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Cities as world-political actors? The “tax haven-free” cities initiative and the politics of public procurement

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ABSTRACT In recent years, interest in the world-political role of cities has grown. The use of public procurement for promoting world-political goals has also gathered scholarly attention, as has the tax justice policy agenda. This article contributes to these discussions by demonstrating how global responsibility became part of the city of Helsinki’s policy alignments, which were then turned into several concrete initiatives. In particular, I focus on the contrast between the relative ease with which Helsinki became a “Fair Trade” city on the one hand and the difficulties it faced in its attempts to become a “Fair Tax” city on the other. I argue that these initiatives illustrate how cities can utilize public procurement to promote world-political goals. I also show how the increasing complexity of the required procurement criteria can make the success contingent on help from “emergent entrepreneurs” of social movements. These developments highlight the contradictory and complex effects of the “economization” and “marketization” of the political sphere. While economization isolates many societal issues from political control, it can also allow for politicizing local and global issues in ways that were unthinkable. Finally, adding to the existing research on the world-political role of cities, I demonstrate that a city does not need to be a metropolis in order to act in world politics.

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Introduction

This article analyses the dual role of cities in world politics through their procurement activities. Cities can act in world-political arenas in their own right in addition to providing a platform for social movements to leverage their campaign activities. However, I will show how the ease of harnessing public procurement for these purposes depends on the level of economization and the complexity of the required procurement criteria. The more complex the needed criteria is, the more likely it is that social movements and city-level decision makers will need help from “emergent entrepreneurs” (Seabrooke and Wigan, 2015) who can provide them with the required technical expertise. These are relatively new domains of research. The academic literature on the world-political role of cities is scarce, and the role of procurement activities in these processes has received even less attention. Even though tax policies have already started to gather attention in world politics for some years,¹ the majority of the scholarly literature on tax justice campaigns is very recent (for example, Lesage and Kacar, 2013; Seabrooke and Wigan, 2013; Seabrooke and Wigan, 2015).

One of the few scholars who has written extensively on cities as political actors, Acuto (2009: 175), has tellingly noted how “it is possible to count international studies publications concerned with the city as a site of global influence on the fingers of a hand”. I will argue that scholars of political science and world politics would benefit from a better understanding of the procurement activities in an era when issues that have traditionally been considered political have become increasingly economized (Çalışkan and Callon, 2009). This is highlighted by the fact that within the European Union (EU), the public procurement represents nearly one-fifth of the gross domestic product (European Commission, 2014). Hence, I will argue that both the rules governing procurement tenders and the way they are applied impact not only what kind of products and services are being procured, but also the societal arrangements that govern the production of these products and services. The effects can be observed in developing countries and other places far away from the city’s borders.

I discuss these issues with reference to two international civil society movements and the City of Helsinki (Finland), which has aimed to harness its procurement activities in support of these international developments. Specifically, I will show how under certain conditions, the economized political processes can foster the world-political role of cities and not just limit it, as is usually assumed. I describe how Helsinki began to recognize its world-political influence and the responsibilities it associated with this power and how it has reflected these in its policy alignments and strategies. On the basis of this work, Helsinki decided to become a “Fair Trade city” in 2012 and started to use fair-trade-related criteria in its procurement tenders (City of Helsinki, 2012a). In addition, Helsinki decided to commission an internal report on the possibilities of using tax-related criteria in the procurement tenders. The results were much less encouraging than with the promotion of fair trade. In the end, Helsinki failed to come up with a proposal that would have gathered enough political support and that would have, most importantly, conformed to the EU’s procurement directive—at least for the time being. Importantly, the experience of Helsinki reflected a similar outcome in the city of Malmö, Sweden.

I believe that by focusing on the reasons behind the success of the first initiative and the failure of the second, we can gain several important insights on the world-political role of cities in increasingly economized frameworks of governance. Consequently, this article makes several contributions to the small body of existing literature. First, I present a case study of a city that has recognized its potential world-political influence and

aims to increase it, despite the fact that it can hardly be described as a global economic or political hub. This provides a contrast with the earlier studies that have mostly discussed the world-political role of cities in the context of large metropolises. Second, this example helps us to increase our understanding of the opportunities and limits of using public procurement to promote world-political goals, which often depend on the level of abstraction and the complexity of the required procurement criteria, as well as possible help from the “emergent entrepreneurs” of social movements. While key scholars in this field have mentioned the importance of public procurement when discussing the world-political role of cities, I go further by discussing the double role of public procurement in both constraining cities and enabling them to address world-political goals. Third, I analyse the interconnections between the world-political role of cities and other world-political actors, especially social movements. I will argue that the analyses of the world-political role of cities and social movements alike would benefit from more nuanced studies of these relationships.

The research material consists of documents issued by the city of Helsinki, the Tax Haven Free Cities initiative, the Fair Tax Mark foundation, city of Malmö and other relevant actors. The material includes strategy papers, board and council resolutions, and Helsinki’s Global Responsibility strategy. I also conducted a semi-structured interview of the *primus motor* of the initiative in Helsinki, Thomas Wallgren, who is a city council member from the social democratic party and a lecturer in philosophy with a long experience in social movements. In addition, I have gathered information by discussing the initiative with city council members from competing political parties. Finally, discussions and presentations in a seminar on public procurement and taxation organized in Helsinki in April 2015 contributed greatly to this article.

