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Transnational Organization(s) as Governance: A Comparative Analysis of Private Rules beyond the State

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Abstract

Organization, as a key concept for understanding the current global order, does not only exist on the international level, but increasingly manifests itself on the transnational level too. Transnational organization has many sources and appears in many forms. As a relatively recent phenomenon, transnational rule-making processes could be considered the most apparent expression of the shift from state-driven politics and intergovernmental cooperation to non-state-driven governance in world affairs. In recent years, a number of rule-making processes have emerged around issues of global sustainability politics. However, most research on non-state actors and their roles in environmental politics has focuses on rather traditional forms of policy-making firmly directed towards states and embedded in the inter-national paradigm.

This paper contributes to the conference theme by assessing the roles and functions that transnational forms of organization perform in world politics. As most research in this field has hitherto focused either on instances of business self-regulation or public-private cooperation, this contribution takes a closer empirical look at those forms of transnational organization that include both the profit as well as the non-profit side of transnational society (business co-regulation). While the first part of this paper introduces the concept of transnational organization as governance, the second part discusses the possibility of assessing the influence of governance arrangements and theoretically distinguishes between three different mechanisms of transnational governance, namely regulative, cognitive, and integrative governance. Subsequently, the third part comparatively analyses the Forest Stewardship Council (FSC) and the Coalition for Environmentally Responsible Economies (CERES) as two examples of transnational organization(s) with regards to their roles and functions in global environmental governance.

Contents

1 Introduction

Currently, we are witnessing a shift in global environmental governance. State-centred approaches to problem-solving are increasingly complemented by novel institutional arrangement such as public policy networks and private forms of co-regulation between NGOs and companies. These new forms of global environmental policy-making emerge at the intersection of two broader trends in world politics. First, there is the 'privatisation of regulation', a transfer of regulatory tasks from public actor such as states and intergovernmental organisations to a wide range of non-state actors such as bond-rating agencies or the International Organisation for Standardisation (ISO). The second conceivable trend refers to the, real or perceived, transformation of confrontation to cooperation as the primary mode of interaction between divergent actors in world politics. In this context, partnership has been heralded as the new paradigm to overcome conflicts of interests in many different areas, from implementing international agreements (Hale and Mauzerall 2004) to securing environmental and social responsibility of corporations (Ruggie 2002).

These empirical observations appear to be new for several reasons: first, novel governance arrangements involve NGOs and business actors that are believed to follow different logics of action in traditional accounts of international politics; second, they involve both the ordering elements of markets and norms, combining claims to moral superiority with the incentive of higher profits, enhanced brand reputation and access to new markets; third, they transcend state-centred, territorial-based forms of politics, thereby establishing new spaces of transnational organisation next to international norms; and fourth, they are highly institutionalised, in forms of rules, standards and regulations, and thus go beyond cooperation, alliances and partnerships discussed in most previous debates.

As far as rules and norms are concerned, studies in International Relations (IR) in general and global environmental politics in particular have primarily focused on international regimes and intergovernmental organisations that have been designed to address trans-boundary problems. Non-state actors figure prominently on the research agenda of political scientists for more than three decades and scholars have studied in detail their role and function in agenda-setting, lobbying governments, and implementing international agreements (Arts, Noortmann, and Reinalda 2001; Keck and Sikkink 1998; Raustiala 1997; Weiss and Gordenker 1996). However, still little is known about the institutionalisation of governance by private, often antagonistic actors. The underlying assumption of this paper is that the current process of private institutionalisation among a wide variety of business and non-profit actors signifies more than a greening of industry based on rationalistic interest calculations. Instead, we witness the emergence of transnational organisation, resulting from a variety of norm- and rule-systems on the global level, from reporting schemes to certification and environmental management standards, that exist primarily outside the international system (cf. Pattberg 2005a).

