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Running Title: Market intermediaries and rural people in Bolivia's forest products sector

Forethcoming in *Singapore Journal of Tropical Geography*

31 August 2010

Word count: 7,953 (including abstract, text, notes, references, tables, and figures)

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ACKNOWLEDGEMENT

This research was made possible through a US National Science Foundation Grant (BCS #0616030). Thanks also to Celina Grisi and Aaron Rozenman for field assistance. The usual disclaimers apply.

Market intermediaries and rural people in Bolivia's forest products sector: Are trusting partnerships possible?

ABSTRACT

Decentralization of Bolivia's forest resources, coupled with a rising global demand for tropical hardwoods, raises important questions about whether increased trade and community forest management (CFM) initiatives can enable forms of market integration that are more favourable to rural communities. This paper assesses the prospects for such a transition through an examination of the relationships linking market intermediaries (i.e., wood brokers and buyers) to rural wood suppliers and forest communities in Bolivia. The analysis centers on whether trusting relationships can evolve between buyers and suppliers such that more progressive (i.e., sustainable, mutually beneficial) partnerships develop linking international markets to rural communities. Trust is conceptualized as a power-laden socio-spatial process driven by multi-scalar factors that influence the potential for buyers and suppliers to develop stronger ties that might enable them to collaborate more closely and productively. We apply this conceptualization in an analysis of three types of buyer-supplier relationships in Bolivia: direct ties between wood brokers/buyers and suppliers, non-governmental organization (NGO) mediated exchange relationships, and Forest Stewardship Council (FSC) certification of suppliers. Our findings show how trust-building initiatives that focus on one scale may fail if factors at other scales create obstacles to collaboration and why CFM strategies in Bolivia currently face significant relational constraints that limit their viability as economic development strategies.

KEYWORDS: trust, community forestry, wood industry, rural development, Bolivia

Introduction

Bolivia has experienced significant political and economic turmoil in recent years, particularly with respect to the management and control of natural resources and natural-resource based industries (Perreault 2006; Spronk & Webber 2007). With regard to the country's forests, land reforms have strengthened, to some degree, the power of indigenous communities, decentralized access to forest areas, opened up forest regions to new colonists, and given small-scale wood suppliers (i.e., small landholders, rural people, and community associations) greater access to valuable hardwoods (Pacheco *et al.* 2010). Given these circumstances, a key question centers on whether this emphasis on community forest management (CFM) and small-scale enterprises can be translated into a more meaningful, productive, and equitable supply-chain relationships linking Bolivia's forest regions to international markets. We explore this issue by focusing on the trading activities of Bolivian wood brokers and buyers, market intermediaries who may or may not be directly involved with logging and saw-milling activities but who play a critical role in getting hardwoods from forest regions to manufacturing and processing centers and to ports for international trade. We examine the relationships between these intermediaries and the rural people and communities they source hardwoods from with the goal of providing insights into the social dynamics structuring Bolivia's forest-product markets.

Our conceptual focus is on the trust-building and sustaining practices of the wood brokers and buyers who source hardwoods from rural areas. Trust is viewed not as a static asset or horizontal characteristic of (some) exchange relationships but as a socio-spatial process laden with power dynamics and driven by micro-scale (individual/subjective), meso-scale (inter-subjective/inter-personal), and macro-scale (structural/societal-regional) factors that influence the quality and durability of the relationships between actors. We apply this conceptual

framework to examine three forms of market engagement presently occurring in Bolivia's forest products sector: direct ties between wood buyers and rural wood suppliers and forest communities, non-governmental organization (NGO) mediated exchange relationships, and Forest Stewardship Council (FSC) certification strategies. In doing so, we provide insights into the prospects for CFM in Bolivia by analyzing why more progressive partnerships between suppliers and buyers are difficult to achieve. The findings demonstrate how, for example, trust-building strategies that focus on the micro-scale or meso-scale (e.g., inter-personal communication) may fail if macro-scale factors (e.g., the institutional setting) prevent collaboration.

Forest management, market integration and the role of intermediaries

Proponents of community forestry management (CFM) strive to find effective ways to manage the interrelationships between rural livelihoods, sensitive ecosystems, and public/private-sector actors (NGOs, firms, and the state). In general, the CFM literature suggests that community self-governance, effective institutions, and/or and secure property-rights are essential for forest communities to become more autonomous and better able to balance economic needs with social well-being and environmental protection (Sunderlin *et al.* 2005; Menzies 2007). Partnerships between communities and private-sector actors, NGOs, state agencies, and/or civil society organizations are viewed as critical for effective forest governance and numerous studies examine the histories and power relations shaping, and discursive construction of, these relationships and assess their implications for community well-being and autonomy (Ros-Tonen *et al.* 2008; Visserin-Hamakers & Glasbergen 2008; Medina *et al.* 2009).

An important limitation on CFM approaches is that they typically provide little insight into the ways and means through which wood makes its way from rural areas to processing

centers and then onto ports for exportation. Particularly problematic is the fact that a more detailed understanding of smaller-scale market intermediaries such as wood brokers and buyers is largely absent from most studies. This is significant given that forest-product intermediaries often play a key role in organizing (both legally and illegally) forest resource extraction activities in South America and because the relationships between these private-sector actors and rural people are viewed as a key obstacle to improved forest management (Medina & Shanley 2004; Medina *et al.* 2009).

