

# The Local Instrumentality of Global Standards: How Mexican Indigenous Communities Use FSC Certification to Foster a Furniture Production Network

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## Introduction

According to common narratives, the North-South dynamics of certification are mainly determined by the decisions of actors rooted in the North, especially standard-setting bodies and the Northern retailers which dominate commodity chain governance. Even certification systems such as organic and Fair Trade, in which Southern stakeholders were initially influential, are said to become increasingly determined by Northern standard-setters and buyers as certification becomes more mainstream. In this chapter, in contrast, I argue that global certification systems affect Southern production in complex ways, with outcomes that are shaped by conjunctural events and the agency actors in specific regions. In Mexico, forest certification helped bring together conservationist and developmentalist organizations in a national network promoting both better forest management and better business management through improved production processes. In the southern Mexican state of Oaxaca, forest certification also created possibilities for network formation. It helped bring together community forest enterprises, NGOs, government agencies, small carpentry workshops, and local consumers in the shared tasks of sound forest management, rural development, and socio-environmentally-preferable consumption. In this case, third party certification governs production by creating a category of “sound forest managers” which helps to enroll disparate actors in a network promoting sound forest management, rural development, and furniture production.

## **Forest certification as governance**

About 8 per cent of the world’s forests had been certified by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification schemes (PEFC), the two major certification systems. A number of minor certification systems covered a few more

million ha of forests. By June 2010, 225 million ha of forests were certified under the PEFC system and 134 million ha under the FSC system, with about 3 million ha certified by both systems. FSC is the main system in the global south. Only Chile has more PEFC certified forests than FSC certified forests and in most Southern countries, PEFC is absent (Oliver and Kraxner 2009: 111-112). Environmental organizations prefer the FSC over the PEFC, which is usually perceived as an industry-led alternative to the more rigorous FSC (Gale 2002; FERN 2004).

Previous analyses have pointed out first, that forest certification governs production directly, through the application of standards, and second, that forest certification is a governance tool used by actors in commodity networks, especially retailers in buyer-driven commodity networks seeking a “hands-off” mechanism for managing their supply chains (Bass et al 2001; Morris and Dunne 2004; Klooster 2005; Klooster 2006; Newsom et al. 2006; Stringer 2006). A third view, that certification creates possibilities for the formation and maintenance of production networks, is more recent.

From the first perspective, forest certification governs production because it standardizes the practices managers apply to their forests. The FSC emerged as an international organization in 1993, with members from forest industries, social groups, and environmental organizations. These stakeholders eventually agreed to ten core principles and 56 criteria that inform FSC management standards, including a growing number of national and regionally-specific interpretations of these principles and criteria (FSC 2002; FSC 2008). Basically, the standards prohibit conversion of forests to other land uses, require that the rights of workers and indigenous peoples be respected, and require the identification and management of culturally important sites, sacred sites, and high conservation value forests. Independent, accredited auditing firms inspect management plans, visit forests, and consult with stakeholders such as forest workers, surrounding communities, and environmental authorities to determine if management upholds the FSC standards. Corrective Action Requests (CARs) specify actions required to demonstrate compliance with the standards. Annual audits monitor compliance with CARs and continued adherence to the FSC’s principles and criteria (see public summaries posted to SmartWood 2009; Newsom et al. 2006; Mutersbaugh and Klooster 2010). Auditors also issue chain of custody (COC) certificates to wood processing firms allowing them to label the products they manufacture from certified wood.

Forest certification standards move producers towards better environmental and social practices. Unfortunately, it is not always clear that certification provides forest managers with benefits commensurate with costs. Although governments, NGOs, and even wood buyers sometimes subsidize certification costs, under the FSC model, forest managers are responsible for the costs of inspections, audits, complying with CARs, and modifying their forest management practices.

In the second perspective, forest certification becomes a governance tool used by actors in a commodity chain, or network. For scholars examining the political economy of production along global commodity chains, governance helps explain coordination in commodity production. Frequently, powerful firms dominate specific stages of production and shape the behaviour of their upstream suppliers and/or downstream retailers. Understanding these governance structures becomes increasingly important as systems of production become globally fragmented and less affected by the regulation of nation-states (Gereffi et al. 2005).

When production processes are conceptualized to include both furniture manufacturers and fashion magazines (Leslie and Reimer 2003), or supermarkets and ethical campaigners (Freidberg 2004), or forest product retailers and environmental campaigners (Klooster 2005), the concept of governance becomes more diffuse. Standards, codes and certification systems increasingly regulate ethical business practice in such networks (Mutersbaugh et al. 2005; Klooster 2006; Hughes et al. 2008, p. 352). Forestry is no exception. Amidst, economic globalization and social movements expressing concerns over deforestation and the rights of forest-dwelling peoples, Forest Stewardship Council certification contributes to reshaping the regulatory context of forestry and creating “new dynamics of international forestry production, trade and investment” (Stringer 2006, p. 703). Environmentalist organizations have frequently pressured influential retailers such as B&Q and Home Depot to carry certified wood products by threatening to associate their brand names with forest destruction (Conroy 2007; Klooster 2005). Eager to protect brand names, retailers required their suppliers to certify. Similarly, the WWF organized big retailers and wood processors to form buyers groups, later called Global Forest and Trade Networks, and these became important sources of demand for certified wood products (Bass et al. 2001; Taylor 2005).

