



Moving beyond commitments: creating durable change through the implementation of Asia Pulp and Paper's forest conservation policy



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ABSTRACT

Campaigns by non-governmental organizations (NGOs) pressuring companies to adopt sustainability standards have caught academic interest in recent years. Critics of this approach toward increasing biodiversity protection and social justice argue that campaign successes are often short-lived while proponents emphasize the potential of NGO campaigns to achieve positive environmental and social change in the absence of governmental legislation. Focusing on the recent forest conservation policy of Asia Pulp and Paper (APP), a leading pulp and paper company operating in Southeast Asia, we analyze the challenges companies face in implementing sustainability commitments made as a result of NGO and market pressure. Drawing from research on policy implementation and corporate greening we identify key activities to help entrench APP's commitments in the company's operations. Furthermore, we suggest that a range of actions by different stakeholder groups can achieve broader effects of APP's commitments toward better environmental and social stewardship in the region's pulp and paper sector.

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1. Introduction

Pressure on the forests of Southeast Asia has recently been growing driven in part by conversion of forestlands to oil palm production. Rather than turning to governments alone to mitigate this pressure, environmental and social justice groups have turned to the market place for leverage. We explore this rise of market place activism – and specifically corporate campaigns – by examining one recent, and highly publicized, campaign against Asia Pulp and Paper (APP), a large paper company with operations in Indonesia and China.

For over a decade, groups have targeted APP claiming that its practices negatively affect Indonesian forests, communities, and the global climate. The targeting culminated in a set of international market campaigns with Greenpeace playing a lead role in pressuring APP's buyers and financial backers to cancel contracts and push the company to change its practices. APP has since announced a series of new commitments mostly contained in its Forest Conservation Policy (FCP), effective February 1st 2013. These

commitments include ending all clearing of natural forests, adhering to best practices on peatlands, and guaranteeing the free, prior, and informed consent (FPIC) of local communities.² APP intends to apply these commitments to all operators that supply its pulp and paper mills, and it has adopted specific measures to ensure compliance. In particular, APP commissioned the environmental charity, The Forest Trust (TFT, formerly the Tropical Forest Trust), to monitor implementation, and it welcomes further third party monitoring by NGOs.

Many social science disciplines have taken an interest in corporate campaigns and the corporate environmental and social policy commitments they have spurred. Sociologists have begun to conceptualize markets, industries, and corporations as opportunity structures (Soule, 2009) akin to the structures of political systems observed to influence the character and outcomes of social movement strategies (for review, see Meyer, 2004). For business management scholars, corporate campaigns represent a particular form of institutional and stakeholder pressure that requires analysis to understand how it affects corporate decision-making (Doh and Guay, 2006). Political scientists, for their part, have been interested

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² An internationally recognized principle, FPIC prescribes the full participation of indigenous peoples and local communities in decision-making processes for initiatives such as development projects or industrial resource extraction (The Forest Dialogue, 2010).

in how corporate campaigns are emblematic of the rise of non-state power and authority in world politics (Sasser et al., 2006).

Across this research, a common question is whether these campaigns translate into change within and beyond a given company. Skepticism about their longer-term efficacy is fueled by commitments that have been hard to meet in practice (Cashore et al., 2007; Devlin and Tubino, 2012). To contribute to this area of research, we examine the challenges APP faces in implementing its commitment and what strategies NGOs, the Indonesian Government, and the company can adopt to better ensure success. APP is a “hard case” (see McKeown, 1999) given the just-mentioned difficulty companies have translating commitments into practice and because APP has an extant reputation for leaving claims unfilled. Hence, examining APP allows us to trace the transition from campaign to commitment to implementation, with the aim of identifying likely challenges and proposing means to overcome them. Half of the analysis, therefore, is an *ex ante* exercise that reasons forward (see Bernstein et al., 2000) how APP and other actors can achieve success, using the company's own commitments and broader concerns about Indonesian forests as normative benchmarks.³

The analysis draws from 15 years of research on NGO campaigns in the global forest sector, including key informant interviews; adding to this, we reviewed primary and secondary documents from APP, NGOs, and the media. We assess the case using an analytic framework built from work both in policy studies focused on implementation and business management and organizational behavior research focused on when, why, and how corporations respond to pressures to improve the environmental and social responsibility of their operations.

