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Global Shifts

Business, Politics, and Deforestation in a Changing World Economy

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1 Introduction: A Failed Market Transformation

“We’ve got to wake up to the fact that this is a finite planet.” In July 2010, Jason Clay, executive director of the Markets Institute at the World Wide Fund for Nature (WWF), gave a TED Talk at Oxford University titled “How Big Brands Can Help Save Biodiversity” (Clay 2010). In this talk, Clay shares an alarming analysis that shows how the unprecedented rate of tropical forest loss around the world has destroyed the habitats of millions of animal and plant species. Without transformative change, he warns, the crisis will escalate. Moreover, the global population is expected to reach nine billion people in the next half-century, which will require the production of more food, feed, and fiber than in the last 8,000 years.

Despite the enormity of the challenge, Clay argues that a global market transformation is possible, if we can learn from past mistakes. In a personal example, he describes a collaboration with Ben Cohen from Ben & Jerry’s in the late 1980s, which resulted in Rainforest Crunch, the world’s first ice-cream made of sustainably harvested Brazil nuts. This partnership marked the beginning of a commercially successful rainforest marketing campaign that generated over US\$100 million in annual sales. Despite the initial optimism, however, the campaign eventually failed because, according to Clay, “the people who made money from Brazil nuts were not the people who made money from cutting the forest” (Clay 2010). In other words, the campaign failed because it provided market incentives for Brazil nut farmers to behave sustainably but ignored even higher profits being generated by other actors. To understand this failure, one must thus identify these other actors and their motivations.

The 1980s also marked the beginning of what environmental economists later dubbed the “Tropical Oil Crop Revolution,” a process of historically unprecedented agricultural expansion in the global tropics during which

large swaths of forestland, grassland, and peatland were cleared for industrial oil palm plantations and soybean fields in South America and southeastern Asia. Between 1991 and 2013, the land devoted to these crops grew by over sixty-six million hectares (Byerlee, Falcon, and Naylor 2016, 7), or the size of France and its overseas territories. Moreover, the expansion of oil crops has driven indirect land-use changes in these regions. For example, in the Brazilian Amazon, expanding soybean farms have displaced cattle pastures further into the forest frontier (Song et al. 2021). These industrial agricultural processes now represent the largest threat to tropical forests on the planet (Trase 2018), much larger than illegal logging, which had long been the focus of conservation groups and policymakers.

Learning from its mistakes, the WWF was one of the first major environmental nongovernmental organizations (NGOs) to focus on industrial agriculture in its forest conservation strategy (former director of the Forest Conversion Initiative, phone interview, May 2013). In 2001, it launched a global program called the Forest Conversion Initiative (FCI), the aim of which was to identify the commodities responsible for the most deforestation on the planet. To transform these industries, the WWF implemented a new theory of change, which it had previously pioneered in the forestry sector. Specifically, it sought to build on a powerful mechanism to leverage global supply chains in the absence of government regulation (WWF 2012). The governance model underlying the initiative rests on the market power of big-brand companies. Incentivized through reputational and regulatory pressures, as well as through the prospect of tapping markets of virtue, these corporations are meant to function as “key leverage points for change” (WWF 2004, 3).

Initially focusing on the soy and palm oil industries in Brazil and Indonesia and the most powerful companies in these supply chains, the FCI identified about one hundred companies that control 25 percent of the global trade in these commodities. As Clay (2010) explains in his TED talk, “if these companies demand sustainable products, they’ll pull 40 to 50 percent of production. . . . If Cargill makes a decision, the entire palm oil industry moves.” To harness the market power of these companies, the WWF intensely lobbied them to join commodity-specific roundtables. Unlike fair-trade and organic certifications, which focus on premium markets, the FCI aimed to create mainstream sustainability platforms to transform the entire agriculture sector and its supply chains. To this end, the WWF launched the Roundtable on Sustainable Palm Oil and Roundtable

on Responsible Soy in 2004 and 2006, respectively. Additional roundtables for sugarcane, cotton, biofuels, beef, and other commodities have since been established (WWF 2017).

When Clay gave his TED talk, I had just started a PhD program at the London School of Economics. Through my affiliation with the Grantham Research Institute on Climate Change and the Environment, I had had many discussions with my colleagues about tropical deforestation. I had also read a lot about the oil palm boom in Indonesia and how plantation agriculture threatened the rainforests in Kalimantan and Sumatra. As a student of transnational governance, I was intrigued by the FCI and its supply chain-driven approach. When I started my PhD studies, the members of the Consumer Goods Forum (CGF), a network of 400 leading global retailers and consumer goods manufacturers, had just pledged to eliminate deforestation from their supply chains by 2020. Thereafter, hundreds of big-brand companies made zero-deforestation commitments, and many joined the commodity roundtables of the WWF (Donofrio, Leonard, and Rothrock 2017; Lister and Dauvergne 2014). As the political momentum behind zero-deforestation increased, I wondered if these transnational actors could help address one of the world's most pressing environmental problems.

Up to that point, governments had made little progress in reducing commodity-driven deforestation. Multilateral institutions for governing deforestation linked to international trade remain underdeveloped to this day. Thus, support from some of the world's most powerful corporations created a sense of optimism at the 2010 Cancun summit (former director of WWF International, phone interview, November 2011). However, ten years later, that optimism had turned to disappointment. The 2010s have been called "tropical forests' lost decade" (Butler 2019). Commodity-driven deforestation remains a major problem around the world (Global Forest Watch 2020), and the zero-deforestation supply chain movement missed its 2020 targets by a very large margin. The original targets may have been ambitious but the slow change has disappointed many analysts (Chagas et al. 2018; Climate Focus 2016; Taylor and Streck 2018). Even the people at the heart of the movement, such as Marco Albani, then director of the Tropical Forest Alliance, an organization established to support companies' transitions to deforestation-free supply chains, acknowledged the lack of progress. Already in 2017, he warned that "the pace of change that is happening is not making us confident that we will meet the 2020 goal."¹

To increase the effectiveness of zero-deforestation commitments, analysts demand that more companies adopt zero-deforestation targets with immediate implementation deadlines and that clear sanction-based implementation mechanisms are needed (Garrett et al., 2019). The importance of these factors notwithstanding, this research tends to neglect the broader historical, political, and economic contexts from which transnational regulatory authority emerges and in which it is exercised. My contention in this book is that in a time of major structural change in the world economy, such contexts require close investigation. Therefore, I take this failed market transformation as a starting point to launch an investigation into global shifts in markets, power, and authority, and how these shape the politics and governance of sustainability in the current phase of globalization. This situates the analysis of this book at the intersection of broader themes in earth system governance research on power and transformations and their implications for actors and governance architectures (Earth System Governance Project 2018).