I begin the article by reviewing and discussing the body of literature focusing on the role of cities as actors in world politics. I then continue by introducing the key studies of the use of procurement to promote social goals. Subsequently, I demonstrate how Helsinki managed to use public procurement to promote fair-trade-related goals, but failed to utilize public procurement for tax-related criteria (again, at least for the time being). In the final discussion section, I demonstrate how lessons from Helsinki can contribute to the small body of existing research on the world-political role of cities and the role of public procurement in promoting political goals.

Review of the earlier literature: sites of action or actors in their own right?

The role of cities in the global economy has gathered increasing scholarly attention in recent decades. Spearheaded by the work of Sassen (for example, Sassen, 1991; Sassen, 2000), several scholars have studied the role of cities in the global economic system. Sassen has argued that by including cities in analyses of the global economy, we can add to “our focus from the power of large corporations over governments and economies” to “the range of activities and organisational arrangements necessary for the implementation and maintenance of a global network of factories, service operations, and markets”. This conceptual shift helps to analyse places that are associated with the activities of the global network (Sassen, 1996: 88).

Building on the Sassen’s concept of the “global city”, a school of comparative research has emerged, evaluating and ranking cities according to their importance and efficiency in global networks (Calder and de Freytas, 2009: 80). These studies have typically focused on cities as sites, hubs and facilitators in the networks of economic and financial globalization. While this approach can

provide much important information on the workings of the global political economy, it is less useful in illuminating the possibility that cities could also be actors in global politics in their own right, as Calder and de Freytas (2009; see also Walker, 2010: 209) have correctly pointed out. This has resulted in a situation where cities are seen to have a central role in economic and financial globalization, though they may lack the power to influence the economic processes they host and facilitate. While this holds true in some cases, it can hardly be taken as a universally applicable fact.

Sassen's critics have pointed out how cities have become active in attempts to tackle climate change (Acuto, 2013), as well as other policy processes that are conventionally understood to belong to the sphere of world politics. Hence, Calder and de Freytas point out that while "the comparative assessment of the social and economic dimensions of global cities" conducted by Sassen and her followers has been important, "systematic analysis of their political functions remains underdeveloped" (Calder and de Freytas, 2009). This article presents one attempt to develop a more systematic analysis of the political functions of cities and their interaction with the civil society organizations and movements. In order to do that, I argue that we should critically review some common perceptions that have so far been put forward as answers to this challenge. In an attempt to develop a more nuanced analytical framework, Calder and de Freytas (2009) introduce the concept "global political city" as one that "exhibits the broad characteristics of a global city, as conceptualized by Sassen", but that also serves as a "micro-setting for global political transactions". According to Calder and de Freytas, the key elements of these global political cities are:

- (1) Being a policy hub and exercising disproportionate influence on global policy debates;
- (2) Having a political-diplomatic community, with dense networks of official and non-official actors shaping global affairs; and
- (3) Functioning as a strategic information complex, within which important political, military and country-risk information of global importance. (Calder and de Freytas, 2009: 81)

Calder and de Freytas analyse the concept of global political cities by discussing the historical hubs of Rome, Baghdad, Paris, as well as current power centres such as Brussels and Washington D.C. On the basis of these examples, Calder and de Freytas (2009: 94) conclude that their case study "illustrates how cities can potentially influence the overall profile of international affairs". However, the problem with this approach is that it does not radically differ from the earlier analyses on cities as sites of political action. This has also been highlighted by Acuto, who has criticized Calder and de Freytas by stating that despite the promises of their title, "which uses the term 'actors' to indicate participation of global cities in international affairs, the article does little to theorize agency" (Acuto, 2009: 175). He argues, in my view correctly, that "global cities are not solely *places of*, but also *agents in* global governance and world politics" (Acuto, 2009: 175). This implies that "studying the city as an *actor* means allowing for that actor to be a participant in the phenomena international scholars tackle on a daily basis, ranging from security and political economy to the environment and human rights" (Acuto, 2009: 175).²

This calls for the challenging question of what it means to "act" in world politics. If one adopts a narrow view of politics, this would probably mean acting within the established frameworks of international governance, for example, in international negotiations or bodies. This approach directs attention to formalist and traditional state-centred conceptions of politics and international relations. These conceptions have become outdated at least since

the growth in the past decades of private transnational governance, as well as international non-governmental organizations and movements. Therefore, we need to focus not on the form of the actors in the international arena, but rather on these actors' substantial impacts on the "struggle over the resources and arrangements that set the basic terms of our practical and passionate relations", as Unger (1987: 145–146) has defined politics in its broader sense.

Acuto (2009, 2013) adheres to a similar view by analysing cities as actants (places of action) and actors in international arenas. However, he does this by associating the size of big cities (global cities) with their potential to influence global affairs. While it is most likely that a correlation exists between these two, I believe it would be unwise to assume (even implicitly) such a correlation. In an international arena occupied not only by states but also by NGOs, private actors and informal groups, the political influence of a municipality may arise from active work in international networks even if the city is not a metropolis. This can be illustrated by a comparison with the state-system, where both small and large states can influence international relations, even though the bigger states are more likely to possess greater power than the smaller ones. However, the smaller states generally need to be more creative to exert power over global affairs, for example, by using skilful diplomacy or developing a strategic focus on a few key areas in global governance. I argue that the same logic applies to cities.