To validate this claim, however, it is of central importance to assess the actual influence of private governance arrangements and the distinct ways in which they affect behav-

iour. Consequently, I ask: How can we assess the influence of private governance beyond the state? What are the mechanisms through which influence is realised and transnational organisation established? The paper proceeds in three analytical steps. First, it analyses the shift from public to private governance and the corresponding institutionalisation of cooperation between different private transnational actors that results in transnational organisation. Second, I discuss different possible ways to assess the influence of private governance arrangements. I contend that three functional pathways can be distinguished through which private arrangements realise their governance task, namely regulative, cognitive/discursive, and integrative governance. Finally, I introduce two empirical cases to illustrate the theoretical and conceptual claims made in the preceding part. The Forest Stewardship Council (FSC) provides an illustrative example of a transnational private governance arrangement in the forest sector based on the instrument of certification. The Coalition for Environmentally Responsible Economies (CERES), the second case presented in this article, displays a different organizational form of regulation. Here the rules do not govern a specific issue area but are targeted towards the everyday operations of companies in general and demand the public disclosure of environmental performance.

2 Private Governance and Transnational Organisation: Exploring the Links

Behaviour in world politics increasingly gets more rule-bound and institutionalised (Goldstein et al. 2001; Abbott et al. 2001). However, next to international order in the form of international regimes, conventions, treaties and organizations, ordered rule (or in some cases ordered disorder such as transnational terrorist networks) increasingly emanates from non-state sources of authority (cf. Biersteker and Hall 2002). Within this larger context of analysis, recent studies have begun to further differentiate distinct forms of non-state, transnational organization such as public-private (Reinicke and Deng 2000; Dingwerth 2005a) and private-private rule-making processes (Pattberg 2004b, 2004a).

One source of the growing transnational order is private governance. It can be defined as a form of socio-political steering in which private actors are directly involved in regulating – in form of standards or more general normative guidance – the behaviour of a distinct group of stakeholders, including business and, in a wider understanding, also public actors such as states. In addition, private governance can be understood as "a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken by non-State parties" (Webb 2004: 12). In its most encompassing understanding, private governance includes formal institutions that develop rules and enforce compliance, as well as informal arrangements that individuals or organizations perceive to be in their interest. The term 'governance' is most often used to denote an indefinite process of 'governing'. However, governance also refers to the outcome of such a process, the corresponding social order that is established. In this perspective, private governance is also understood to represent a functional equivalent to public policy outcomes. In sum, private governance "emerges at the

global level where the interactions among private actors [...] give rise to institutional arrangements that structure and direct actors' behavior in an issue-specific area" (Falkner 2003: 72-73).

One distinct form of private institutional arrangements that structure and direct behaviour are instances of private business co-regulation. But what precisely is 'business co-regulation'? Regulation can be defined as the "act or process of controlling by rule or restriction" (Garner 1999: 1289) or, with a focus on the source of regulation, as

> "the diverse sets of instruments by which governments set requirements on enterprises and citizens. Regulations include laws, formal and informal orders and subordinate rules issued by all levels of government, and rules issues by non-governmental or self-regulatory bodies to whom governments have delegated regulatory powers" (cited in Richter 2001: 38).

With regard to regulating business actors, regulation shall be defined as limits imposed on the behaviour of economic actors, contained in rules and standards. However, business regulation does not only emerge from public sources or authorized by public actors, but increasingly also from non-state sources of authority. Therefore, business regulation is best classified by its source.[1] In simple terms, business regulation can derive from three broad institutional arrangements: first, regulation may derive from public actors and organizations, including national governments and intergovernmental organizations (public regulation); second, regulation may derive from business itself (business self-regulation); and finally, regulation may derive from a partnership of different actors, among them states, international organizations, and private non-state actors such as environmental or social NGOs. The latter type is labelled 'business co-regulation'.

In addition to the understanding of transnational organization as a complex interaction of norms and rules in world politics that do not predominantly emanate from public sources and are not necessarily directed towards public actors such as states, the concept of transnational organization also embodies the concrete institutionalisation of transnational governance, namely transnational organizations. It is this dual understanding of transnational organization as structure and agency that underlies the following analysis of co-regulatory arrangements in global sustainability politics.