In these cases, certification is an instrument of retailer power because it outsources supply chain management procedures in a way which makes producers responsible both for making expensive changes in management and also for documenting and validating those changes. Home Depot, for example, proudly points out the number of suppliers it has brought into the FSC system, and IKEA will accept FSC certification as evidence of meeting its own corporate responsibility standards. In South Africa, B&Q pushed its suppliers to certify their forests (Morris and Dunne 2004; Klooster 2005, 2006). In such cases, powerful retailers protect their brands from association with forest destruction through a mechanism that shifts costs of compliance and verification onto producers who receive no guarantees of sales or better prices. Other actors in the network may also drive forest managers to certify. Certification is a requirement for communities to hold forest management concessions in buffer zones of the Maya Biosphere Reserve in Guatemala, for example (Finger-Stich 2003).

Both of these perspectives suggest that Southern forest managers are likely to face significant barriers to certification, and may bear disproportionate costs from it. Compared to most Northern regions, Southern forest management practices tend to be less bureaucratized, less paper-intensive, and therefore more likely to incur documentation costs in the process of getting certified. In addition, since the South tends to have greater biodiversity than the North, Southern management areas are more likely to have High Conservation Value forests requiring additional management specifications. Most Southern forest producers are relatively marginal to Northern markets; northern forests supply most of the North’s demand for forest products and 75 per cent of the chain of custody certifications given to wood processing firms are in Europe, the US, and Canada (FSC 2010).

Not surprisingly, rates of adoption of forest certification in the South are lower than in the North. About 80-90 per cent of certified forests are in the northern hemisphere, where two thirds of the world’s roundwood is produced. Western European countries have certified 53 per cent of their total forest area, North America 38 per cent, Oceania 5 per cent, and Africa, Asia and Latin America only about 1 per cent each (Oliver and Kraxner 2009, pp. 111-112). Most certified

forests are temperate and boreal; tropical and subtropical forests make up only 13 per cent of the certified area (FSC 2010).

In an emerging third view, certification facilitates network formation and maintenance, with contingent and site-specific results. For Eden (2009), forest certification supports the work of network governance, where governance is understood as a shift from government regulation to network regulation with various actors creating new spheres of authority and new mechanisms to provide and maintain public goods. In her analysis, the FSC forms a 'credibility alliance' across environmentalist, forester, policy, and business spheres. This work points out the constantly provisional character of the network giving legitimacy and efficacy to forest certification. Environmental governance depends on the continued commitment of disparate actors (Eden 2009). Similarly, for Klooster (2009), debates over changes to FSC standards are constrained by tradeoffs between rigor of the standard, legitimacy to consumers and environmental NGOs, and acceptability of the standards to forest managers (Klooster 2009). Once established, however, certification practices and labels accomplish work in production networks; they enable scientific knowledge and best practices in forestry to travel across geographical space and between wood producers, manufacturers, and consumers, with network effects (Eden 2009).

Studies of the governance role of forest certification are needed in specific regions. Eden's (2009) work suggests the utility of understanding how network actors use the 'boundary object' of certification in their own work, and this requires regional specificity. There is also the question of rural development in the global south, with its inter-related questions of livelihood, cultural diversity, and the maintenance of biological diversity. The ways in which ethical campaigning and media attention are regionally embedded means that there is a great deal of spatial variation in the ways in which these factors affect production network governance (Hughes et al. 2008). How do ethical claims help to govern production networks in places like Mexico? In the case of Oaxaca, for example, how do community forest management organizations use of certification to make the conservation implications of their production visible, to build networks, and to promote their community forestry enterprises?

To answer these questions, I consulted an extensive literature on the growth and impacts of certification in Mexico, and conducted extensive open-ended, often repeated, interviews and observations among community forestry enterprises, community members and managers, NGOs, and government officials, using a snowball sampling strategy, during almost a year of residence in the city of Oaxaca, southern Mexico, in 2007 and 2008.

## **Creating space for community forestry in Mexico: the role of certification**

In Mexico, FSC certification has been part of a broader campaign to maintain economic space for community forestry as a viable strategy for conservation and rural development. Community forest management often produces rates of forest conservation that are higher than protected areas in the same region (Klooster 2003; Bray et al. 2007; Bray, Merino and Barry 2009), and much higher than non-managed forests which are often beset by illegal logging, forest fires, and conversion to agriculture. This observation is consistent with the perspective of productive conservation, which holds that activities such as community forestry are an effective

avenue for forest conservation because they encourage the active participation of forest inhabitants in the conservative management of a resource that is valuable to them.

Productive conservation is especially important in Mexico, where most forests belong to *ejidos* and agrarian communities, in which village members own forests and range lands as collective property. These *comuneros* and *ejidatarios* have the legal authority to appoint communal presidents and other representatives and to manage their common property lands in accord with federal regulation and the agreements of their village assemblies. Forest communities typically have few productive assets other than their forests and therefore, community forestry is also important because it provides income, rural employment, and produces local social capital; it is an important rural development strategy which also conserves forests.