Most of the existing studies on the world-political role of cities have focused on city-level diplomacy and action in climate policy. For example, authors such as Kousky and Schneider (2003), Selin and VanDeveer (2007), Andonova *et al.* (2009), and Bulkeley and Betsill (2010, 2013) have gone to great lengths in documenting the role and influence of cities and city networks in tackling climate change. However, less attention has been paid to how cities can use public procurement to promote world-political goals, or be used by social movements for these purposes. Next, I will proceed to discuss this issue.

Public procurement, world politics and the economization of municipal governance

Understood as "the acquisition of appropriate goods and/or services at the best possible total ownership cost to meet the needs of the purchaser in terms of quality and quantity, time, and location" (Acuto, 2013: 130), procurement has become a major function for municipalities around the world. Moreover, public finance literature has identified procurement activities as one of the four major governmental functions, the other three being providing a legal framework for all economic activities, redistributing income through taxation and spending, and providing public goods and services to the general population (Thai, 2001: 9; see also McCrudden, 2004: 257). Despite the academic- and policy-level interest in connections between public procurement and corporate responsibility, public procurement has received little attention from scholars of political economy. As the authors of the report *Linking procurement and political economy* note, "there are no analytical tools available that link political-economy analysis and procurement" (Frøystad *et al.*, 2010: iii). The work of Acuto has been one exception to this rule, as he has noted that the "logic of public-private hybridization" has "recast the traditional political-economic dependences of these cities on their global market bases" (Acuto, 2013: 131). This being said, there is clearly a need for a better understanding of the relationship between cities, procurement and world politics.

There is a long history of linking public procurement with the promotion of political goals. Social justice issues became interlinked with procurement already in nineteenth century in

the United States, the United Kingdom and France. In 1840, then President of the United States, Martin Van Buren, issued an executive order establishing a 10-hour workday for employees working under certain government contracts. In 1891, the UK Government passed a resolution to ensure “fair” wages for companies working for the government. The primary beneficiaries of these early attempts to include social criteria in procurement tenders were usually male breadwinners. The first major move to widen the beneficiaries was made by the governments of United Kingdom and the United States after World War I, when these governments began to use public procurement to address the needs of people with disabilities (McCrudden, 2004: 257). In the 1960s, requests for racial non-discrimination found their way into procurement tenders. Anti-discriminatory rules were later extended to cover other areas, most notably gender-related goals (McCrudden, 2004: 260–261).

Essentially, early societal goals included in the public procurement tenders were all related to domestic and workplace concerns, and most of these demands later became binding legislation. Things started to change only in the 1960s, when public procurement became a tool for achieving international goals. The most notable example of this development was the widespread campaign against apartheid. This campaign was successful in introducing anti-apartheid measures in public procurement tenders, while also using other means such as consumer and investor pressure. Moreover, the international dimension of procurement also became stronger in the European community, which began to use procurement to prohibit discrimination based on sex in third-country production from the 1970s onward (McCrudden, 2004: 263–264). The work of the International Labour Office also had a role in these developments (McCrudden, 2004: 265).

Developments in the 1980s and the 1990s further expanded the international dimension of public procurement. These events can be seen as the natural evolution of a situation in which the highly developed states had begun to regulate most of the domestic issues by binding legislation. The delivery of public services underwent major structural reforms in various countries as privatization, outsourcing and deregulation became the buzzwords of the time. As a result of this, public purchases of goods and services now correspond to 16 per cent of the GDP in the EU, although there are great variations between countries (European Commission, 2014). No similar statistics exist on the public procurement of municipalities. Nevertheless, it is evident that, collectively, municipal procurement decisions have a major impact on both national and international economies. The growth in the use of public procurement has intensified the critiques against the contractual method of outsourcing, as outsourcing was thought to produce unpleasant social outcomes locally and in other countries. Consequently, the calls have intensified for mechanisms that would address this disparity (McCrudden, 2004: 264). This mood is reflected in demands for better labour norms, human rights and “green” procurement that found their way into procurement tenders in 1990s (McCrudden, 2004: 266).

It is helpful to analyse these phenomena in the context of economization. Callon (1998) has defined economization as “the processes that constitute the behaviours, organizations, institutions and, more generally, the objects in a particular society which are tentatively and often controversially qualified, by scholars and/or lay people, as ‘economic’”. In a somewhat similar fashion, Commons ([1924] 1957, 8) already described in the 1920s how value and economy became verbs instead of nouns; as “value becomes *valuing*; economy becomes *economising*”. Since the 1980s, the wave of privatizations, outsourcings, financializations and other means of extending markets into new spheres (Harvey, 2005) have resulted in the increasing economization of politics in

different parts of the world. The growth of public procurement (Maskin and Tirole, 2008: 1) is obviously one key example of this phenomenon. These economizing processes are typically thought to restrict the sphere of politics. While this is true in many cases, the case studies will show that it is hardly a universal fact.