This paper addresses this missing middle by examining whether and how Bolivian wood buyers/brokers and wood suppliers (i.e., rural people, communities) might develop strategic *partnerships* able to initiate a progressive dynamic of industrial upgrading (e.g., through innovation, productivity improvements, and increased value-added) and more sustainable development in rural communities.¹ Our approach emphasizes the relationship possibilities for wood buyers and suppliers and seeks to build on recent CFM studies examining the potential for more progressive business-community partnerships (Mayers & Vermeulen 2002; Ros-Tonen *et al.* 2008). This literature suggests that, despite their potential, such ventures are risky and trusting relationships are essential for successful partnerships to evolve (Medina *et al.* 2009). Although the literature calls for attention to be paid to trust, it rarely examines the dynamics through which trusting relationships are or might be established. We seek to complement CFM approaches through an examination of the trust-building practices and challenges facing wood buyers and suppliers in Bolivia.

Conceptualizing the role of trust in market intermediary relationships

Trust is a key social-scientific concept that has been applied to analyses of numerous socioeconomic, political, and environmental phenomena (e.g., Misztal 1996; Sztompka 1999;

Hardin 2002). Trust emerges when actors perceive trustworthiness, a trust-granting incentive, in each other and when there is a mutual recognition that benefits (albeit often unequal in scale and significance) can be achieved in the future by risking personal and material resources (e.g., reputation, time, money) today (Hardin 2002). This does not mean that power or control are absent in trusting relationships but that there is an added element of relational cohesion manifest in the actions and risk-taking that trust enables. Moreover, trust takes on different forms as it is secured through particular social and institutional mechanisms (Murphy 2002). For example, an effective government and strong civil society can create a generalized sense of trust in a community or society while shared experiences can lead to close, trusting, bonds or ties between individuals.

In general, trust has been conceptualized in three ways. First, it is viewed as an input in exchange relationships or an evolutionary institutional attribute, one that acts as a sunk cost, social “glue”, social capital, or relational “lubricant” that reduces transaction costs, improves accountability and performance in states and industries, and strengthens civil society (Dasgupta 1988; Misztal 1996). Second, trust is seen as a structural characteristic of networks and social relationships, one that reflects the strength (or weakness) of a tie and the degree to which actors are mutually embedded in a common institutional setting (Granovetter 1985; McEvily *et al.* 2003). Third, trust is viewed as a socially constructed phenomenon that emerges not only through rational calculations and evaluations of risk and reward, but through relational processes where performances, emotions, material objects, and moral judgments play an important role (Jones 1996; Yamagishi 2001)

Drawing on this rich and diverse literature, we, following Murphy (2006), conceptualize trust as a multi-scalar social process influenced by the institutional structures, inter-personal

performances, power asymmetries, and cognitions mobilized or referenced during the relationship development process. Figure 1 outlines the multi-scalar factors that shape the trust-building processes that wood brokers and buyers face in dealing both with rural suppliers. At the micro-scale, subjective processes serve as the ultimate arbiters of whether trust emerges within a relationship. These are shaped by many factors – individual meanings, shared experiences, representations, risk calculations, reward expectations, social dispositions, and capacities – that act as subjective forces shaping how trust-building decisions are made. Moreover, these micro-scale processes occur within and in relation to the meso and macro-scale factors and processes. At the meso-scale, business interactions are realized through social performances that take place in conference rooms, trade expositions, meeting halls, and production locations where negotiations are conducted and agreements made. At the macro-scale, influences are derived from the local, regional, or global structural context and include: contextually embedded conventions, norms, and institutions, the positionality of the actors engaged in developing a partnership (i.e., their structural power), and the general “climate” for trust in an industry, country, or community (i.e., the general sense of security/insecurity that makes people more/less likely to take risks in business relationships). All told, trust emerges when these multi-scalar factors, actions, and assessments are congruent in the mind of the trusting agent such that her or his context-specific expectations are observed in the behavior of the person being trusted. We now apply this conceptual framework to an examination of how wood buyer-supplier relationships develop in Bolivia’s forest industry.

Bolivia’s forest sector: recent trends

Wood products are a significant and growing component of Bolivia’s economy. Although the sector contributed only 3% to Bolivia’s GDP in 2007, it employed approximately

250,000 people directly and indirectly and ranked third in terms of trade performance (Price & Pinell 2007; ITC 2009). The forest products industry traditionally focused on the export of minimally processed hardwood species - mahogany (locally known as *mara*; scientific name *Swietenia macrophylla*), Spanish cedar (*cedro*; *Cedrela odorata L.*), and Spanish oak (*roble*; *Amburana cearensis*) – but today the sector is diversified with respect to wood species.²

Decentralization of access to Bolivia's forests, coupled with the recent boom in the global demand for tropical hardwoods, led to dramatic growth in the sector between 1997 and 2008, growth that was driven in large part by small and medium scale enterprises (Cámara Forestal de Bolivia 2007; Pacheco *et al.* 2010).

Forest-access reform started in the mid 1990s but accelerated when Evo Morales, the leader of the MAS (*Movimiento al Socialismo*) political party was elected president in late 2005. Initial land reforms (*LEY* [national law] *1700 and 1715*) were implemented in 1996 and these sought to ensure that forest and agricultural lands would serve a productive or redistributive socioeconomic function, to clarify rights for existing land holders, and to help redistribute new parcels of forest and farmland to smallholders, communities, and indigenous peoples (Benneker *et al.* 2005). In 2006, with the MAS party in power, the reforms were modified significantly by *LEY 3545* which provides greater detail about what constitutes an acceptable socioeconomic function, requires the state to inspect all lands biannually in order to assess their function, and mandates that expropriated lands be transferred to indigenous communities (*Tierras Comunitarias de Origen* or TCO), place-based rural community groups (*Agrupaciones Sociales del Lugar* or ASL), and/or landless people (Government of Bolivia 2006; Pacheco *et al.* 2010). Recent constitutional changes have given indigenous communities greater autonomy and political power in line with Morales' vision of a plurinationalistic society. Taken together, these

changes reflect the government's populist support for indigenous peoples, land redistribution, and community forestry and its desire to shift the locus of control over lands from private sector elites to the state and collective forms of ownership. Despite these dramatic political shifts, however, large timber companies and landowners still have extensive power and the state has been ineffective in controlling corruption and illegal logging activities (Pacheco *et al.* 2010).