Governing Agriculture and Forests in an Era of Globalization

To provide empirical and conceptual context to the analysis, this section revisits the rise of transnational governance for forests and agriculture in the late twentieth century. During this period, economic globalization ushered in an era of “governance without government,” which allowed non-state actors, such as NGOs and firms, to participate more in global politics (Rosenau and Czempiel 1992). In their landmark study *Private Authority in International Affairs*, Cutler, Haufler, and Porter (1999a, 16) observed that “private actors are increasingly engaged in authoritative rule-making that was previously the prerogative of sovereign states.” This diffusion of private authority permeated the world economy (see Bieler, Higgott, and Underhill 2000; Hall and Biersteker 2002; Strange 1996), particularly the field of global environmental politics (Auld 2014; European Environment Agency 2011; Green 2014; Pattberg 2007). Scholars describe these dramatic changes in the institutional landscape as a “Cambrian explosion” (Abbott 2012b, 571). Whereas the growth of formal intergovernmental organizations dedicated to global environmental issues has mostly stopped, private governance organizations have increased almost exponentially (Abbott, Green, and Keohane 2016; Green 2014).

Robert Falkner, my PhD supervisor at the London School of Economics, was among the first to elaborate on the concept of private environmental governance and to explore its links to theories of international relations. From a regime theoretical perspective, he defined such governance as “the interactions among private actors, or between private actors on the one hand and civil society and state actors on the other [, that] give rise to institutional arrangements that structure and direct actors’ behavior in an issue-specific area” (Falkner 2003, 72–73). Many of these arrangements seek to harness market forces to instigate change in global production networks. In their trailblazing book on the authority of forestry certification, Cashore, Auld, and Newsom (2004, 4) refer to these arrangements as a form of “nonstate market-driven governance.” Others have coined the term “transnational business governance” to describe the multiplicity of schemes that apply nonstate authority to govern business conduct across borders (Eberlein et al. 2014). This also is the main conceptual label used in this book. However, as we see later in this chapter, it can be misleading to treat private and public governance realms as distinct and static (Cashore et al. 2021; Renckens 2020).

In the agriculture sector, the empirical focus of this book, private sustainability schemes have proliferated in the sector’s globalizing supply chains (see figure 1.1). Initially lagging behind other industries in the development of such mechanisms (World Bank 2004, 17–25), the sector has evolved into one of the most dynamic sites of transnational business governance (Fuchs and Kalfagianni 2010; Gibbon, Ponte, and Lazaro 2010). The rise of sustainability standards and certification mechanisms in this area can be traced back to the organic and fair-trade movements (Bennett 2013; Lockeretz 2007). At the beginning of the twentieth century, organic farmers’ associations emerged in several countries. Early examples include Demeter in Germany (1928) and the British Soil Association in the United Kingdom (1946). These organizations developed standards for organic agriculture and sought ways to distinguish themselves from conventional food production. Reportedly, the British Soil Association developed the world’s first organic certification scheme in 1973. In addition, in the 1980s, fair-trade NGOs started to experiment with certification and on-product labelling. Fair-trade certification was initiated in the coffee sector in 1988 by Dutch development NGO Solidaridad, which created the Max Havelaar label. Similar initiatives, such as Transfair and Fairtrade Mark, soon emerged in other European countries and in North America. Today, many of these programs

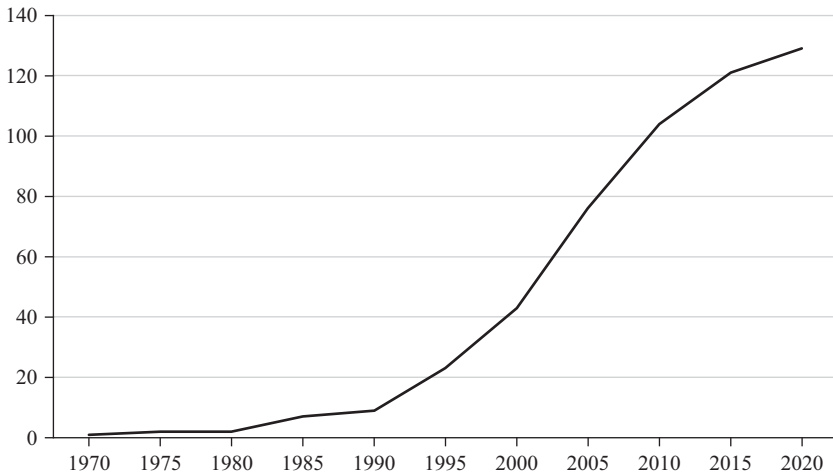


Figure 1.1

Proliferation of private sustainability standards in the agriculture sector

Source: Analysis of data from the International Trade Centre’s Sustainability Map, available at <https://www.sustainabilitymap.org/standards>

are organized under the umbrella of Fairtrade International. These early efforts in organic and fair-trade agriculture aimed to create premium markets and thus they set the stage for NGOs and firms to become important providers of standards and regulation in global agrifood governance.

Mainstreaming certification as a mode of transnational business governance began in the forestry sector in the early 1990s. Throughout the 1980s, environmental groups led powerful advocacy campaigns against unsustainable practices in the trade of tropical timber. These groups initiated consumer boycotts and directly targeted do-it-yourself retailers like B&Q in the United Kingdom and Home Depot in the United States (Schwartzman and Kingston 1997). Research shows that under certain conditions NGO advocacy can have high influence on environmental outcomes (Pacheco-Vega and Murdie 2021). Over time, however, dissatisfaction with the effectiveness of the tropical timber campaign increased. When states failed to agree on an intergovernmental mechanism to regulate trade in tropical timber, some environmental groups shifted their strategy from “boycotts to partnerships” (Domask 2003, 157). In the early 1990s, the Forest Stewardship Council was formed, with the aim of transforming mainstream production via a multi-stakeholder process and certification scheme with global reach.² NGOs like

the WWF then “carried” the certification model to other commodity sectors, including the palm oil and soy industries (Auld et al. 2007, 2).