In principle, the sheer scale of procurement activities should give municipalities and other public agencies an enormous amount of power to use market mechanisms to exert political pressure on states. However, the outsourcing wave has resulted in the insulation of procurement activities from demands that could be deemed as “political”. Especially in the EU, all such demands have to be justified by proving that they relate to the “invisible characteristics” of the product that is being procured. This division line is arbitrary, as the invisible characteristics are, almost by definition, fictional (Commons [1924] 1957: 23–24). Indeed, the power to define which claims could be conceived as “invisible characteristics” of a product has become of paramount importance. Moreover, it should be noted that the level of expertise required for drafting the procurement rules generally increases with the complexity and level of abstraction of the criteria.

The “Fair Trade Cities” movement is an illustrative example of this. Internationally, the fair-trade campaign has been the most successful international attempt to link public procurement with world-political goals. Initiated by NGOs and activists, spearheaded by the international labelling organization known as the Fairtrade Foundation, and fostered by cities that are often members of national fair-trade platforms, this campaign is a symptomatic example of new alliances that can shape the idea of what it means to act in world politics. The concept of fair trade has been evolving over the past 40 years, and it has gained broad support from local, regional and international actors. According to the Fairtrade Foundation, there are over 1.4 million farmers and workers in 1,140 producer organizations across the Fairtrade system. An estimated 7 million people have been said to benefit from fair-trade sales (Bowes, 2011: viii).

The basic idea behind fair trade is well-known. The international certification system aims to ensure better pay and longer contracts for workers on small farms. Moreover, part of the profits should be used for community development purposes. In the EU, there has been a growing interest in promoting fair trade since the early 1990s from the EU level to municipalities (European Parliament, 2012). Cities have been particularly active promoters of fair trade. At a public meeting in 2000, the people of the city of Garsland, UK, voted almost unanimously for Garstang to become the world’s first fair trade town. Soon after this, the Fairtrade International seized upon the idea of a “Fair Trade town” as a device that could be turned into a national campaign (Low and Davenport, 2007; Malpass *et al.*, 2007). At the time of writing, the international network of “Fair Trade town” is comprised of more than 2,200 members in 18 different countries. A city has to meet five goals in order to become a “Fair Trade town” (Fair Trade towns, 2015):

1. Local council passes a resolution supporting Fair Trade and agrees to serve Fair Trade products (for example, in meetings, offices and canteens).
2. A range of Fair Trade products are available locally (targets vary from country to country).
3. Schools, workplaces, places of worship and community organizations support Fair Trade and use Fair Trade products whenever possible.
4. Media coverage and events raise awareness and understanding of Fair Trade across the community.
5. A Fair Trade steering group representing different sectors is formed to co-ordinate action around the goals and develop them over the years.

The 1990s saw a steady growth in the use of fair-trade-related criteria in public procurement tenders. The developments in the EU were of particular importance. In January 1994, the European Parliament (EP) adopted a resolution to promote fairness and solidarity in North–South trade. The EP called for the European Commission (EC) to develop initiatives that would support fair trade, with dedicated funding and the inclusion of fair trade in community development and cooperation policies. In the same year, the EC published a document on Alternative Trade, expressing its support for strengthening fair trade both in the South and the North. Consequently, in 1996 the Economic and Social Committee of the EU welcomed the development of fair-trade-labelling initiatives and called on the EC to create a dedicated budget line in support of fair-trade activities. This request was reiterated in the report on fair trade adopted by the EP in 1998. This report also put forward a number of proposals for further EC actions in support of fair trade (European Commission, 2012).

After several further calls from the EU parliament and committees for the official EU-level support of fair trade, in 2009 the EC introduced its first communication on fair trade. The communication associated the promotion of fair trade with “the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; [with] the smooth and gradual integration of the developing countries into the world economy; and [with] the campaign against poverty in the developing countries” (European Commission, 1999). In other words, already at that time the EC noted how municipal-level procuring activities were connected to world-political issues. The report acknowledged that “many authorities are calling for tenders including sustainable objectives or ‘fair trade’ in their procurement policies” (European Commission, 2009: 9).³ Furthermore, the communication stated that contracting authorities are free to define sustainability-related procurement criteria as long as they are “linked to the subject-matter of the contract and comply with the other relevant EU public procurement rules, including the basic principles of equal treatment and transparency” (European Commission, 2009: 9). This was a clear statement of political will in support for linking public procurement with fair trade. In other words, one of the biggest players in international relations began to underline the world-political impacts of municipalities long before scholars of international relations began to study this topic.

Despite official support from the EC, the legal status of fair-trade-related procurement criteria has been unclear. In August 2008, a contract notice was published in the *Official Journal of the European Union* for the supply and management of automatic coffee machines from 1 January 2009 onward. Issued by the province of Noord Holland in the Netherlands, this contract notice provoked the EC to send a formal complaint to the Kingdom of the Netherlands on 15 May 2009. According to the EC letter, the specifications stipulated that the contract infringed the EU’s public procurement directive (2004/18) by demanding that the suppliers of tea and coffee adhere to the MAX HAVELAAR and EKO labels. The Court ruled that Noord Holland had violated the procurement directive by demanding that the service providers had to obtain a particular label for their products. In addition, the Court noted that “there is no requirement that an award criterion relates to an intrinsic characteristic of a product, that is to say something which forms part of the material substance thereof”. Essentially, this meant that it was possible to use fair-trade-related procurement criteria as these criteria were understood to be “invisible” characteristics of the product, but only when these criteria were listed in the tender without demanding that the products offered should carry

a particular label (Paragraph 99). This was in line with the guidelines provided in the EC communication.

