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Abstract

This article focuses on analysing the consequences for global governance of the growing power of the world's biggest retailers, illustrating with the case of global forest governance. It argues that the rising power of big retail within global commodity chains is creating both significant challenges – and some opportunities – for global environmental governance. The analysis suggests a need for IR to focus more on the shifting political power of multinational corporations, as both barriers to, and progress in, the governance of complex global issues such as deforestation and climate change increasingly occur in the corporate sphere. More specifically, the authors see great value in bringing research on globalising commodity chains back into IR, first revealing the power dynamics *within* these chains, then building on this to analyse the implications for global change and world politics. This reinforces and complements the message in Bernstein et al. (in this volume) that understanding the future of global climate governance must include the complex interactions between transnational governance practices and interstate negotiations. But it also suggests a need for IR scholars to go even further to unpack the consequences of how the shifting power dynamics of governance practices within the corporate sphere are intersecting – or running parallel – with more overarching multilateral and transnational environmental processes.

Keywords

forest governance, global commodity chains, multinational corporations

Twenty years ago, in a special issue of *Millennium*, Susan Strange called on the field of international relations ‘to put the study of international business at the centre, together with states, instead of at the periphery’. For her, it was impossible ‘to get to the bottom’ of many, if not most, of the ‘puzzles in international relations’ without a deep understanding of the role and power of multinational corporations (MNCs). Other scholars in

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this same issue of *Millennium* enthusiastically agreed, with Eden, for example, calling on IR to 'bring the firm back in'.¹

Since then IR scholars have come a long way in unpacking the complexity of how corporate power influences state relations, global change and international politics. In particular the IR subfields of globalisation studies, global governance and global environmental politics (GEP) have been working hard to document and theorise about the importance of MNC power.² Nevertheless, MNCs are far from being at the 'centre' of today's IR, as Strange was hoping. This is especially true of core IR theory where, if anything, the study of other non-state actors, especially non-governmental organisations (NGOs), international institutions and transnational activist networks (TANs), are now less on the 'periphery' than big business.³

The urgency for placing corporations at the centre of IR, we argue, is even greater now. There are many reasons, of which we highlight three. Firstly, over the last two decades the globalisation of corporate commodity chains has been steadily reinforcing a growing world discount economy, with power within these chains increasingly concentrating among a smaller and smaller number of bargain-hunting 'big box' retailers (e.g. Wal-Mart). Secondly, MNCs are at the heart of one of the fastest growing and most challenging problems now confronting IR: the escalating global environmental crisis. And thirdly, as the international negotiations on climate change in Copenhagen in December 2009 highlighted, for complex environmental problems states are struggling, if not outright failing, to construct an effective governance structure through treaties and international organisations (IOs), in part because these efforts are not bringing MNCs on board in any kind of serious way. As Bernstein et al. also argue in this volume, it is more and more evident that the process and results of such negotiations are only part – and arguably a decreasing part – of what IR needs to study to understand global environmental governance. To focus solely on state-based multilateral climate negotiations, as Bernstein et al. persuasively argue, is 'far from the whole story' and 'masks the ongoing development of alternative governance arrangements'.⁴

We agree wholeheartedly with Bernstein et al., but see a need to extend the points in the investigation of governance even further. The location of some of the most powerful global governance systems is, in our view, increasingly within the corporate sphere. Both problem-solving and problems are increasingly centred here; yet states, subnational governments, non-governmental organisations and civil society groups generally play little or no role at all. Thus, it is vital to not only study interstate negotiations and transnational governance processes such as those of the International Emissions Trading

1. Susan Strange, 'Big Business and the State', *Millennium: Journal of International Studies* 20, no. 2 (1991): 245–50, 245; Lorraine Eden, 'Bringing the Firm Back In: Multinationals in International Political Economy', *Millennium: Journal of International Studies* 20, no. 2 (1991): 197–224.
2. Space restrictions prevent a detailed listing of this literature. Two journals, however, provide many excellent examples: *Global Governance* (founded in 1995) and *Global Environmental Politics* (founded in 2001).
3. One of the most influential books here has been Margaret Keck and Kathryn Sikkink, *Activists beyond Borders: Advocacy Networks in International Politics* (Ithaca, NY: Cornell University Press, 1998).
4. Steven Bernstein, Michele Betsill, Matthew Hoffmann and Matthew Paterson, 'A Tale of Two Copenhagen: Carbon Markets and Climate Governance', *Millennium: Journal of International Studies* 39, no. 1 (2010).

Association, but also how the governance practices within the corporate sphere intersect with – or, just as critically, operate independently from – these more overarching systems to cause or mitigate a problem like climate change.

To encourage scholars to do more to ‘bring the firm back in’ to IR in this way, we provide an exploratory analysis of the consequences of globalising corporate commodity chains. More specifically, we analyse what the growing concentration of structural and discursive power among retail MNCs means for the role of big corporations within global forest governance – an issue area where, in much of the world, state power over ‘their forests’ is gradually weakening as corporate control of the global commodity ‘timber’ is steadily increasing. We find both significant challenges – and some opportunities. On the challenge side, we argue that the increasing power of big box retailers within the globalising commodity chains of a growing world discount economy is adding to already severe pressures on the remaining natural forests and deforested land of the global South. It is pushing suppliers to cut costs at all costs, including destructive and illegal logging; it is driving up wasteful and excessive consumption of cheap timber products; and it is shifting the social and ecological costs of rising consumption in the North onto poor peoples and fragile environments in the South.

On the opportunity side, we see some intriguing potential in the growing power of the Wal-Marts of the world, not just for forest governance, but also for global governance more generally. In a weak state like Indonesia, a company like Wal-Mart now has more capacity to influence a logger’s on-the-ground actions in a place like Kalimantan than the government in Jakarta. Retailers wield a big stick: no logger or timber processor in the commodity chain wants to suffer the consequence of being ‘switched’ with another supplier (which, in most cases, is relatively easy for retailers because switching costs tend to be low and alternative suppliers relatively easy to find). On the other hand, a state like Indonesia has inconsistent capacity to enforce state regulations, as politicians and military officers protect timber operators and as enforcement officers take bribes.

