimum guaranteed price, and social premiums paid to producer communities to guide community infrastructure." [31] As Fair Trade and other sustainability initiatives become mainstream their components become commodified into "capitalist-friendly activity" which is more easily digested in today's global economy.[32] Coffee was one of the first international products in which standards, labels, and certification schemes were created collaboratively to manage social, environmental,

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[29] Lekakis, Coffee Activism And The Politics Of Fair Trade, 9.

[30] Ibid., 4.

[31] Gavin Fridell, *Alternative Trade*, 1st ed. (Black Point: Fernwood Publishing, 2013) 58.

[32] Lekakis, Coffee Activism And The Politics Of Fair Trade, 22.

and economic issues. "Several studies have shown that traders, roasters, and retailers engaged in the global coffee market earn higher margins on sustainable coffee than on regular coffees."[33]

To examine Starbucks within the scope of world coffee market, they only "represented 1% of total coffee trade in 2003. In 2006, they had jumped to 4% of global coffee exports by volume and nearly 8% of North American imports."[34] Starbucks dominates the specialty coffee market, though all of their coffee is considered "specialty" not all of it is considered "sustainable" coffee. Despite this, Starbucks benefits from the positive brand association of "sustainable" or "Fair Trade" coffee even though not all of their coffee is certified in this way. Starbucks became a particular object of criticism when Fair Trade advocates feared Starbucks participation in Fair Trade would undermine the legitimacy of the movement that aims to create alternatives to the conventional economic framework.[35] "Consumers' concerns for the environment have led to the creation of niche markets, quality certifications, and labeling systems. Built by activists and NGOs, these systems were adopted by agribusiness."[36] It is consumer advocates and activists that pushed Starbucks to ensure their actions were consistent with their stated mission. Explicitly on their website Starbucks claims to be passionate about "ethically sourcing the finest coffee

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[33] Lisa Ann Richey and Stefano Ponte, *Brand Aid*, 1st ed. (Minneapolis, Minn.: University of Minnesota Press, 2011) 160-162.

[34] Ibid, 161.

[35] Fairtradeusa.org, 'FAQ | Fair Trade USA', 2014, http://fairtradeusa.org/what-is-fair-trade/faq.

[36] Marie-Christine Renard, 'In The Name Of Conservation: CAFE Practices And Fair Trade In Mexico', *Journal Of Business Ethics* 92, iss 2 (2010): 287–299.

beans" and "improving the lives of the people that grow them."[37] Starbucks being the world's largest specialty coffee roaster it is no surprise they became an object of criticism by Fair Trade advocates in particular, who questioned the company's integrity regarding ethical sourcing.

"Starbucks was the first large coffee company to agree to start selling Fairtrade certified coffee, under pressure from an NGO campaign led by Global Exchange."[38] With the acceptance of Starbucks into the Fair Trade system and the permission of Starbucks to use the Fair Trade certified logo, an exception needed to be made. Previously the use of the Fair Trade label was only permitted if at least 5% of total sales were Fair Trade, this showed at least a minimal commitment to the movement of Fair Trade, that aims to change conventional economic structures. Starbucks was allowed to use the label and was accepted into the system even though only 1% of its coffee was to be labeled as "Fair Trade".[39] It is not that Starbucks refuses to adhere to Fair Trade standards for the Starbucks farms that are certified, it is the company's minimal commitment to the movement that elicits anger from activists. Starbucks' minimal commitment to the movement may demonstrate that its use of the label was simply motivated by pressure from civil society activists. Some may argue, Starbucks' motivations were not a commitment to the movement or CSR, but simply an attempt to hold activist criticisms at bay.[40]

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[37] Starbucks Coffee Company, 'Mission Statement', 2014, http://www.starbucks.com/about-us/company-information/mission-statement.

[38] Sara D Elder, Jane Lister and Peter Dauvergne, 'Big Retail And Sustainable Coffee: A New Development Studies Research Agenda', *Progress In Development Studies* 14, iss 1 (2014): 86.

[39] Ibid.

[40] Ibid.

Howard Schultz claimed that by 2009 100% of their espresso-based drinks in the U.K. and Ireland would be certified Fair Trade, this highlights the importance of geography in Starbucks marketing strategies. Starbucks in the U.K. and Ireland is seen as an example of honoring the importance of corporations in "carrying a niche market into the mainstream." While in the US, Starbucks' commitment to Fair Trade is minimal.[41] For Starbucks Fair Trade is just one of their "co-branding strategies." Co-branding is a technique that companies use to associate themselves with something "from which they draw authenticity." Just as Starbucks also aims to associate themselves with intellectualism and travel, they also hope to erase their contentious history of unethical business practices.[42] Firms essentially engage in cost-minimizing behavior and Fair Trade inherently increases the cost of inputs for the firm. Companies need only to minimally engage in Fair Trade to reap the benefits of positive brand association.[43] Despite the actual intention of Starbucks, corporate involvement in the Fair Trade movement has expanded its growth and scope. A more important concern is the actual impact corporate involvement in the Fair Trade movement has had in coffee producing countries. This paper does not aim to demonize Starbucks; it is simply a critical analysis of literature disseminated by the company and aims to assess whether their actions are consistent with their words.

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[41] Lekakis, Coffee Activism And The Politics Of Fair Trade, 2013 22.

[42]Lekakis, Coffee Activism And The Politics Of Fair Trade, 2013 31.

[43] Mark Hudson, Ian Hudson and Mara Fridell, *Fair Trade, Sustainability And Social Change*, 1st ed. (New York: Palgrave Macmillan, 2013) 159.

LITERATURE REVIEW

Corporate Social Responsibility (CSR)

Definitions of Corporate Social Responsibility are living and breathing, the constant flux of global interactions complicates the way this term is defined in global discourse. This makes deciphering if a corporation such as Starbucks is a model of "Corporate Social Responsibility" an arduous task. Though CSR can be thought of as a "pyramid" separated into four components, "economic, legal, ethical and philanthropic."[44] The economic component rests on proponents of historic economic thinkers that highlight corporate actions being motivated by profit-seeking behavior as opposed to benevolence. The legal portion of the "pyramid" refers to corporate acceptance of behavior in accordance with "national laws and regulations." Businesses are expected to adhere to their "legal environments", though this becomes complex when host countries have stark differences in "political, regulatory and cultural environments."[45] This presents an evident dilemma in which it is unclear as to which standards businesses must adhere to. The Ethical segment of the "pyramid" assumes that corporations must "do what is right, just, and fair." It does not suffice for corporations to simply adhere to national legal standards, they must go beyond the "legally required floor."[46] Lastly is the philanthropic component, this part highlights the responsibilities of corporations "to be good corporate citizens by contributing resources, such as part of their profit, to the host community or state, improving people's quality of life." One defi-

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[44] Fritsch, Global Governance of Corporate Social Responsibility, 7.