3 Assessing the Influence of Private Governance Arrangements

This section proposes to analyse private governance arrangements and their contribution to transnational organisation along the lines of three distinct functional mechanism, namely regulative, cognitive/discursive, and integrative governance. Before I will discuss these concepts in more detail, the following section provides a brief theoretical introduction to assessing the influence of private governance in general.

[1] Business regulation may also be classified by issue-area; among others, typical areas of regulation include anti-trust, anti-corruption, anti-discrimination, corporate taxation, labour, health and safety, consumer protection and environmental protection.

Assessing the Influence of Private Governance

In simple terms, the judgement 'something is effective/has influence' refers to the situation that some organisation, policy or institution is performing some generic function that can be assessed against some point of reference involving some metric of measurement. The task of analysing the influence of private governance systems therefore involves three analytical steps: first, defining the object to be evaluated, that is, the dependent variable of the measurement; second, introducing an appropriate standard against which the object is evaluated; and finally, defining the appropriate measurement and metric. Before I propose my own answer to these questions, let me briefly argue why I prefer the term 'influence' to the more widely used term 'effectiveness'.

The term 'influence' is given preference over other terms used to describe behavioural changes resulting from specific activities or structures such as power or authority for several reasons. Power carries strong connotations of force, whereas authority often invokes the association of either formal legitimation (as in the case of a public authority) or informal authorisation through knowledge or belief systems (as in the case of teachers and priests). 'Influence' is more neutral in this respect, defined as "the act or power of producing an effect without apparent exertion of force or direct exercise of command" (Logman Dictionary of the English Language 1984: 754). Consequently, the sum of all effects, according to Webster's (1976: 724) something that is "produced by an operating agent or cause; the event which follows immediately from an antecedent, called the cause; the result, consequence, or outcome," is considered the influence. In addition, the term "influence" is also given preference over the frequently used term "effectiveness" for two reasons. First, effectiveness is a restrictive concept when it comes to the direction of effects, because it limits the scope of analysis to those observations that contribute to goal attainment and problem-solving.[2] Effects that display no link to addressing the principle goal of the respective institution or are counterproductive cannot be measured within the framework of effectiveness. The second reason for using "influence" as the more encompassing and neutral term instead of "effectiveness" is the comparative notion embedded in the latter term. Effectiveness is a relational concept; its meaning is linked to a specific point of reference, whether this point is reaching its organisational goal or reaching its organisational goal to a higher degree than a comparative case.

Scholars studying the effects of international regimes and recently also international bureaucracies as well as scholars in the field of policy analysis agree, although in different terminology, that there are basically three different objects of measurement when it comes to analysing influence (Biermann and Bauer 2003; Easton 1965; Underdal 2002). First, *output*, referring to the actual activity of organisations and institutions such as agreeing on regulations, producing reports, conducting research or organising

[2] In addition, the analytical category "problem-solving" is based on normative and practical considerations that may introduce a much higher or lower threshold for effectiveness. Consider for example the Forest Stewardship Council. If "problem-solving" refers to the global forest crisis, effectiveness measures may be poor. However, if "problem-solving" refers to creating demand for and supply of some amount of certified timber, effectiveness measures are comparatively high.

meetings or simply agreeing on certain rules; second, *outcome*, understood as observable changes in the behaviour of those actors targeted by international regimes, public policies or international bureaucracies; and third, *impact*, defined as changes in economic, social or environmental parameters such as GNP, literacy rate or atmospheric carbon dioxide concentrations.[3]

In addition to this basic understanding, most scholars agree that while focusing on outcome exclusively would be too inambitious as the primary level of analysis, measuring impact seems at least very difficult for several reasons. First, as there is a plethora of institutions, organisations, policies, and structural factors influencing a specific issue area, it is quite impossible to disentangle this background noise from the effects under consideration. This is particularly the case with rules and regulations that are embedded in a broader set of institutional practices or prone to changes in the general political or economic context. And second, the more complex the affected system is, the more difficult it will be to assess the actual impact of any given influence on this particular system.