Initially, Mexican advocates of the community forestry sector became interested in certification in the early 1990s, when the North American Free Trade Agreement was imminent and it was feared that imports would displace community forest producers after market liberalization. Certification, it was hoped, would create a niche for forestry in the same way that organic and fair trade had created a niche for Mexican coffee growing cooperatives. Government and NGO promoters hoped that certification would mitigate the trade deficit in forest products, provide access to export markets at premium prices, play a role in decreasing illegal logging, and improve community organization for forestry (Anta Fonseca 2004; Gerez Fernández and Alatorre-Guzmán 2005; Taylor 2005; Klooster 2006). The productive conservation implicit in certification especially appealed to pro-campesino NGOs and grassroots organizations because preservationist groups wanted to expropriate community lands to declare nature reserves. (Interview with Yolanda Lara, of the NGO Estudios Rurales y Asesoría (ERA A.C.) November 8, 2007.)

One of the first NGOs to promote certification in Mexico was the Consejo Civil Mexicano de la Silvicultura Sostenible (CCMSS), a Mexican NGO formed with support from multilateral donors to promote the community forestry sector within Mexico. The CCMSS organized some of the earliest Mexican evaluations in Oaxaca and the Yucatan peninsula in 1994. In 1997, a national union of community forestry organizations (UNOFOC, Unión Nacional de Organizaciones de Forestería Comunal A.C.) promoted certification to community leaders, foresters, and government officials. Using funds from a small grant from the North American Fund for Environmental Cooperation (NAFEC), a NAFTA parallel organization, UNOFOC funded evaluations in *ejidos* in several regions of Mexico. In 1999, using development assistance from the UK and Swiss governments, the Mexico office of the World Wide Fund for Nature (WWF) financed certifications as part of their campaign to support community forest stewardship in Mexico. The InterAmerican Foundation, the Ford Foundation, the MacArthur Foundation, Packard, WWF and the German UK agencies for technical cooperation (GTZ and DFID) also contributed to certification in Mexico between 1995 and 2001 (Madrid and Chapela 2003; Anta Fonseca 2004). In a few cases in Northern Mexico, private companies promoted the certification of their wood suppliers. Various sectors of the Mexican government also supported certification. Starting in 1998, the Proyecto de Conservación y Manejo Sustentable de Recursos Forestales en México (PROCYMAF), a program of the Mexican Government partly funded by World Bank loans, promoted certification, as did several state governments and the federal

government's Programa Nacional de Desarrollo Forestal (PRODEFOR), which covered many of the costs associated with certification.

Communities adopted certification for a variety of reasons, including community interests in having an external review of their professional forest managers, intrinsic desires to improve forest management, and expectations for more favourable treatment from government agencies. To a large extent, however, forest managers were disciplined by hope. They adopted forest certification and complied with its standards with the hope of seeing economic benefits (Klooster 2006). Following steady growth over the course of a decade, a significant minority of communities in Mexico adopted forest certification. By 2009, 31 operations managing over 707,000 ha of forests were certified under the FSC system (Rainforest Alliance 2009).

Certification had little direct impact on market share or prices, however. Initially, there was almost no domestic demand for certified wood. Although there was a growing demand for certified wood in European and US markets, community forest enterprises faced significant hurdles to accessing these markets. Some Northern Mexico communities were able to sell some of their highest quality certified pine boards to be used as molding by companies participating in supply chains for US companies, but elsewhere, especially in Oaxaca, forest communities were usually unable to meet buyers' demands for large volumes, stringent physical quality standards such as humidity, prompt delivery, and low prices. (Klooster 2005; Klooster 2006).

Meanwhile, community forestry continued to be threatened by competition from cheap imports and from illegally harvested wood, which disadvantages responsible producers who have higher costs due to investments in forest management, compliance with regulations, and taxes (Zuñiga and CCMSS 2007a; Zuñiga and CCMSS 2007b; Zuñiga 2009). Even in the legal market, relatively high costs of logging and transportation also make Mexican wood much more expensive than Chilean imports (Barrera 2007). Imported Chinese furniture sells cheaply even in geographically isolated places like Oaxaca (Martinez 2008).

To address the limited economic benefits from certification, community forest advocates and promoters in government and NGOs attempted to facilitate the market benefits of certification in various ways. With funding from USAID, philanthropic organizations, and private companies, the international environmental NGO, Rainforest Alliance, created the international program TREES (Training, Extension, Enterprises and Sourcing) to help certified communities and businesses in marketing their forest products and improving business skills and production practices. Especially where price premiums for certified wood are missing, TREES helped certified community forest enterprises benefit from certification with technical assistance to help them add value to their wood harvest. It promoted value-adding activities such as reducing waste, finding uses for waste wood, developing better administrative procedures, training workers in better milling practices, improving board classification procedures, increasing the efficiency of wood transformation, and searching for new market opportunities (Interview with Juan Manuel Barrera, director of TREES for the state of Durango, November 21, 2007; see also Klooster 2006).

Programs such as the World Bank Community Forestry Project (Procymaf), the Value Chain Program (Cadenas Productivas) of the National Forest Commission, and state rural development agencies also invested directly in various aspects of forest-linked production chains. These agencies worked independently, often giving preference to certified producers, to make sector-wide investments to improve the physical quality of wood. For example, they helped fund

the installation of wood drying kilns to control humidity and reduce the subsequent warping of boards. They also took steps to improve the managerial capacity of communities by promoting the professionalization of management. Meanwhile, the Mexican office of Greenpeace lobbied the federal government to induce domestic demand through preferred government purchases.

