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# Global Shifts

## Business, Politics, and Deforestation in a Changing World Economy

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## 2 Varieties of Political Economy Analysis: A Framework

In the late twentieth century, there was a diffusion of transnational private regulatory authority in the world economy, as scholars observed (Cutler, Haufler, and Porter 1999a; Higgott, Underhill, and Bieler 2000; Strange 1996). Globalization, liberal environmentalism, and the political and economic predominance of the West provided a background against which firms and NGOs became central to the regulation of sustainability in global production. In the governance of forest-risk commodities, which is the empirical focus of this book, corporate self-regulation, civil society initiatives, and multistakeholder partnerships are cornerstones of an emerging transnational regime complex (Ludwig 2018).

In the early twenty-first century, the world economy is once again undergoing major structural changes. Globalization has entered a new phase, and the market power of the West is in relative decline (Mahbubani 2008; Pieterse 2012). These developments have many political and economic implications, which, with the system of global governance as a whole increasingly in flux, also raises crucial questions about the future of transnational actors in environmental governance (Hale 2020, 214–215). Surprisingly, however, until recently, little attention has been paid to the ways in which global power shifts affect the exercise of transnational business governance (Nadvi 2014).

This book aims to address this gap in two ways. First, on a theoretical level, it develops a framework centered on the changing global political economy context. This analytical focus is crucial to understanding the politics of sustainable trade in a time of global transformation and how it affects the ability of transnational actors to gain regulatory authority and to achieve environmental outcomes. Second, it examines these processes in a crucial case setting, commodity-driven deforestation. As described in

chapter 1, the case of tropical deforestation is highly relevant to academic and societal debates about the role of corporate power and transnational actors in helping to overcome pressing global environmental problems.

In this chapter, I develop the book's theoretical contribution, beginning with an outline of what I take from the literature to be the two dominant lines of research on transnational business governance and its effectiveness. The first is institutionalist, which is rooted in the international relations and public policy literatures on environmental regimes and voluntary environmental programs. A main contribution of this literature is its exploration of the complex relationships that link institutional design to behavioral outcomes. The second perspective, which I call impact evaluation, consists of contributions from geographers, rural sociologists, economists, and development scholars. This literature examines the environmental benefits of private regulatory programs, such as certification schemes and corporate zero-deforestation commitments. This fast-growing body of literature has made important progress in quantifying the potential additionality and on-the-ground impacts of these programs. Both perspectives have greatly advanced understanding of questions of private governance effectiveness. However, I argue that both tend to neglect the broader processes that reshape the politics of sustainability governance in the current phase of globalization. Beyond traditional concerns with institutional effectiveness, this requires placing global political, economic, and historical structures and processes at the center of the analysis.

In this chapter, I show how a political economy approach is well positioned to address this gap. Going beyond traditional concerns with institutional effectiveness, scholars of international political economy and the environment study how large structural trends shape ecological problems and the institutions designed to govern them (Clapp and Fuchs 2009; Newell 2012). Scholars working with a comparative political economy methodology examine how different country and industry contexts shape private regulatory authority, as they promote or hinder the uptake and implementation of transnational business governance (Bartley 2018a; Cashore, Auld, and Newsom 2004; Espach 2009; Schleifer and Sun 2018). In addition, value chain scholars trace sustainability standards and environmental upgrading processes within global, regional, and local production networks (De Marchi, Di Maria, and Micelli 2013; Ponte 2019). I discuss how each of these strands offers important insights into the question at hand and how they

must be combined to unlock the full potential of political economy analysis. To that end, this chapter integrates them into an overarching framework for analysis to guide the empirical research in subsequent chapters.

### **Beyond Traditional Concerns with Institutional Effectiveness**

Early scholarship on transnational business governance focused on emergence and institutionalization (e.g., Auld 2014; Dashwood 2012; Green 2014; Hale and Held 2011; Pattberg 2005). Scholars of international relations also examine the democratic qualities of private governance institutions. In particular, the legitimacy, accountability, and transparency of multistakeholder initiatives has been researched in much detail (e.g., Bäckstrand 2006; Dingwerth 2007; Mena and Palazzo 2015; Schleifer 2019; Schleifer, Fiorini, and Auld 2019). Now that these once “new modes of governance” have become a fixture in global environmental politics, questions about their effectiveness have moved to the foreground of the academic debate. In the field of agrifood governance, a fast-growing multidisciplinary literature has focused on governance effectiveness (e.g., Carlson et al. 2017; Fuchs and Kalfaggiani 2012; Grabs 2020b; Lambin et al. 2018). My objective in this section is not to provide a systematic review of this literature. Instead, I outline what I identify to be the two dominant lines of research: the institutionalist perspective, which has roots in international relations and public policy, and the impact evaluation perspective, which involves contributions from geographers, sociologists, economists, and development scholars. After discussing their contributions and limitations, I turn my attention to political economy scholarship, which provides a perspective that goes beyond traditional concerns with institutional effectiveness.