Helsinki is an illustrative example of a city that has benefited from the Court’s judgment in the area of fair trade. Since the 1990s, the international activities of Helsinki have been guided by international strategies that were succeeded by the Global Strategy in 2012. Helsinki drafted its first international strategy already in 1994 as a “road map for a national capital that was recovering from an economic slump and opening up internationally” (City of Helsinki, 1994). Three consequent strategies then widened the focus by discussing issues such as EU membership, multiculturalism and cooperation within the Baltic region. At the time, little attention was paid to how Helsinki could influence the world-political framework where it operates.⁴ In April 2009, the city board of Helsinki adopted a new general strategy for its future work in which it stated that the city would draft a separate strategy for its global responsibility. The mayor convened a working group in September 2009 that presented a draft version of the Global Responsibility Strategy in March 2012. Comments and amendment proposals were then collected from the city board, other municipal boards and the city agencies, and the Global Responsibility Strategy was finally adopted in September 2012 (City of Helsinki, 2012a: 2).

The global responsibility strategy presented a major step towards extending the political role of Helsinki beyond its traditional borders. According to Finnish law, “local authorities shall strive to promote the welfare of their residents and sustainable development in their area” (Local and Regional Government of Finland, 2007: 4). Adopting a creative definition of the “area”, Global Strategy stated that “to be able to fulfill the goals specified in the Local Government Act, the municipalities must be increasingly aware and cognisant of the global operating environment of their own operations and, for their own part, actively strive to influence the global development” (Local and Regional Government of Finland, 2007: 4). In other words, the city made headway in widening its understanding of its own role in the wider global environment.

The strategy included a long list of issues that the city sees as part of its global responsibility. Among these were the local efforts to solve climate change and cross-border environmental protection issues, environmental and social effects, local efforts for promoting immigration and diversity, guidelines for international operations, cross-border measures in connection with the management of finances and the finance market, and measures related to work life and personnel. In addition, respect for human rights, equality, and diversity were mentioned (City of Helsinki, 2012a: 3). Finally, the strategy mentioned the global impacts of the city’s procurement activities. Related to this, in 2013 Helsinki became a “Fair Trade town” and a member in the Finnish network of fair-trade cities.⁵

The merits and perils of public procurement

The fair trade cities network and Helsinki are helpful examples for illuminating several important and under-studied aspects of economization. Çalışkan and Callon have noted how markets require “generating and then reproducing a stark distinction between the ‘things’ to be valued and the ‘agencies’ capable of valuing them”. Furthermore, they note that two basic types of entities result: “entities with pacified agency that can be transferred as property, and entities that are able to engage in operations of calculation and judgment” (Çalışkan and Callon, 2010: 5). While this bipolar categorization may work with normal market transactions, the Fair Trade cities example illuminates the problems we encounter when this kind of dichotomy is applied to public procurement. Essentially, the marketization of the public

sphere has resulted in a situation where the capacity of the public agencies for calculating and judging has itself been pacified by the procurement legislation. In the public procurement process, municipalities have to give up parts of their regulatory power for companies whose actions they can only influence periodically during the renewal of the procurement contracts, and even then their hands are bound by detailed procurement rules. However, these very same procurement rules create opportunities to widen the definition of “area” the way Helsinki did in its global strategy, and to demand societal standards abroad in a way that would be impossible if the municipality produced the same products itself. In a way, these demands turn the economization process on its head, at least in a limited area. The significance of these concessions can be debated, but they are nevertheless a real, existing phenomenon.

The long and arduous process of getting an unquestioned acceptance of the use of fair-trade-related criteria in procurement tenders is an illustrative example of the merits and perils of using procurement to promote societal goals. Drafting procurement tenders are often difficult, as small inconsistencies in wordings may result in lengthy and costly delays and litigations. Therefore, in the economized municipal policies the possession of this kind of legal-economistic know-how has been elevated to a gatekeeper role. On the one hand, those municipalities, agencies, or even individual politicians or civil servants with access to this know-how may be relatively well-equipped to harness procurement for promoting world-political goals. On the other hand, without this kind of knowledge, the only thing that municipal decision makers can do is, more or less, to adhere to an already established and tested set of “ethical consumerist” demands. In this way, organizations such as the Fair Trade Organisation can also become important gatekeepers. The procurement processes they have managed to get tested in courts have become the “safe” ones for municipalities, while even small deviations from these processes may result in legal battles.

This gatekeeper role can be illustrated by contrasting the fair trade campaign with a failure that another procurement-related initiative faced in Helsinki, namely, the campaign for becoming a “fair tax” city. In its global strategy, the City of Helsinki stated that “the city cooperates with business life to further social responsibility”, continuing that “the city finds it important to prevent the use of tax havens and, thus, avoids cooperation with companies linked to tax havens”. These demands were listed under the section titled “Responsibility in the management of finances and prevention of grey economy”, which stated that the “city is in active cooperation with the tax authorities, other cities, business life and civic organisations, to be able to prevent grey economy both nationally and internationally”, and that “reports on the implementation of the action programme against grey economy are regularly being compiled for the City Board”. Moreover, the strategy stated that “city acts responsibly when it comes to investment activities and getting loan financing” (City of Helsinki, 2012a: 6–7).