According to the Standards Map of the International Trade Centre, a database of standard-based sustainability initiatives,³ 129 private schemes were active in the agriculture sector as of October 2020, as shown in figure 1.1. Developed by industry actors, NGOs, and multistakeholder initiatives, these schemes contain “requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others” (UNFSS 2013, 3). As shown in figure 1.1 and starting with the sector’s rapid globalization in the 1990s, the number of private sustainability schemes increased sharply, particularly in the early 2000s, which can be interpreted as a rough indicator of nonstate actors’ increasing rule-making power in global agrifood governance during this period (see Fuchs 2005, 785–789).

Figure 1.2 depicts the total land area that is certified by twelve leading certification organizations for select agricultural commodities.⁴ As shown,

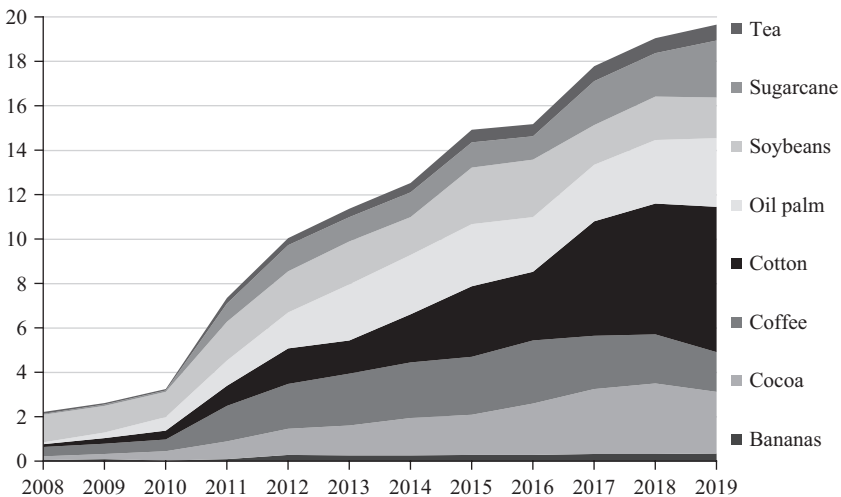


Figure 1.2

Agricultural commodity land use certified by leading certification organizations, in millions of hectares

Source: Data from <https://www.sustainabilitymap.org/trends>

the total size of “sustainable markets” has grown substantially over the past decade, increasing from two million hectares in 2008 to almost twenty million hectares in 2019 (ITC 2021).⁵ According to the International Trade Centre and its partners, these figures demonstrate that “sustainability standards are no longer a novelty serving niche markets. Over the past decade, they have increasingly found their way into mainstream markets” (Willer et al. 2019, xi). One example is the palm oil industry, one of the focal sectors of this book. Here, the Roundtable on Sustainable Palm Oil was able to expand the amount of land certified under its scheme from 0.6 million hectares in 2010 to over three million hectares in 2019 (ITC 2021). For illustration, this amounts to more than 4.2 million soccer fields of certified land.

More Governance without Environmental Benefits?

The point of departure for a critical analysis is the apparent incongruity of a worsening ecological crisis despite unprecedented degrees of environmental governance. The objective is to identify instances where environmental degradation coincides with governance failure and to investigate their historical, political, and economic origins (Kütting 2014; Newell 2012, 34–60). Against this background, the starting point for this book is the crisis of commodity-driven deforestation and mounting evidence that proliferating private governance mechanisms, for long the dominant global policy response, have done little to mitigate the crisis.

Critics of the “privatization of global environmental governance” likely feel vindicated by this turn of events (Clapp 1998). These scholars have long criticized an unbalanced focus on certain topics and discourses, power asymmetries between participants, and the marginalization of actors such as those from developing countries (Cheyns 2011, 2014; Clapp 1998; Fransen and Kolk 2007; Ponte 2008; Schouten and Glasbergen 2011). Against this background, Dauvergne (2016, 127–139) describes market-based instruments like the Roundtable on Sustainable Palm Oil as a manifestation of “environmentalism of the rich.” He argues that such efforts mainly serve the interests of powerful corporations by helping them build green reputations, while failing to address the root causes of environmental harm in these industries, such as extractivism and overconsumption. In a similar vein, Ponte (2019, 212) argues that transnational business governance works for “green capital” but does not address “brown environments.” Hence, from this perspective,

a “big brand takeover of sustainability” would hinder, not help, the greening of the global economy (Dauvergne and Lister 2013).

The idea of governing through markets nevertheless has many proponents. When nonstate, market-driven schemes first emerged, many scholars viewed them favorably. Multistakeholder initiatives like the Forest Stewardship Council were praised as “startling institutional designs” (Cashore, Auld, and Newsom 2004, 298), a “good governance model” (Gulbrandsen 2008), and “sites of meaningful deliberation” (Dingwerth 2007, 9). Although questions of legitimacy were central to the early debate on these “new modes of governance” (Bäckstrand et al. 2010), the issue of their effectiveness has since become more prominent (Carlson et al. 2017; Garrett et al. 2016; Grabs 2020b; Kalfagianni and Pattberg 2013; Marx and Cuypers 2010). In the debate on gridlock in global governance, which is concerned with political stalemate in important intergovernmental forums, transnational private governance is often discussed as a pathway to overcome the failure of multilateralism (Abbott and Faude 2020; Hale and Held 2017; Partzsch 2020). In the field of global agrifood governance, proponents of market-based instruments often highlight the “potential additionality,” or added environmental benefit, of private sustainability standards. This is the additional environmental benefit that a large-scale adoption of these programs would bring, when compared to a business-as-usual scenario (see Carlson et al. 2017; Garrett et al. 2016; Smith et al. 2019). In this regard, Smith et al. (2019) argue that if adopted widely enough, private sustainability standards could significantly reduce the detrimental impact of global agriculture. For the case of Bonsucro, a private sustainability standard for sugarcane production, they estimate that global compliance with the program would, among other impacts, reduce greenhouse gas emissions from global sugarcane cultivation by 51 percent.