### **The Institutional Perspective**

In the 1990s and early 2000s, researchers in the field of international relations investigated the effectiveness of environmental regimes (e.g., Breitmeyer, Young, and Zürn 2006; Miles et al. 2002; Mitchell 1994; Young 1999). This research focused on the “implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge” in the area of environmental governance, such as formal multilateral environmental agreements (Krasner 1983, 2). Since then, there has been little new empirical research in this area, which Andresen (2013, 304)

links, among other things, to a loss of momentum in multilateral environmental diplomacy.

This tapering of growth in the intergovernmental arena is in stark contrast to the proliferation of private and hybrid modes of governance (see Abbott, Green, and Keohane 2016; Reinsberg and Westerwinter 2019). In particular, private sustainability standards and certification schemes and public-private partnerships for sustainable development have grown substantially since the early 2000s (Pattberg et al. 2012; Schleifer, Fiorini, and Fransen 2019). In addition to research into the emergence and legitimacy of these arrangements, scholarship on their effectiveness has thrived (e.g., Auld 2010; Beisheim and Liese 2014; Dietz, Grabs, and Chong 2019; Gulbrandsen 2010; Marx and Cuypers 2010; Pattberg and Widerberg 2016; van der Ven, Rothacker, and Cashore 2018). Unsurprisingly, much of the work by international relations scholars draws (explicitly or implicitly) on the conceptual toolkit of the environmental regime literature.

A widely used conceptualization in the regime “effectiveness community” draws on Easton’s (1965) theory of political systems and distinguishes between three dimensions of institutional effectiveness: output, outcome, and impact (Andresen 2013, 335). In this context, output relates to a regime’s institutional design and capacity (e.g., the stringency of standards and enforcement procedures); outcome measures behavioral changes that can be attributed to a regime’s activities; and impact concerns the extent to which a regime can solve the problem it was set up to deal with (e.g., a reduction in deforestation). Analytically, regime theorists treat output, outcome, and impact as distinct, consecutive steps in a causal chain of events, with each serving as a starting point for analyzing the subsequent step (Miles et al. 2002, 6).

Scholars of international relations study the effectiveness of new modes of governance using this and related conceptualizations (Fuchs and Kalfagiani 2012; Pattberg and Widerberg 2016). In empirical studies, particular attention has been paid to arguments about institutional design and capacity (see Miles et al. 2002; Mitchell 1994), and multiple studies have identified the degree of institutionalization as an important determinant of effectiveness (see Beisheim and Campe 2012; Beisheim et al. 2014; Szulecki, Pattberg, and Biermann 2011). More elaborate analytical frameworks have sought to explain the outcomes and impacts of private governance organizations through the interplay of institutional design variables, institutional

contexts, and problem structures (Kalfagianni and Pattberg 2011, 16; also see Pattberg and Widerberg 2016).

However, none of these frameworks in empirical research has been applied to the study of on-the-ground impacts (see Kalfagianni and Pattberg 2013, 125). This gap in the research reflects a broader shortcoming in the international regimes literature, which has long viewed impact indicators as “so demanding in terms of methodology that they are difficult to apply in empirical studies” (Andresen 2013, 310; also see Gulbrandsen 2010, 180). However, promising efforts aim to address this gap. For example, a recent study by Grabs (2020b) attempts to broaden the institutionalist perspective by including operational-level implementation practices in a rigorous quantitative analysis. In addition, as explained later in this chapter, advances in impact evaluation research may offer more precise assessments of on-the-ground environmental impacts of certification programs and other supply chain initiatives.

The public policy literature on voluntary environmental programs also subscribes to an institutionalist perspective (Prakash and Potoski 2006, 34–81). Voluntary programs, such as the certification programs studied in this book, induce firms to produce environmental benefits beyond legal requirements (Prakash and Potoski 2012, 3). More precisely, drawing on club theory (Coase 1960), Prakash and Potoski (2006) conceptualize voluntary programs as “green clubs” that firms join to gain reputational benefits. A central assumption of club theory is that the branding benefits from voluntary participation depend on the stringency of the program’s standards and enforcement rules. External audiences (e.g., consumers, civil society actors, and regulators) use those standards as a proxy signal to determine the level of environmental benefit that is associated with program membership (Prakash and Potoski 2007, 7).

By modeling program design as an exogenous driver of program efficacy, club theory has greatly refined understanding of the links between institutional design choices and expected behavioral outcomes. In particular, this literature has identified important institutional design trade-offs and collective action dilemmas (also see Grabs 2020b, 58–70). For example, Prakash and Potoski (2006, 63) illustrate these trade-offs in a theoretical typology comprising four types of green clubs. First, “greenwashes” have lenient standards and weak enforcement rules but high membership levels due to low entry barriers; these clubs suffer from noncompliance. Second,

“country clubs” have stringent standards but weak enforcement rules; these clubs have low membership levels due to high entry barriers, as well as problems with noncompliance. Third, “mandarins” have stringent standards and credible enforcement rules; these clubs have no problems with noncompliance but high entry barriers lead to adverse selection, as only high-performing firms will participate (see Lenox and Nash 2003). Finally, “bootcamps” are identified as the most promising program design. Over time, their lenient standards but credible enforcement rules are hypothesized to produce the highest level of aggregate behavioral change and thus environmental benefit.