[45] Ibid.,8

[46] Ibid.8,

nition of CSR that builds on this "pyramid" is "the obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests."[47]

In reality it is necessary for CSR to embody more than ambiguous language embedded into colorful pamphlets, exaggerated testimonials of marginalized farmers, and overstating commitments to sustainability initiatives such as Fair Trade. Culture seems to have elicited a surge in the expansion of CSR. As advocacy groups and local communities began to push back against corporate misconduct, governments began promoting CSR initiatives, the UN Global Compact was adopted (the largest CSR initiative), and companies started their own private initiatives to monitor their global supply chains. The UN Global Compact is a "strategic policy initiative" that wishes to align business operations with the "ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption."[48] The UN Global Compact is a multi-level governance initiative that aims to address issues regarding CSR. "To oversimplify only slightly, as governments moved toward greater deregulation and privatization, they promoted CSR initiatives and private-public partnerships."[49] Historically states have been the source of blame for human rights violations, as the international human rights regime transforms, the focus has shifted to non-state actors. Advocacy networks were so effective in raising awareness about the negative impacts of businesses on human rights there was no choice but for actors to

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[47] Fritsch, Global Governance of Corporate Social Responsibility, *8.*

[48] Unglobalcompact.org, 'Overview', accessed 22 May 2014, http://www.unglobalcompact.org/AboutTheGC/index.html.

[49] John Gerard Ruggie, *Just Business*, 1st ed. (New York: W. W. Norton & Company, 2013) xxvii.

respond.[50] A myriad of CSR initiatives have been put forth with their own strengths and weaknesses, but a framework that poses particularly useful in this analysis is the UN Framework for CSR. In this case this will be defined as the inclusion of the "Protect, Respect and Remedy Framework and the Guiding Principles on Business and Human Rights" put forth by special representative John Ruggie, as well as the UN Global Compact. The "Protect, Respect, and Remedy" framework addresses what should be done in regards to CSR, while the Guiding Principles explain how to do it.[51] The "UN Guiding Principles on Business and Human Rights" was developed to ensure the actual implementation of the "Protect, Respect, Remedy Framework."[52]

The UN Framework for CSR

The engagement of the UN with issues surrounding CSR display the ability of international institutions to adapt to major shifts in the realm of global governance. The creation of the UN Global Compact and other CSR initiatives discussed in this paper are a physical manifestation of the complexities surrounding global governance and the international political economy. As non-state actors grow increasingly relevant in global affairs, intergovernmental organizations

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[50] Giovanni Mantilla, 'Emerging International Human Rights Norms For Transnational Corporations', *Global Governance: A Review Of Multilateralism And International Organizations* 15, iss 2 (2009): 279--284.

[51] Ruggie, *Just Business*, 81.

[52] John Ruggie, Guiding Principles On Business And Human Rights Implementing The United Nations "Protect, Respect And Remedy" (New York and Geneva: United Nations, 2011).

such as the UN must engage in multilateral partnerships to enhance the effectiveness of global governance.[53]

The framework of the "Protect, Respect and Remedy, and the Guiding Principles" are based on the following three concepts : "the State duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and the need for more effective access to remedies."[54] What distinguishes this framework is that it does not aim to engage in the highly contentious subject of 'voluntarism' and 'binding law', it incorporates both of these principles into the framework to create "Ruggie's middle path." Previous attempts by the UN to address CSR failed to deal with corporate resistance to 'binding law'. Voluntary initiatives will hopefully provide a first step toward understanding core human rights for binding regulations formulated in the future.[55]

The first pillar of the framework addresses the "State's duty to protect", and highlights the importance of shared responsibility regarding human rights, bringing attention to the importance of multi-stakeholder initiatives and the necessity of businesses to work in collaboration with the state to formulate solutions to complex problems. The second pillar of the framework includes a corporation's "responsibility to respect human rights", it is a useful concept to consider when assessing where Starbucks fits into the UN Framework for CSR. 'Responsibility' is defined as "across a business enterprise's activities and through its relationships with third parties

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[53] Fritsch, Global Governance of Corporate Social Responsibility, *3*

[54] Ruggie, Guiding Principles On Business And Human Rights 3-28.

[55] Mark B Taylor, 'The Ruggie Framework: Polycentric Regulation And The Implications For Corporate Social Responsibility.', *Nordic Journal Of Applied Ethics/Etikk I Praksis* 5, iss 1 (2011) 10-11.

associated with those activities."[56] With coffee and most products having a complex global supply chain, this definition of responsibility is highly relevant in the case Starbucks. This definition of responsibility connects Starbucks to its actions and assigns Starbucks responsibility for the actions of connected intermediaries and third-parties in its supply chain. The third pillar addresses the need for more effective "remedies" that may require public and private collaboration, potentially through multi-stakeholder initiatives.

Starbucks C.A.F.E Practices

"The largest private initiative with third-party monitoring is Starbucks Coffee and Farmer Equity (C.A.F.E.) practices."[57] This program began as a pilot program in 2001, in 2011 Starbucks sourced 86% of its coffee purchases through this program. Though Starbucks only consumes 2% of the global coffee market (equivalent to all Fair Trade initiatives), it accounts for 20% of the specialty coffee market, giving it high visibility. Starbucks, pressured by activist campaigns in the 90s to increase Fair Trade as well as introduce a supply chain standard, came up with a 'Framework for a Code of Conduct' in 1995. The Starbucks CAFE Practices program demands that suppliers meet quality, environmental, and ethical standards, and what Starbucks deems as acceptable levels of 'equity'.[58] This program includes enforcement of "minimum standards" that incorporate components such as "wages, overtime, child labour, discrimination, and forced

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[56] Taylor, The Ruggie Framework., 12.

[57] Richey and Ponte, *Brand Aid*, 161.

[58] Kate Macdonald, The Politics Of Global Supply Chains, 1st ed., (2013) 129-131

labor."[59] The private initiative also includes independent monitoring and a compliance structure

based on an incentive system of preferential contracts and sometimes price premiums, but con-

tinuous improvement is emphasized as opposed to actual enforcement.