From this perspective, the expansion of previously described sustainable markets is a positive development. The wider literature on transnational business governance also points to several conditions that should work in favor of these instruments. First, many agricultural commodities have a high export rate, which theoretically enables lead firms in these supply chains to influence and control smaller producers, such as those in developing countries. Large global buyers can pressure their suppliers to adhere to company or third-party standards. Everything else being equal, these commodity chains are thus fertile ground for big-brand sustainability

(Cashore, Auld, and Newsom 2004, 41; Gereffi, Humphrey, and Sturgeon 2005, 92–94). Second, corporate concentration in the global agrifood system has increased strongly since the 1960s, when a wave of corporate mergers and acquisitions transformed the retail industries in Europe and North America. Today, the annual revenue of Walmart, the world's largest retail corporation, exceeds the GDP of entire countries (Bloomfield 2017); the top ten food and beverage companies (e.g., PepsiCo, Unilever, Nestlé, etc.) control over a quarter of the global market for packaged food products; and four corporations (ADM, Bunge, Cargill, and Louis Dreyfus) dominate the world's trade in grains and oil seeds (Clapp 2020, 90–125). As van der Ven (2018) shows, these “gatekeeper” companies can be powerful drivers behind the adoption of private sustainability standards. Third, there is a high level of public controversy surrounding issues of tropical deforestation and biodiversity loss (Greenpeace 2006; WWF 2021a). In the past, NGOs have linked industrial agriculture to these and other problems by targeting lead firms in transnational advocacy campaigns (e.g., Greenpeace 2006; Schlesinger 2010). Finally, with the commodity roundtables of the WWF, the sector is home to several well-established private governance mechanisms.

Together, these factors should create a favorable environment for the large-scale adoption of transnational business governance in the sector. The apparent failure of these programs to realize their hypothesized potential more fully is perplexing. A closer look at the case of commodity-driven deforestation illustrates this further. Although powerful business actors and their civil society and government partners have made unprecedented efforts to promote private sustainability standards in forest-risk supply chains, it is increasingly clear that these initiatives and their theory of change have come nowhere near the global market transformation envisioned by Clay and others. Worse yet, as the following section illustrates, the prioritization of private market-based mechanisms has gone hand in hand with a worsening deforestation crisis in the agriculture sector.

The Case of Commodity-Driven Deforestation

Until a few decades ago, the island of Borneo in southeastern Asia's Malay Archipelago was almost fully covered by pristine rainforests (Gaveau et al. 2014). As a biodiversity hotspot, the island is home to millions of animal, insect, and plant species, among them many endangered species such as the

orangutan, clouded leopard, and Irrawaddy river dolphin. Borneo's rich flora and fauna are key components of indigenous life on the island. For centuries, the Dayak people, referring to hundreds of forest-dwelling and riverine ethnic groups, have used the island's natural riches in a sustainable way, foraging and practicing small-scale subsistence agriculture (Crevello 2004). Today, however, Borneo's rainforests, biodiversity, and indigenous lifestyles are at risk. The Atlas of Deforestation of the Centre for International Forestry Research shows that, since the 1970s, the island has lost half of its tropical forest cover. These land-use changes have multiple causes, the most prominent of which is the expansion of industrial agriculture (Austin et al. 2017; CIFOR 2022).

Agricultural expansion drives tropical deforestation in many parts of the world. Studies estimate that in the second half of the twentieth century, over 50 percent of new agricultural land in the tropics came from clearing intact forests (Gibbs et al. 2010). The vast majority of forest conversion can be traced to the "big four" forest-risk commodities (oil palm, timber and pulp, soy, and cattle), which have accounted for about two-thirds of total tropical deforestation in recent decades (Trase 2018). Oil palm and to a lesser extent timber are the fastest expanding commodities in southeastern Asia, and cattle pastures and soybean monocultures drive large-scale land-use changes and forest conversion in South America. Whereas cattle are mainly raised for domestic consumption, timber and particularly oil palm and soybeans, the two commodities focused on in this book, are largely export-driven (Climate Focus 2016, 13). This should make the two sectors fertile ground for transnational business governance and its theory of change, but global demand has also fueled their expansion. As previously mentioned, economists dubbed the massive land-use change linked to oil palm and soy cultivation the Tropical Oil Crop Revolution. Between 1991 and 2013, the area of land planted with the two crops grew by over sixty million hectares (Byerlee, Falcon, and Naylor 2016, 7). Given the scale of forest loss involved in these processes, commodity-driven deforestation is one of the largest sources of global greenhouse gas emissions. According to the World Resource Institute, if tropical deforestation were a country, it would rank third in the world behind China and the United States in terms of its greenhouse gas emissions (Gibbs, Harris, and Seymour 2018).

The FCI and its agricultural roundtables were created to address issues related to commodity-driven deforestation. Today, they are part of a zero-deforestation supply chain movement involving many of the world's most

powerful agrifood companies. Nestlé was the first big-brand company to make a public zero-deforestation commitment for its supply chain, in response to a Greenpeace campaign targeting its trademark KitKat brand. Under mounting activist pressure, other industry leaders followed suit. At the Cancun Climate Summit in 2010, the CGF pledged to achieve zero net deforestation by 2020 (Consumer Goods Forum 2010).⁶ In 2014, this pledge was incorporated into the United Nations New York Declaration on Forests, a joint declaration of governments, companies, NGOs, and indigenous people's organizations aiming to stop the loss of natural forests and to restore millions of hectares of degraded land. The second goal of this declaration endorses the private sector's target of eliminating deforestation from the production of agricultural commodities by no later than 2020 (Forest Declaration 2017).

In response to these efforts, hundreds of retailers, consumer goods companies, and traders around the world made zero-deforestation commitments for their supply chains. By 2017, the advocacy network Forest Trends reported over 760 such commitments from 447 companies (Donofrio, Leonard, and Rothrock 2017). With many powerful agrifood companies developing no-deforestation policies and joining certification organizations like the Roundtable on Sustainable Palm Oil and Roundtable on Responsible Soy, global market transformation finally gained momentum. At the 2010 Cancun Climate Summit, WWF's director of the Market Institutes welcomed the development: "The scale, geographical presence and purchasing power of [these] companies could transform these commodity markets and help put an end to tropical deforestation in countries like Brazil and Indonesia" (Consumer Goods Forum 2010).