What follows from this concentration on a behavioural indicator is the particular attention paid to problems of identifying an adequate point of reference for the assessment of influence. Against what standard should relative changes in the behaviour of actors be assessed? This intricate question has recently been discussed with regard to the effectiveness of international regimes, particular in the field of environmental politics (Bernauer 1995; Helm and Sprinz 2000; Jakobeit 1998; Mitchell 2002a; Miles and Underdal 2000; Victor, Raustiala, and Skolnikoff 1998; Young, Levy, and Osherenko 1999). Three quite different approaches have been described in some detail: first, measuring behavioural changes against the institutional goals under consideration; second, an economic concept of optimal solutions; and third, counterfactual reasoning assessing relative changes against a hypothetical state of "absence of effects". However, they all include three logical steps towards measuring effects. According to Ronald Mitchell (2002b: 508),

> "[t]o determine how much movement towards some goal a policy induced involves three tasks: identifying an appropriate goal, an appropriate metric of movement and an appropriate indicator of the share of that movement to attribute to the policy".

Based on this brief discussion of the term "influence", possible points of reference, and different levels of analysis frequently referred to in the literature, how could the influence of private governance systems within world politics be understood? Two complementary views can be distinguished. The first approach is to consider the influence of any private governance system to be the aggregate of two different orders of effects. First-order effects are direct effects that can be traced to the specific rules of the institution under analysis. We can measure these direct effects by looking for behavioural changes of those actors that are within the scope of the rules (in our empirical cases:

[3] With reference to the regime literature, there is an agreement that the three objects of assessment constitute distinct phases in the life of a regime, wherein output relates to the early phase of regime formation and the establishment of the international accord, outcome relates to the phase of regime implementation, and impact refers to the phase of natural responses as a result of changes in human behaviour (Underdal 2002: 6).

forest operations, supply chain firms, and companies providing environmental reports). Indicators include standard-uptake, compliance, corrective action undertaken by the actors, and the general tendency in the number of regulated actors. Taken together, these measurements can tell us in how far the rules of an institution change the behaviour of those actors that fall under the regulative scope of this very institution.

Indirect effects constitute the second order of effects. Indirect effects should be understood as those effects that are induced by the rule-system as a whole and have impact on those actors not under the direct scope of private regulation. Possible indirect effects include endorsement of the governance system by non-regulated parties, the incorporation of private rules in other existing regulative systems, political incentives directed towards the private rule-system, and the organisational diffusion of a specific rule-system to other geographic or issue areas.

The second approach towards categorising the influence of private rules in world politics is analysing the distinct characteristics of effects. First, private rules can be expected to have normative effects resulting from the concrete rules and standards if they become socially binding to a certain extent. Second, private rules can have discursive effects. In this case, private rules and procedures become a point of reference in transnational debates that can only be omitted accepting high reputation costs and other strategic disadvantages. And finally, private rules are expected to have structural effects such as shifts in markets or power relations.

Analysing the Functions of Private Governance Systems

After having discussed the possibility of assessing the influence of private governance systems, this section approaches the question how private rule-systems realise their effects. With reference to international environmental regimes, Keohane, Haas, and Levy (1993: 21) argue that actor behaviour, in this case that of states, is affected by the three functional "Cs": raising concern, creating a contractual environment, and increasing capacity for environmental protection. In a similar vain, I assume that the behaviour of stakeholders and other political actors is affected by three broad functions of private governance systems.

Starting with the most evident, I assume that behavioural changes result from the *regulative function* of private governance. In this view, behavioural changes can be attributed to the standards and regulations emanating from a governance system that are directed towards business actors. Possible effects may include changes in markets and economic incentive structures, environmental improvements or deterioration, and the internalisation of the respective norms. Therefore, an analysis of the regulative function will most likely focus on the process of standard development and the different approaches taken towards putting them into practice.

Next to regulation, private governance is also achieved through a *cognitive and discursive function*. Private governance systems in the area of global environmental politics operate within the complex environment of scientific uncertainty. The development of adequate standards for sustainable forestry, for example, will depend on expertise in issue areas ranging from biodiversity conservation to global timber trade and consumer

preferences. Brokering knowledge and organising effective learning processes among different stakeholders is therefore key to influencing the behaviour of relevant actors. In this view, knowledge is produced and disseminated through a network of actors bound together by the constitutive rules of the institution. In addition, learning processes may occur that enable actors to fulfil new roles and take over new responsibilities. The cognitive function of private governance might also lead to discursive changes within the specific policy community and beyond.