More recently, voluntary program theorists have sought to explain variation in program design by studying different sponsorship arrangements, such as independent, government, and industry sponsors (Darnall, Ji, and Potoski 2017). However, a major criticism of the club theory approach is its tendency to treat program design as given and thus as exogenous to the analysis. Such simplifying assumptions have greatly advanced understanding of the causal relationships between institutional design features and expected behavioral outcomes. However, the downside is that the club theory approach leaves the ways in which private governance programs are shaped by their context and the political processes that led to their creation largely unexamined (see Auld 2014). As acknowledged by Prakash and Potoski (2009, 286), this critique applies to the institutionalist research program more broadly.

### **The Impact Evaluation Perspective**

Beyond the fields of international relations and public policy, a fast-growing literature on impact evaluation unites contributions from geographers, rural sociologists, economists, and development scholars who use a wide range of research techniques (e.g., GIS data analysis, farm-level surveys, focus group discussions) to study on-the-ground impacts of transnational business governance. To date, the bulk of this work has focused on the livelihood effects of fair trade, organic, and generic sustainability certification schemes. In particular, many studies focus on the cocoa and coffee sectors (e.g., Akoyi and Maertens 2018; Barham et al. 2011; COSA 2013; Elder, Zeriffi, and Le Billon 2012; Schleifer and Sun 2020), two industries with the most mature certification programs. Two recent systematic reviews of this literature point to a positive, albeit weak and highly context-dependent, relationship between certification and farmers’ livelihoods (DeFries et al.

2017; Oya, Schaefer, and Skalidou 2018). In addition to the assessment of livelihood effects, impact evaluation research is thriving in other areas, and there is a sizeable literature on conservation effects (Blackman and Naranjo 2012; Tschardt et al. 2015).

Of particular relevance to this book is a flurry of recent studies seeking to assess the role of supply chain initiatives (including sectoral-level certification programs and company-level commitments) in reducing agricultural deforestation (Garrett et al. 2021; Lambin et al. 2018). The stated ambition of these scholars is to rigorously conceptualize, measure, and assess the effectiveness of zero-deforestation supply chain initiatives. The burgeoning literature in this area includes many *ex ante* theoretical and quantitative analyses of the potential additionality of supply chain initiatives, that is, the added environmental benefit of a program beyond a business-as-usual scenario (e.g., Garrett et al. 2016; Smith et al. 2019). Over the past decade, advances in remote-sensing technology and geospatial analysis have also enabled impact researchers to conduct *ex post* assessments of the biophysical effects of supply chain initiatives, including impact metrics on forest fire incidents, biodiversity loss, agricultural expansion, and deforestation rates. The most rigorous studies use carefully constructed counterfactuals, that is a comparison to a group or scenario in which the supply chain intervention was not present (e.g., Alix-Garcia and Gibbs 2017; Carlson et al. 2018; Gibbs et al. 2015).

However, the environmental impact evaluation literature has not yet produced conclusive results. Several studies find evidence of a positive environmental benefit, such as those that model potential additionality of mainstream certification programs. For example, as described in chapter 1, Smith et al. (2019) estimate that global compliance with the Bonsucro Production Standard, a certification scheme for sugarcane production, would reduce the greenhouse gas emissions of sugarcane cultivation by 51 percent, compared to a business-as-usual scenario. Other studies present evidence for on-the-ground biophysical impacts (Carlson et al. 2018; Cattau, Marlier, and DeFries 2016; Heilmayr and Lambin 2016). For instance, in a widely referenced study, Carlson et al. (2018) report that certification by the Roundtable on Sustainable Palm Oil (RSPO) reduced deforestation in Indonesia by 33 percent, relative to noncertified plantations. Based on their findings, Carlson et al. attest that the program has “great potential to influence tropical land cover change” (2018, 5). Another often cited success case is the Amazon Soy Moratorium, a buyer-driven regional moratorium on the



trade of deforestation-linked soy. Studying the program's environmental impact, Gibbs et al. (2015) find that between 2004 and 2014, it reduced soy-related deforestation in the Amazon from 30 percent to about 1 percent.

In contrast, other scholars find no or only very limited evidence for the environmental benefits of supply chain initiatives (Anderson, Asner, and Lambin 2019; Blackman, Goff, and Rivera Planter 2018; Morgans et al. 2018; Panlasigui et al. 2018). Morgans et al. (2018) also assess the effectiveness of RSPO in Indonesia, and unlike Carlson et al. (2018), they find no significant difference between certified and noncertified plantations across a wide range of sustainability metrics. Likewise, in the case of the Amazon Soy Moratorium, West et al. (2020) estimate that the amount of total deforestation attributed to soy production is much higher than that reported by Gibbs et al. (2015).

These inconsistencies reflect the state of impact evaluation literature, which so far has produced mixed and inconclusive results (Oya, Schaefer, and Skalidou 2018). Differences in research design and methodology between studies contribute to this inconsistency, which is why leading scholars in the field call for more rigorous analysis, standardized criteria, and independent evaluations to counter these problems (DeFries et al. 2017). Responding to this call, scholars studying the effectiveness of corporate zero-deforestation commitments have been at the forefront of efforts to establish rigorous criteria for assessing the effectiveness of these programs (Garrett et al. 2019).