Figure 2 shows the distribution of forest concessions in Bolivia as they were allocated to private-sector actors, ASL, and TCO in late 2007. Between 2006-2009 the Morales' government distributed titles for over 28 million hectares of land; about triple the amount that were distributed during the first nine years (1996-2005) of land reform (Ruiz 2009). Importantly, 23 million hectares (81%) of the land allocated by the Morales government is in the Departments of Santa Cruz, Beni, Pando, and La Paz where most of the country's forestry activity takes place and 10 million hectares (35%) alone was allocated to TCO. As a result, rural communities, manifest primarily as TCO and ASL, are playing a more significant role in land clearance (when timber is commonly harvested for trade) and forest management activities.

Despite having greater access to forest resources, however, community organizations have struggled to independently integrate their productive activities into domestic or international wood product markets. Instead, most TCO and ASL must establish business relationships with private-sector actors if they are to sell or process their wood resources since communities typically do not have the skills, capital, and/or financial resources needed for successful wood extraction. Forest management plans are costly to develop and require certification from a forestry engineer. Moreover, wood suppliers need to have "westernized" knowledge of tree species, forestry practices, and the capital necessary to harvest wood from places that require heavy machinery to build the 'unofficial' forest roads needed to extract timber

(McDaniel 2003; Perz *et al.* 2008). Further complicating matters is the fact that Bolivia's wood harvesting season is restricted by the rainy season to 6-7 months per year (June through November typically) and this makes having machinery and extensive technical know-how essential.

These logistical, technical, and financial issues – coupled with the high-value wood resources at stake – make business-community partnerships a seemingly logical and rational way for Bolivia to garner economic benefits from recent constitutional and land reforms.

Unfortunately, the country's political and sociocultural context complicates the prospects for such relationships to develop. Over the course of most of its independence, Bolivia's non-indigenous and *mestizo* (mixed race) elites created institutions that excluded most indigenous and poor people from economic activities beyond those able to support subsistence livelihoods. Feelings of anger and resentment toward elites thus remain fresh in the minds of many of the country's poor and indigenous people as evident in the success of the MAS party. Moreover, there has also been significant resistance to MAS reforms from traditional socioeconomic elites, particularly those in the eastern lowland and forest-rich Departments of Santa Cruz and Pando (Schroeder 2007). Because of these circumstances, structural or macro-scale factors, such as institutionalized forms of racism and class boundaries, coupled with micro- and meso-scale issues related to communication practices, language, identities, and cognitive understandings, problematize the prospects for trust building between wood brokers and community representatives. Given these challenges, and the opportunities for Bolivia's forest products sector, our central question is whether and how these relationships might evolve into trusting partnerships that guarantee fair prices, provide reasonable profits for businesspeople, sustain forest resources, and enable communities to increasingly add value to their natural resources.

Methodology

The findings presented below represent come from a two-year, two-region study of Bolivia's wood products sector. In 2007-2008, field research was carried out in Santa Cruz (2007) and the El Alto/La Paz metropolitan area (2008) where the research team made contact with a diverse range of public/private and non-profit/for-profit actors active in, or familiar with, Bolivia's forest products sector. The analysis presented here is based on field data generated through interviews with 33 business owners or managers that act as market intermediaries in the sector and 17 representatives from a diverse range of actors and agencies familiar with or working on forest-related issues. Table 1 summarizes the general characteristics of these firms and organizations. While the interviews covered a wide range of issues (e.g., production practices, institutional challenges), the data presented here focus on the relationship-building strategies that wood brokers, buyers, and extractors use to source wood supplies from rural areas.

Given time and accessibility constraints, and our focus on the activities of wood brokers/buyers, the voices of rural wood suppliers and/or community members are largely absent from the analysis that follows. Although this is a significant limitation, we are fortunate in that several scholars have recently documented the challenges for, and perspectives of, rural communities striving to balance market needs with social well-being in situations where high-value forest products are at stake (e.g., McDaniel 2003; Medina & Shanley 2004; Ros-Tonen *et al.* 2008; Medina *et al.* 2009). In this paper, community perspectives are supported by this literature and presented primarily through the voices of NGO representatives, academics, and government officials who are knowledgeable of and work directly in forest regions. While we are confident that these individuals are accurately portraying conditions in the forest areas, we

recognize that further research is needed to gain a deeper understanding of the perceptions of rural people and the implications of the timber trade for community well-being.

Interview transcripts were translated and then coded with respect to the following themes: a) buyer-to-supplier relationships; b) relationships with government agencies, NGOs, and other non-firm or community actors; and c) perspectives on forest management regulations, FSC certification, and trust-building challenges. From these data, the micro, meso, and macro-scale factors shaping the prospects for trust were then identified and categorized according to the kinds of buyer-supplier relationships a respondent referred to – direct ties between businesspeople and rural people or communities, NGO-mediated relationships, and/or FSC certified relationships. From these coded passages meta-narratives were developed and these are discussed in detail below; narratives describe the multi-scalar factors influencing the prospects for trusting partnerships to emerge with respect to each type of relationship.

Direct ties between market intermediaries and wood suppliers

The most common type of wood buyer-supplier relationship in Bolivia occurs when intermediaries engage directly with rural wood suppliers, landowners, or communities in order to purchase sawn timber or extract hardwoods from forest areas. These arrangements usually take the form of direct purchases of already cut wood or cutting contracts from wood brokers/buyers that are negotiated with rurally based suppliers on a seasonal basis. By most accounts, rural people typically distrust the prices and contract terms they are offered and, given Bolivia's history of exploitative relationships between elites and the rural poor, they generally perceive brokers/buyers as individuals concerned solely with their self-interests.