The third function through which private governance is thought to occur is *integration*. Several directions of influence are observable: first, international norms that are already embodied in international treaties may be partially integrated into the private governance system and thus influence actors that are not directly targeted by the international norm. This is also true for standards that emanate from public-private sources such as regulations by the ISO. Second, private governance systems may serve as a model for other issue areas or even be replicated within the same issue area. In addition, a particular model of private governance may serve as the organisational model for governance that is not exclusively private but incorporates public actors. And third, the direction of influence may well be focused on public actors or political systems through the endorsement of private governance, as a whole or in parts. In this perspective, behavioural changes that occur as the result of the integrative function of private governance may include public policies on the national and international level as well as instances of endorsement or emulation of private governance by other actors of the political system such as states or international organisations.

4 Comparing Environmental Reporting and Private Forest Governance

The following section considers two empirical cases[4] in the light of the aforementioned theoretical discussions. After briefly discussing the institutional set-up and rules established, I turn to the three functional mechanisms through which changes in the behaviour of stakeholders are achieved and political and economic incentive structures are altered.

The Environment at Risk: The Coalition for Environmentally Responsible Economies

The Coalition for Environmentally Responsible Economies (CERES) started operating in 1989 with publishing the so called Valdez principles, utilising the huge public outrage around the Exxon Valdez oil spill, which occurred on March 24 the same year. A group of social responsible investors, mainly organized in the Social Investment Fo-

[4] Although frequently empirical illustrations come from the field of environmental politics, the phenomenon of private governance in general and co-regulation in particular can be studied in other issue areas, too. Consider, among others, the Tour Operators Initiative (TOI), the Sustainable Tourism Stewardship Council (STSC), the Global Mining Initiative (GMI), the Sustainable Agriculture Network (SAN), and Social Accountability International (SAI).

rum[5], and fifteen large environmental groups started discussing the possibility to use the power of investors (shareholder resolutions) against the power of the boardroom. The idea behind CERES is to engage companies in dialogue and work towards the subsequent endorsement of environmental principles[6] that establish a long-term corporate commitment to a continual progress in environmental performance. The ten-point code of corporate environmental conduct establishes "an environmental ethic with criteria by which investors and others can assess the environmental performance of companies" (CERES 2002b: 31). Principle ten requires an annual self-evaluation by the endorsing company based on the CERES reporting form by which the required continual progress towards environmental responsibility can be measured. As a result, environmental improvements, lowered investment risks, and positive corporate performance go hand in hand.

To date, more than 60 companies have endorsed the CERES principles, including the annual reporting commitment. Among the CERES endorsers are large multinational corporations such as American Airlines, Bank of America, Coca-Cola USA, Ford Motor Company, General Motors, McDonald's, and Sunoco, as well as small and medium-sized firms, including environmental front-runners such as The Body Shop International or Aveda Corporation. The second pillar CERES rests on is the CERES coalition, a network of around 100 organisations, including environmental advocacy groups, public interest and community groups, trade unions as well as an array of investors, analysts, and financial advisors representing more than $400 billion in invested capital. A board of 21 distinguished individuals governs CERES. The day-to-day operations are supervised by a President and carried out by a staff of currently 22 people located in Boston, MA. Although endorsing companies are not directly represented on the CERES board, corporate representatives participate in various committees set up by the board to develop and implement programs and project and in this function regularly attend CERES board meetings.

The regulatory dimension of CERES as a private governance system contains two related aspects: first, the principles, establishing a normative framework for companies to operate in; and second, a standardised format for corporate environmental reporting, prescribing the form and contend of public disclosure (CERES 1999b). According to CERES,

> Over the past thirteen years, CERES has emerged as the worldwide leader in standardized corporate environmental reporting and the promotion of transformed environmental management within firms".[7]

GOVERNANCE THROUGH REGULATION

In order to understand the nature of regulation in the case of corporate environmental reporting and management, I discuss the principles of corporate conduct and the standardised reporting scheme in some more detail. The ten code of environmental con-

[5] The SIF is a network of actors focusing on Socially Responsible Investing (SRI), understood as the integration of personal values and societal concerns with investment decisions. See, http://www.socialinvest.org.