Unfortunately, beyond statements about their potential additionality (Carlson et al. 2018, 125), there is little evidence that these supply chain initiatives reduced tropical deforestation in any significant way. As shown in figure 1.3, since the launch of the FCI in 2001, the rate of commodity-driven deforestation has remained stubbornly high. Although the data presented here serve only as a rough indicator of a complex phenomenon and changes in assessment methodologies over time complicate the description of deforestation trends,⁷ many analysts agree that the zero-deforestation movement missed its 2020 targets by a large margin. Some even call its impact "elusive" (Taylor and Streck 2018, 1; also see Chagas et al. 2018; Climate Focus 2016).

After the 2020 deforestation targets were missed, many businesses and NGOs linked to the zero-deforestation movement made new commitments

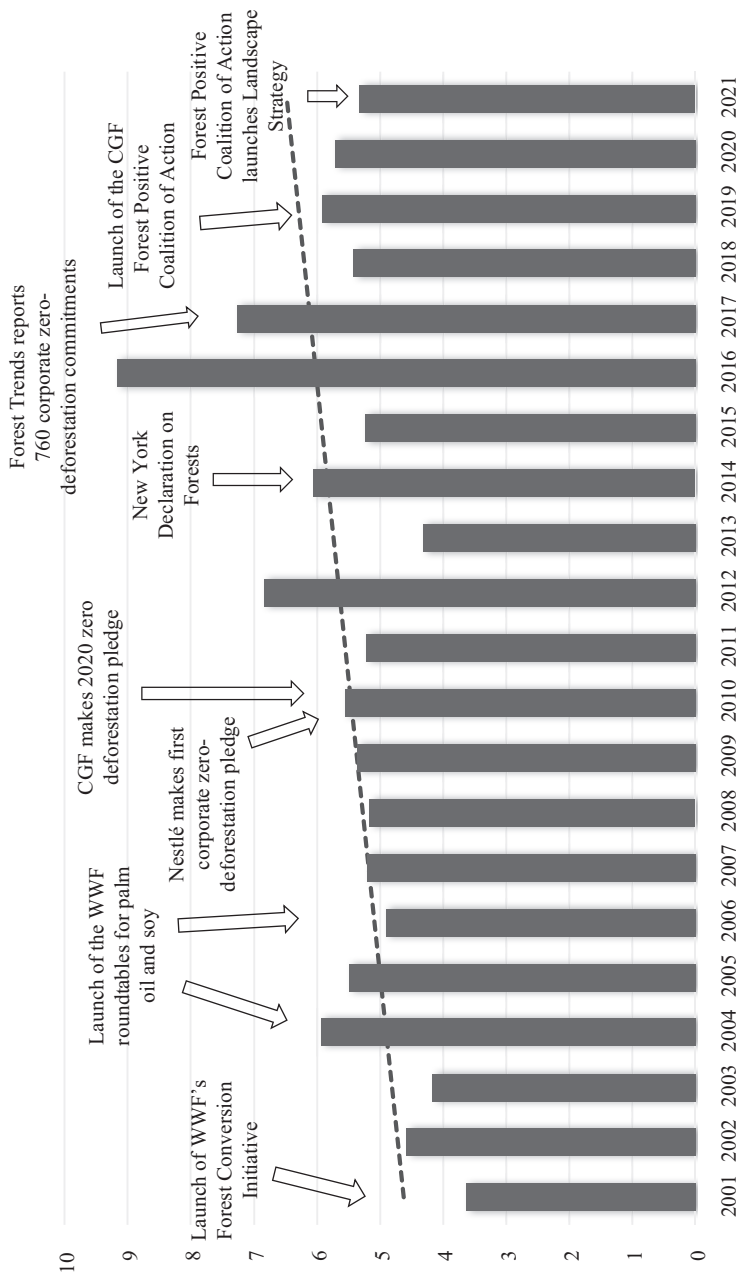


Figure 1.3
 Global annual tree cover loss linked to commodity-driven deforestation, in millions of hectares
 Source: Data from <https://www.globalforestwatch.org/dashboards/global/>

and launched new initiatives. The CGF deleted the weblink to its 2020 deforestation resolution and twenty-one of the world's leading retailers and manufacturers formed the Forest Positive Coalition of Action.⁸ At the COP26 Climate Summit in Glasgow in 2021, Jim Andrew, chief sustainability officer at PepsiCo, announced the coalition's new bold ambition "to transform landscapes to the equivalent of the coalition's combined production base footprint of palm oil, soy, paper packaging and beef into forest positive landscapes by 2030" (UNFCCC 2021). I explore this latest turn in big-brand sustainability in chapter 6. However, before moving onto the next "really big idea" (UNFCCC 2021), this failed market transformation requires a deeper analysis.

As the discussions at COP26 have once more shown, commodity-driven deforestation has real, global importance. A special report by the International Panel on Climate Change on land-use change highlights that all pathways that limit global warming to 1.5°C or well below 2°C require reduced land conversion and deforestation (IPCC 2019). Moreover, this case has theoretical relevance. As some scholars suggest, commodity-driven deforestation exemplifies a "most-likely case" for nonstate market-driven governance (see van der Ven, Rothacker, and Cashore 2018, 144).

This means that several scope conditions are (seemingly) in place that should work in favor of these mechanisms. Indeed, the high export dependency, corporate concentration, and public controversy surrounding the palm oil and soy supply chains mentioned above should have benefited big-brand sustainability in these sectors. However, twenty years after the launch of the WWF's FCI, the global market coverage of private governance mechanisms in these industries remains small. The failure of these instruments to achieve large-scale coverage in this most-likely setting thus raises questions about transnational business governance and the underlying theory of change more broadly (see Odell 2003, 166).

In my past work, I have identified global shifts in markets, power, and authority as important reasons (Schleifer 2016b, 2017). Building on and expanding this line of research, this book investigates the effectiveness of transnational business governance in a changing world economy. Going beyond traditional concerns with institutional effectiveness, my analysis is not limited to investigating the adoption and implementation of these programs. Instead, in the tradition of political economy research (Dauvergne and Clapp 2016), my ambition is to explore the broader environmental and institutional consequences of contemporary globalization in the

agriculture sector. The following section synthesizes the book's argument and approach.

The Argument in Brief

In this book I argue that processes of contemporary globalization are changing the politics and governance of sustainability in major ways. My objective is to explore the environmental and institutional consequences of these processes in the case of commodity-driven deforestation. I do so with a focus on the palm oil and soy sectors, where transnational actors have become important providers of sustainability governance over the past two decades. Transnational business governance to address environmental and social problems in global supply chains emerged in the late twentieth century, a period during which the international economic system was dominated by North-South trade and the global economic predominance of the West. Countries in the Global South contained the factories, farms, and mines of the world. These industries supplied the raw materials and cheap goods for mass consumption and prosperity in the Global North. In an era of neoliberal globalization, these international economic relations were made possible by free trade policies, financialization, and innovations in transport and communication.