However, even proponents of this idea lacked concrete measures for achieving this goal at the time, especially given the constraints imposed by the EU’s procurement directive. Consequently, the city board commissioned a report from the city’s civil servants on issues related to tax havens, with an aim to draw from experiences from other EU countries and to map the ways that municipalities could avoid cooperation with such companies. The report was concluded in 2013, and it noted the impossibility of using “voluntary or mandatory criteria for excluding companies on the grounds that they have connections with tax havens” (City of Helsinki, 2013: 12). The report then discussed different quantitative and qualitative criteria that can and cannot be included in procurement tenders. Regarding this, it

noted that according to procurement legislation, the “purchaser cannot use criteria that would measure the qualities of companies engaging in procuring activities”. For this reason, “it is impossible to utilize criteria that would take into account the company’s connections to tax havens” (City of Helsinki, 2013: 12). Finally, the report noted that it would be very difficult to obtain the relevant country-level financial information from the companies and suggested that the “fair tax” issues are more relevant for discussions of corporate social responsibility.

After the financial crisis of 2007–2009, several municipalities became interested in linking procurement with tax-related objectives. Helsinki and the city of Malmö were particularly active in taking these initiatives to the city board and council levels, but similar developments also took place in France and some other countries. In August 2012, the city council of Malmö decided to examine the possibility of including transparency-related criteria in procurement tenders for companies with linkages to tax haven countries (City of Malmö, 2012).⁶ However, in a report published in 2013, the city noted that the City Office had looked into this issue, but there was very little or no opportunity to promote such transparency demands under the current legislation (City of Malmö, 2013). In other words, whereas the Fair Trade campaign had been made possible by the international network, an international dimension alone could not help the fair tax initiative to succeed.⁷

This international dimension included more than informal exchange of ideas. In March 2014, international cooperation geared up as the “tax haven-free cities” network was founded during a conference organized in Stockholm, Sweden. The network gathered the key people who were pushing these initiatives in Finland, Sweden and other countries, and worked as a platform for city-level activists to share information and ideas and to spread knowledge on these topics. It aims for the following:

- Cooperation and transparency instead of the secrecy provided by tax havens, the corporate manipulated accounting and the tax competition between countries
- A public register of companies’ real owners, including all shadow structures like trusts, private foundations and shadow companies
- A global agreement on automatic exchange of information between tax authorities
- Country-by-country reporting by multinational corporations in all sectors showing their financial activities for each country in which they operate to make visible their tax strategies (Taxhavenfreecities.org, 2015)

In addition, the call stated that “local governments in all countries can cooperate and better utilise the possibilities available today to be ‘tax haven free,’ i.e. to prevent tax money from going to companies, banks or other financial institutions that use tax havens for tax evasion”. However, the means for achieving this were left open, illustrated also by the challenges that Helsinki and Malmö faced in their attempts to take the idea really forward. This is highlighted also in a barrister’s opinion that was commissioned by the UK-based not-for-profit company Fair Tax Mark Limited. Founded in order to foster voluntary disclosure of transparent and non-tax-avoiding tax policies in multinational companies, Fair Tax Mark Ltd. wanted to find out whether it would be possible to use their Fair Tax Mark in public procurement tenders. According to the barrister’s opinion:

[The] difficulty comes with the requirement that the labelling criteria (i.e. criteria identifying anti-social tax behaviour as an input to the subject matter of the contract) be objectively

defined. We recommend therefore that the definition of anti-social tax behaviour in this context moves away from the notoriously hard-to-define concept of “tax avoidance,” and focuses instead on objectively identifiable input factors that create tax risk for public exchequers. An example might be the use of tax havens in supply chains. (Quentin, 2013)

In other words, while it could be possible in principle to develop tax- or transparency-related criteria for public procurement under current EU legislation, it would be challenging—but not necessarily impossible—to formulate a set of criteria that connects tax or transparency practices with the product being procured.⁸ Procuring is a technically demanding activity, and these difficulties are further accentuated by the corporate secrecy applied in many of the procurement contracts, which makes monitoring the decisions difficult for elected representatives, the media and other watchdogs. The more dependent the city becomes on procuring activities, the bigger the threat will be that it will lose its own expertise and become increasingly dependent on the outside providers.

After the pessimistic conclusions in the aforementioned report Helsinki conducted in 2013, the push for introducing tax-related criteria to public procurement tenders lost some of its steam, at least for the time being. Many parties and politicians were sceptical or hostile towards the initiative from the beginning, and the report confirmed many of their concerns. In other words, the same directive on public procurement that enabled a relatively small capital to join the Fair Trade cities network by adopting a wide definition of its “area” that went beyond the national borders also restricted Helsinki from introducing any measures related to the discrimination against companies based on tax-related criteria. Using the terminology of Çalışkan and Callon, the result was an entity with pacified agency when it came to valuating the financial and tax structures of companies, but an active agency in relation to workers’ rights abroad.