In sum, the literature on impact evaluation addresses a major shortcoming of the institutionalist perspective by addressing the methodological challenges of assessing on-the-ground impacts. It also offers important insight into the measures of environmental benefits of supply chain initiatives, and more rigorous analysis and better data will generate more robust results. However, the drive for high-quality data and analytical rigor may lead to a narrow focus. Conservation effects are estimated with increasing precision, but leading private governance programs have largely failed to realize their potential additionality, as the case of commodity-driven deforestation shows. The insights of impact evaluation point to institutional design flaws, insufficient adoption, and spillover effects as limiting factors (Garrett et al. 2019). Indeed, these are important proximate causes that undermine the effectiveness of supply chain initiatives to reduce tropical deforestation. However, such analysis falls short of assessing the deeper causes of environmental crisis and governance failure in the agri-food sector.

## Toward a Multi-level Political Economy Analysis

Scholars of political economy and the environment have long sought to expose the deeper causes of ecological crisis, including economic globalization (Christoff and Eckersley 2013; Newell 2012), overconsumption (Dauvergne 2008), financialization (Baines and Hager 2021; Fairbairn 2015), contentious technologies (Falkner 2009; Neville 2021), and corporate power (Clapp and Fuchs 2009; Higgins and Lawrence 2005). In the tradition of this research, this book sets out to explore the consequences of major structural shifts in the world food economy. In the current phase of globalization, global economic shifts are transforming systems of production, trade, and consumption. This has far-reaching implications for global environmental change and global environmental governance. In the agrifood sector, these processes challenge deeply entrenched assumptions about North-South divisions in international trade, the structure and governance of supply chains, and the role of Southern actors in sustainability regulation. In the remainder of this chapter, I show how a multilevel political economy analysis can offer important insights into these processes and how this requires the overcoming of existing divides within this literature. Specifically, I discuss three varieties of political economy analysis (i.e., international political economy, comparative political economy, and global value chain analysis), with particular attention on writings on environmental sustainability and transnational business governance in the agrifood sector. Each strand offers important insights into the question at hand, and together they unlock the full potential of political economy analysis.

### International Political Economy

The literature on international political economy and the environment addresses questions of ecological change, sustainable development, and governance in the context of globalization (Ramos 2020). Its analytical focus is on global political economy structures and processes and their underlying power relationships. Moving beyond regime theory's concentration on institutions, international political economists put global change processes at the center (Strange 1982, 1996). Such research has also studied the diffusion of private power in the world economy, uncovering its material and ideational foundations (Higgott, Underhill, and Bieler 2000). Moreover, scholars have used this perspective to study the environmental consequences of global

change processes (Clapp and Helleiner 2012). In the following, I elaborate on how this line of research can help us answer the questions raised in this book.

International political economy research on private authority in global governance has a long lineage. In the late 1990s, Strange (1996, 44–65) argued that processes of globalization, financialization, and technological change had shifted the balance of power from public to private actors in the world economy, with transnational corporations increasing their influence in disproportionate ways. Since Strange's (1982, 1988, 1996) analysis, other scholars have examined these processes in relation to the role of nonstate actors in global governance. In the early days of the globalization debate, scholars asked whether "footloose corporations" would trigger a "race to the bottom" of social and environmental standards (Hart and Prakash 2000). Though dire predictions of an "eclipse of the state" (Evans 1997) or "corporations ruling the world" (Korton 1995) have not materialized, research has documented the pervasiveness of private authority in the global economy (Biersteker and Hall 2002; Cutler, Haufler, and Porter 1999a; Higgott, Underhill, and Bieler 2000). Over time, a complex picture has emerged. Instead of opposing global environmental governance per se, transnational corporations have supported certain policies and arrangements, and have increasingly acted as providers of environmental governance (Bartley 2018b; Meckling 2015). They have overcome past antagonisms and formed strategic partnerships with international organizations and civil society actors in the context of multi-stakeholder initiatives (Pattberg 2005; Utting and Zammit 2008).

Drawing on the works of Strange (1996) and Lukes (1974), Fuchs (2005, 785–789) links the diffusion of private authority in global governance to transnational corporations' increased structural power, a power that she argues is rooted in both material and ideational structures. More specifically, in the field of agrifood governance, Fuchs and Kalfagianni (2010) describe how transnational corporations' control over global supply chains grants them the power to impose their rules and norms on developing country suppliers. In a similar vein, van der Ven (2018) shows how retailers possess significant "gatekeeper power," which allows them to control the degree to which transnational sustainability standards gain market uptake in their production networks (also see Dauvergne and Lister 2010). Moreover, scholars see corporations' legitimacy to govern as constituted through dominant normative structures, such as liberal market norms, norms of consumer protection, and through perceptions of business actors as providers of technical expertise.

International political economy analysis has shown how, beyond institutional design considerations, these structures have become foundational to the effectiveness of private governance in global production (Fuchs 2007).

