

**TODAY'S HEADLINES****The New Wal-Mart Effect**  

American companies and consumers can encourage foreign suppliers to follow environmental rules, researcher finds

by Amy Wolf

Most of America's low-cost stores have much of their merchandise made in foreign countries, such as China. What's become better known, because of recent news reports, are the serious safety and environmental violations that some of these foreign suppliers are accused of committing.

A new study by Vanderbilt Professor of Environmental Law Michael Vandenberg finds that U.S. companies often are pushing for environmental regulations from foreign businesses rather than lobbying national or international governments.

Vandenberg found that based on an empirical study of more than 70 companies in different areas of business, more than half imposed environmental requirements on their suppliers.

"The new Wal-Mart effect occurs when a mix of social, economic and legal factors induces a firm to impose private environmental or other requirements on its suppliers that are traditionally the subject of government regulation," he said.

Vandenberg studied companies including Wal-Mart, Costco, Target, Home Depot, Lowe's, Staples, Office Depot, General Motors, DaimlerChrysler, Toyota, Ford, Nissan, Hewlett-Packard, Sony, Dell, Toshiba and Apple, and found that many of the companies have pushed for some sort of environmental standards beyond the supplier's country's current laws or created an environmental management system to make sure certain policies are being followed.

Vandenberg warns that there's no way to guarantee how strong these private environmental standards or management systems are, but they often may be better than the standards imposed by governments on products made in their countries.

Vandenberg found that although the extent, content and enforcement of the standards vary widely among the retail and industrial sectors studied, "early indications suggest that the agreements are having an important influence on the environmental behavior of exporting firms over and above the influence of existing public regulatory requirements."



Vandenberg

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Though he concedes that private environmental contracting could have its fair share of problems, Vandenberg's research finds that private pressure may be an important way to stop potentially dangerous environmental violations.

What does this mean for the consumer? Ultimately, that U.S. consumers can use the "power of the purse" to convince retailers to push for higher environmental standards from their foreign suppliers, Vandenberg said.

Vandenberg's full study, titled "The New Wal-Mart Effect: The Role of Private Contracting in Global Governance," can be found in the current issue of the *UCLA Law Review*.

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