In the twenty-first century, this North-South division of labor in the world economy is ending due to an "irresistible shift in global power" (Mahubani 2008). Accelerated by the world economic crisis of 2008, major political and economic forces are changing the international economic order as markets and supply chains shift toward rising countries in the Global South (Staritz, Gereffi, and Cattaneo 2011). In natural resource industries, these shifts in the global economic order were accompanied by a commodity supercycle, which, driven by demand from fast-growing emerging economies (Coxhead and Jayasuriya 2010), led to a massive increase in the volume of South-South trade in tropical commodities. To study these developments and their implications for the environment and the effectiveness of transnational business governance in the agriculture sector, this book broadens the scope of the analysis. I change the focus of inquiry from questions of institutional design and a narrow view on private regulation's environmental benefits to the shifting global political economy structures and processes in which cross-border sustainability governance takes place. I share this

broader perspective with other scholars, such as those of the Rising Powers and Global Standards research network. However, while those scholars are mainly concerned with labor and social standards (Nadvi 2017), this book puts the focus on standards for environmental sustainability.

But to be clear, my point is not that institutional design does not matter. Rather, by drawing on research on international environmental regimes (Underdal 2008; Young 1999, 2002), scholars of transnational business governance have shown how the design of membership rules and enforcement mechanisms are important determinants of their effectiveness. These studies show theoretically and empirically how the sponsors of private governance schemes confront difficult trade-offs and design dilemmas that condition the outcomes and impacts of these programs (see Darnall, Ji, and Potoski 2017; Grabs 2020b; Kalfagianni and Pattberg 2011; Potoski and Prakash 2009; Prakash and Potoski 2006).

I also do not question the usefulness of impact research. To the contrary, geographers, economists, and rural sociologists assess on-the-ground impacts of certification schemes and companies' zero-deforestation commitments with increasing accuracy (e.g., Blackman, Goff, and Rivera Planter 2018; Carlson et al. 2017; Cattau, Marlier, and DeFries 2016; Heilmayr and Lambin 2016). Using geospatial analysis, farm-level surveys, and other research methods, they are making important progress in measuring the effects of these programs on various sustainability metrics, including conservation and livelihood effects (Garrett et al. 2021). In this way, these studies fill a gap in political science research, which has long struggled to measure on-the-ground-impacts (Gulbrandsen 2010, 180).

These literatures advance our understanding of transnational business governance in major ways. However, they tend to neglect the role played by broader political, economic, and historical forces in shaping regulatory institutions (Prakash and Potoski 2009, 286). More generally, the institutionalist perspective has long been criticized for overemphasizing the static and underemphasizing the dynamic elements of change in the world economy (Strange 1982). A similar criticism can be brought against the body of impact research, which so far has paid little attention to global political economy structures and processes. Conversely, scholars of political economy have long noted the importance of the macro political economic context in influencing the logic and operations of regulatory systems (Büthe and Mattli 2011). Therefore, my contention is that in a time of major structural change in the

world economy, greater attention must be paid to newly powerful countries and actors, and to how their actions have environmental and institutional consequences (see Clapp and Helleiner 2012, 494–497).

But it is important to clarify that this does not imply that Global South actors are mainly responsible for the environmental externalities of agricultural trade. Historically, the system of industrial agriculture emerged in Europe and North America, and the modern world food system has deep roots in the colonial period (Clapp 2020, 29–66). For example, in the palm oil sector, it was Western companies, administrators, and scientists that drove the expansion of export-oriented clusters in the tropics (Giacomin 2018). It also is important to note that Global North countries and their demand for agricultural commodities continue to drive large-scale environmental destruction around the world. A recent study estimates that the European Union is still responsible for 16 percent of globally traded deforestation (Trase 2021). Mindful of these historical and present-day dynamics, my contention, nevertheless, is that in the current phase of globalization, newly powerful countries and actors and their role in the politics and governance of agricultural supply chains merit closer attention.

Ontologically, a political economy approach is best positioned to achieve this goal. Such an approach does not apply institutional boundaries as the defining parameters of the analysis of governance effectiveness. Likewise, the approach is not limited to the investigation of narrowly defined environmental benefits while ignoring history and political context. Instead, a political economy approach broadens the scope of the analysis by seeking to uncover the root causes of environmental degradation and assessing the dominant actors and modes of governance in light of these processes (Kütting 2005; Newell 2012, 34–60). Another important contribution of political economy scholarship to the study of global governance is the insight that actors' authority and power to govern are inextricably linked to the material and ideational structures that surround them (Phillips and Payne 2014).

Transnational business governance has been studied from different political economy perspectives, including those of international political economy (e.g., Clapp 2005; Fuchs and Kalfagianni 2010; Newell 2012), comparative political economy (e.g., Bartley 2018a; Cashore, Auld, and Newsom 2004; Espach 2009; Schleifer and Sun 2018), and global value chain analysis (e.g., De Marchi, Di Maria, and Micelli 2013; Ponte 2019; Poulsen, Ponte, and Lister 2016). Scholars also note the potential for these literatures to complement

each other in important ways. Particularly in a time of major political and economic transformation, it would be helpful to revisit the structural foundations of transnational regulatory authority in the world economy, to comparatively study different sectoral and domestic political economies, and to map and analyze the reorganization and relocation of the industrial networks through which sustainability governance disseminates. However, as others note, it is a curious characteristic of political economy debates around this and other issues that the different branches in the field remain too disconnected (see Graz and Nölke 2008; Phillips 2005).

By bridging these divides, this book leverages the full spectrum of political economy analysis to interrogate the worsening ecological crisis in global agriculture despite unprecedented levels of transnational regulation. In doing so, it reveals a complex and evolving picture of both risks and opportunities for sustainability. Through the varied lenses of international political economy, comparative political economy, and global value chain scholarship, the empirical chapters of this book provide rich analyses of the politics and governance of agricultural supply chains in a changing world economy. In the remainder of this section, I synthesize the book's main findings.