“Communities have been robbed by industrial sector in Bolivia in the past so trust does not exist and needs to be developed.” [BOLFORII Representative]

Businesspeople too are distrustful at the micro-scale and most have limited confidence that community leaders and residents can successfully harvest wood, meet delivery deadlines, and/or remain committed to the contract terms.

“The [rural] people...do not have much respect for contracts [and] then you have problems.... it is very complicated and has to do with the level of trust that you have....as you develop more trust you have to pay more..” [LPB43 Wood Broker]

Given these realities, negative perceptions about each others' trustworthiness remain the norm and only shared, mutually positive, experiences appear to be effective for overcoming the micro-scale challenge of making the perceived rewards outweigh the risks associated with extending trust. Such experiences take time and sustained engagement to develop, however, and the seasonality and instability of wood-product markets make longer-term partnerships difficult to realize in practice.

When these relationships are considered in meso-scale terms, face-to-face meetings are highly significant and negotiations about price, quantity, wood species, labor responsibilities, and delivery conditions may be contentious. Because rural suppliers are often new to the commercialization of wood, they may be unfamiliar with the norms of the forest-products industry and may lack the negotiation skills required to get the best prices and contract terms possible. In contrast, businesspeople find dealing with communities to be unpredictable and difficult as it requires intensive (i.e., face-to-face) oversight and management in order to ensure that wood extraction and processing are proceeding according to plan.

“I leave the first part [of the payment] and then I return to give them the second part once I see that they are making progress....the final payment is made when the wood is delivered....The only thing I can say is to trust nothing.” [LPB55 Wood Broker]

In macro-scale terms, wood buyer-supplier relationships are governed largely by informal rules and conventions with the important exception of state regulations regarding forest management. The regulatory challenge comes with obtaining proper certification for the wood

extracted or purchased in/from communities. As Pacheco *et al.* (2010) observe, illegal logging has become worse since 2006 as the newly created National Forest and Land Authority has been unable to effectively monitor or control extraction activities in most rural areas. The primary “moment” or mode of enforcement comes when the wood is transported to urban areas for processing and/or exportation. At this stage, transporters are required to have valid *certificados forestales* (C-FOR) that identify where the wood was extracted from and verify that this location is being managed through a legal management plan or *manejo*. As the wood sector has grown in recent years, corrupt practices have increased, manifest in large part by an illicit market for counterfeit C-FOR. This corruption, participated in by a wide range of actors (e.g., loggers, brokers, buyers, landowners, and communities), has made it extremely difficult to verify the legitimacy or legality of the wood that is purchased from or extracted within communities.

“You have to be careful. Let’s say you go out and somebody shows you wood. ...They show you the C-FOR. Either it’s fake, it’s forged or somebody changed the species. So you’re going to arrive at La Paz with your truckload of some valuable wood but that C-FOR in reality belongs to some land that didn’t have that species. You lose the wood.”
[EXPO08 Wood Broker]

Other structural or macro-scale reasons for distrust between market intermediaries and rural people stem from Bolivia’s contentious rural-urban and racial politics, the fact that rural people and communities have historically had few land rights or political representation, and because businesspeople, despite recent pro-poor policy changes and support for communities from the national government, continue to hold significant economic and political power in relation to rural people (Pacheco 2006; Pacheco *et al.* 2010). Moreover, the recent political changes have fostered feelings of uncertainty among many private-sector actors that are manifest in concerns over the legitimacy of communities as business partners and in the belief, among some businesspeople, that rural people have no legal accountability in business dealings.

“They say they’re going to change the [forest] concession model. They say they’re going to give all the forests to the communities so that they manage it. But ...who’s a community? Who represents it?” [SCZCL Wood Processor]

Taken together, the micro, meso, and macro-scale factors make it difficult for wood buyers and suppliers to develop the kinds of trusting partnerships that might provide opportunities for value-added activities, improved livelihoods, and more environmentally sustainable forms of forest management. Instead, contracts are often short term and arms length in nature, there are few guarantees that the prices paid to rural suppliers and communities are fair, business agreements often fail when suppliers fail to deliver the quantities and types of wood promised, and corrupt practices make it difficult for buyers to know if the wood was legally harvested. Despite the challenges, however, some are hopeful that mutually progressive ways of coordinating and managing these business relationships can emerge and/or that communities, through cooperatives or inter-community organizations, can become more independent and empowered actors in the domestic and international timber trade. Positive (micro-scale) shared experiences between rural wood suppliers and market intermediaries are a critical first step; one that has enabled a few (i.e., a small minority) brokers to become less wary of working with communities.

“The prior government gave the concessions to certain persons, to certain families with privileges. Now it is very different as we can deal with the TCO.....it is much easier to make contacts with themthey work with us, they trust us.” [LPB56 Wood Broker]

“The experiences that I have had with the TCO have initially been disappointing, but ...little by little I believe that they have been conscientiously trying to make things more transparent in order to avoid having legitimacy problems.” [BOL001 Wood Broker]

In sum, although trust in the most common forms of buyer-supplier relationships is currently rare, there is potential for positive change through successful shared experiences between intermediaries and wood supplying communities.

Alternative possibilities? NGO mediation and FSC certification

Since Bolivia's forest and land reform laws were enacted, the country's wood products sector has received a significant amount of attention from donors and NGOs promoting sustainable development initiatives. These organizations generally strive to help forest communities improve the quality and sustainability of their livelihood strategies and to empower them vis-à-vis Bolivia's private sector elites and international markets. Two main strategies are currently being promoted: NGO-mediated relationships between forest communities and private-sector actors (e.g., wood buyers, processors, market intermediaries) and Forest Stewardship Council (FSC) certification of wood supply chains. In the discussion that follows, we consider whether these alternatives might help to build trust and improve the quality of buyer-supplier relationships in the wood sector.