So far the costs to the planet of the rising power of big retailers far outweigh the benefits. Nevertheless, in some instances private authority within a retailer’s commodity chain is acting as an alternative global governance mechanism to enhance sustainability rules in ways that are complementing state mechanisms – and on occasion these corporations are even going beyond the state (what some call ‘private environmental governance’).⁵ Here, examples are emerging of big box retailers acting as responsible chain leaders, setting specifications for offshore suppliers that go beyond technical aspects to include social and environmental requirements. Without any obligation under a domestic law or an international treaty, for example, in February 2010 Wal-Mart announced a plan to reduce its global carbon footprint by 150 percent over the next five years (20 million metric tons) – 90 percent of which will come from requiring changes in the practices of its more than 100,000 suppliers.⁶ As well, recognising that the consumption of imported

5. Robert Falkner, ‘Private Environmental Governance and International Relations: Exploring the Links’, in *Global Environmental Governance for the Twenty-First Century: Theoretical Approaches and Normative Considerations*, eds David Humphreys, Matthew Paterson and Lloyd Pettiford, special issue of *Global Environmental Politics* 3, no. 2 (2003): 72–87.

6. See the Wal-Mart announcement at: <http://walmartstores.com/Sustainability/9660.aspx>.

goods in developed countries is responsible for significant carbon emissions in developing ones, many of the big retailers have voluntarily signed on to the London-based Forest Footprint Disclosure Project to identify and reduce the deforestation-related climate change impacts of their global commodity chain purchases.⁷

Independent of state-based multilateral processes, the agenda-setting and rule-making authority of big retailers is gaining global legitimacy within these corporate networks as internal compliance (and private contracts) diffuses among timber suppliers, including among the many Third World timber firms that are now 'going global' and integrating into a global commodity chain. This trend towards control within commodity chains concentrating among retailers, in turn, is enhancing the power of big box retailers to sway consumers.

To investigate the shifting instrumental, structural and discursive power of retailers, we take an approach that we think would be a particularly productive tack for future scholars looking for innovative ways to bring the firm back into IR: first unpacking the power dynamics *within* global commodity chains, then building on this to analyse the political, social and environmental consequences for global change and interstate and transnational governance. Such an approach helps to reveal the changing capacity of corporations to act not only as leaders and resisters within domestic and international mechanisms, but also as political actors within globalising commodity chains that extend beyond borders and state rules.

IR and Global Commodity Chains

Studying commodity chains has a long tradition in IR, going back to the 1970s and world systems theory.⁸ But IR research flowing out of world systems theory never did probe deeply into the power dynamics within these chains. Instead, it tended to assume away the politics here, focusing on economic interdependencies across geographic regions. This stream of research, moreover, did not gain a significant following, and by the early 1990s it was certainly on the periphery of IR, if not in the dustbin. By then theoretical debates were shifting instead to questions of sovereignty, state retreat and 'the control gap' within the globalising world economic order.⁹ Strange argued that, 'where states were once masters of markets, now it is markets which, on many crucial issues, are the

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7. See www.forestdisclosure.com; and Steven J. Davis and Ken Caldeira, 'Consumption-based Accounting of CO₂ Emissions', *Proceedings of the National Academy of Science*, published online before print, 8 March 2010.
 8. In IR, Hopkins and Wallerstein were the first to use the concept of 'commodity chain' in this way. See Terence Hopkins and Immanuel Wallerstein, 'Patterns of Development of the Modern World-System', *Review* 1, no. 2 (1977): 111–45; Terence Hopkins and Immanuel Wallerstein, 'Commodity Chains in the World Economy Prior to 1800', *Review* 10, no. 1 (1986): 157–70.
 9. For example, see James Rosenau and Ernst-Otto Czempiel, eds, *Governance without Government: Order and Change in World Politics* (Cambridge: Cambridge University Press, 1992); Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996); Linda Weiss, *The Myth of the Powerless State* (Ithaca, NY: Cornell University Press, 1998); and, more recently, Georg Sørensen, *The Transformation of the State: Beyond the Myth of Retreat* (New York: Palgrave Macmillan, 2004).

masters over the governments of states'.¹⁰ Others such as Weiss challenged this, stressing the ongoing sovereign capacity and power of national governments over globalising forces, and highlighting the strong continuing ties of MNCs to their 'national domain of origin' rather than to transnational concerns.¹¹ As the zero-sum IR debate regarding state versus market authority heightened, commodity chains lengthened and strengthened around the globe and business power within these chains shifted and grew – with little political analysis.

At the same time, however, over the last four decades the field of international business has extended considerably our understanding of global commodity chains (and what many in this discipline call global value chains). Business scholars tend to study the governance of value chains in terms of how some firms directly or indirectly influence the organisation of global production, logistics and marketing. The focus has been on analysing aspects such as rent distribution, poverty alleviation and upgrading in developing countries,¹² as well as the shifting transaction dynamics within buyer- versus seller-driven chains. This literature has shed light on how globalisation is changing the organisation and internal dynamics of commodity chains. It provides many insights, too, into how and why power and sourcing practices are shifting among firms within particular chains.¹³ It says far less, however, about the changing *political* power of corporations, both within and beyond chains. Much of this literature also concentrates on specific chains and few analysts extrapolate to try to understand what these changes mean for world politics.¹⁴

Global environmental politics scholars, on the other hand, have started to do just that. Of particular interest is the growing power of corporations to set agendas and create and enforce rules – or, in other words, control (versus just influence) the rules of the game. Within IR, the literature has focused especially on the role of corporate power, authority and legitimacy in shaping global norms, regimes and institutions. This has helped to reveal how industry associations lobby to frame issues, including environmental ones. It has pointed as well to the importance of corporate power within the world economy for determining the form and content of global governing mechanisms. And it has investigated the legitimacy of corporations as political powers within state

10. Strange, *The Retreat of the State*, 4.

11. Weiss, *The Myth of the Powerless State*, 185.

12. *Upgrading* refers to firms acquiring technological capabilities and market ties to enable them to become more competitive and move into higher-value activities.