Certification helped make visible the conservation value of well-managed forestry, and so it played a role in fostering a national network that promotes production among certified community forestry agencies. Certification helped congeal a network with members as disparate as Mexican Greenpeace, the World Bank, USAID, Mexican federal and state forestry departments, international environmental NGOs like the WWF and the Rainforest Alliance, local NGOs, forest communities, and even domestic businesses with an interest in export markets.

In the southern Mexican state of Oaxaca, certification also aided the formation of a similar network. This regional case more clearly shows the importance of conjunctural events and the active roles of community forest management organizations in forming a network and using it to develop wood furniture manufacturing capacity in Southern Mexico.

## **Certification and network building in community furniture production in**

### **Oaxaca**

Oaxaca is a state about the size of Switzerland, inhabited by 3.5 million inhabitants, many of whom are indigenous peoples of more than a dozen different ethnic groups. Rates of rural poverty are generally high. A state rich in forests of pine, it exports boards and imports furniture. It is also a leader in community forestry. About one hundred and thirty communities and ejidos had logging permits in 2005 (Gobierno de Oaxaca 2007). Many of these are successful at managing their forests well while providing employment and income for their communities and regions. Some of these communities have adopted a business-oriented management style with professional business managers who serve at the will of communities. Many of these communities face multiple barriers to regional and national competitiveness, especially those that produce low volumes of wood, have sporadic production, or high extraction costs due to remoteness, topography, and limited infrastructure. Many also manage their businesses using a traditional *cargo* system in which a community member is elected to a poorly compensated or unpaid management position for a short period of time – often a year or less. These conditions make it difficult to maintain stable business relationships with private businesses or other community forest enterprises, or to maintain a long-term strategy of improving infrastructure and worker skills.

Nevertheless, over more than a quarter century of community forestry, many communities have acquired and learned to operate sawmills, although most of these use outdated equipment and have room for improvements in sawmill efficiency and board quality. A few communities have acquired state-of-the-art sawmills, resin distilleries, and furniture factories. Oaxaca communities have also taken on greater forest management responsibility over time and have improved their forest management skills and practices. Oaxaca is now a leader in forest certification, with nearly a dozen community forest enterprises certified, or in the process of

getting certification, contributing about 10 per cent of the volume of wood legally harvested in the state.

Certification in Oaxaca can be said to govern forest production directly through the application of standards, because it leads to modifications in forest management practices. Frequently, auditing firms award certification with requirements—called Corrective Action Requests (CARs)—that specific management improvements be made within a given timeframe. Most certifications in Oaxaca were accompanied by ten or more CARs. These CARs require communities to modify their forest management plans to take into account the needs of threatened and endangered species, to map priority areas for conserving animal habitat, and to establish procedures to monitor species diversity as logged sites regenerate (see public summaries posted to SmartWood 2009; Mutersbaugh and Klooster 2010).

Certification did not create immediate markets, however. Certified communities sold their logs and boards to the same kinds of clients at the same prices as before (Klooster 2006). Furthermore, when promoters connected certified communities with export markets, low volumes, physical requirements, lack of infrastructure, and high prices precluded sales. Certification did not play a role in buyer-driven governance in Oaxaca. Oaxaca is not currently part of global value chains for wood products.

Faced with a deficient market for certified wood, community forest advocates and promoters in government and NGOs attempted to facilitate the market benefits of certification. Oaxaca NGOs such as ERA A.C. attempted to coordinate a number of community forest enterprises in order to meet high-volume orders, but was unsuccessful. A federal rural development program, Alianza para el Campo, funded 14 million pesos worth of sawmill and woodkilns in 2003, disproportionately among Oaxaca's certified communities (Interview with Pedro Vidal Garcia Perez, former communal president, government forest sector promoter, and Mexican TREES director, April 14, 2008). TREES came to Oaxaca in 2004 and provided technical assistance to help certified forest managers add value to their wood harvest by utilizing unused wood, by developing better administrative procedures, by training workers in better milling practices, by improving board classification procedures, by increasing the efficiency of wood transformation, and by searching for market opportunities. For example, with the support of consultants from TREES, one small Oaxaca community increased their sawmill efficiency from 154 to 193 board feet per cubic meter of wood entering the sawmill. Their processing efficiency also increased, from 2,500 to 4,500 board feet per day (Interview with Juan Manuel Barrera, Durango TREES director, November 21, 2007). Certified communities often received preferential access to government and NGO financing for capital equipment and skills improvement.

By 2005, investments in logging enterprises, forest management, wood-drying kilns, and the evolution of managerial capacity left a handful of communities ready to try furniture manufacture. Ixtlan de Juarez had recently invested in a door-making factory, which could also be used for furniture manufacture. Pueblos Mancomunados was also beginning to make furniture using refurbished equipment in an improvised, but flexible industrial space. Ixtlan's forests had been certified for several years. Although Pueblos Mancomunados was traditionally a logging community, it was not at the time working its forests due to a dispute with one of its eight member communities, and was not certified. It purchased certified wood from other indigenous communities, however.

Ixtlan was the first community with furniture manufacturing capacity, but it needed demand for its product. The Oaxaca office of the governor and the state forestry department came together with Ixtlan and Pueblos Mancomunados to develop a market for wooden school furniture produced in Oaxaca. Governor Ulises Ruiz had campaigned promising forest sector development, and so there was a confluence of factors (Interview with Alberto Belmonte, business manager for Ixtlan de Juarez. February 25, 2008). The school furniture contract was an initiative of the three communities and Rainforest Alliance, which includes staff from Smartwood and TREES, but the governor made it happen. Certification was a selling point (Interview with Pedro Vidal Garcia Perez Mexican TREES director, April 14, 2008).