However, according to Fuchs (2005, 799), the “commanding heights” to which business has climbed in the world economy have unstable foundations. She describes how corporations’ legitimacy to govern is constantly contested by countervailing societal forces and other factors, such as business conflict (see Falkner 2008). She also hypothesizes that shifts in global norms away from neoliberalism eventually could undermine private regulatory authority (Fuchs 2005, 796). Though much debated in the decade that followed the global financial crisis, such normative change has not materialized. If anything, transnational corporations have expanded their role as providers of global environmental governance (Bartley 2018b; Dauvergne and Lister 2012). The case of commodity-driven deforestation illustrates this well. As described in chapter 1, in the 2010s, there was a major push to leverage the power of global supply chain actors in this issue area. More generally, despite a major backlash against what Rodrik (2011) called hyperglobalization after the 2008 crisis, liberal market norms have proven to be astonishingly resilient (Schmidt and Thatcher 2013). Moreover, gridlock in many intergovernmental forums, particularly those pertaining to environmental issues, has led to more, not less, involvement by private actors in global governance (Hale and Held 2017). The normative foundations of private authority seem thus largely intact, though its material foundations are far more uncertain.

In the early twenty-first century, globalization has entered a new phase of development (Pieterse 2012). This has been accompanied by major economic shifts, including growth of consumption in middle-income countries (Guarín and Knorringa 2014), expansion of South-South trade (Shirotori and Molina 2009), and the growth of multinational corporations from emerging markets (Nölke 2014). These shifts have important implications for the location, organization, and governance of global industries. As shown in the empirical chapters of this book, in the agriculture sector, countries like China and India account for a rapidly growing proportion of the international trade in forest-risk commodities. Domestic consumption in the producer countries has also increased substantially. It is not difficult to see how this can exacerbate environmental problems and undermine existing modes of governance. Yet, as the above literature discussion has shown, these processes have been sidelined in research on the institutional effectiveness of

transnational business governance. Surprisingly, they are also sidelined in the policy debate on commodity-driven deforestation. For example, at the Forest, Agriculture, and Commodity Trade Dialogue to Tackle Deforestation at the COP26 Climate Summit in 2021 in Glasgow, the role of South-South trade as a critical driver of tropical deforestation was hardly mentioned (United Nations Framework Convention on Climate Change 2021). By showing us the “big picture,” international political economy analysis can add significantly to our understanding of global change processes and their broader environmental and institutional consequences (Clapp and Helleiner 2012). At the same time, this research lens alone is too broad to capture the politics of these processes with any precision. This requires closer analysis of the political economy contexts and industrial networks in which transnational business governance takes place.

### **Comparative Political Economy**

A comparative political economy methodology can be used to analyze the country or sectoral contexts in which private governance programs operate (Bartley 2018a; Cashore, Auld, and Newsom 2004; Espach 2009; Schleifer and Sun 2018). The starting point for such an analysis is the observation that these programs do not exist in an institutional vacuum; rather, they operate in “crowded spaces” (Bartley 2018a, 45–47) full of institutions, actors, and political agendas. As a transborder phenomenon, this involves transnational as well as domestic spaces. Consequently, comparativists explore how variation in these contexts can hinder, promote, or distort the adoption and implementation of transnational business governance.

An important focus in this literature is how certain “scope conditions” influence the ways in which private governance programs gain, maintain, or lose regulatory authority in a given country or industry sector (Bloomfield and Schleifer 2017, 130). Regulatory authority is thereby understood as a program’s legitimate decision-making power, which is granted or denied by its primary audiences (Cutler, Haufler, and Porter 1999b, 5). In the case of sustainability certification in the forestry sector, Cashore (2002) identifies as primary audiences a range of economic demand-side and supply-side actors, environmental groups, and government actors. He theorizes that a program’s ability to gain rule-making authority in a sector depends crucially on the support of these actors. Studies examining these questions empirically focus on economic actors, using market uptake (e.g., the proportion of production

that is certified to a sustainability standard) as an important indicator of economic actors' level of support (Bartley 2010; Cashore, Auld, and Newsom 2004; Espach 2005; Schleifer and Sun 2018). Market uptake is also considered to be a necessary, although not a sufficient, condition for the effectiveness of these programs. The logic here is that market-driven programs require broad market coverage to achieve sector-wide behavioral change, or what regime scholars refer to as "outcome effectiveness."<sup>1</sup> In this regard, impact evaluation scholars call for the large-scale adoption of voluntary sustainability standards and corporate zero-deforestation commitments to enhance their effectiveness (Carlson et al. 2018; Garrett et al. 2019; Smith et al. 2019). However, this literature fails to consider the political economy of these processes. It is here that the comparative perspective adds significant value to the analysis.