NGO mediation in wood product value chains

The logic for NGO mediation in buyer-supplier relationships is a perceived need to help rural communities achieve self-governance and improve their positionality with respect to business interests.³ Through capacity-building activities, some of the NGO representatives interviewed strive to empower rural people such that they can better control their engagement with markets and improve their socioeconomic conditions.

“We want to help build better relationships between communities and businesses. In buyer-seller relationships the buyer sets the conditions but we want laws and regulations to protect sellers. Right now there are no such alliances, just buyer-seller relationships. If alliances are to be built they need to be win-win. In theory the relationships can be a good thing but it is not happening now.” [AFIN Representative]

NGOs strive to influence the trust-building process at the micro, meso, and macro-scales. At the micro-scale, NGO actors seek to reduce perceived risks in the minds of community members and businesspeople and to increase mutual expectations for a successful business deal. NGO leaders

believe that they can increase a community's perceived legitimacy in negotiations while empowering it to obtain higher prices for forest resources. Although some NGO actors ultimately view communities as the final decision makers in these business dealings, it is clear that they view their contribution to the process as essential (see also Medina *et al.* 2009).

“A relationship needs to be built based on reliability, trust, and cooperation. You need to make sure that prices are right and that everything is fair....There are things businesses and communities can build together (roads, infrastructure, etc.). They need to work as good neighbors. A steady relationship, or alliance, takes time and it is a real process....we provide technical assistance, negotiation skills, etc. to communities [but] make no decisions. We just give skills to help communities make decisions.”
[CADEFOR Representative]

NGOs face significant obstacles to effective mediation at the micro-scale as businesspeople generally maintain a negative disposition toward them. The reasons for this largely stem from stereotypes, personal experiences, and/or a sincere distrust in the ability of NGO representatives to understand business norms and wood product markets.

“The NGO have a method for working with forest management but they do not have experience in business or with companies. They are only focused on the social and the environmental and they do not see the other part.” [CNCP Wood Processor]

“NGOs in the past have promised to secure me supplies of hardwoods from communities...it was a waste of time and they could not even come up with a single container....these people are not professional, they do not know business.” [NBC27 International Wood Buyer]

Clearly there are significant micro-scale challenges to successful NGO mediation in buyer-supplier relationships, particularly from the perspectives of businesspeople.

At the meso-scale, NGOs have participated in face-to-face negotiations with communities in a number of venues but perhaps most significantly at annual wood brokering meetings such as the *ExpoForest* and business-community trade fairs (e.g., *Encuentros Sociales de Negocios de la Madera*).⁴ The goal of NGO mediation is to empower communities in business negotiations by having an external agent at the bargaining table, one who is able to increase a community's

perceived legitimacy through social performances that are ideally more amenable to the norms, conventions, and expectations that are familiar to domestic and international wood buyers. From an NGO's perspective, this mediation can lead to a more meaningful dialogue regarding contract terms that, in effect, might level the playing field between wood buyers and suppliers.

Moreover, NGO intervention provides a means for ensuring that government regulations and international best practices with respect to environmental well-being and community treatment are an explicit part of the negotiation process. In short, NGO leaders view their participation in face-to-face negotiations as an important means for helping communities overcome the challenge of establishing business relationships.

“Community-business alliances are a weakness right now and need to be improved.....we have participated in business meetings in order to try and help communities build links to the market.” [PUMA representative]

Despite such positive feelings about the prospects for such interventions, however, NGOs, as noted above, have not widely convinced the business community that they can be legitimate business partners at the micro and meso-scales.

At the macro or structural scale, NGOs in Bolivia are thought by some to “occupy spaces forgotten or neglected by the state, such as the market” (Benneker *et al.* 2005: 180). Because many NGOs have long-standing ties to communities, they are structurally well positioned to serve as gatekeepers able to determine which businesspeople get access to particular forest communities and their resources. In particular, NGO leaders want to structurally empower communities such that they have greater control over natural resources and autonomy with respect to the state and private-sector actors.

“We are trying to encourage community forest management. We want to improve social control...” [AFIN Representative]

Despite these positive objectives, some individuals familiar with forest-sector NGOs in Bolivia argue that there is little coherence, cohesion, and/or collaboration between or among them and that this reduces their ability to reform the structures and institutions governing the forest-products sector.

“There’s lots of money here. But if I see the results, it is rather poor. That is my personal concern with the NGO world. They’re all fighting their own projects, but they don’t have the fuel to do it together.... It’s a waste of money, it’s a waste of effort.” [FSC European Representative]

When considered in relation to trust-building practices, this lack of collaboration and coordination limits the ability of NGO to improve the macro-scale conditions that mediate the relationships between communities and international markets.

FSC certification as a trust-building strategy

Internationally recognized labelling and certification systems are increasingly used by businesses to integrate social and environmental principles into the production and marketing strategies for a wide range of product types (e.g., see Raynolds [2009] on coffee and Ponte [2008] on fish certification schemes). In the global wood trade, there has been a marked increase in the role of third-party certifiers such as the FSC (Stringer 2006; Klooster 2005; 2010). FSC certification integrates economic imperatives with social and environmental concerns such as indigenous people's rights, workers' rights, and reductions in the environmental impact of logging (Forest Stewardship Council 2009). In Bolivia, the majority of FSC certified operations are controlled by large-scale private enterprises that are able to pay for costly audits and sustain access to international markets for certified products. With respect to buyer-supplier relationships, some NGO and businesspeople hope that FSC certification can provide a formal mechanism for improving the livelihood possibilities of rural people while enabling businesses to access higher-value niches in international markets.