Starbucks CAFE Practices is a private ethical sourcing program managed in collaboration

with Conservation International and Scientific Certification Systems, Inc. (SCS). It is a system of

verification based on social, economic, and environmental indicators to evaluate coffee produc-

ers and ensure ethical sourcing. Starbucks and Conservation International collaborated to create

guidelines for the CAFE Practices Program. These guidelines are measured via scorecards. Small

farms and medium to large farms have separate scorecards from which they are evaluated.[60]

Based upon "scorecards" that include the above indicators, farms are given a status of "non-

compliant", "verified", "preferred", or "strategic".[61] SCS facilitates the third-party verification

process and they "train and approve third-party organizations who verify suppliers participating

in the CAFE Practices Program."[62] In 2012 Starbucks bought 90% of its coffee through the

CAFE Practices Program. By 2015 Starbucks aims to have 100% of their coffee certified or veri-

fied by a third-party via "CAFE Practices, Fairtrade or another externally audited system."[63]

Starbucks says they are "working on-the ground" to help farmers "improve coffee quality, ensure

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[59] Macdonald, The Politics Of Global Supply Chains, 129-131.

[60] See, Scsglobalservices.com, 'Starbucks C.A.F.E. Practices | SCS Global Services', 2014, http://www.scsglobalservices.com/starbucks-cafe-practices.

[61] Conservation International, C.A.F.E. PRACTICES RESULTS ASSESSMENT, 17.

[62] Scsglobalservices.com, 'Starbucks C.A.F.E. Practices | SCS Global Services', 2014, http://www.scsglobalservices.com/starbucks-cafe-practices.

[63] Conservation International, C.A.F.E. PRACTICES RESULTS ASSESSMENT, 4.

social and environmental best practices and invest in loan programs for coffee-growing communities."[64]

DATA ANALYSIS: EXAMPLES

Example 1: El Triunfo, Chiapas, Mexico

Marie-Christine Renard examines Starbucks and their impact on the region of El Triunfo in Chiapas, Mexico.[65] Renard explains the complex relationships displayed between Starbucks, Conservation International, and the coffee growers in the region. The overall impact of Starbucks in the region was originally a higher price than what was paid by local traders (though less than the Fair Trade price), but the cost was a loss of production control and a decrease in capabilities and competencies as Starbucks delegated coffee processes to other organizations. Over time this led to an undercutting of the price farmers received.[66]

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[64] Conservation International, C.A.F.E. PRACTICES RESULTS ASSESSMENT, 4..

[65] Renard, In the Name of Conservation

[66] Ibid., 297.

Example 1: El Triunfo, Chiapas, Mexico

Indicator Category	Indicators	UN Global Compact	Starbucks Indicator
Economic	1. Starbucks paid double market price in the beginning of relationship. p.292 2. CI contracted personnel to inspect areas of planting, processing and marketing and to generate a data matrix for a future framework, cooperatives did not have access to this. p.292 3. CI evaluated whether producers met standards and charged fees for services offered to the members of the Program proportional to the amount of coffee exported. p. 292 4. CI was charging dearly for professional services one of the cooperatives had to pay out $20,000 for this concept. 5. Starbucks added Scientific Certification as an additional certifying body to contribute to the auditing system, training of certifying personnel, and accrediting regional certifier. p.294 6. CI and Starbucks originally provided producers with alternatives to AMSA and now AMSA was again monopolizing storage facilities and sport functions, producers lost control of marking channels. p.294 7. The NGO CI is financed partially by Starbucks. p.297 8. Program initially ensured higher prices than paid by local traders but came at a huge cost. p. 297 9. Companies which fail to meet labour and social norms of the CAFE practices such as AMSA can still be considered "preferred suppliers". p. 297	**1-9-**Principle 1-Businesses should support and respect the protection of international proclaimed human rights Principle 2 Businesses should make sure they are not complicit in human rights abuses. **6,7,9-**Principle 10 Businesses should work against corruption in all its forms including extortion and bribery.	**1,3,4,9-**SR-HP1: Wages and Benefits **2,3,5,**EA-IS1: Demonstration of Financial Transparency **9-**SR-WC1: Access to Housing, Potable Water and Sanitary Facilities. SR-WC2: Access to Education SR-WC3: Access to Medical Care SR-WC4: Worker Safety and Training SR-HP4: Child Labor/ Non-Discrimination/ Forced Labor SR-HP3: Hours of Work SR-HP2:Freedom of Association/Collective Bargaining
Environmental	1. Starbucks sough to protect tropical forests, improve coffee production simultaneously and limit its impact on the local environment. p. 292	**1-** Principle 7 Businesses should support a precautionary approach to environmental challenges. Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.	**1-**CG-WR1: Water Body Protection CG-SR1 Controlling Surface Erosion CG-SR2: Maintaining Soil Productivity CG-CB1: Maintaining a Coffee Shade Canopy CG-CB2: Protecting Wildlife CG-CB3: Conservation Areas CG-EM1: Ecological Pest and Disease Control CG-EM3: Long Term Productivity

| Social | 1. CESMACH proposed to Starbucks to buy half of the coffee under Fair Trade conditions and half under Shade Grown. Starbucks accepted in principle but had more interest in getting producers to participate in their own model. p. 293
2. CI announced on behalf of Starbucks cooperatives would not export their coffee but use AMSA as an exporter, whom the cooperatives wished to avoid working with from the beginning of the relationship with Starbucks. p.293
3. CI tried to convince producers their leaders were corrupt and stealing from them and this was increasing the cost of their coffee. They also suggested to try and get AMSA approved in the Fair Trade registry. p.293
4. CI became more directly involved with all aspects of the organizations it controlled monitoring, administration and finance, and signed checks, all in the name of transparency. Though the cooperatives did not get access to information about CI, its sponsors or logic of the model imposed on them. p.293
5. Cooperatives in the El triunfo region were informed they had to give their coffee to AMSA for dry processing as well. p. 294
6. CI and Starbucks offered members a secure market while creating conditions of dependency and undermining their local organizations and services became more expensive over time. p.294-295
7. Starbucks established a price of $1.43 will fees to AMSA the net price for producers was $1.15 not including shipping fees.
8. Starbucks created a training centre in one of the cooperatives. p.296
9. Cost of relationship with Starbucks resulted in loss of control over production process and progressive dismantling of capabilities and competencies threatening their existence by individualizing their accounts and incomes and undercutting the price they received. p.297 | 1-9-Principle 1-Businesses should support and respect the protection of international proclaimed human rights.
Principle 2 Businesses should make sure they are not complicit in human rights abuses.

2,3-Principle 10 Businesses should work against corruption in all its forms including extortion and bribery. | 3,4,EA-IS1: Demonstration of Financial Transparency

1-3,5,6-SR-HP2: Freedom of Association/Collective Bargaining

1,4-9-SR-HP1: Wages and Benefits

8-SR-WC4: Worker Safety and Training

4-PS-MT1: Management and Tracking Systems
PS-EM2- Management and Monitoring |

*Source: Renard, In the Name of Conservation; Starbucks; C.A.F.E. Practices Generic Score-card; Unglobalcompact.org, 'Overview', accessed 22 May 2014, http://www.unglobalcom-pact.org/AboutTheGC/index.html.