13. Shankar Ganesan, Morris George, Sandy Jap, Robert W. Palmatier and Barton Weitz, 'Supply Chain Management and Retailer Performance: Emerging Trends, Issues, and Implications for Research and Practice', *Journal of Retailing* 85, no. 1 (2009): 84–94.

14. A major contribution to the stream of business research examining buyer- versus seller-driven commodity chains was Gary Gereffi's chapter, 'The Organization of Buyer-driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks', in a book he edited with Miguel Korzeniewicz, *Commodity Chains and Global Capitalism* (Westport, CT: Praeger, 1994). Other examples from this literature are Gary Gereffi, John Humphrey and Timothy Sturgeon, 'The Governance of Global Value Chains', *Review of International Political Economy* 12, no. 1 (2005): 78–104; Jennifer Bair, 'Global Capitalism and Commodity Chains: Looking Back, Going Forward', *Competition & Change* 9, no. 2 (2005): 153–80; and Jennifer Bair, ed., *Frontiers of Commodity Chain Research* (San Francisco: Stanford University Press, 2009).

and non-state settings, including evolving corporate authority (and conflicts within business) in market- and state-led governance.¹⁵

Recently, as Bernstein et al. and others demonstrate, global environmental politics and global governance scholars are starting to explore more specifically the changing role of firms within globally integrated corporate systems of exchange and partnership, both formal and informal. Importantly, this research – as does ours – is trying to gain new insights into understanding how, and to what extent, emerging global corporate networks are (and can) influence state and interstate governance, not only through market power but also through other forms of power. Here, Fuchs' 2005 article in *Millennium*, which lays out a framework for analysing corporate power in three forms (instrumental, structural and discursive), has provided a nice entry point for others.¹⁶ Using this typology, for example, she partnered with Clapp to edit a trailblazing 2009 book, *Corporate Power in Global Agri-Food Governance*.¹⁷

Briefly recapping this typology is helpful for our analysis (although, space limits only allow us to give the bare bones). Before beginning, we should stress that these three forms of power overlap, interact and enhance each other. For this reason it is difficult, if

15. A few examples are Graeme Auld, Steven Bernstein and Benjamin Cashore, 'The New Corporate Social Responsibility', *Annual Review of Environment and Resources* 33 (November 2008): 413–35; Steven Bernstein, 'Legitimacy in Intergovernmental and Non-state Global Governance', *Review of International Political Economy* (2010 forthcoming); Steven Bernstein and Benjamin Cashore, 'Can Non-state Global Governance Be Legitimate? An Analytical Framework', *Regulation & Governance* 1, no. 4 (2007): 347–71; Peter Newell, 'The Political Economy of Global Environmental Governance', *Review of International Studies* 34, no. 3 (2008): 507–29; Matthew Paterson, 'Global Governance for Sustainable Capitalism? The Political Economy of Global Environmental Governance', in *Governing Sustainability*, eds Neil Adger and Andrew Jordan (Cambridge: Cambridge University Press, 2009); Doris Fuchs, *Business Power in Global Governance* (Boulder, CO: Lynne Rienner, 2007); Robert Falkner, *Business Power and Conflict in International Environmental Politics* (London: Palgrave Macmillan, 2007); Jennifer Clapp, 'Global Environmental Governance for Corporate Responsibility and Accountability', *Global Environmental Politics* 5, no. 3 (2005): 23–34; David Levy and Peter Newell, eds, *The Business of Global Environmental Governance* (Cambridge, MA: MIT Press, 2005); Benjamin Cashore, 'Legitimacy and the Privatization of Environmental Governance: How Non-State Market-Driven (NSMD) Governance Systems Gain Rule-Making Authority', *Governance* 15, no. 4 (2002): 503–29; Leslie Sklair, 'The Transnational Capitalist Class and Global Politics: Deconstructing the Corporate–State Connection', *International Political Science Review* 23, no. 2 (2002): 159–74; Rodney Bruce Hall and Thomas J. Biersteker, *The Emergence of Private Authority in Global Governance* (Cambridge: Cambridge University Press, 2002).
16. Doris Fuchs, 'Commanding Heights? The Strength and Fragility of Business Power in Global Politics', *Millennium: Journal of International Studies* 33, no. 3 (2005): 771–801. Her framework drew on David Levy and Daniel Egan, 'Corporate Political Action in the Global Polity', in *Non-State Actors and Authority in the Global System*, eds Richard Higgott, Geoffrey Underhill and Andreas Bieler (London: Routledge, 2000).
17. Jennifer Clapp and Doris Fuchs, eds, *Corporate Power in Global Agri-Food Governance* (Cambridge, MA: MIT Press, 2009). Here, for an analysis of the growing concentration of retail power – in particular structural and discursive – see chapter 2, Doris Fuchs, Agni Kalfagianni and Maarten Arentsen, 'Retail Power, Private Standards, and Sustainability in the Global Food System', 30–59. Also, see Peter Newell, 'The Marketisation of Global Environmental Governance: Manifestations and Implications', in *The Crisis of Global Environmental Governance: Towards a New Political Economy of Sustainability*, eds Jacob Park, Ken Conca and Matthias Finger (London: Routledge, 2008); Matthew Paterson, *Automobile Politics: Ecology and Cultural Political Economy* (Cambridge: Cambridge University Press, 2007); and Falkner, *Business Power*.

not impossible, to untangle them empirically. Also, as Falkner correctly stresses, it is vital to look at divisions within the business community – and thus within a particular commodity chain – as this is where much of the power politics plays out.¹⁸ These dimensions of corporate power, moreover, interact with power forms within states, institutions and societies. Thus, the description of corporate power as instrumental, structural and discursive should be seen as a useful analytical typology – a conceptual simplification of how corporations wield power to aid in the analysis.¹⁹

Instrumental corporate power occurs when a company directly influences a policy process through a method like lobbying or financing or bribing. Structural corporate power assumes that corporate power is a result not only of direct actions like lobbying and campaign financing, but equally, if not more so, from a company's position within and across states and the world economy. Structural corporate power comes from being able to control what are acceptable alternatives on agendas and as rules and outcomes.