Beginning in 2005, the governor's office facilitated a contract with the state department of education (Instituto Estatal de Educación Pública de Oaxaca-IEEPO) for school furniture produced in Oaxaca from Oaxacan wood, displacing the annual purchases of steel and plastic furniture manufactured outside of the state. At the insistence of personnel in the state small business section of the state Secretariat of the Economy (Pequeñas y Medianas Empresas – PYME), the contract was divided between the community forestry sector and the Association of Furniture Making Firms of Oaxaca (Asociación Oaxaqueña de Empresas Fabricantes de Muebles – AOEFM). Most of the association's members are small firms comprised of independent family carpentry workshops which joined together to improve their administrative processes, to participate in the school furniture contract, and to become eligible for PYME funding programs. State and federal PYME programs provided 20 million pesos of financing to the 13 member firms of the association, each composed of a half dozen or more carpenter-partners.

The exact distribution of the school furniture contract is set by a committee that includes the state agriculture and forest development agency (SEDAF), the IEEPO, the teachers' union, and both the Oaxaca and Federal Secretariats of the Economy. At first, the community forestry sector was composed of the communities of Ixtlan and Pueblos Mancomunados. In 2006, however, a third community forest enterprise, Textitlan, acquired furniture-making ability with a custom-built furniture factory. The school furniture contract was then divided 20 per cent for Ixtlan, 20 per cent for Pueblos Mancomunados, 10 per cent for Textitlan, and 50 per cent for the carpenters' firms of the Association of Oaxacan Furniture Making Firms. In 2007, the volume of furniture ordered was reduced again, and divided the same way.

The three communities took the first step towards forming a consortium during a period of crisis in 2006, a major conjunctural event in the history of network evolution. During that second year of the school furniture contract, the city of Oaxaca became convulsed in social protest against the governor and his actions to suppress a teachers' strike. Hundreds of barricades fragmented the city and the communities were unable to deliver furniture to the state education department. Months passed and the conflict showed no signs of ending. Desperate, they decided to make other kinds of furniture and look for other markets (Interview with Manuel Garcia Ignacio Nunez, Pueblos Mancomunados furniture factory manager, April 21, 2008).

The communities agreed to open an outlet store literally across the street from a barricade, in a building newly available for rent near the Oaxaca City offices of Pueblos Mancomunados. The initial relationship was a gentleman's agreement between the business managers of the three community forest enterprises. Production lines were re-arranged to produce residential furniture using many of the parts already manufactured for school furniture. The three factories coordinated their production to offer various lines of dining room, living

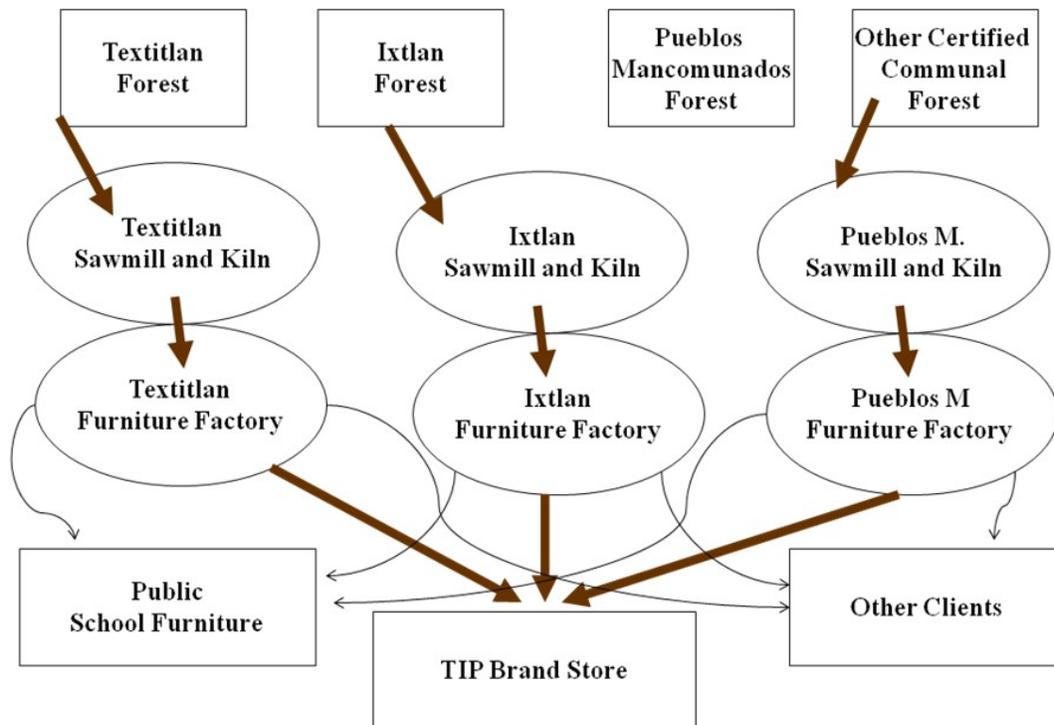
room, kitchen, bedroom, and office furniture. TIP eventually became the registered brand name for furniture based on the first letters of the names of its members: the zapotec communities of Textitlan, Ixtlan, and Pueblos Mancomunados (Interview with Manuel Garcia Ignacio Nunez, Pueblos Mancomunados furniture factory manager, April 21, 2008). There was also concern about the growing importance of the potential competition from the organized carpenters, who were receiving support from the Secretariat of the Economy and competing for the school furniture contract (Interview with Pedro Vidal Garcia Perez, TREES director April 14, 2008).