The "third-party" who certifies Starbucks is Conservation International (CI). This organization overtly lacks a clean human rights or environmental record. "Its major sponsors consist of some of the largest and most environmentally destructive companies in the world—including Citigroup, Chiquita, Exxon Mobil Foundation, and McDonalds-and it has been accused of being

a corporate front designed to greenwash its sponsors' images."[67] Though sponsorship in itself is not grounds to discredit an entire organization it does bring skepticism to the benevolence of the organization's activities. Funding for Conservation International also includes donations from Starbucks itself. This creates inherent biases in the relationship between Starbucks and Conservation International. If Starbucks in part, funds Conservation International, the organization in some ways must answer to Starbucks. This could bias its activities in relation to the Starbucks CAFE Practices Program. The Starbucks CAFE Practices Program need not be discredited but skepticism arises when the "third-party" that created the guidelines for the program is partially funded by Starbucks.

The Starbucks CAFE Practices Program demands higher standards from farmers but only offers a price premium of $.01 that is paid to farmers and that is only for the first year. Starbucks mainly includes large farmers and plantations as its "preferred suppliers". Though many of these large farms do not meet significant requirements of the program but are still included in Starbucks buying practices due to the structure of the program.[68] Most farmers producing coffee are small farmers and lack the capacity to adhere to higher standards without a significant price incentive. Without sufficient price incentives small farmers are unable to adhere to standards. In some ways this makes the program less effective in creating sufficient incentive structures for small farmers.

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[67] Gavin Fridell, *Fair Trade Coffee*, 1st ed. (Toronto: University of Toronto Press, 2007) 58.

[68] Daviron and Ponte, *The Coffee Paradox*, 165-200.

Example 2: Starbucks vs. Planet Bean (Fair Trade Certified)

It is relevant to compare Starbucks to a Fair Trade company because Starbucks so closely aligns themselves with Fair Trade that for consumers it often blurs lines between Fair Trade certification and Starbucks CAFE Practices certification. Critics of the relationship between Starbucks and Fair Trade question the intentions of Starbucks versus other companies who participate in the Fair Trade market. In Gavin Fridell's article *The Co-Operative and the Corporation: Competing Visions of the Future of Fair Trade* he compares Starbucks to Planet Bean, he describes Starbucks as being "shareholder driven" and Fair Trade companies like Planet Bean as being "stakeholder driven". There are evident differences in the operations of large corporations minimally committed to Fair Trade who merely aim to "keep public criticism at bay" and 100% Fair Trade certified companies that aim to create an ethically sound alternative economic system. Starbucks only has a small percentage of their operations that is Fair Trade certified, while companies like Planet Bean are 100% certified.[69]

Planet Bean focuses on consumer education and transparency while much of Starbucks' marketing tactics and literature in many ways is enigmatic and deceiving. Large corporations involved in the Fair Trade certification process have "self-regulatory visions" that merely aim to mitigate consumer criticisms, whereas Fair Trade attempts to be an alternative to the conventional economic system. Fair Trade structures are democratic in nature and include the voices of coffee producers, whereas "self-regulatory" mechanisms such as Starbucks CAFE Practices are more hierarchical and exclude the voices of marginalized coffee farmers.[70] One limitation that

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[69] Fridell, The Co-Operative and The Corporation, 82.

[70] Fridell, The Co-Operative and The Corporation, 84.

can often plague Fair Trade companies is their lack of capacity. For example, Planet Bean's reach can only extend so far. They are overtly smaller in nature compared to companies such as Starbucks, and in some cases they do not have the capacity to support all the coffee farmers in the Global South who wish to be Fair Trade certified.[71]

The Fair Trade model emphasizes transparency, in the article Fridell accuses Starbucks of deceiving its consumers. Starbucks wishes to utilize the Fair Trade model to "manipulate consumer perceptions in the interest of preserving or enhancing corporate profitability and shareholder value."[72] Fair Trade includes a more rigorous certification process than the Starbucks CAFE Practices program. The Starbucks website boasts impressive statistics of compliance but with lower standards than Fair Trade, Starbucks standards are much easier to comply with. Fridell assesses some of Starbucks' claims and breaks down their statistics to conclude "only 31% of the suppliers that Starbucks considers to be part of their C.A.F.E. program scored better than 60% in their ability to meet basic social and environmental criteria."[73] Critics would see many aspects of the Starbucks CAFE Practices program as inadequate and their standards are less stringent than Fair Trade standards. A supplier that does not meet any of the social criteria included in the Starbucks CAFE Practices program could still be considered a "preferred supplier". In addition the third-party certifiers are chosen by Starbucks, in contrast to the Fair Trade certification scheme that acts as an external certifying body.

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[71] Ibid., 81.

[72] Ibid., 86.

[73] Ibid., 86.

Example 2: Starbucks and Planet Bean:

Indicator Category	Indicators	UN Global Compact 10 Principles	Starbucks Indicator
Economic	1. Starbucks claims an average of $1.20 for average outright price. 2. In 2002 74% of Starbucks coffee was purchased at outright prices (12% in 2001) 3. $85,000 in premiums for development projects.	**1-3-** Principle 1-Businesses should support and respect the protection of international proclaimed human rights Principle 2 make sure they are not complicit in human rights abuses.	**1,2,3**-SR-HP1: Wages and Benefits
Environmental	1. In 1998 Starbucks worked in partnership with CI to provide assistance to small producers to develop shade-grown coffee techniques. 2. 2001-2002 Starbucks increased shade grown coffee by 163%, organic 98%, and Fair Trade by 63%.	**1,2-** Principle 7 Businesses should support a precautionary approach to environmental challenges. Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.	**1&2**-CG-CB1: Maintaining a Coffee Shade Canopy
Social	1. Starbucks used the company Signature Packaging Solutions that employs inmate labour from Washington State Prison System. 2. Unfairly targeting employees with "job performance reviews" and illegally promoting decertification efforts. 3. Starbucks required certified farmers only meet requirement of minimim/living wage and adhere to ILO standards of child/forced labour.	**1-3-** Principle 1-Businesses should support and respect the protection of international proclaimed human rights Principle 2 make sure they are not complicit in human rights abuses. **2-**Principle 3 Businsses should uphold the freedom of association and the effective recognition of the right to collective bargaining. **3-**Principle 5 the effective abolition of child labour **2-**Principle 6 the elimination of discrimination in respect of employment and occupation.	**1&3**-SR-HP1: Wages and Benefits **2**-SR-HP2: Freedom of Association/Collective Bargaining **3**-SR-HP4: Child Labor/ Non-Discrimination Forced Labor

*Source: Fridell, The Co-Operative and The Corporation; C.A.F.E. Practices Generic Scorecard; Unglobalcompact.org, 'Overview', accessed 22 May 2014, http://www.unglobalcompact.org/AboutTheGC/index.html.