IR theorists such as Cox, Gill and Law have long argued that the capacity of multinationals to relocate investments or reorient trade can provide corporations with considerable structural power over states needing to grow economies and service debts.²⁰ Corporate structural power over states and global institutions, as Clapp and Fuchs stress, is also increasing as corporations develop private and quasi-private sets of rules, such as those of the International Organization for Standardization. States and institutions like the World Trade Organization can further enhance the legitimacy – and thus structural power – of these regimes by endorsing them as 'voluntary regulation' or 'corporate social responsibility' (CSR).²¹

Structural corporate power is not limited, however, to just controlling and limiting the inputs into the political processes of states and international organisations. It occurs within corporate networks too, sometimes to even greater effect, when the market power of retailers like Wal-Mart limit options and establish operating 'rules' for upstream suppliers: thus, establishing the focus and content of the rules of the game for how, when and why these networks are interacting with – and reshaping – the world order. This includes private contracts within global commodity chains. Such agreements among firms can serve a global regulatory function as chain leaders impose performance standards on their offshore suppliers. In theory, anyway, this has the prospect of raising standards in exporting countries that have lower standards than those of the chain

18. Robert Falkner, 'The Troubled Birth of the "Biotech Century": Global Corporate Power and its Limits', in Clapp and Fuchs, *Corporate Power*, 225–51.
19. It is also, of course, possible to define or differentiate forms of power in other ways that capture very similar notions. For example, see Strange's notions of 'structural' power (influence to shape and determine how things get decided) and 'relational' power (control of A to get B to do something). Susan Strange, *States and Markets* (London: Pinter Publishers, 1988).
20. See, for example, Robert Cox, *Production, Power, and World Order* (New York: Columbia University Press); Stephen Gill and David Law, 'Global Hegemony and the Structural Power of Capital', *International Studies Quarterly* 33, no. 4 (1989): 475–99; Stephen Gill and David Law, *The Global Political Economy: Perspectives, Problems, and Policies* (Baltimore, MD: The Johns Hopkins University Press, 1988).
21. Clapp and Fuchs, *Corporate Power*, 9. See also, Steven Bernstein and Erin Hannah, 'Non-state Global Standard Setting and the WTO: Legitimacy and the Need for Regulatory Space', *Journal of International Economic Law* 11, no. 3 (2008): 575–608 for a similar point about the 'productive' and 'institutional' power of the WTO to legitimise and define standards.

leader.²² However, it can also worsen business practices in a race-to-the-bottom to cut corners to meet the retailer's low-price contractual demands.

The last form of corporate power is discursive, which arises from framing language, ideas and values. This takes the analysis of power one step further, assuming it not only arises from the pursuit of interests, but also by setting or constructing interests. This form of power is more indirect, although often no less (and sometimes more) effective, as it constitutes and precedes the articulation and formation of political interests. It occurs as corporations frame issues for international negotiations or state legislative debates: from language like 'eco-efficiency' to ideas like the 'effectiveness of voluntary compliance'. Yet, as with structural power, discursive power is not only crucial for socialising policymakers and constructing political legitimacy; it is equally vital within corporate networks, framing the interactions of producers and consumers.

Big box retailers like Wal-Mart, for example, use corporate mottos to frame a corporate strategy of cheap mass production and high sales.²³ Critical is the creation of the perception of increasing value in mass-produced lower-quality bargain products.²⁴ Lately, Wal-Mart has been communicating its business strategy as 'democratising sustainability': that is, creating safer and healthier communities by making affordable green products available to the masses, and not just to wealthy urban shoppers. 'What's good for Wal-Mart', so goes one popular slogan, 'is good for people and the planet'. As we show next, however, such discourse, although a core source of growing power, does not come close to capturing the complexity of the consequences of big retail on the 'lungs' of the planet: the world's forests.

Global Commodity Chains and the World's Forests

International trade in timber and food grown on deforested land has been occurring for centuries. But globally integrated networks of production, trade and marketing are more recent, with most analysts pointing to the 1950s as the beginning. Since then the globalisation of the timber industry has put great stress on the sustainability of the world's forests, with tropical forests under the greatest pressures. Even now, after decades of state discussions, concerted NGO campaigns and considerable international financing, tropical forests are continuing to disappear at a rate of 13 million hectares per year, with intact, old-growth ones on track to be largely gone within 100 years.²⁵

Until the 1950s, northern timber companies gained competitive advantages mainly by accessing local trees and improving wood processing and pulping techniques. Innovation

22. Michael P. Vandenbergh, 'The New Wal-Mart Effect: The Role of Private Contracting in Global Governance', *UCLA Law Review* 54 (2007): 913–70.

23. The use of instrumental power, on the other hand, is more common among Third World logging companies and processors back up the commodity chain: these firms, in effect, can become 'buyer-agents' to exercise instrumental power on behalf of retailers.

24. See Michael Moesgaard Andersen and Flemming Poulsen, *Discount Business Strategy: How the New Market Leaders Are Redefining Business Strategy* (Chichester: John Wiley & Sons, 2006).

25. Food and Agriculture Organization (FAO), *Global Forest Resources Assessment 2005: Progress Towards Sustainable Forest Management* (Rome: FAO, 2005), 19; Gerald Urquhart et al., "Tropical Deforestation," 2001, Reference for Earth Observatory NASA website at <http://earthobservatory.nasa.gov>.

and local fibre certainly remained important after 1950. Yet, as the industry matured, local timber supplies dwindled, and the global economy began its accelerated growth, the two crucial factors for business success became the scale and scope of operations, leading to corporate mergers, acquisitions and overseas expansions.²⁶

Today, corporate power is more multi-centric (through networks) and multidimensional, involving structural and discursive power that goes well beyond just market control. While the traditional forest and paper MNCs from Europe, North America and Japan still dominate many markets, their corporate control increasingly flows through more widely dispersed commodity chains. These chains thread through every emerging economy – including Brazil, Russia, Indonesia, India and China – as well as every developing region. Many of the chains, particularly for finished consumer goods, are buyer-driven from the North, with power concentrating more and more among giant warehouse and discount retail chains.