At the level of environmental consequences, I show that the link between globalization and environmental degradation (see Christoff and Eckersley 2013; Newell 2012) remains strong in twenty-first-century agricultural trade. Since industrial agriculture began in Europe and North America, demand from rich countries has driven the expansion of export-oriented agriculture sectors in the global tropics. Recently, that demand has increasingly emanated from different places in the world economy (Kharas 2010). Fast-growing emerging economies fuel domestic consumption and the South-South trade of natural resources. In the agriculture sector, Global South markets increasingly replace Global North markets as the main consumers of major forest-risk commodities. The rise of South-South trade can offer opportunities for sustainable development (Bloomfield 2020; Jepson 2020), but it also entails risks for environmental and social conditions in the producing countries (Adolph, Quince, and Prakash 2017; Hochstetler 2012). In the sectors that are the focus of this book (palm oil and soy), the deforestation contained in the South-South trade of these commodities has increased substantially in recent years. There is mounting evidence that global market shifts result in additional demand for land, which is now a key driver of agricultural expansion and deforestation in countries like Brazil and Indonesia (Fearnside and Figueiredo 2015; Greenpeace 2012; Trase 2020b).

At the level of institutional consequences, I show how the existing system of transnational business governance is ill equipped to deal with the evolving crisis of commodity-driven deforestation. In the age of advanced globalization, private market-based governance is undermined by a growing incongruity between the location of “sustainable markets” (Meier et al. 2020) and the “new geography of trade” (UNCTAD 2004, 2). As we shall see, the regime complex for deforestation is evolving quickly as new governance actors enter the regulatory space. However, it has long been dominated by actors from the Global North, with a strong role for private governance. This can be traced back to the politics of late-twentieth-century globalization and reflects the efforts of entrepreneurial NGOs and companies in rich countries to re-embed agricultural supply chains in a regulatory framework (see Bartley 2007). The outsourcing of governance to nonstate actors in this period also was a conscious choice by public authorities to govern sustainability in a “global value chain world” (Mayer and Phillips 2017; see also Larsen et al. 2018). The regime complex for commodity-driven deforestation reflects these processes and decisions. In a globalized agrifood system, it is based on a pragmatic political settlement between Western governments, companies, and civil society organizations unable or unwilling to achieve more fundamental reforms (see McCarthy 2012). However, in the current context of advanced globalization, the regime’s enduring focus on Global North markets undermines its regulatory effectiveness. Comparing the market uptake of two mature private governance schemes in the palm oil and soy sectors, I show how the political economy context of these programs has become less favorable over time, hindering their large-scale adoption. As the resulting gap in coverage persists, the environmental benefits of these programs will remain limited.

However, global economic shifts do not only affect existing institutions, they also empower Southern actors to create new ones. This has increased the degree of institutional fragmentation in the regime complex for commodity-driven deforestation, raising critical questions about the nature of interactions between Northern-led and Southern-led sustainability initiatives (see Eberlein et al. 2014). While Northern actors continue to dominate the agenda on sustainability in twenty-first-century agricultural trade, I find that Southern actors are increasingly powerful players in the “regulatory standards bargaining game” (Abbott and Snidal 2009, 70). In the age of advanced globalization, sustainability governance takes place in a context of polycentric trade, characterized by intersecting networks of North-South, South-South, and domestic supply chains (Horner and Nadvi 2018). Through exploring

the politics of environmental upgrading in these multipolar production networks, I describe the formation of powerful regulatory coalitions on the supply side of forest-risk supply chains. Responding to transnational actors and their sustainability agendas, government and industry actors in major commodity producing countries, such as Brazil and Indonesia, have launched campaigns to renationalize regulation through the creation of national standards and certification regimes (Hospes 2014; Schouten and Bitzer 2015). In the palm oil and soy industries, these measures have taken place in a political climate characterized by increasing antagonism between domestic and transnational actors. However, the experience in other commodity sectors (e.g., tea and timber) shows that more complementary transnational interactions are possible (Langford 2019; Zeitlin and Overdevest 2021).

New regulatory coalitions for sustainable agricultural supply chains also are forming in Asia's fast-growing emerging economies. In China's state-led capitalist system, new policies on green supply chains are driven by parts of the political and bureaucratic elite. At the center of these efforts is the "Ecological Civilization" policy framework (Hanson 2019), which includes proposals for sustainable trade at the regional and global levels through the development of standards, procurement policies, and other arrangements for green supply chains. In India, progress has been slower but is not absent. Over the past decade, the Delhi-based Centre for Responsible Business has emerged as an important platform for policy dialogue and advocacy on issues of sustainable trade and supply chains in the country. There also is cooperation between Western and Chinese and Indian actors in the context of newly created emerging market-centered sustainability initiatives, such as the India Sustainable Palm Oil Coalition and the China-focused Sustainable Soy Trade Platform. While these are promising developments, regulatory coalitions that are powerful enough to steer these vast markets and their supply chains toward sustainable sourcing have yet to emerge.

As processes of contemporary globalization shape the politics and governance of agricultural production, trade, and consumption, what pathways are available to advance a sector-wide sustainability transformation? In the case of commodity-driven deforestation, the mainstream debate focuses on the creation of "smart policy mixes," which combine public and private, and demand- and supply-side measures (Lambin et al. 2018; Tropical Forest Alliance 2020). These include the development of new place-based

governance programs in commodity-producing countries (Earth Innovation Institute 2018; Hovani et al. 2018). In developing a forward-looking research agenda, I explore the opportunities and challenges of these “jurisdictional programs,” as they emerge in Brazil and Indonesia.

A new mode of Southern-led sustainability governance, jurisdictional programs broadly refer to place-based multistakeholder initiatives with jurisdiction-wide sustainable development goals (Hovani et al. 2018, 1). Moving beyond a narrow focus on zero-deforestation supply chains, jurisdictional programs pursue “sustainability at scale” (Earth Innovation Institute 2018). They aim to achieve this through a strong involvement of local government actors, the creation of public-private complementarities, and the integration of environmental with economic development and social inclusion objectives. Through strengthening governance systems in the producer countries, the approach has potential to advance sustainability objectives in a world of polycentric trade, in which regional and domestic markets are of growing importance. However, there are signs that transnational actors and local elites are compromising on a conservative version of the approach, in which marginalized groups remain excluded from decision making and economic concerns take precedence over environmental ones. Moreover, the private market-based governance instruments studied in this book are increasingly central to the jurisdictional approach, as practitioners try to deliver “global value propositions” to local stakeholders through mechanisms of “jurisdictional sourcing” and “jurisdictional certification” (Boshoven et al. 2021; RSPO 2021). If this trend prevails, the jurisdictional approach risks reifying their flawed theory of change.