There are evident limitations in the operations of the Starbucks CAFE Practices program. Though it is clear Starbucks is engaging in corporate behavior that has improved over time, and in some ways they are contributing positively to the above social, economic, and environmental indicators. There is a disproportionate representation of environmental indicators in the Starbucks CAFE Practices program. It is expressed in the UN Guiding Principles on Business and Human Rights that "business enterprises may undertake other commitments or activities to support and promote human rights, which may contribute to the enjoyment of rights. But this does not offset a failure to respect human rights throughout their operations."[74] Having greater representation of environmental indicators does not negate the insufficient representation of social indicators. The social indicators in the Starbucks CAFE Practices Program only require certified participants to meet the "minimum/living wage" and "ILO standards for child/forced labour."[75] This is an important start since these minimum standards include "freedom of association, collective bargaining, elimination of forced or compulsory labour, effective abolition of child labour, and elimination of discrimination in respect of employment and occupation."[76]

In the Starbucks CAFE Practices Program smallholder farms have separate scoring standards, smallholders make up 95% of the total farms verified by Starbucks since 2008.[77] Due to the nature of smallholder production compared to medium to large estates, scoring mechanisms in the CAFE Practices Program do not include "collective bargaining issues or grievance mecha-

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[74] Ruggie, Guiding Principles On Business And Human Rights 3.

[75] Fridell, The Co-Operative and The Corporation, 83.

[76] Ilo.org, 'Freedom Of Association And The Effective Recognition Of The Right To Collective Bargaining', 2014, http://www.ilo.org/declaration/principles/lang--en/index.htm.

[77] Conservation International, C.A.F.E. PRACTICES RESULTS ASSESSMENT, 4.

nisms" for smallholders.[78] Collective bargaining and grievance mechanisms are a way for producers and workers to utilize their voice to improve their livelihoods. If these mechanisms are absent in the certification processes of the program, the voices of 95% of these smallholders are not being heard. The creation of different standards for smallholders and medium to large estate holders recognizes that both have different requirements due to the nature of production, this in some ways is a positive aspect of the program. Though if the voices of 95% of Starbucks' producers are excluded, there should be another mechanism by which smallholders can communicate and be heard. Not only are the voices of smallholders absent in CAFE Practices Program operations but their voices were also absent in the creation of the program altogethers. The program was developed in collaboration with "Conservation International, the African Wildlife Foundation, and Scientific Certification Systems"[79], the voices of smallholders were absent in this process.

Example 3: Nicaragua

In *Globalizing Justice Within Coffee Supply Chains? Fair Trade, Starbucks, and the Transformation of Supply Chain Governance*, Kate Macdonald completes field research in Nicaragua in order to examine whether sustainability initiatives such as Starbucks CAFE Practices, Fair Trade, and a few others have the ability to empower marginalized workers and producers in the coffee industry. She defines empowerment as "a process through which marginal-

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[78] Global Compact, 'Starbucks' Responsible Sourcing: Social Guidelines From The Farm To The Coffeeshop', *Embedding Human Rights In Business Practive II*, n.d., 136.

[79] Fridell, The Co-Operative and The Corporation, 92.

ized individuals and groups are able to exercise a meaningful level of control over the progressive realisation of their own well-being." She assesses how this definition of empowerment has been institutionalized within economic governance in the coffee sector.[80] The author first points out the limited scope of the Fair Trade movement, Fair Trade only consumes 1% of global coffee trade while Starbucks is a bigger player in the market and its CAFE Practices program has much higher visibility.[81] Starbucks encourages compliance with its program and a relationship that aims for constant improvement, but those that do not comply with all of the standards set by the CAFE Practices program are not prevented from participating.

Example 3 Nicaragua

Indicator Category	Indicators	UN Global Compact 10 Principles	Starbucks Indicator
Economic	1. Producers receive lower prices from Starbucks than from Fair Trade. p. 803 2. To comply with Starbucks principle of 'economic accountability', exporters strengthened internal systems to ensure traceability and price transparency in the supply chain. p.803 3. Starbucks typically pays above market prices. p.803 4. Incentives for coffee producers and exporters to make investments required to improve social and environment practices. p.804	**1,3**- Principle 1-Businesses should support and respect the protection of international proclaimed human rights, Principle 2 make sure they are not complicit in human rights abuses. **2,4**-N/A	**1,3&4**-SR-HP1: Wages and Benefits **2**-EA:IS1: Demonstration of Financial Transparency, CP-MT1: Management and Tracking Systems

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[80] MacDonald, 'Globalising Justice Within Coffee Supply Chains?', 803.

[81] Ibid., 801.

Environmental	1. 1.Program promotes compliance with a range of social and environmentally sustainable practices through all stages of the supply chain, encompassing the production, processing and trading of coffee. p. 802 2. 2.In some cases modest improvements to environmental practices such as treatment of waste water from wet mills and systems for managing the storage and use of chemicals. p.804	**1**-Principle 1-Businesses should support and respect the protection of international proclaimed human rights, Principle 2-make sure they are not complicit in human rights abuses **1,2**- Principle 7-Businesses should support a precautionary approach to environmental challenges, Principle 8-undertake initiatives to promote greater environmental responsibility	**1**-SR-WC1: Access to Housing, Potable Water and Sanitary Facilities, SR-WC2 Access to Education, SR-WC3 Access to Medical Care **1,2**-SR-WC4: Worker Safety Training, CG-EM1: Ecological Pest and Disease Control, CP-WC2: Reducing Wastewater Impacts
Social	1. 1.Failure to prioritise support for producer and worker organization limited ability generate multiplier effects and harness resources and opportunities. 2. 2.In some cases modest improvements working conditions social infrastructure such as housing, food, washrooms and latrines. p.804 3. 3.lack of freedom of association, widely reported union organizations are sensitive topics because of their popularity under the Sandanistas. 4. 4.Some verifiers interpret criteria in a way that requires individual farmers to accept responsibility for wider problems such as infrastructure, schools, or hospitals. p.805 5. 5.Producers of any size may participate in Nicaragua, Starbucks sources through major trading companies such as Atlantic(ECOM Coffee Group) and CISA (Mercon Coffee Group) who deal with individual producers or cooperatives. 6. 6.Program has failed to incorporate principles that recognize the value of enabling workers and producers to exercise control over design or implementation of the program. p.805 7. 7.Virtually no participation by workers in developing or implementing standards and lack of availability of information about the program among workers, some do not even know it exists.p.805-806	**1,2,3,4,6,7**- Principle 1-Businesses should support and respect the protection of international proclaimed human rights, Principle 2-make sure they are not complicit in human rights abuses, **1,3,6,7** Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	**1,3,6,7**-SR-HP2: Freedom of Association/Collective Bargaining **2,4**- SR-WC1: Access to Housing, Potable Water and Sanitary Facilities, SR-WC2 Access to Education, SR-WC3 Access to Medical Care **5**-CP-MT1: Management and Tracking Systems **6,7**- CG-EM2: Farm Management and Monitoring