“The social benefits are fairer payments to communities, access to contracts, rights to unite as workers, companies have to use labor within an area, and...there is a required social responsibility.” [CFV Representative]

“It’s gonna pay off. Otherwise, you would have seen a big decline in interest for [FSC] certified, but you haven’t. I know that the USA is becoming more interested. That’s one of the reasons that our company decided to go FSC.” [LPB57 Wood Broker]

When considered in relation to trust-building strategies, FSC certification is principally a macro-scale initiative that seeks to restructure buyer-supplier relations by providing clear rules and regulations governing trade and forest management practices. Ideally, certification can reposition communities more favorably in international markets for environmentally and socially friendly niche products. When considered in relation to other scales of the trust-building process, there are two main rationales for certification. First, it formalizes and codifies business negotiations and thus seeks to create a more predictable and equitable meso-scale context for buyer-supplier interactions. Second, it has important micro-scale implications for businesspeople, rural people, and communities, namely with regard to their risk perceptions, reward assessments and expectations, feelings of empowerment, and dispositions with respect to interactions with one another. Taken together, the mediation of buyer-supplier relationships through FSC standards and rules will ideally enable participants to be less skeptical, less risk averse, more empowered, and able to have higher expectations about what the relationship might bring in terms of value-added possibilities.

Despite this potential, there are significant challenges for suppliers and buyers that consider FSC certification as an alternative partnership-building strategy. For suppliers, certification is very difficult to achieve without outside financial and/or technical assistance and, even when a land owner or community becomes certified, it may remain reliant on outside businesspeople for the capital and skills needed to efficiently manage the wood extraction

process. Moreover, many see certification as an unnecessary complication given that price premiums for certified wood have not been as high as promised.

“I’m interested in sustainable forests. It’s good for me and for everybody. That’s what’s important. I think the FSC is too complicated and too expensive.” [BOL085 Wood Broker]

In sum, although FSC certification provides a structural “umbrella” able to, in theory, improve the quality of buyer-supplier relationships, it is a viable strategy only for large-scale enterprises and it has generally not provided the high-value market opportunities and social benefits promised by its promoters. Moreover, it ignores or downplays the importance of meso-scale interactions and micro-scale subjectivities in influencing the prospects for improved buyer-supplier relationships. These challenges are significant and recent studies have documented how attempts to certify community forest organizations in Bolivia have largely failed due to the organizational, technical, and socio-cultural requirements associated with becoming an FSC approved supplier (Gutiérrez del Solar 2008; de Pourq *et al.* 2009).

Discussion and concluding remarks

The analysis of three kinds of buyer-supplier relationships in Bolivia’s forest sector – direct ties between urban based wood brokers/buyers and rural suppliers; NGO-mediated relationships; and FSC certified relationships – reveals important challenges to the development of more trusting and progressive partnerships. By examining trust-building through a multi-scalar lens, we have shown how micro-scale (cognitive/subjective), meso-scale (intersubjective/performative), and macro-scale (institutional/structural) factors come together in the context of particular kinds of relationship-building practices and how these factors can shape the prospects for partnerships to develop. Table 2 summarizes the characteristics of these trust-building practices and highlights some of the key challenges that must be overcome if improved partnerships are to evolve between wood brokers/buyers and suppliers in Bolivia.

In the case of direct ties between buyers and suppliers, micro- and macro-scale factors – manifest in mutually negative dispositions, negative stereotypes, perceptions of risk, and feelings of disempowerment on both sides – make trust building difficult to achieve without shared successes and intensive social interactions. Bolivia’s structural conditions (the macro-scale) too act as a disincentive to longer-term partnerships despite the recent land reforms that have sought to empower rural people. Missing from this picture is a state apparatus able to effectively govern day-to-day extraction and trading activities, reduce corruption, and provide institutional, financial, and technological support for TCO and ASL. Without such support, the populist and socialist ideals of the Morales/MAS government remain largely symbolic with respect to the development of forest sector while large volumes of high-value hardwoods continue to leave the country through value chains governed primarily by traditional Bolivian elites and foreign buyers. In sum, the state is providing little macro-scale or structural support for more trusting relationships; the kind of trust ‘climate’ needed to encourage investment in community forestry operations and foster the development of stronger, more even, and sustainable ties between market actors and forest communities.

Given these concerns, we evaluated the prospects for two alternative means of buyer-supplier relations in which stakeholders engage in distinct kinds of trust-building practices. NGOs focus on building governance capacity within communities (i.e., to improve their macro-scale positionality) and may intervene in business negotiations through meso-scale performances aimed at making the terms and conditions of exchange more favorable for communities. Despite their good intentions, however, these strategies have not succeeded in improving businesspeople’s perceptions (at the micro-scale) of NGO actors and NGOs have been unable to restructure the macro-scale rules, institutions, and conventions governing Bolivia’s wood

products sector. The second option, FSC certification of suppliers and supply chains, takes a macro-scale approach to trust building by providing a framework that codifies the rules, norms, and standards that link wood suppliers to buyers, brokers, and processors. In practice, however, certification is difficult and costly to manage and, in and of itself, appears insufficient as a trust-building mechanism because it alone cannot make micro- and meso-scale factors – e.g., perceptions, feelings, and social performances – irrelevant in shaping the prospects for successful business collaborations.

An alternative, middle-ground approach would be to develop a Bolivia-specific value chain for wood products that is attuned to the particulars of the local context and which might enable suppliers and buyers to trust each other and compete more effectively in domestic and international markets. This value chain would need to be governed both by formal rules and norms structuring business-community relationships and by informal practices and relational understandings that bind suppliers, buyers, and state actors together in more equitable and productive partnerships. Developing such a system will take time as relationship-building exercises will be needed to bring businesspeople, state actors, and community leaders together in meaningful and substantive ways. These exercises would need to focus on improving the extent, quality, and transparency of communications between these diverse actors by acknowledging and managing the power relations, normative differences, and historical-political factors that make trust difficult to achieve in the current context. Recent literature (e.g., Natcher *et al.* 2005; Greskiw and Innes 2008) recognizes these cross-cultural communication challenges and calls for greater attention to relationship development practices in order to improve the quality, sustainability, and viability of community-based resource management strategies. Importantly, however, such an intensive, communication oriented approach can only succeed if program

implementers, rural people, state actors, communities, and businesspeople have an earnest sense of what is structurally possible in the Bolivian context (i.e., the macro-scale conditions must support trust building) and if they are open to meaningful inter-personal dialogues and exchanges in order to foster shared understandings (i.e., the micro and meso-scales of trust-building matter).