Reflections: politics in economized cities

Today, some of the biggest political struggles are fought over decisions about whether or not particular services should be outsourced. Politicians are often painfully aware of the fact that after the procurement decision has been made, their power to steer the use of public money reduces significantly. In this manner, public procurement “marketises” issues, processes and structures that have traditionally been associated with the sphere of politics. Çalışkan and Callon describe marketization as a particular case of “economization”, which refers to “the processes through which behaviours, organisations, institutions and, more generally, objects are constituted as being ‘economic’”. Marketization, then, refers to the process of economization by establishing markets. While markets are not identical, they typically organize the conception, production and circulation of goods, as well as the voluntary transfer of some sorts of property rights attached to them’. Moreover, markets “delimit and construct a space of confrontation and power struggles” (Çalışkan and Callon, 2010: 3).

In other words, the conventional understanding of the economization and marketization processes is that they delimit the sphere of politics. However, the case studies presented in this article show procurement activities can also create opportunities to politicize issues that have already been marketized, thus blurring some of the traditional borderlines between local and international, or between markets and politics. In world politics, this also questions the “level of analysis schema” of “man, states and international system”, which has received too little critical appraisal (Walker, 1993: 131; but see also Henderson *et al.*, 2002: 456).

While many of the recent accounts of world politics avoid these sorts of oversimplified categorizations, the discipline has not paid sufficient attention to the pervasiveness of world-political matters in the fields of public procurement and city-level politics.

The example of Helsinki and the Fair Trade Cities network illuminates how any city can promote world-political goals to the extent allowed by the purchasing power of its procurement activities. The scarce literature on the world-political role of cities has so far stressed how large metropolises can influence world-political affairs. While acknowledging that metropolises can in many cases be better equipped for this task, this case study has underlined that factors other than mere size should be taken into account. As Henderson *et al.* have noted, “in order to understand the dynamics of development in a given place, then, we must comprehend how places are being transformed by flows of capital, labour, knowledge, power etc. and how, at the same time, places (or more specifically their institutional and social fabrics) are transforming those flows as they locate in place-specific domains” (Henderson *et al.*, 2002: 438). Helsinki’s example can shed light especially on this latter dimension.

While we should be careful not to overestimate the world-political influence of any particular city’s procurement activities, the sheer scale of public procurement activities means that they can potentially be used for promoting world-political goals. Moreover, procurement processes and regulations have become more standardized, especially within the EU, thus creating more space for international civil society and municipal governance that promotes more “responsible” and standardized rules for public procurement. In addition, many of the companies that participate in procurement tenders operate in many countries, which make it easier for civil society organizations to target potentially irresponsible practices. Procurement criteria can also act as “catalysts” for more far-reaching reforms, as the history of public procurement has shown.

Therefore, the increase in the number of outsourcings and the increasing significance of public procurement play a double role in reshaping the political sphere, not only by restricting the political opportunities but also by expanding them. The former aspect has been documented extensively in the management literature. Outsourcings can restrict the political steering capacities of elected representatives by making the political alignments dependent on contractual formulations that can be altered only when the contract period expires (Kuusela and Ylönen, 2013), and the formulation of tenders requires high-level technical and juridical expertise rarely possessed by the elected representatives (Prince, 2012: 198–199). Outsourcings can also restrict the ability of elected representatives to obtain information from outsourced activities, as the companies providing the services typically operate under private law (Siemiatycki, 2010: 389). Continuing reliance on outside providers can also lead to the deterioration of the municipality’s ability to perform and assess the substantial matter of the procurements, at the level of both the administration and the political representatives (Saint-Martin, 2000). The list of negative aspects of de-politicisation could be continued. In other words, these impacts restrict and diminish the political aspects related to public procurement.

The other, more positive role of public procurement lies in harnessing it to promote world-political goals. Related to this, the comparison between the Fair Trade and the Fair Tax initiatives highlights several interesting aspects. The Fair Trade campaign has been successful in building long-term growth based on raising public awareness, campaigning on different levels of politics, and building technical expertise and easily duplicable models that decision makers can endorse without much technical expertise. Especially since the endorsement from the European Court of Justice, obtaining the Fair Trade Mark has become a relatively

easy goal for both municipal politicians and local-level activists to promote. However, in contrast with the fair-tax initiative, the process was steered by civil society networks with longstanding expertise in this area. Moreover, the idea of using procurement to promote work-related rights also has a long and well-established history, even though the fair trade campaign has added a new, international dimension to it.

The loose campaign for introducing fair-tax-related procurement criteria to procurement tenders provides in many ways a contrasting example. There were two key reasons for the failure of the fair-tax initiative beyond those related simply to the political balance of power in Helsinki (which was also an important factor, as many key decision makers categorically opposed the initiative). First, neither the city's decision makers nor the city officials possessed the know-how required for formulating a procurement tender that could have functioned as a starting point for political discussions of the matter. Second, there was a great deal of uncertainty over whether the possible tax- or transparency-related procurement demands would be compatible with the EU's procurement directive. Both of these reasons highlight the importance of technical expertise in harnessing public procurement for complex societal goals.