*Source: MacDonald, 'Globalising Justice Within Coffee Supply Chains?'; C.A.F.E. Practices Generic Scorecard; Unglobalcompact.org, 'Overview', accessed 22 May 2014, http://www.unglobalcompact.org/AboutTheGC/index.html.

According to the above described indicators it is evident that both Starbucks and the UN Global Compact in some instances include similar indicators though in other cases indicators are either not available or compatible. Based upon the above data and data from the previous example of Planet Bean and Starbucks there is evidence regarding a lack of respect for collective bargaining and freedom of association, Starbucks exhibits clear deficiencies. Though due to the fact raised earlier that 95% of Starbucks producers are smallholders and the nature of production in regards to smallholders may not be conducive to traditional structures of collective bargaining and freedom of association, there must be other ways in which to incorporate the voice of producers, exporters, and workers in producing countries. Recognizing the voice of marginalized groups is conducive to effective policy as it may shed light on variables that may have otherwise been overlooked.

In this example the author of the article clearly outlines issues typical of farmers in Nicaragua, though in some cases these observations are generalizable to other growing regions as well. Small coffee producers typically suffer from " low and unstable prices and incomes, lack of access to social infrastructure and services, and insecurity of land tenure. Major problems for workers are low wages, experiences of long working hours, poor food and deteriorated housing and sanitation infrastructure on farms, lack of access to health and education services, substantial barriers to freedom of association, and in some cases systematic subjection to sexual harassment

and other forms of maltreatment or abuse."[82] A major point highlighted in the article is the issue of "farm gate" prices, these are the prices farmers actually receive for the coffee they produce and are highly dependent upon income distribution of conventional market supply chains. Lengthy and complex conventional supply chains are characteristic of "90% of global coffee trade." Fair Trade aims to minimize these complexities and to offer coffee producers and workers higher "farm gate" prices.[83]

Macdonald points out that the Starbucks CAFE Practices program "reflects the acceptance of increased corporate responsibility" but is ultimately "less extensive in many respects to the Fair Trade System."[84] Producers captured lower prices from Starbucks than Fair Trade. Starbucks also failed to "prioritise support for producer and worker organization."[85] As is consistent with other literature examined in this paper Macdonald also explained that "Starbucks' marketing" tended to "obscure the distinction between its own system of supply chain governance and that of Fair Trade."[86] On the other hand Starbucks has encouraged some farmers to improve "economic accountability" and "undertake the investments" necessary to be compliant with their program due to prices offered by Starbucks being above market price.[87]

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[82] MacDonald, 'Globalising Justice Within Coffee Supply Chains?, 795.

[83] MacDonald, 'Globalising Justice Within Coffee Supply Chains?, 795.

[84] Ibid., 802.

[85] Ibid., 802.

[86] Ibid., 802.

[87] Ibid.,795.

RECOMMENDATIONS

Despite Starbucks' self-righteous claims of exemplifying a flawless embodiment of CSR, Starbucks' CSR record is hardly clean. There have been a multitude of instances in which Starbucks has failed to recognize or has hindered Human Rights related to freedom of association and collective bargaining. In 2012 Starbucks violated trade union rights 4 times, the Supreme Court in Chile charged Starbucks with a $50,000 fine and ordered Starbucks to negotiate an agreement with the Union. According to the International Trade Union Confederation, as Starbucks "announced record profits, the company rejected all Starbucks Workers' Union demands included in a draft collective agreement."[88] Starbucks is a large company that is comprised primarily of low-wage, non-union workers. Starbucks has been accused of "demobilizing", "unfairly targeting", and " illegally promoting decertification efforts" of "CAW Starbucks Unstrikers", a union in Canada.[89] Starbucks has also been cited as an example of tax avoidance in the U.K. Starbucks' tax avoidance resulted in protests, which led Starbucks to make excess voluntary contributions towards taxes to avoid a soiled reputation.[90] According to BBC, "Starbucks has only reported taxable profit once in 15 years in the UK."[91] Overt breaches in CSR practices as dis-

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[88] See, Ituc-csi.org, 'Chile: Time For Starbucks To Stop Union Busting', 2013, http://www.ituc-csi.org/chile-time-for-starbucks-to-stop?lang=en.

[89] Fridell, The Co-Operative and The Corporation, 89.

[90] International Bar Association, Tax Abuses, Poverty, And Human Rights (London, 2013)12, 134.

[91] BBC News, 'Starbucks Pays UK Corporation Tax', 2013, http://www.bbc.com/news/uk-politics-23019514.

cussed above may elicit skepticism in Starbucks' claims of "responsibly grown and ethically traded coffee."[92]

It is possible to suggest that Starbucks may engage in the privately created CAFE Practices program to avoid compliance with more stringent certification schemes such as Fair Trade. It would be impossible to decipher the true motivations or intentions of Starbucks, though the CAFE Practices program undoubtedly provides some benefits to coffee producers. This paper will make recommendations aimed at improving and restructuring the CAFE Practices program. The intention is that these recommendations would result in a program more closely aligned with principles in the UN Global Compact, the Protect, Respect, Remedy Framework, and the UN Guiding Principles on Business and Human Rights.

Two-Way Transparency

This paper has examined multiple instances in which farmers were unaware the CAFE Practices program even existed. This was a weakness recognized in a study executed by Starbucks in Guatemala to assess the impact of the CAFE Practices Program. Starbucks identified that some managers expressed "a lack of awareness about the program."[93] Suggested improvements would be to increase transparency from both the perspective of Starbucks and the farmers, engagement in a "two-way transparency" is necessary.[94] If farmers are aware of the intricacies of

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[92] Starbucks Coffee Company, 'Responsibly Grown And Fair Trade Coffee', 2013, http://www.starbucks.com/responsibility/sourcing/coffee.