A Note on Data and Methods

This book is based on research spanning the past decade. I started working on transnational business governance, agricultural supply chains, and commodity-driven deforestation in the context of a PhD thesis at the London School of Economics (2010–2014). The study of global market shifts and their implications for sustainability then became an important focus during a Jean Monnet Fellowship at the European University Institute. I have continued this line of research in my current position at the University of Amsterdam. Over this period, I have engaged in more than one hundred interviews and personal communications with key stakeholders in global

agri-food governance, including firms along the supply chain, farmers, NGOs, trade unions, government agencies, international organizations, certification programs, and research organizations. Among those, forty-three interviews were conducted with stakeholders in the palm oil sector. Interviews were conducted in various formats (in-person, videocall, phone) and various locations, including during fieldwork in Indonesia (the world's leading exporter of palm oil) in 2018 and in India (the world's leading importer of palm oil) in 2015. A total of thirty-seven interviews targeted actors in the soy sector. With a focus on the stakeholders of the Roundtable on Responsible Soy, an initial round of interviews was carried out between 2012 and 2014. Additional interviews were conducted in 2019. The book also draws on insights from my research in the biofuel industry, which uses palm oil and soybean oil as important feedstocks. For this, a total of twenty-eight interviews were carried out between 2011 and 2014. The interviews were organized in a semistructured way and targeted key informants with first-hand knowledge of the themes researched in this book. Most interviews were recorded, transcribed, and analyzed with NVivo, qualitative data analysis software. The field research was carried out according to the guidelines of the Ethics Advisory Board of the University of Amsterdam to guarantee the highest standards in protecting vulnerable groups and the rights of the study participants. In addition to interview data, the book draws on field notes compiled during my attendance at numerous practitioner events over the years. This includes conferences and workshops organized by Greenpeace Indonesia, the Center for International Forestry Research, Bogor Agricultural University, the Roundtable on Sustainable Palm Oil, the Roundtable on Responsible Soy, ISEAL Alliance, Fern, Centre for Responsible Business in Delhi, the Trade for Sustainability Forum of the International Trade Centre, the United Nations Forum on Sustainability Standards, the European Commission, and the World Trade Forum. Moreover, webinars, such as those organized by the Jurisdictional Approaches Resource Hub of the Tropical Forest Alliance, have been a source of information.⁹ In this book, I draw on this expertise, as well as archival material including hundreds of documents (e.g., meeting minutes and other organizational records), media reports, policy documents, as well as trade statistics and supply chain data.

In the empirical-analytical chapters, I examine and draw conclusions from this rich body of data. My analytical approach is best described as exploratory. Many aspects of contemporary globalization and its environmental

and institutional consequences in global agriculture are not well explained by extant theories. This requires making induction an important element of the underlying research strategy (see George and Bennett 2005, 74). I combine this exploratory approach with deductive analysis in areas where theories of transnational business governance are sufficiently developed to define *ex ante* propositions. For example, in chapter 4 I study comparatively the uptake of private sustainability governance. To conduct the analysis in this and the other empirical chapters, I employ multiple methods, each linked to a different perspective of political economy analysis, which provide the theoretical framework for this book. In the tradition of international political economy scholarship, I use historical and structural analysis to examine the ways in which global political economy processes shape environmental and institutional outcomes. In addition, I employ a comparative political economy analysis to gain a more granular understanding of the ways in which market and nonmarket conditions, and changes therein over time, affect the uptake of private sustainability governance. Finally, informed by research on global value chains and global production networks, I trace sustainability governance within and through the palm oil value chain. To this end, I employ value chain mapping and analysis to study the geography, strategies, and interactions between governance actors in this production network.

Organization of the Book

This book is organized in three main parts. The first part, which includes this chapter, introduces the subject and develops the theoretical framework. Chapter 2 reviews the extant scholarship on the effectiveness of transnational business governance and shows how the dominant approaches neglect the ways in which global political economy structures and processes shape environmental and institutional outcomes. Notably, in this literature there has been little explicit theorizing of the role played by processes of contemporary globalization. Although political economists are attuned to these types of questions, the extant research does too little to integrate the different perspectives. To overcome this divide, chapter 2 describes how the international political economy, comparative political economy, and global value chain perspectives complement one another in important ways. By integrating them, the chapter develops a framework for analyzing political economy structures and processes at multiple levels.

The second part of the book consists of three empirical chapters that put this framework to work. Chapter 3 applies the lens of international political economy. Using a historical-structural approach, it explores the link between globalization and environmental degradation in the modern world food economy. Focusing on the problem of commodity-driven deforestation, it shows how this link remains strong in the early twenty-first century. By exploring the implications of contemporary globalization for sustainability governance, the chapter makes two main observations. First, the existing regime complex for forest-risk commodities has struggled to adapt to the new global context, as many of its established elements remain anchored in the world of late-twentieth-century trade. Second, global power shifts have contributed to further regime fragmentation, which undermines regulatory capacity. Switching the focus of analysis from the regime to the program level, chapter 4 examines the political economies of two mature private governance programs in the palm oil and soy sectors. It compares the political economy of each industry and analyzes how key demand-side and supply-side factors and variations in these conditions promote and hinder private governance uptake. Chapter 5 then investigates the dissemination of sustainability standards at the value chain level. It describes how agricultural commodity chains are becoming increasingly polycentric in their structure and multipolar in their governance. Tracing the main governance actors and their strategies and interactions along the Indonesian palm oil value chain, the chapter uncovers the reasons why governance actors are still struggling to implement sustainability standards in this production network.

The third part of the book develops a forward-looking research agenda. In response to calls for public-private policy mixes to reduce tropical deforestation (Lambin and Thorlakson 2018), chapter 6 considers new place-based governance approaches in the producer countries, which have received little attention in the scholarly literature thus far. From a political economy perspective, the chapter explores the opportunities and challenges of these jurisdictional programs, as they emerge in Brazil and Indonesia. The concluding chapter reviews the book's main findings, considers implications for practice, and identifies avenues for future research.

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