After several months of successful sales, the communities decided to formalize their relationship through an *integradora*, a kind of legal consortium designed to raise the competitiveness of small and medium sized businesses by providing services to its members such as financing, financial administration, marketing, joint purchasing, and joint sales (PYME n.d.). The Integradora Comunal Forestal de Oaxaca S.A. de C.V. (ICOFOSA) was legally formed in February of 2007. It brings community forests, community sawmills, community furniture factories, factory outlet stores, and a brand name under integrated administration (figure 2).

Through their *integradora*, the communities share their knowledge and varying areas of expertise. They also reduce the costs of experimenting, because the risk of new activities is divided by three. Furthermore, the consortium has the capacity to respond to high-volume orders from major retailers. In addition, the *integradora* is a liaison between the communities and government agencies; it is effective in accessing government funding opportunities. ICOFOSA applied for funding from the national forest commission and Procymaf for market studies and training for sales personnel, for example. Based in part on the results of those studies, ICOFOSA opened two more TIP stores in Oaxaca.

The administrative council of ICOFOSA consists of a president – initially the Pueblos Mancomunados business manager, a treasurer, initially the business manager of Ixtlan de Juarez, and a secretary, initially the business manager of Santiago Textitlan. Store managers and salespeople were then hired. In this way, ICOFOSA brings together business operations of three large indigenous communities. Santiago Textitlan has 4,000 inhabitants and 650 *comuneros*. Forestry there directly provides 250 jobs. In Ixtlan de Juarez, there are 4,500 inhabitants and 384 *comuneros*. Forestry directly provides 284 jobs. Pueblos Mancomunados is a commonwealth of eight communities comprising 15,000 inhabitants and 1,200 *comuneros* where forestry directly provides 300 jobs. *Comuneros* are community members formally vested with rights of voice and voting in the community assemblies which make decisions about the use of communal resources, including the forests they own collectively. Assuming five family members per *comunero*, ICOFOSA directly benefits 11,170 rural Oaxacans.

Figure 1: The ICOFOSA consortium linking certified communal forests to a shared furniture brand and retail outlet.



(Not shown are the sales of boards, which continue to provide the main source of revenue for each communal forest enterprise. Due to an internal conflict between its member communities, Pueblos Mancomunados does not currently log its own forests, but instead buys wood from other certified community forest enterprises in Oaxaca.)

Communities are independent within ICOFOSA. Individually, communities continue the sale of boards, serving clients in Oaxaca, elsewhere in southern Mexico, Mexico City, and as far north as San Luis Potosi. They sell most of their high grade wood as kiln-dried boards. Only 30 per cent of their boards go to furniture factories, and furniture makes up only 20 per cent of total sales. Each furniture factory has three main sales outputs: school furniture, wholesale buyers, and the TIP factory outlet stores. In 2008, the three TIP stores in Oaxaca city sold between 450 and 500 thousand pesos every month, on average. To decrease reliance on a few large orders, such as school furniture, ICOFOSA is working to increase the number and location of TIP outlets (Interviews with Jesus Paz, ICOFOSA manager March 8, 2008, and Manuel Ignacio Garcia Nunez, Pueblos Mancomunados factory manager, April 21, 2008).

In the meantime, however, ICOFOSA members are in the difficult transition from sellers of boards to manufacturers of furniture, with many new processes to master, new customers to please, and debts to pay. In this context the school furniture contract is particularly important because it provides economies of scale. In 2008, Ixtlan's order for school furniture was for 14,000 pieces of furniture in six models. TIP, in contrast, bought 3,000 pieces of furniture in 30 or 50 models, so the profit rate for school furniture is twice that for TIP furniture (Interview with Alberto Belmonte. Business manager for Ixtlan, February 25, 2008).

ICOFOSA is the product of a network with disparate actors. The most important actors in the network are the managers, leaders, and community members of Textitlan, Ixtlan, and Pueblos Mancomunados. But the actors in the state government who promoted the preferential purchase of school furniture are also important, as are the numerous organizations that facilitated ICOFOSA's acquisition of skills and productive infrastructure. The total investment in furniture factories and wood-drying kilns is about 50 or 70 million pesos (exchange rate: 11 pesos to the US dollar). There were important technical assistance, grants, and loans on favourable terms from the World Bank community forestry project (Procymaf), federal programs including the forestry development program (Programa de Desarrollo Forestal Prodefor), the National forestry department (CONAFOR), a federal rural development program (Alianza para el Campo), The shared risk trust fund (El Fideicomiso de Riesgo Compartido – FIRCO), Trust Funds for Rural Development (Fidicomoso FIRA), the federal Secretariat of the Economy (SE), the national commission for the development of indigenous peoples (La Comisión Nacional para el Desarrollo de los Pueblos Indígenas – CDI), the Oaxaca State Agriculture and Forest Development Secretariat (Secretaria de Desarrollo Agropecuario y Forestal – SEDAF), USAID, and TREES. The indigenous communities were not mere objects of development actions undertaken by these financial supporters, however. About 70 per cent of total investment came from community funds earned from forestry and loans to the communities. Several observers pointed out that funding was difficult to get in the beginning of the process, but once success was evident, more organizations wanted to be associated with the experience.