Wal-Mart is in the lead here. The world's largest company, it now employs 2.2 million people in over 8400 stores.²⁷ To achieve annual sales of US\$400bn and to serve over 200 million shoppers every week, Wal-Mart now relies on more than 100,000 suppliers (with over 10,000 in China alone).²⁸ Through its global commodity chains, it is shaping the production, trade and consumption of a vast range of products, from T-shirts sewn in Bangladesh to salmon bred in Chile to TVs assembled in Taiwan to 'flat-pack' furniture made in Vietnam. If Wal-Mart were a national economy it would rank as China's sixth biggest export market.²⁹ The phrase 'the Wal-Mart effect' has entered popular language to describe the transforming effect of the big box corporations on consumers, producers, communities and countries.³⁰

Giant retailers like Wal-Mart are steadily gaining both structural and discursive power within these commodity chains. Economies of scale, lean retailing strategies and bargain-hunting in developing countries are allowing them to keep costs low, out-price smaller retailers and expand. Every day thousands of wood products now trade back-and-forth from South to North and North to South, travelling vast distances across oceans and sometimes crossing the same border several times. Increasingly, the big retailers are controlling the location of production, and the purchasing and distribution of finished timber products as well as food grown on deforested land. Along the way they are pushing local retailers unable, or unwilling, to join the commodity chain into niche markets or out of business. As retail chain MNCs grow and consolidate, their purchase volumes alone give them great influence over their producers and suppliers, as suppliers do not want to risk losing a big

26. Juha-Antti Lamberg, Juha Näsi, Jari Ojala and Pasi Sajasalo, eds, *The Evolution of Competitive Strategies in Global Forestry Industries: Comparative Perspectives* (Dordrecht, The Netherlands: Springer, 2006). It is of note that post-1950 industry and economic expansion mirrors the sharp rise in global greenhouse gas (GHG) carbon dioxide emissions. For analysis of the historic rise in GHG emissions, see Nicholas Stern, *The Economics of Climate Change: The Stern Review* (Cambridge: Cambridge University Press, 2007).
27. Wal-Mart operates in 15 countries under different banners and corporate subsidiaries. For example, in the United Kingdom, Wal-Mart operates through its wholly owned division, ASDA – the UK's second largest supermarket retail chain (behind Tesco).
28. See Wal-Mart *Corporate Fact Sheets* at: <http://walmartstores.com/pressroom/FactSheets>.
29. Steven Mufson, 'In China, Wal-Mart Presses Suppliers on Labor, Environmental Standards', *Washington Post*, 28 February 2010.
30. Charles Fishman, *The Wal-Mart Effect* (New York: Penguin Books, 2006).

share of business.³¹ Such market control allows companies like Wal-Mart to push risk back up the commodity chain. Just-in-time delivery of product inventory to a big retailer is commonly a supplier responsibility, for example, and if they fail to deliver, they can lose their contract.

We do not want to exaggerate the power of big retail within these chains. Significant control over global log production still rests within northern states with sweeping natural forests, such as Canada, Finland, Sweden and the United States. Also, big northern timber companies – ones like America's International Paper and Kimberly-Clark, Sweden's SCA and Finland's/Sweden's Stora Enso – still retain considerable power within the global timber industry. They operate and invest in many large sites and manufacturing facilities around the world; directly supply the large publishing, commercial shipping and construction sectors; and increasingly brand their higher value forest and paper consumer products. Even during the global downturn of 2008 total sales for International Paper reached nearly US\$25bn while sales for Kimberley-Clark were over US\$19bn.³² Not surprisingly, these companies, in ways similar to big retailers, can also function as chain leaders, pressing suppliers and customers into working, at least in part, to support the bigger company's interests.³³ Yet northern MNC control is also diffusing as competitive advantages shift to the South and as more and more goods flow through narrowing market channels controlled by the big retail firms.

The growing global market leadership of major Third World timber firms, such as Fibria in Brazil and Shandong Chenming Paper in China, is also shifting corporate power within the traditionally northern dominated global timber industry. As globalisation increasingly integrates the global South into the world economy, over the last few decades the highly managed forests and plantations of the First World have been relatively declining as a source of logs while production from natural forests and fast-growing plantations of Asia, Africa and Latin America has been increasing. As a result many small- and medium-sized Third World firms – as well as the emerging Third World multinationals – are now part of timber commodity chains moving everything from paper to flooring to furniture to their growing domestic markets as well as to big box retailers like Wal-Mart, IKEA, Staples and The Home Depot.

Asian timber companies in particular are increasingly being 'born global': that is, from start-up, they integrate into existing commodity chains linked to high-end markets in North America, Japan and Europe.³⁴ Others – such as Klabin and Suzano in Brazil, Arauco, CMPC and Masisa in Chile, Yuen Foong Yu Paper and Cheng Loong in Taiwan, and Ballarpur Industries in India – are being 'born-again global': meaning, they have been around in a domestic market for a long time, but suddenly undertake

31. For example, the largest household and consumer product manufacturing company in the world, Procter & Gamble, relies on Wal-Mart for 15 percent of its annual sales revenue. See Procter & Gamble (P&G), *Annual Report* (Cincinnati, OH: Procter & Gamble, 2009), 70.

32. PricewaterhouseCoopers (PwC), *Global Forest, Paper & Packaging Industry Survey* (Vancouver, BC: PricewaterhouseCoopers LLP, 2009).