However, this situation might be changing. In December 2015, the EP gave a resolution titled "Report with recommendations to the Commission on bringing transparency, coordination and convergence to Corporate Tax policies in the Union" (European Parliament, 2015). Referring to the Fair Tax Mark as a precedent, the Parliament called on the EC to bring forward a proposal "as soon as possible on a voluntary European 'Fair Tax Payer' label", including "eligibility criteria, under which the label could be awarded by national bodies". Moreover, the Parliament demanded that the "Fair Tax Payer" label only be "awarded to those companies that have gone above and beyond the letter of what is required of them under Union and national law", and that "companies should be motivated by this 'Fair Tax Payer' label to make paying a fair share of taxes an essential part of their corporate social responsibility policy, and to report on their stance on taxation matters in their annual report". When the EC discussed the issue in connection with the development of a wider country-by-country reporting initiative, it noted its interest "in further promoting the use of fair tax payer labels as a private market initiative" (European Commission, 2016).

This progress would most likely not have taken place without the active role of the Fair Tax Mark initiative that draws on the expertise of some of the key persons in the Tax Justice Network. The emergent entrepreneurs (Seabrooke and Wigan, 2015) of the network were partially the same people who played key roles in elevating the mandatory country-by-country reporting of multinational companies to the policy agenda of the EU (Seabrooke and Wigan, 2015). This highlights how "ideas are powered through expertise" (Seabrooke and Wigan, 2015). At the same time, the big tax advisory firms are busy developing their own voluntary tax responsibility measures such as the "Total Tax Contribution" of the PriceWaterhouseCoopers, thereby mimicking "the vocabulary of transparency whilst providing no information about its role in tax avoidance, the schemes that it manufactures, the amount of tax that major corporations should have paid, or even the fees that the firm charges for such spin and whitewash" (Sikka and Willmott, 2013).

Finally, it should be noted that even though the labour issues embedded in procuring fair trade products are at first sight more straightforward than the fair tax agenda, this difference is largely illusory. When it comes to the characteristics of a particular product, the labour rights promoted by the fair trade are essentially just as "invisible" as demands related to corporate structures or transparency. This highlights the political role of the

courts of justice in defining what aspects of the capitalist production process and its discontents are characteristics of the products and which aspects should be seen as by-products that can be ignored.

The efforts to link public procurement with tax compliance and transparency continue both in Finland and internationally. In 2015, some of the key people behind Helsinki's tax initiative founded a non-profit organization, which promotes "fair tax" in public procurement and continues to develop demands that would comply with the EU's procurement directive. Internationally, the British Fair Tax Mark has continued to generate interest towards this thematic, even though it is not directly related to the public procurement. Moreover, the payment of taxes has become a growing social responsibility issue, with contestations between businesses and their adversaries over how to define the limits of this responsibility (Ylönen and Laine, 2015).

These kinds of contestations and clashes over private corporate interests and increasingly economized municipal policy-making are likely to increase in the future. One can only hope that the scholars of world politics and global political economy will start paying more attention to these developments and to develop more nuanced theoretical framework and case studies that will help increase our understanding of the linkages between municipalities, public procurement and the world politics.

Notes

- 1 For example, Eden and Kudrle, 2005; Sharman, 2006; Eden, 2007; Rixen, 2008; Sagafi-Nejad *et al.*, 2008; Rixen, 2010; Nölke, 2011; Palan *et al.*, 2013.
- 2 This is echoed in the thoughts of (Walker, 2010, p. 209), who has noted that "the prevailing traditions of political theory and theories of international relations still assume that cities are where and what they are supposed to be, at considerable cost, I would say, to their claims to scholarly credibility".
- 3 "Contributing to Sustainable Development: The role of Fair Trade and non-governmental trade-related sustainability assurance schemes."
- 4 However, Helsinki had shared its lobbying office in Brussels with some Finnish regional associations and universities since 1996, which was briefly noted in the 2008 strategy (City of Helsinki, 2008; City of Helsinki, 2012b).
- 5 Only four city board members opposed increasing the use of fair trade products and applying the Fair Trade City status, with 75 board members showing their support (City of Helsinki, 2012c).
- 6 The Swedish-language decision stated, "Under överläggningen yrkar kommunstyrelsens ordförande att det görs ett tillägg efter första att-satsen med följande lydelse; att även undersöka möjligheten för att antingen offentlighetsprincipen skall gälla för skattefinansierad verksamhet i välfärdsektorn eller att kunna ställa krav på ekonomisk insyn bl.a. för att undvika upphandling av företag kopplade till s.k. skatteparadis".
- 7 International municipal-level networking activities have not gone unnoticed by the civil society organizations campaigning for tax justice issues. Helsinki's attempts to connect taxes and public procurement have been addressed, for example, by Richard Murphy, senior advisor and one of the founding members of the Tax Justice Network, who praised these efforts in his blog and called for more action in the United Kingdom (Murphy, 2012). In Scotland, both the UK's largest public-sector service union, UNISON, and the Ethical Consumer Association referred to developments in Helsinki and Malmö in their submissions to the Procurement Reform (Scotland) Bill (UNISON, 2012; Ethical Consumer Research Association, 2013).
- 8 However, it should be noted that the public procurement directive was renewed in 2014 and is currently being implemented in national legislations. Of importance is the Article 77, which addresses some public contracts in health, social and cultural services. It includes a clause stating that, under certain conditions, companies engaged in procurement should reinvest their profits "with a view to achieving the organisation's objective" and "where profits are distributed or redistributed, this should be based on participatory considerations" (Paragraph 2b).

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Data availability

Data sharing is not applicable to this article as no datasets were generated or analysed during the current study.

Additional information

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