Certification is an important element in the network-building strategies of community forest enterprises. When I asked ICOFOSA business managers about the role certification has played in the growth of TIP and ICOFOSA, they answered that “we are making it play a role.” Certification has not added any value on its own, they explain. The furniture price is still set by the quality of the wood and the manufacturing process, not whether it is certified. Instead, certification brings with it significant costs. Among their customers, “the culture of certification in the state is still missing” they told me.

One way the communities take steps to make certification play a role is by promoting certification in the institutional market for school furniture. Ixtlan and Pueblos Mancomunados lobbied the government to demand certified wood in the school furniture contract. Business managers from the communities gave power point presentations on certification to an influential teachers' union and to representatives of the governor's office, for example. The first year of the contract, it was only a requirement that the wood comes from Oaxaca. The second year, that it comes from well-managed forests, which essentially meant it was from communities either certified or in the process of getting certified. The third year, certified, but without chain of custody certification. For 2009, the communities were considering asking for the COC requirement as well (Interview with Alberto Belmonte, business manager for Ixtlan de Juarez. February 25, 2008). Suggestions to require that school furniture be made of certified wood also came from forest sector promoters in CONAFOR and SEDAF, the federal forest department and the state agriculture and forest development program. Suspicions that one of the member firms of the AOEFM was using Chilean wood to manufacture school furniture reinforced the idea that certification should be a requirement of the school furniture contracts.

Certification also helped enroll actors in the networks that produced the ICOFOSA consortium and the broader production network for certified furniture. It did the work of

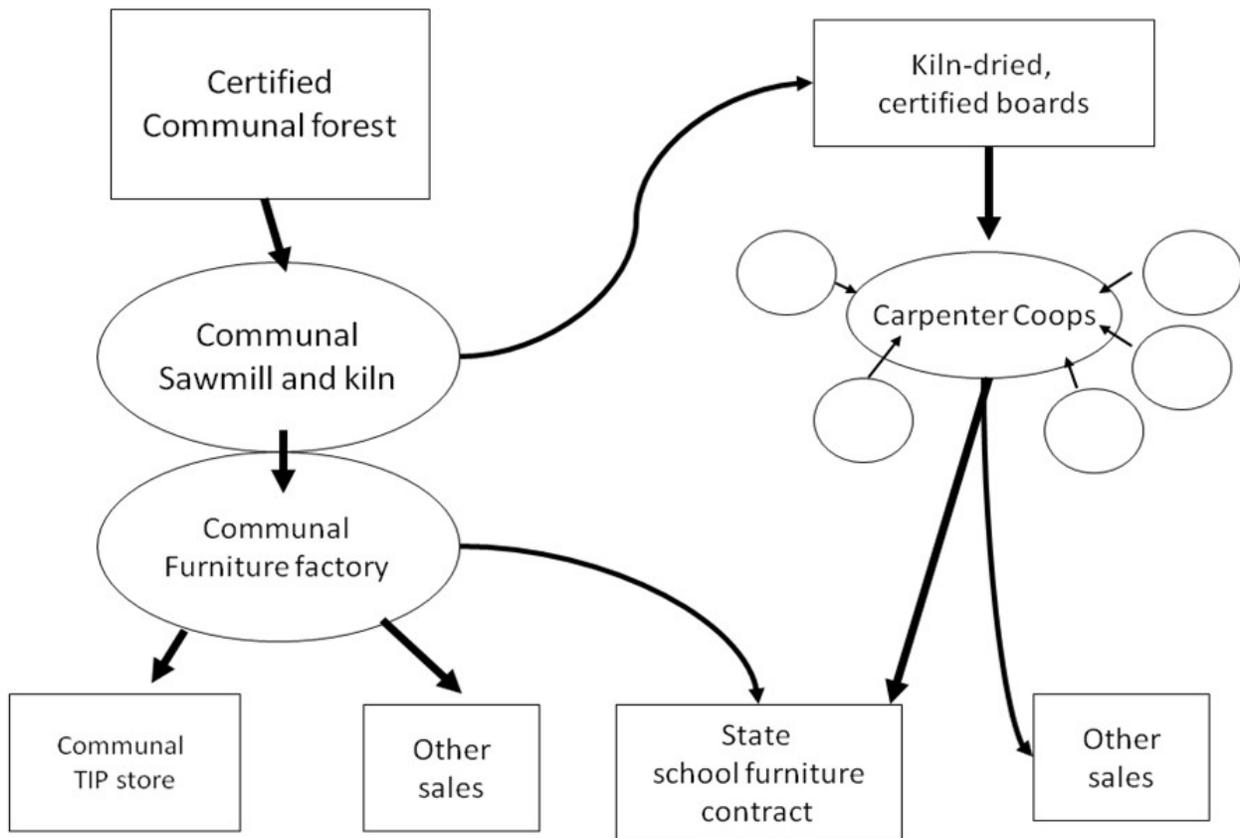
identifying environmentally sound forest management (see Eden 2009), making it easier for the communities forming ICOFOSA to cooperate with each other, since their shared value of sound forest management were externally validated. When Pueblos Mancomunados, which cannot log or certify its own forests because of an internal land dispute, lagged in acquiring a chain of custody certification for its sawmills and furniture factory, the other members of the consortium pressured them to speed up the process.