33. The characteristics of particular commodity chains vary by product, region and corporate arrangements. Variations also arise over short periods of time as companies, at least compared to states, are highly dynamic and fluid actors: a fact that in part explains why IR theory for MNCs is relatively underdeveloped.

34. For an overview of the 'born global' trend see, for example, S. Tamer Cavusgil and Gary Knight, *Born Global Firms: A New International Enterprise* (Williston, VT: Business Expert Press, 2009).

rapid internationalisation as part of integrating into a global commodity chain.³⁵ Doing so, they tend to aim for complementary rather than competitive partnerships with the established northern multinationals so as to leverage technology and gain access to higher-value markets. One result is that, unlike the past trajectories of most northern timber firms, those going global today are often growing much faster.

The rise of China over the last decade has been particularly remarkable.³⁶ China is now the world's second biggest wooden furniture maker and supplies over half of total US imports (by value). Since 1990, China has accounted for 50 percent of the world's increase in paper production and is now the world's second largest paper producer. To feed its giant lumber and paper factories, China's timber imports quadrupled in the decade following the country's 1998 ban on logging in its natural forests. Today, half of the world's traded timber lands in China. Much of this enters illegally. Analysts estimate that somewhere between 30–80 percent of total timber imports is now illegal, coming in from countries like Russia, Indonesia, Burma and Papua New Guinea.³⁷

Partnering with Chinese firms has become vital in the struggle for a share of world timber profits. Now welcomed by the Chinese government for the investment, employment and technology gains, the world's biggest multinational forest companies have all integrated low-cost Chinese mills and factories into their commodity chains. Networks of Chinese firms and multinational investors and retailers have formed around timber suppliers in low-cost regions (e.g. Russia and Southeast Asia); around manufacturers within China's fragmented wood sector; and around buyers in large, increasingly concentrated northern consumer markets. Integration into these commodity chains – along with competitive advantages from easy access to cheap labour and wood fibre and privileged positioning within rapidly expanding domestic markets – is allowing some companies to grow remarkably fast, and even remain profitable during bad economic times, such as the 2007–9 downturn.³⁸

For decades now, Third World states – to diversify local economies and create jobs – have also been supporting domestic timber processing with subsidies, tariffs and log export bans. This state support, along with more recent integration into global commodity chains, is further enhancing the capacity of Third World timber processors – such as furniture and paper makers in China – to challenge the historic dominance of northern timber MNCs. Unlike in the past, however, the emerging Third World timber firms depend on exports – not just in terms of intra-regional trade but also inter-regional global trade across continents to higher value northern markets. Concentrating discount market

35. For an explanation of the 'born-again global' phenomenon see Jim Bell, Rod McNaughton and Stephen Young, 'Born-again Global Firms: An Extension to the "Born Global" Phenomenon', *Journal of International Management* 7, no. 3 (2001): 173–89.

36. For the following statistics on Chinese production and trade, see the Food and Agriculture Organization's FAOSTAT database at: <http://faostat.fao.org/site/630/default.aspx>.

37. For a database of reports and statistics, see the Chatham House illegal logging website: <http://www.illegal-logging.info>.

38. For example, following a decline in 2008, the stock performance of China's (Hong Kong-based) two largest paper packaging companies, Nine Dragons Paper and Lee & Man Paper, rebounded back 398 percent and 393 percent respectively in 2009. This compares to poor financial performances and resiliency over this time by the traditional northern timber firms, such as American-owned Pope & Talbot Company that went bankrupt in 2008 after 160 years in operation.

channels for consumer goods leave these emerging firms more vulnerable to pressures from big retailers.³⁹ The shifting instrumental, structural and discursive power dynamics within these globalising commodity chains, as we explore next, are creating great difficulties – but also some new possibilities – for global forest governance.

Global Forest Governance

One big effect of these power shifts is to contribute further to unsustainable and wasteful consumption of timber, where the Third World is mined to serve bargain-hunting First World customers. The global South is now not only exporting huge quantities of furniture, lumber, flooring and paper to the First World, but is also making much of the world's packaging and shipping materials, from cereal boxes to cargo crates. By value, paper and paperboard account for half of the world's total timber production; half of all of this goes into packaging.

A rising world population, high consumptive demand in developed countries and increasing per capita rates of consumption in emerging economies are reinforcing the decline of the natural capital of the global South, as well as providing strong incentives for big box retailers to expand southern markets.⁴⁰ Growing affluence within these populations will further reinforce pressures and incentives to consume more timber. China will play a lead role here. 'Stoking Chinese private consumption' is now at the top of the global agenda, as policymakers everywhere express deep concerns over the potential harm to the world economy of an export-dependent Chinese economy with 'anaemic' growth rates for domestic consumption.⁴¹

The costs from the rising consumption of tropical timber, moreover, involve far more than just the cost of harvesting, transporting, processing, using, disposing and recycling of wood fibre.⁴² Tropical deforestation is the biggest cause of global biodiversity loss and contributes up to one-fifth of all human-induced carbon dioxide emissions – more than the global transport system.⁴³ Growing food on deforested tropical land is also driving up overconsumption of certain products: notably, palm oil from Southeast Asia (used in

39. For a full analysis and explanation of global commodity chains for timber, see Peter Dauvergne and Jane Lister, *Timber* (Cambridge: Polity Press, forthcoming).

40. During the second half of the 20th century the global population grew more than it had in the preceding four million years. Today it stands at 6.8 billion and rising, and is now on track to exceed 9 billion by the middle of this century. Over 95 percent of this increase will occur in developing countries like Indonesia, India and China: ones already at the core of rising timber consumption.

41. China is now aiming to increase private spending from 38 percent to 50 percent of Gross Domestic Product (GDP) by 2025.

42. Removal of trees through a process companies call 'selective logging', for example, commonly ignites a process of permanent deforestation in the tropics, with agricultural companies burning down degraded forests to make way for plantations and cattle ranches.