[93] Conservation International, Guatemala Field Survey Report, 2010, 2.

[94] Daviron and Ponte, *The Coffee Paradox,* 257.

the program in which they are participants, they can enhance their participation in the program. Farmers could make informed choices in regards to coffee production by being aware of target markets, all segments of coffee production, market prices, and alternative technologies. This transparency could enhance empowerment felt by farmers and increase their level of involvement in production processes, potentially increasing their income.

The history of coffee production has always included inequalities, but as discussed earlier, these inequalities have increased in recent years. The current coffee market is characterized by a "coffee paradox" in which there is a "coffee boom" in consuming countries, while a "coffee crisis" exists in producing countries.[95] The gap in income captured by coffee companies such as Starbucks and coffee producers is growing. The first example in Chiapas, Mexico when Starbucks and Conservation International originally became involved in the region offered farmers higher prices than local traders, as time went on producers slowly lost control of production processes. This ultimately minimized the price they received as the value they were adding to the coffee decreased. Local farmers have since severed connections with Starbucks, they have opted for the Fair Trade alternative that grants them greater control of production processes.[96] Starbucks' involvement in this region of Chiapas, Mexico is still being cited as an example of Starbucks' compliance with the UN Global Compact, on their website.[97] If Starbucks is citing this example as one that complies with the UN Global Compact, this example is outdated and per-

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[95] Daviron and Ponte, *The Coffee Paradox,* xvi.

[96] Renard, In the Name of Conservation, 297.

[97] Unglobalcompact.org, 'United Nations Global Compact', accessed 22 May 2014, http://www.unglobalcompact.org/case_story/342.

haps reflective of Starbucks' engagement in the UN Global Compact. The incorporation of two-

way transparency in the Starbucks CAFE Practices Program could build capacity, empower

farmers, ensure ownership of operations, and improve the connectedness to the market, allowing

farmers to take greater control of production processes.

Cases of Non-Compliance

Cases in which the Starbucks verification processes result in a verification status of "non-

compliant" due to "zero tolerance indicators", the Farmer Support Center will discuss a correc-

tive action plan "as soon as possible."[98] Since relationships with "non-compliant" farms are not

severed, this could be seen as a positive aspect of the program. Preserving connections with non-

compliant farms is important, it gives farms the ability to improve, while not barring access to

opportunities. Though it is not clear if "corrective action plans" result in actual improvements.

The actual application, formulation, and effectiveness of Starbucks' "corrective action plans" are

uncertain and would require further research. The assurance that improvements are being made is

necessary. Assistance in farms reaching a compliant status could include capacity building. Ac-

cording to Shift Project, Starbucks claimed that capacity building was more impactful than price

premiums. Starbucks engaged in "segmentation" which included acknowledging differences in

farming communities when formulating solutions.[99] This is a necessary component of applying

effective solutions due to the varying conditions that exist in different growing regions and farm-

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[98] SCS Global Services, C.A.F.E. Practices Verifier And Inspector Operations Manual, 5.2, 2014 51.

[99] Shift, From Audit To Innovation: Advancing Human Rights In Global Supply Chains (New York, 2013).

ing communities. It is questionable however if Starbucks' corrective action plans have actually led to improvements or if Starbucks' engagement in "segmentation" has proved to be successful.

Verification Process

Starbucks CAFE Practices program and verification processes are structured in a way that is conducive to conflated and impressive claims regarding compliance. Watered down standards make compliance easier, sampling is structured in a way that does not require all farms to undergo verification processes, in-harvest verification can allow up to 4 years between re-verification if at all, and an application is all that is needed for provisional status, which allows the farm to work with Starbucks for up to a year.[100] In-harvest verification "is not mandatory, but may provide a longer validity period and reduce verification costs over time."[101] This means that if verification processes take place "off-harvest" farms can still be verified. The nature of coffee production and in many cases agriculture in general is that more work is necessary during harvest periods. This means logically that more employees are hired during this time who are often temporary workers. Temporary workers may by nature have an increased likelihood of being victim to unsatisfactory labor conditions and human rights abuses, in this case a verification process can occur without the inclusion of temporary workers.[102]

The exclusion of intermediary actors is also a major issue. In many cases the coffee supply chain can be rather complex and include many intermediaries. Fair Trade aims to make this

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[100] Starbucks, C.A.F.E. Practices - Terms & Conditions, 3.0, 2013 1-3.

[101] Ibid.

[102] Ibid.

process more simple and transparent. Starbucks claims "if an entity does not take possession of the coffee and merely acts as an agent in the transaction, Social Responsibility subject area assessments are not necessary."[103] Though this statement is not entirely clear, it seems to suggest that in the case of an intermediary actor in the supply chain process, social responsibility indicators normally measured in the verification process do not apply. Since intermediaries are common in supply chain processes in general, this does not ensure that unsatisfactory farm conditions or human rights violations are not present in verified farms. This coupled with the fact that social indicators are not a prerequisite to the program display major weaknesses in the Starbucks CAFE verification process.[104]

Improvements with verification processes could include the engagement of all farms in the program as opposed to the sampling method used by Starbucks which only include the "square root of the total smallholder farms."[105] Just as Starbucks' indicated in the report by the Shift Project regarding the importance of "segmentation" and considering differing conditions in growing regions and farming communities, they must also take this approach in regards to the verification process. Starbucks must recognize their responsibility especially in regards to impacts that are "directly linked to its operations."[106] With complex supply chain structures the role of intermediaries and tracing coffee that enters the Starbucks supply chain is crucial in CSR practices within the UN framework for CSR. More frequent verification of farms and verification

[103] SCS Global Services, C.A.F.E. Practices Verifier And Inspector Operations Manual, 34.

[104] SCS Global Services, C.A.F.E. Practices Verifier And Inspector Operations Manual, 4.

[105] Starbucks, C.A.F.E. Practices - Terms & Conditions, 3.0, 2013 1-2.

[106] Ruggie, Guiding Principles On Business And Human Rights, 21.

"in-harvest" and "off-harvest" would ensure all activities throughout the year are represented in the verification process.

There is also the question of credibility and legitimacy of Starbucks' "verifying agencies". These verifying agencies are "hand-picked and trained by Starbucks."[107] This could overtly lead to biases in verification processes and evaluations. It was not within the scope of this paper to evaluate the legitimacy or credibility of all of the verifying agencies that Starbucks utilizes. There is however reason to believe that some of these verifying agencies may have questionable reputations. One of the verifying agencies that Starbucks uses in Guatemala has denied overt labour issues and human rights violations within the sector. Including issues identified in "the most comprehensive study ever done of working conditions in the sector", this study was ironically funded by Starbucks.[108] A reformulation of the program could include the use of alternative verifying agencies that are not chosen and trained by the party being evaluated(Starbucks).