Certification also makes it easier for environmental organizations and government agencies to support community forestry as a form of productive conservation. With certification, politicians and rural development agencies can promote “sound forest management” at the same time they promote wood furniture production. Without it, they would be vulnerable to charges of subsidizing “forest destruction.” The actors involved in the school furniture contract saw certification as a way to avoid illegally cut wood and support the best forest managers in the state. Without this guarantee of certification, it was thought, promoting forestry could damage the environment and rural society, instead of improving them.

Certification was especially important for enrolling the *integradoras* of small carpenters in the school furniture production network. Unlike forest communities, carpenters’ firms do not have their own sources of wood and are often suspected of supplying themselves with illegally cut wood or imported wood. The requirement to use certified wood, therefore, is a form of value chain governance of great importance to state forest managers and government buyers of furniture who were initially opposed to the carpenters’ participation in the furniture supply network because of the potential association with illegal logging. It is also of interest to the community forest enterprises of ICOFOSA who were able to discipline their competitors while promoting their own interests as suppliers of certified boards. When making school furniture, carpenters’ firms buy boards from certified producers, especially Textitlan and others in ICOFOSA (Figure 2).

The carpenters of AOEFM now make use of the certification discourse to differentiate themselves from cheap imports and from furniture produced by other carpenters. According to Raúl Mingo Gómez, secretary of the AOEFM, “we have established our presence with quality furniture, with certification” (Martinez 2008).

Figure 2: The supply network of certified furniture production in Oaxaca.



However, certification does not yet have a clear role in the important task of enrolling consumers in the certified furniture production network. A market study conducted for ICOFOSA interviewed 475 people in commercial areas of Oaxaca City. Although 80 per cent claimed to know something about forest certification, only 30 per cent of those related the idea to forest conservation. Most thought it had to do with the durability of furniture. A handwritten note on a copy of the market study in the offices of the National Forestry Commission, says that forest certification is good, but the selling points for furniture in the local market are quality and price, not certification (Perez 2007).

Nevertheless, TIP is working to make certification play a role in its efforts to build a brand. As TIP tries to convince consumers of the value of their brand, their promotional materials make increasingly explicit the socio-environmental qualities of their products. Stickers on some of the furniture in the showroom display the FSC tick-tree logo, with the text “this product is made with kiln-dried wood from the certified forests of Ixtlan de Juarez.” A banner hangs at the back of the store displaying the FSC and Rainforest Alliance certification stamps and the text “When you buy products with the FSC logo you are supporting responsible forest management around the world.” Banners behind furniture displays show indigenous children and pine seedlings and explain the meaning of forest certification. TV and other news reports also

carry the idea that TIP furniture protects forests and provides livelihood for rural Oaxacans (Figure 3).

Figure 3. Furniture display in the TIP factory outlet store, Oaxaca City, 2009.



Certification supports the community consortium's efforts to brand their products and socially and environmentally preferable.

## Conclusion: Global certification fosters the creation of local networks

At the forest level, certification clearly governs forest management. It bans some existing practices and requires other missing ones. In Oaxaca, forest certification has removed a toxic fungicide used in sawmills and required improvements and documentation of issues such as habitat management and species monitoring.

The forest certification label attaches the quality of 'sound forest management' to wood even after it leaves the forest gate and is transformed into wood products. This visibility and traceability makes it a useful tool for other forms of commodity network governance. Forest certification also supports the value chain governance goals of buyers. It serves as a hands-off tool for buyers to govern their suppliers. It protects them from negative publicity related to upstream suppliers. However, in places such as Oaxaca, Mexico, where high prices and low volumes put forest producers at the margin of global commodity chains, this governance aspect of certification has little effect. Buyers do not drive certification in areas where they have no suppliers.

A fuller understanding of the way certification governs production requires looking beyond these types of relatively direct North-to-South impacts of standards. The Oaxaca case illustrates a third type of "governing through standards". This chapter showed how forest

managers and their supporters used forest certification to enroll other actors in a network that constructed a market for furniture made from certified wood.

Community forest managers made use of certification to facilitate cooperation within their consortium, to gain a preference in government purchases of school furniture, to enroll other actors in the network, and to enroll buyers in their markets. They are proactively using certification in a broader branding strategy to conquer space in a market, enhance the value of wood, and capture that value for rural development and sound forest management. They are using certification to create value by branding their furniture as socially beneficial and environmentally sustainable.

Rural development promoters also made use of forest certification to identify their support for investments in the wood processing chain as parts of strategies to promote sound forest management – and not a part of chains promoting clandestine logging or forest degradation. In this way certification has facilitated changes in production processes because certified communities were more likely to receive investments such as wood kilns and milling equipment from state and federal development funds, and capacity building from the TREES program.

Similarly, environmentalists made use of certification to promote productive conservation; it broadens their palette of possibilities for achieving their goals. Forest certification makes visible a common interest among these disparate actors in a commodity network. It facilitates their cooperation in a set of activities that improved forest management, increased the efficiency of sawmills, and a new, value-adding processes such as wood-drying kilns, furniture factories, and even a brand based on socio-environmental values. In this way, certification helps produce a network that promotes productive conservation through value-added forest-based enterprises. Certification helped to leverage qualitative changes in production patterns, but these were co-determined by local, strategic actors – especially community forest managers.

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Notes

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