43. Calculations vary somewhat, with many analysts settling on the 20 percent estimate (including the Intergovernmental Panel on Climate Change and the 2006 *Stern Review of the Economics of Climate Change*). One recent study, however, challenged these previous estimates and put the figure at just 12 percent (with an additional 3 percent from tropical peatlands). See G.R. van der Werf, D.C. Morton, R.S. DeFries, J.G.J. Olivier, P.S. Kasibhatla, R.B. Jackson, G.J. Collatz and J.T. Randerson, 'CO₂ Emissions from Forest Loss', *Nature Geoscience* 2 (November 2009): 737–8.

everything from fast-food cooking oil to fuel for diesel engines to cosmetics), soy (used for animal feed and processed-food filler) and Brazilian beef and leather products (Brazil is now the world's largest beef exporter by volume).

While generating short-term profits, the net effect of globalising timber commodity chains is a shift of long-term ecological and social costs resulting from high consumption in the First World into fragile environments and onto poor peoples and future generations: what can be imagined metaphorically as the 'shadows of consumption'.⁴⁴ Statistically, this can be seen in the ongoing annual loss of millions of hectares of natural forests in tropical countries compared to stable or increasing temperate forests across Europe and North America. Globalising commodity chains in particular are shifting pressures upstream to suppliers, processors and loggers. Rather than competing strictly on quality or design, these smaller firms strive to lower costs in order to meet the chain leader's price requirements. Any firm unable – or unwilling – to do so risks losing its toehold in the commodity chain. The costs for a big retailer of replacing a supplier tend to be very low because of their enormous purchasing power – thus, suppliers tend to court them rather than the other way around.⁴⁵

Pressure to keep costs low encourage Third World timber producers to cut corners – to log destructively, smuggle out logs from parks and legal concessions, evade taxes and fees, underpay workers, and manufacture products from illegal timber. State policies to license logging and collect revenues reinforce these harmful practices as they do little to internalise the environmental and social costs into timber prices. Further, advice and loans from international development organisations like the World Bank often support these state policies and strategies.⁴⁶ The globalisation of timber commodity chains within an expanding discount-driven world economy, then, is revving a global capitalist engine that undervalues natural capital to subsidise rising and wasteful consumption of cheap goods. Because this relies on shipping goods thousands of kilometres with little regard for rising energy costs or greenhouse gas emissions, an increasing number of analysts are now forecasting an inevitable 'end to cheap'.⁴⁷

However, in the interim, globalising commodity chains do seem to be opening up new possibilities for stronger and more innovative private governance of forests.⁴⁸

44. Peter Dauvergne, *The Shadows of Consumption: Consequences for the Global Environment* (Cambridge, MA: MIT Press, 2008); Peter Dauvergne, *Shadows in the Forest: Japan and the Politics of Timber in Southeast Asia* (Cambridge, MA: MIT Press, 1997).

45. For example, manufacturing companies like Procter & Gamble have offices near Wal-Mart's head office in Bentonville, Alabama, with teams as large as 250 people to manage their supply chain relationship with the giant retailer.

46. Peter Dauvergne, *Loggers and Degradation in the Asia-Pacific: Corporations and Environmental Management* (Cambridge: Cambridge University Press, 2001); Michael L. Ross, *Timber Booms and Institutional Breakdown in Southeast Asia* (Cambridge: Cambridge University Press, 2001).

47. See Gordon Laird, *The Price of a Bargain: The Quest for Cheap and the Death of Globalization* (Toronto: McClelland & Stewart, 2009); and Ellen Ruppel Shell, *Cheap: The High Cost of Discount Culture* (New York: Penguin Press, 2009).

48. Many other IR scholars have done excellent work on global forest governance. Our article focuses solely on exploring some of the ways research on global commodity chains could enhance this literature. We do not have the space to analyse other aspects of global forest governance. Particularly valuable books for those wanting to understand these include: Lars H. Gulbrandsen, *Transnational Environmental Governance: The Origins and Effects of the Certification of Forests and Fisheries* (Cheltenham: Edward Elgar, 2010); David Humphreys, *Logjam: Deforestation and the Crisis of Global Governance* (London:

In particular, the increasing power of global retail chains may provide new channels for environmentalists – from those in states, MNCs and NGOs – to direct and shape business practices in states with little capacity or political will to enforce regulations. Big retail can act as a political power and enforce its standards (whether higher or lower) by threatening to replace non-compliers with compliers. Here, big retail increasingly has the structural and discursive power – and thus the ‘corporate authority’ – to function as a chain leader. This can, in ideal circumstances anyway, shift higher standards upstream, even in emerging economies with relatively high government capacity, such as China. Benny Fung, managing director of Lutex, a Hong Kong-based health and beauty company, claims this is already starting to occur in the case of Wal-Mart: ‘We heard that in the future, to become a Wal-Mart supplier, you have to be an environmentally friendly company. So we switched some of our products and the way we produced them’.⁴⁹ Monitoring compliance is a significant practical barrier – and flying (with advance notice) a handful of inspectors to tour the factories of suppliers, as IKEA and others are doing in China, is certainly insufficient. But, a retailer truly committed to demonstrating the sustainability of its products and supply chain will nevertheless likely be able to garner much higher compliance than a government regulator in a weak state because the potential penalty for a supplier is so much greater: loss of access to a high-end market.

To some extent the BRIC economies of Brazil, Russia, India and China are beginning to realise the potential to leverage the structural power of the big retailers not just for jobs, technology and investments, but also for raising domestic environmental and social standards. One example is the 2008 memorandum of understanding that the Chinese government (Ministry of Science and Technology) and Wal-Mart signed to raise environmental targets and make Wal-Mart a supply chain sustainability leader in China. That same year Wal-Mart also agreed, under pressure from the government-controlled All-China Federation of Trade Unions (ACFTU) (and out of a desire to maintain access to the Chinese market), to allow its employees in China to unionise – the only jurisdiction in the world where Wal-Mart has permitted this.