The analysis discusses the roles of APP and TFT, other NGOs, and the Indonesian Government in creating enabling conditions for the holistic implementation of the company's commitments. We detail how clear indicators to measure progress, capacity building, and education for APP workers and those across the value chain, and extensive involvement of stakeholders are important for effective policy implementation. Transparency and proactive information sharing also emerge as critical for APP as it attempts to regain NGO and market acceptance. Finally, we assess how complementary processes have the potential to entrench APP's FCP and, in its wake, also potentially improve the environmental and social performance of the entire Indonesian pulp and paper sector. NGOs, certification, the Indonesian Government, and other pulp and paper producers are vital for facilitating a greater shift of markets and Government policies.

The remainder of the analysis proceeds in four parts. First, we outline the pressures on tropical forests and Indonesian forests; we also provide a synopsis of the APP case, with a focus on the recent campaign and APP's policy announcement. Second, we introduce our analytic framework; third, we apply it to the case. Finally, we close the paper with strategic insights for corporate greening and NGO corporate campaigns.

2. Forest degradation, corporate campaigns, and APP

The forests of Southeast Asia have been under pressure for decades (Dauvergne, 2001), and have served as an important contributor to economic growth in Indonesia and the region (Naidoo, 2004). At the same time, research on Indonesia documents the role of public policies (e.g., subsidies) and other pressures, including the timber industry (Gillis, 1998; Rudel, 2005), as drivers

of forest loss and degradation and biodiversity losses (Curran et al., 2004). Recent studies clarify the links between forest losses and rising agricultural production, most significantly palm oil; all of this forest loss has important consequences for climate change (Carlson et al., 2012; Koh et al., 2011).

It is within this context that APP – a prominent company operating in Indonesia and China – became the focal point of an international market campaign. APP was founded in the early 1980s under the Indonesian Sinar Mas Group (SMG). With around 2.6 million hectares of logging concessions in Sumatra and Kalimantan (APP, 2007), the company's total pulp production capacity in Sumatra, APP's main area of operation, surpassed 2.7 million tons per year by 2010 (Eyes on the Forest, 2011). Headquartered in Indonesia, the company markets various products to over one hundred countries (APP, 2012c). While APP is vertically integrated with several subsidiaries, the company relies on ‘independent suppliers’ for around half its fiber supply (RAN, 2013).

The role of APP, and the forest sector in general, in contributing to the conversion and degradation of Indonesian forests has been controversial. Reports by the Center for International Forestry Research (CIFOR) and Friends of the Earth UK in 2000 (Barr, 2000) and 2001 (Matthew and Gelder, 2001) claimed Indonesia's pulp and paper industry built their businesses upon massive clearing of natural forests, neglect for the rights of rural people, and high levels of illegal logging.

Partly in response to pressures from local and international NGOs, APP has attempted to respond. After financial troubles in 2001, the company committed to more sustainable operations as part of a debt restructuring agreement with some of its international creditors (Eyes on the Forest, 2012). In 2003, it signed a Letter of Intent with WWF-Indonesia to protect high conservation value forests (HCVFs), defined as forests that contain: concentrations of biodiversity values; significant large-landscape forests; rare, threatened, or endangered ecosystems; critical ecosystem services; socio-economic value for local communities; or critical spaces for cultural practices and identities (Jennings et al., 2003). The letter also committed the company to introduce social safeguards and to develop a wood sourcing system to ensure legal wood supply. APP released a *Sustainability Action Plan* to provide a “strategy for the future production of pulp and paper products in a manner that meets international standards of corporate responsibility.” (APP, 2004) After the WWF partnership failed, APP sought independent monitoring through the Rainforest Alliance's Smartwood program. The Rainforest Alliance ended this initiative, purporting that APP had not sufficiently protected HCVFs and had failed to comply with requests to improve its conservation management (Rainforest Alliance, 2007).

Throughout, APP affirmed it had an “open door policy” and that it was engaging with “credible and responsible NGOs.” (APP, 2010) The company's 2007 *Environmental and Social Responsibility Report* stated its commitment to “conservation beyond [legal] compliance” and emphasized the validity of its chain-of-custody wood tracking system (APP, 2007). The report also publicized the company's support for a forest sanctuary for the critically endangered Sumatran tiger; this included a commitment to not log its concessions that overlapped the sanctuary (APP, 2010).

NGOs remained skeptical. Groups noted that the tiger sanctuary only marginally affected the company's operations and that the company had initially sought to prevent its establishment. According to Eyes on the Forest, most of the sanctuary was already protected or managed by other companies and that aerial photographs indicated that APP had failed to protect the small project area within its concessions (Eyes on the Forest, 2011). Responding to public pressure, the Forest Stewardship Council (FSC) disassociated itself from APP in 2007, refusing the certification of any

³ Exploring the normative underpinnings of the indicators we propose or those used by APP is beyond the scope of our analysis.

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