To explain the adoption of private governance programs, the literature has stressed important transnational factors, such as export dependency, transnational regulatory pressure, and social movement pressure. In their pioneering work on the rule-making authority of the Forest Stewardship Council, Cashore, Auld, and Newsom (2004, 41) were among the first to theorize the link between cross-regional variation in market uptake and differences in export dependency between timber-producing regions. The effect of export dependency on private governance uptake has been found to be strongest in its interaction with transnational regulatory pressure and social movement pressure. Regarding the former, my past work has shown how the uptake of the Bonsucro production standard in the Brazilian sugarcane industry was helped by sustainability regulation on biofuels in the European Union (EU) (Schleifer 2017, 13). Regarding the latter, Bartley (2007, 2009), among others, describes how social movements play key roles in getting firms to support private regulation. He argues that social movement pressure is a catalyzing force that can hardly be overstated (Bartley 2009, 130).

In the age of advanced globalization, some of the common wisdom of the early literature on transnational business governance needs to be revisited, however. Instead of strengthening support for transnational business governance, increased export dependency on low-standard jurisdictions could undermine incentives for producers to adopt sustainability standards (Adolph, Quince, and Prakash 2017). Relatedly, as the global market power of developed economies continues to decline, the strength of transnational regulatory pressures from these jurisdictions also is likely to decline. The reason is that developing countries become less dependent on these

markets for their exports. This could reduce the effectiveness of using trade policy and supply chain regulation to influence environmental and social conditions in commodity-producing countries (see Schilling-Vacaflor and Lenschow 2021). Finally, transnational advocacy campaigns could lose efficacy as state-owned multinational corporations from emerging economies are less responsive to reputational pressures (Whelan and Muthuri 2015). Studies also show that civil society actors are generally less likely to target firms from remote and unfamiliar locations (Hatte and Koenig 2018).

In addition to transnational factors, research shows that transnational sustainability standards are “filtered, renegotiated, or compromised as they enter particular political economies” (Bartley 2018a, 27; also see Malets 2015). Important factors that can influence the local adoption of transnational standards are the regime type, domestic policy environment, and design and capacity of domestic institutions. In addition, studies show that it matters a great deal whether powerful domestic actors (e.g., government agencies, peak industry associations) are passive, supportive, or actively opposed to transnational business governance (Dermawan and Hospes 2018; Espach 2005; Marques and Eberlein 2020; Schleifer 2017). Drawing inductively on field research in China and Indonesia, Bartley (2018a, 61) hypothesizes that when transnational private governance and domestic governance clash, the latter will usually retain primacy.

This “grounding” of transnational business governance in domestic political economies has emerged as an important research theme in recent years (Graz 2021; Marques and Eberlein 2020; Sun 2022). However, a gap persists in the understanding of how structural shifts at the global level filter through and influence political dynamics at the domestic level. As countries and industries in the Global South become less dependent on consumer markets in the Global North, the political-strategic calculus of Southern actors vis-à-vis transnational business governance is likely to change. A comparative political economy approach allows examination of these dynamics and the political-institutional contexts that shape private regulatory authority across industries, countries, and time.

### **Global Value Chain Analysis**

Scholars of transnational business governance often link its effectiveness to the ways in which sustainability standards disseminate through global value chains (GVCs). As previously mentioned, Fuchs and Kalfagianni (2010)

describe how transnational corporations' control over global supply chains grants them the power to impose their rules and norms on their suppliers (also see Bartley 2018a, 47–52). Surprisingly, however, there has been little explicit theorizing in these writings about the supply chain “as a conduit for influencing the social and environmental conditions of production and consumption” (Bush et al. 2015, 13). Conversely, scholars of GVCs (Gereffi, Humphrey, and Sturgeon 2005) and global production networks (Henderson et al. 2002) have long neglected questions of environmental sustainability and the governance actors outside these networks. Realizing the potential for mutual learning and cross-fertilization, scholars from both sides have started to engage each other's work more systematically (Macdonald 2014; Partzsch 2020; Ponte 2019; Schleifer 2016b; van der Ven 2018). In this book, I continue this dialogue by integrating insights from transnational business governance and GVC research. To further understand how supply chains function as conduits of sustainability standards, and how the structure and governance of these networks is changing in the age of advanced globalization, I draw on recent advancements in the GVC literature on environmental upgrading (de Marchi et al. 2019), polycentric trade (Horner and Nadvi 2018), and multipolar governance (Ponte 2014; Ponte and Sturgeon 2014).

The term GVC describes “the full range of activities that firms and workers perform to bring a product from its conception to end use and beyond” (Gereffi and Fernandez-Stark 2016, 7). These activities include input provision, production, trade, processing, and retail, which are performed not by a single company but by networks of companies around the world (e.g., retailers, consumer goods manufacturers, traders, and suppliers). Providing an alternative to state-centered accounts of economic globalization, the GVC framework offers a distinct firm-centered perspective (Gibbon, Bair, and Ponte 2008, 317–319). In the 1990s, massive outsourcing of labor-intensive manufacturing to developing countries began to restructure entire industries, and sociologists and geographers began to study the changing organization and governance of these sectors,<sup>2</sup> specifically the role of (Northern) lead firms in governing GVCs and the resulting economic implications for developing country suppliers (Gereffi 1994).