Conclusion

The growing power of retailers suggests a potential for eco-consumerism to play a much bigger future role in global environmental governance. The driving force behind eco-consumerism, as some analysts now seem to assume, cannot come primarily from a greening of household consumption or individual consumer choices. These are certainly important. And no doubt movements to buy ‘Fair Trade’ or ‘eco-friendly’ are serving a market-signalling role to influence corporate decisions. Nonetheless, as a force of change in IR, consumers are too different across cultures – and too influenced by factors such as

Earthscan, 2005); Radoslav Dimitrov, *Science and International Environmental Policy: Regimes and Nonregimes in Global Governance* (Lanham, MD: Rowman & Littlefield, 2005); Philipp Pattberg, *Private Institutions and Global Governance* (London: Edward Elgar, 2007); and Benjamin Cashore, Graeme Auld and Deanna Newsom, *Governing through Markets: Forest Certification and the Emergence of Non-state Authority* (New Haven, CT: Yale University Press, 2004).

49. Quoted in Steven Mufson, ‘In China, Wal-Mart Presses Suppliers on Labor, Environmental Standards’, *Washington Post*, 28 February 2010.

availability, bargains and advertising – to be the *primary* driver behind eco-consumption globally. Instead, the prospects for the success or failure of eco-consumerism are more institutional, residing with governments but also increasingly with big retail: a logic and power that the process of globalisation is increasing. Given such trends Strange's call two decades ago to put international business at the centre of IR seems even more pressing.

Our exploratory effort to bring commodity chains back into IR suggests, too, some intriguing consequences for theory. It lends weight to the argument that the power of private and market-led governance to enhance corporate accountability and environmental management is increasing. As Bernstein et al. stress, too, state capacity to govern global environmental problems is limited. Although states are not necessarily in retreat and losing power to global economic forces, they alone do not seem to wield enough political power over globalising commodity chains to alter how these are presently driving unsustainable production and consumption. These commodity chains involve hundreds of thousands of firms operating from one end of the planet to the other. One state alone could never regulate the associated social and environmental costs. And international law is simply too soft in its legal and financial consequences to alter these chains fundamentally. The move towards processing more of the world's natural resources within weak states would seem to make the task for states and international law almost insurmountable: a finding that, for an issue like climate change, reinforces the message in Bernstein et al. that global governance efforts will need to go well beyond the kinds of state-centred negotiations that occurred in Copenhagen in 2009. It further suggests, however, that efforts will also need to go beyond transnational environmental processes such as carbon markets to engage and integrate the rules, norms and politics of corporate governance itself.

Retailers, as we show, wield great structural power within globalising consumer product commodity chains, providing them with the *potential* to act like the coercive world authority some environmentalists have long imagined is necessary to protect the global environment. They also exercise considerable discursive power, both within corporate chains as well as within broader public debates. Discursive power through concepts like CSR and certification in turn enhances their structural power, creating strong incentives for these firms to try to capture the rules and processes around eco-consumerism.⁵⁰

In addition, retailers like Wal-Mart have a capacity to implement policies across product chains, in many ways more flexibly and creatively than is possible under state regulation or an international agreement, thus giving them more capacity to capture the fluid nature of how consumption can cause environmental change. In a positive way, for the process driving tropical deforestation, for example, a company like Wal-Mart can use the same CSR policy to influence its suppliers for everything from timber to beef to cosmetics. For problems like deforestation or climate change, this suggests a need to bring the big box retailers front-and-centre into interstate negotiations and transnational governance practices – not necessarily to 're-embed' them within the state as some IR scholars who see the issue more as zero-sum advocate, but rather to guide their sustainability initiatives

50. We see a similar pattern around concepts like 'safe foods' and 'green foods'. See Steffanie Scott, Peter Vandergeest and Mary Young, 'Certification Standards and the Governance of Green Foods in Southeast Asia', in Clapp and Fuchs, *Corporate Power*.

and leverage their structural power to raise standards among suppliers.⁵¹ Similar to Bernstein et al.'s case regarding the critical future role of multilateral institutions for coordinating carbon markets, state engagement with privately led commodity chain initiatives is becoming increasingly imperative as a means to ensure effective global environmental governance.

Yet, as our analysis reveals too, attempting to leverage the structural and discursive power of big retailers is a double-edged sword for governing a problem like climate change. The corporate logic that is allowing mega-retailers to make so much money within a globalising world discount economy – and thus gain so much power within global commodity chains – is the same one causing firms all along the commodity chain to cut costs no matter what the social or environmental consequences. As a result, for most companies destructive production and wasteful consumption equals profits, while for all governments it equals economic growth. Overcoming this logic will require a new business model for the big retailers. Some retailers are now developing ideas like chain of custody certification, carbon accounting, life-cycle assessments and carbon-labelling for consumer products.⁵² But, even together, these are still a far cry from a new business model, and the actions of big retail as a whole are still depleting the world's natural capital to sustain rising rates of unsustainable consumption.

As a final caution, we should reiterate that the growing structural and discursive power of big box retailers *is not* yet translating into better environmental practices on the ground. Although now committed to a 'green discourse', so far, in practice, the IKEAs, Home Depots, Staples and Wal-Marts of the world are instead concentrating on getting suppliers to comply with a very different set of rules: ones for low-cost design specifications to achieve large and cheap volume targets. The result of their global bargain shopping to date is not better – but worse – global environmental management, not just of forests but also of the land deforested to feed the world's growing hunger for fast-food, processed food and beef.

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51. The need to engage the powerful retailers is true, too, for the current Marrakech process – an attempt to draft a 10-year framework on 'sustainable production and consumption' for the 2011 session of the UN Commission on Sustainable Development. For background on the Marrakech process, see the United Nations website at <http://esa.un.org/marrakechprocess>.

52. For example, Wal-Mart has established global multistakeholder 'value networks' made up of government agencies, non-profits, employees and suppliers to 'green' its supply chain. As well, it has launched a global sustainability consortium that includes academic research institutes as well as public and private sector practitioners to 'build a scientific foundation that drives innovation to improve consumer product sustainability'. See <http://sustainabilityconsortium.org>.