To conclude, this paper has demonstrated that when the intermediary exchange relationships linking rural people and forest communities to wood markets are analyzed through the multi-scalar lens of trust-building, significant challenges are visible at the micro, meso, and macro-scale. This is important because policy initiatives or business strategies aimed at one scale (e.g., FSC certification as a macro-scale approach) may fail to deal with obstacles situated at another scale (e.g., the meso-scale dynamics business negotiations or the micro-scale social dispositions of actors). Moreover, the findings provide insights into why Bolivia's forest product sector, despite the state's support for community forestry and natural resource based economic development, remains unable to harness its potential as an industrial sector and contributor to rural development. While it appears that rural people and communities have gained greater access to and control over natural resources, their ability to participate in fairer trading relationships has not changed significantly. Without adequate financial and technical support of communities interested in the wood trade, from both state and non-state actors, *and* improvements in the management of Bolivia's productive forests through the enforcement of existing forest regulations, more progressive partnerships linking communities to domestic and international wood product markets will be difficult to achieve and sustain in practice. A critical first step will be to create greater mutual understanding among the diverse stakeholders involved in the forest industry through initiatives able to address the multi-scalar factors that facilitate or prevent trust from emerging in business relationships.

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Endnotes

1. Throughout this paper we use the terms relationship, partnership and alliance interchangeably to connote general ties, more equal relationships, and/or more progressive connections between markets, private enterprises, and actors in communities.
2. Significant international markets have recently developed for lesser-known species such as ironwood (*tajibo*; *Tabebuia serratifolia* or *Tabebuia impetiginosa*) and balsam wood (*quina quina*; *Myroxylon balsamium*).
3. We consider NGOs to be locally based non-profit organizations (e.g., Asociación Forestal Indígena Nacional), international non-profit organizations (e.g., World Wildlife Fund), and donor sponsored development organizations that implement foreign aid programs in Bolivia (e.g. USAID's Puma Foundation). The arguments presented here represent the views of only those NGOs that were accessed during the field research (see Table 1) and we do not address the issue of whether communities trust NGOs.
4. For example, at the 2006 Encuentros meeting, the World Wildlife Fund (WWF) represented nine indigenous communities and reported to have received commitments for more than \$400,000 in wood sales (World Wildlife Fund, 2007).

Table 1. *General Information about the Businesses and Organizations Interviewed*

Type of firm or organization	Characteristics of firms, names of organizations whose representatives were interviewed
Wood brokers and buyers (n=33)	<p>Primary product:</p> <ul style="list-style-type: none"> • Rough sawn or planed timber (24) • Wood flooring or decking (6) • Outdoor furniture or custom doors (3) <ul style="list-style-type: none"> • Small or micro-scale – less than 20 employees (20) • Medium – 20 to 50 employees (8) • Large – more than 50 employees (5) <ul style="list-style-type: none"> • Bolivian based (25) • International buyers (8)
State agencies and non-governmental organizations (17)	<ul style="list-style-type: none"> • Donors (3) • International NGOs (5) • Domestic NGOs (6) • Government agencies (2) • Other (1) <p>Names of the organizations where representatives were interviewed:</p> <p>World Wildlife Fund; Fundación TIERRA (Bolivian Land Reform Foundation); Protección y Uso Sostenible del Medio Ambiente (Protection and Sustainable Use of the Environment (PUMA) foundation); Smartwood (Rainforest Alliance); El Servicio Holandés de Cooperación al Desarrollo (Dutch Development Agency - SNV); Conservation International; Proyecto BOLFOS II (Bolivian Forest Project Phase II - USAID program); Consejo Boliviano para la Certificación Voluntario (Bolivian Council for Voluntary Certification - CFV); Asociación para la Conservación de Chiquitania (The Chiquitania Conservation Association); Cámara Forestal de Bolivia (Bolivia Forest Chamber); Centro Amazónico de Desarrollo Forestal (Amazonic Center for Forest Development - CADEFOR); Asociación Forestal Indígena Nacional (Indigenous Forest Association - AFIN); Superintendencia Forestal (Forest Superintendent); Institución Boliviano de Investigación Forestal (Bolivian Institute for Forest Research - IBIF); Sustainable Forest Systems (SFS); Forest Stewardship Council (FSC) Netherlands' office, Independent forestry consultant in Santa Cruz, Bolivia, and Fair Timber (Belgium).</p>

Table 2. *Trust-Building Strategies and Challenges in Bolivia's Forest Products Industry*