Lead firms are particularly powerful companies with control over functionally important segments of a value chain. In his initial conceptualization, Gereffi (1994, 96–100) distinguished between two governance structures in value chains: buyer-driven and producer-driven. In the globalization debate,



in particular buyer-driven value chains have received much scholarly attention. These are value chains in which large retailers or brand manufacturers play pivotal roles in creating and governing decentralized production networks in a variety of exporting countries, typically located in the developing world. In contrast, producer-driven chains are dominated by powerful manufacturers. The automotive industry is a classic example of a producer-driven chain (Gereffi and Memedovic 2003). Later, Gereffi, Humphrey, and Sturgeon (2005) developed a more comprehensive framework comprising five principal modes of value chain governance: market, modular, relational, captive, and hierarchy. These ideal types differ in the degree of coordination and power asymmetry between lead firms and their suppliers. For example, in market value chains, suppliers have the capacity to make products with little input from lead firms, and transactions between suppliers and buyers occur through horizontal market exchanges. In contrast, captive value chains are characterized by explicit coordination and power asymmetries between lead firms and suppliers. Lead firms in these sectors exert a great deal of control as suppliers depend on their buying decisions. Gereffi, Humphrey, and Sturgeon (2005, 92–94) describe how agricultural value chains have moved from market coordination to explicit coordination through the power of large retail companies such as Tesco, Asda, and Sainsbury's.

Value chain research has been particularly concerned with the distributional and developmental implications of value chain structure and governance. At the center of this research is the concept of economic upgrading, which describes the multiple pathways through which suppliers in developing countries can “move up the value chain” to increase their economic gains (Ponte and Ewert 2009, 1638; also see Dolan and Humphrey 2000; Gereffi 1999). Over time, the research agenda on value chain upgrading has broadened to include processes of social upgrading, that is, improvements in the rights and entitlements of workers (Barrientos, Gereffi, and Rossi 2011; Riisgaard 2009).

More recently, this literature has also begun to consider environmental issues (De Marchi, Di Maria, and Micelli 2013; Khattak et al. 2015; Krishnan 2017; Ponte 2019; Poulsen, Ponte, and Lister 2016; Poulsen, Ponte, and Sornn-Friese 2018). In this regard, environmental upgrading refers to the “process by which economic actors move towards a production system that avoids or reduces environmental damage” (De Marchi, Di Maria, and Micelli 2013, 65). Environmental upgrading can take place through process improvements (e.g.,

making production more eco-efficient), product improvements (e.g., creating environmentally friendly product lines), and organizational improvements (e.g., enhancing organizational behavior through standards) (De Marchi et al. 2019, 313). Environmental upgrading research, initially focused on the role of powerful buyers as primary drivers of these processes (Jeppesen and Hansen 2004; Khattak and Stringer 2017; Poulsen, Ponte, and Lister 2016). For example, Poulsen, Ponte, and Lister (2016) link the effectiveness of “buyer-driven greening” to the structure of the value chain in an industry. They argue that environmental upgrading is more likely to occur in unipolar value chains where lead firms dominate the chain, especially if those firms are consumer-facing companies who face reputational risks.

However, the role of lead firms in greening global supply chains requires a critical reexamination for several reasons. One is that powerful lead firms have been shown to abuse their control over strategically important supply chain segments by shifting the costs of sustainability to producers while capitalizing on their green reputations. Ponte (2019, 16) calls this the “sustainability-driven supplier squeeze.” Another reason is that the evolutionary dynamics of global capitalism are reconfiguring the structure and governance of value chains around the world, thus challenging the role of (Northern) lead firms as the only drivers of these processes.

In what Gereffi (2014) dubs the “post-Washington Consensus world,” trade flows and value chain structures have become polycentric. Whereas trade in the late twentieth century was dominated by North-South value chains, in the early twenty-first century, global, regional, and domestic South-South value chains have gained importance (Horner 2016; Horner and Nadvi 2018; Langford 2021). This restructuring of supply chains around the world has also accelerated the evolution of value chain governance from unipolar to multipolar modes of governance. In contrast to unipolar value chains, multipolar value chains, as the term implies, are governed by multiple actors inside and outside these networks (Ponte 2014; Ponte and Sturgeon 2014). In addition to lead firms, these include government actors and NGOs. In the age of advanced globalization, they also include new governance actors from the Global South. Given the central role of the state in coordinating in many developing country economies, government actors in particular have assumed important roles in the governance of South-South value chain (Langford, Nadvi, Braun-Munzinger 2022). It is easy to see how these changes in the structure and governance of value

chains influence processes of standard setting and standard-driven environmental upgrading within them. Value chain mapping and analysis offer insight into these processes and the evolving regulatory coalitions linked to different positions in global, regional, and local production networks. This is critical for understanding how the supply chain functions as a conduit for influencing the environmental conditions of production in the modern world economy.