Scorecard Structure

In general scorecard structures seem to be structurally disproportionate in favor of environmental indicators. This leaves scorecards inherently biased with a greater emphasis on environmental indicators at the expense of social indicators. Social indicators as well as economic and environmental indicators should be a prerequisite to the verification process. This would ensure a more equal representation of social indicators in the verification process.

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[107] Fridell, The Co-Operative and The Corporation, 82.

[108] Fridell, The Co-Operative and The Corporation, 90.

Some question the validity of the "scorecards" and the components of the Starbucks CAFE Practices verification process altogether. Starbucks CAFE Practices identify that "product quality and economic viability are prerequisites for participation in the program and determined by Starbucks prior to any and all verification activities."[109] Though Starbucks overtly excludes prerequisites for any of the social indicators they identify as a "focus" of the CAFE Practices program. Fridell points out, "on the basis of the C.A.F.E. grading scheme a certified supplier could ignore the combined categories of "freedom of association/collective bargaining", "access to education", "access to medical care", and "worker safety and training" and still score enough total points to be considered a "Preferred Supplier."[110] This is an inherent weakness in the program as it calls into question the meaning or significance of the verification status, or in this case as being identified as a "Preferred Supplier".

Small and large farms are also scored differently, this is not inherently bad. This actually in many ways is a positive aspect of the CAFE Practices program. Small and large farms are inherently different in their production processes, and these differences need to be considered when evaluating farms. In some cases the differences in scoring may not be positive. Within verification guidelines Starbucks does not "accept direct contracting of any persons under the age of 14,"[111] they however make an exception to this in the case of small farms which make up a majority of their production. They also highlight that in some cases indicators that are "Not Applic-

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[109] SCS Global Services, C.A.F.E. Practices Verification Organization Approval Procedure, 2.0, n.d., 4.

[110] Fridell, The Co-Operative and The Corporation, 82.

[111] Global Compact, 'Starbucks' Responsible Sourcing, 139.

able" need not be evaluated. They cite one particular case being worker housing. In the case that farms do not provide worker housing, the "habitable housing" indicator does not apply. Adequate living conditions are a major concern in the industry. It would be helpful if Starbucks took into consideration alternative ways to address this issue, as opposed to checking off an important issue as "Not Applicable" without further consideration.[112]

Scorecards that evaluate small farms exclude indicators of "freedom of association/ collective bargaining" altogether.[113] In some ways it may be argued that small farms due to different organizational structures compared to larger farms need not include the above indicators. If these elements are to be excluded in the scorecards it would be beneficial to encourage cooperation of small farmers into democratic structures such as cooperatives that aim to improve the livelihoods of farmers in the Fair Trade System. Within these groups farmers could pool resources to provide support systems and engage in activities that benefit local farming communities.

There is also the question of the CAFE Practices Program's usefulness to other coffee companies or entities. Since the program was created by Starbucks and is essentially a self-evaluation this could encompass inherent biases in the program's structure and management of operations. If other companies used the program to certify their products it would grant the program more credibility and legitimacy. The Starbucks website mentions future attempts to make the

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[112] SCS Global Services, C.A.F.E. Practices Verifier And Inspector Operations Manual, 34-35.

[113] Starbucks, C.A.F.E. Practices Generic Scorecard, 2012, p.4

program usable to others in the industry.[114] It will be interesting to see how this manifests in the future and may be an opportunity for future research.

FUTURE RESEARCH

Further research could include an assessment of the credibility or legitimacy of Starbucks' verifying agencies to uncover the realities of verification processes that occur in coffee producing countries. The engagement of Starbucks in the case of non-compliant farms could also be developed further, and best practices could be prescribed. It is unclear to what extent Starbucks assists in the formulation of solutions to improve "zero-tolerance" indicators, if at all. Though overall Starbucks' transparency compared to other large multinational coffee companies is relatively impressive there are still clear gaps that do not specify methodologies or processes. Language in general disseminated by Starbucks in many cases is still ambiguous and unclear, especially in the case that someone may not be familiar with the logistics of the CAFE Practices program, making it hard to analyze. Though the examples examined throughout the course of this research were informative, many of the indicators identified were hard to quantify due to their qualitative nature. Possibility for future field research could be formulated in a way that focuses on achieving quantifiable outcomes that evaluate the impact of the Starbucks CAFE Practices Program in coffee producing countries.

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[114] Starbucks Coffee Company, 'Responsibly Grown And Fair Trade Coffee', 2013, http://www.starbucks.com/responsibility/sourcing/coffee.

CONCLUSIONS

Overall evidence and literature evaluated throughout this paper seem to suggest that Starbucks in many ways is better than conventional coffee supply chains, while remaining inferior to the Fair Trade system. Starbucks CAFE Practices program exemplifies the attempt of Starbucks to engage in initiatives of CSR, more specifically the UN Global Compact. Starbucks serves as an example of the ways in which private enterprises are engaging in collaborative initiatives on a global scale to attempt multi-level governance. Increasingly relevant are the ways in which private enterprises such as Starbucks engage in global governance initiatives to attempt to formulate solutions to the complex realities of the global system. The engagement of private enterprises in UN initiatives such as the Global Compact opens up the UN to the interests of the global business community. This is not to suggest that the inclusion of business interests in UN initiatives is delegitimizing or inherently negative, but it is simply to encourage healthy skepticism in the physical manifestations and realities that result from these relationships.

The engagement of Starbucks in the UN Global Compact, and the creation of the Starbucks CAFE Practices Program can be seen as an overall positive outcome of a large private enterprise engaging in CSR within the framework of the UN. Though the overall quality of the Starbucks CAFE Practices program is a relevant topic of discussion. The actual extent to which private enterprises are engaging in the UN Global Compact is uncertain and a contentious subject for actors engaged in more stringent CSR initiatives such as Fair Trade. Does the mere participation or inclusion of an enterprise in the UN Global Compact suffice? To what extent are businesses engaging in the UN Global Compact? Participation displays an important first step in CSR practices, though it does not necessarily negate or mitigate the negative impacts that com-

panies may have related to their business activities. It is important that relevant actors do not become complacent in the context of mere participation. Actors must encourage constant improvements and continue to hold businesses accountable to actions related to their business practices as highlighted in the second pillar of the UN Guiding Principles for Business and Human Rights regarding the corporate "responsibility to respect".[115] If the goal is to ensure compliance, engagement cannot just end at participation.

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[115] Ruggie, Guiding Principles On Business And Human Rights,13.

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