Multi-scalar factors influencing the prospects for trust			
Type of buyer-supplier relationship	Micro-scale factors	Meso-scale factors	Macro-scale factors
Direct ties between wood brokers/buyers and suppliers	Mutually low expectations; Risks are perceived of as high; Perceptions of control over relationships are low; Mutually negative dispositions; Shared personal experiences are critical for trust - repeated interactions, sustained success; Short-term and seasonal focus limits prospects for trust.	Negotiations often occur in forest areas or sometimes at trade fairs; Quality of face-to-face interactions is important.	Mostly informal norms; Limited legal accountability or regulation of contracts; Widespread corruption in forest sector foments distrust; Political climate has increased power of communities and fear for some businesspeople; Businesses are weak in relation to international buyers and global wood markets.
NGO-mediated business relationships	NGOs strive to build technical and business capacity in communities; Communities reportedly have higher expectations while businesspeople often have low expectations; Community leaders reportedly perceive greater control and empowerment; Disposition of businesspeople toward NGOs is negative; Perceived risks are reportedly lower for communities but remain high for businesspeople.	NGO representatives may "perform" for communities at formal meetings and trade fair negotiating rounds; NGOs strive to put forth a more "legitimate" and powerful face in business negotiations; Businesspeople often fail to recognize NGO performances as legitimate business dealings.	NGOs strive to improve the positionality of communities in relation to private-sector and state actors and institutions (e.g., political power; access to finance; international market standards); NGO representatives may be unfamiliar with informal norms and conventions in the wood industry.
FSC certification	FSC certification reportedly increases reward expectations, lower perceived risks, and empower suppliers and communities vis-à-vis international markets. Most businesspeople view the costs as not being worth the price premiums available in the marketplace.	Formalized interactions managed through written contracts; Third-party auditing and intermediation critical for trust-building.	FSC certification strives to more positively position wood suppliers in relation to international markets; Internationally recognized rules and formal agreements as tools to create trusting climate; Costs of conforming to structural requirements make it impossible for most small and medium scale suppliers and forest communities.

Figure 1. *Conceptualizing Trust-Building Practices in Bolivia's Forest Products Sector*

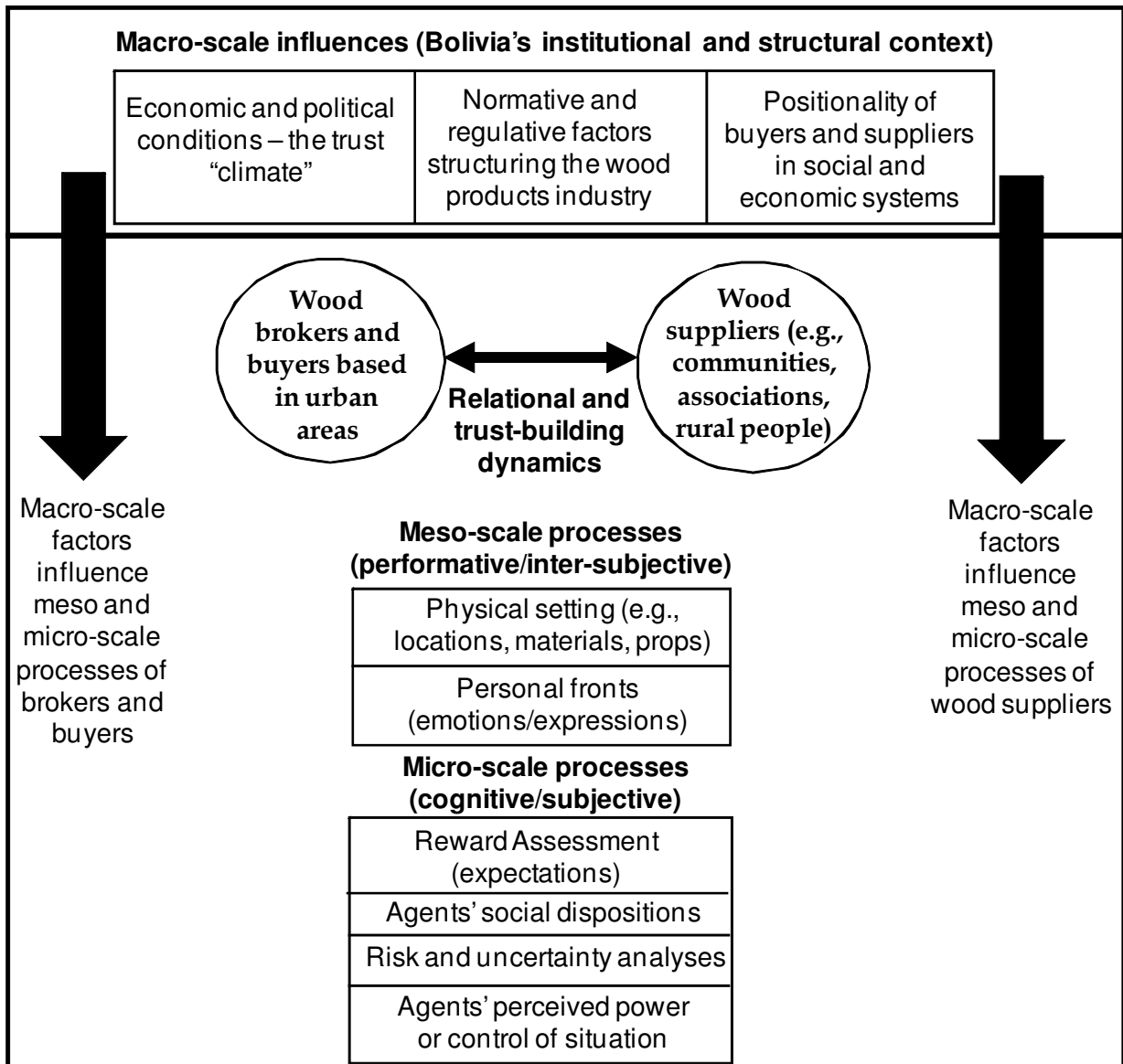


Figure 2. Forest access rights (*derechos forestales*) in Bolivia as of September 2007. (adapted from *Mapa de Derechos Forestales, Areas de Reserva Forestal Municipal y Areas Protegidas en Bolivia*. Proyecto de Manejo Forestal Sostenible, BOLFOR II, Santa Cruz, Bolivia.) [Online source cited 15 December 2009] Available from:

<http://www.bolfor.org/documentos/Mapa%20de%20Derechos%20Forestales.jpg>