### **A Framework for Analysis**

The previous sections review relevant scholarship in the fields of international political economy, comparative political economy, and global value chain analysis, which can advance research on the politics and governance of sustainable trade in a changing world economy. However, as noted above, this research often emerges independently with too little exchange or cross-fertilization between scholars working in these fields. To advance and synthesize research in this area, this section combines these theoretical lenses in an overarching framework to guide the analysis. Based on multiple strands of political economy scholarship, this framework is purposively broad in scope. The goal is not to develop a middle-range theory to explain a narrowly defined set of output, outcome, or impact indicators (see Andresen 2013, 335). While political economy analysis can be used to fill gaps in the regime effectiveness and impact evaluation literatures by, for example, identifying the contextual conditions that drive private governance adoption, the ambition of this book is greater. In the tradition of critical political economy scholarship (Dauvergne and Clapp 2016), the goal is to develop a deeper understanding of contemporary globalization processes and their consequences for deforestation and the effectiveness of transnational governance in the world food economy.

To advance this research agenda, I integrate the three political economy perspectives reviewed above into a multilevel framework. In the empirical chapters of this book, this framework is used in a layered analysis, which focuses on relevant political economy structures and processes at the global, sector, and value chain level. Conducting the analysis in such a layered way, from the macro to the meso levels, provides a more comprehensive window into the environmental and institutional consequences of contemporary globalization in the agriculture sector than seen in previous studies.

To guide the investigation, the framework identifies salient research themes at these levels of analysis. These themes are formulated as questions, not hypotheses, which reflects the explorative nature of the research. However, this does not preclude the use of a more deductive approach in parts of the analysis where theory is sufficiently developed to formulate *ex ante* propositions (e.g., chapter 4). I summarize the three layers of the framework below (also see table 2.1). Grounded in the research methodologies of international political economy, comparative political economy, and value chain analysis, the framework also provides tools for the actual analysis.

At the *global level*, the framework explores the link between globalization and environmental degradation. It puts these processes into historical perspective and examines how the crisis of commodity-driven deforestation has deepened in the current phase of globalization. As explained above, the global shift in economic power is also believed to have major implications for governance, including the exercise of private regulatory authority. As

**Table 2.1**  
A multilevel political economy analysis

	International political economy	Comparative political economy	Global value chain analysis
<b>Level of analysis</b>	Global	Sector	Value chain
<b>Focus of analysis</b>	Global economic shifts and their environmental and institutional consequences in the agrifood sector	The authority of transnational business governance across forest-risk commodity sectors and time	The evolving structure and governance of forest-risk supply chains and the implications for environmental upgrading
<b>Guiding questions</b>	What is the link between contemporary globalization and commodity-driven deforestation? How is the transnational regulatory regime adapting to global economic shifts? How is the regime's institutional fragmentation shaped by global power shifts?	What is the state of sustainable markets across agriculture sectors? How does the political economy context in forest-risk commodity sectors shape adoption rates? How have the scope conditions of transnational business governance evolved in the current phase of globalization?	How have global economic shifts shaped the structure of forest-risk supply chains? What are the main governance drivers? What are the implications for environmental upgrading in twenty-first-century supply chains?
<b>Method</b>	Structural-historical analysis	Comparative political economy analysis	Value chain mapping and value chain analysis

global markets for forest-risk commodities shift from North to South, how is the system of transnational business governance adapting? Relatedly, how are newly powerful actors from emerging economies reshaping the regime complex for forest-risk commodities? Through a structural-historical analysis the framework enables us tackle these “big picture” questions.

At the *sector level*, the framework allows for a closer analysis of the contextual conditions that shape the adoption of transnational business governance. As explained above, in the age of advanced globalization, global market shifts are likely to influence the ways in which export dependency, social movements pressure, transnational regulatory pressures, and other scope conditions shape the uptake of private governance programs in an industry. The lens of comparative political economy brings these factors into focus. It compares how the scope conditions of private market-driven governance have evolved across forest-risk commodity sectors and over time.

At the *value chain level*, the framework directs attention to the supply chain as the conduit through which environmental and social standards disseminate in global production. In the past, Northern lead firms used to be the main governance drivers of these processes. However, in the current phase of globalization, which is characterized by the rise of polycentric trade, a more complex picture is emerging. Against the background of global economic shifts, the framework uses value chain mapping and value chain analysis to explore in more depth the evolving structure and governance of forest-risk supply chains. This allows for a more comprehensive understanding of environmental upgrading processes in twenty-first-century supply chains and the politics and power relationships that underly these processes.

## Conclusion

The modern world economy is undergoing major structural changes with far-reaching implications for power, governance, and environmental issues. In the agrifood sector, these shifts are transforming entire industries as these processes exert pressure on natural ecosystems and raise critical questions about systems of governance. Over the past decades, transnational business governance has become central to the regulation of sustainability in agriculture supply chains. However, in an age of advanced globalization, global power shifts and changes in production, trade, and consumption could erode the very foundations on which private regulatory authority is based.

These processes are also beginning to reshape the politics and governance of sustainability in more fundamental ways. Surprisingly, these dynamics have received little attention from the dominant lines of research, which tend to neglect the historical, political, and economic contexts from which transnational regulatory authority emerges and in which it is exercised. In this time of global transformation, such contexts require close investigation. To advance research in this area, this chapter develops a framework for analysis that integrates contributions from scholars of international political economy, comparative political economy, and global value analysis. Starting with the first layer, the global level, the next chapter puts this framework to work.



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