[6] The former Valdez principles have been renamed CERES principles in 1993.

[7] Website document (CERES 2003a), on file with author.

duct, the CERES Principles, form the basis of CERES' work. They define the normative framework of corporate behaviour. In detail, the CERES Principles (CERES 1999c) demand the protection of the biosphere based on continual progress toward eliminating the release of substances that may damage water, air or the earth and its inhabitants (principle 1), the sustainable use of natural resources including a commitment to make sustainable use of renewable natural resources (principle 2), the reduction of waste through source reduction and recycling (principle 3), the conservation of energy by improving the energy efficiency of internal operations (principle 4), the reduction of risk including environmental, health, and safety risks to employees and communities (principle 5), the reduction and, where possible, elimination of products that cause environmental damage or health and safety hazards (principle 6), the promptly correction of conditions that endanger health, safety or the environment (principle 7), the regular communication with affected people and communities on all relevant issues (principle 8), a commitment toward environmental representation on the board of directors as well as toward general integration of environmental practices into the every-day operations of companies (principle 9), and finally the commitment to a annual self-evaluation of the progress towards these principles and the resulting public report. Different from the FSC P&C, the CERES Principles are not accompanied by any further indicators or comments. As a result, the precise content of the Principles is contested and open to debates among CERES members.

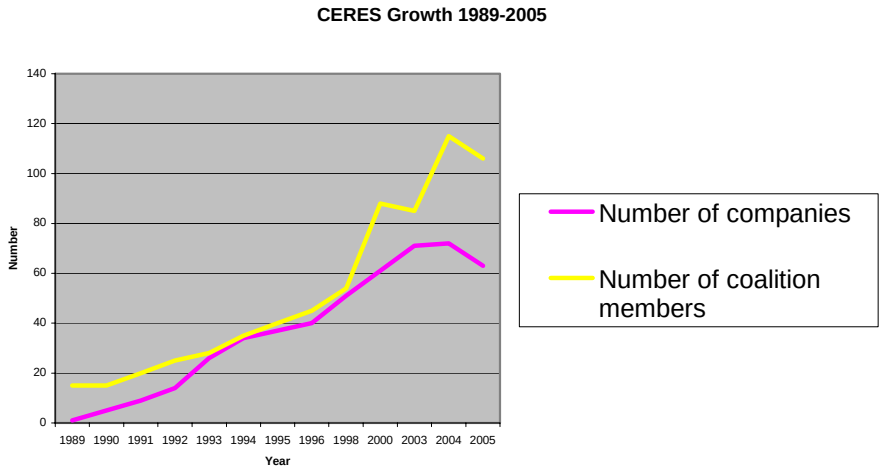
The second regulatory dimension of CERES is the commitment to public disclosure of environmental performance and improvement through an annual report. In the formative phase in the late 1980s and early 1990s the CERES founders had envisaged an independent audit procedure conducted by accountants or specialised certification organisations. However, this proposal met fierce resistance from business actors and disappeared when the principles were renamed in 1992. Today, the reporting requirement takes the form of a 2nd party reporting scheme where rule-making and compliance reporting are separated but not independently controlled, as for example in the FSC case.

In sum, CERES attempts to regulate corporate behaviour through its code of environmental conduct and the accompanying reporting requirement, which is the key instrument of rule-implementation in the corporate environmental reporting and management domain. But what are the measurable effects of this *governance through regulation*? To answer this question, I address the development in corporate endorsement and reporting over time, performance reviews conducted by CERES, the influence of reporting on shareholder value and core business performance as well as emerging norms and values.

CERES influence on companies measured by the standard-uptake is quite modest at first glance. After three years of intense debates and shareholder resolution filed with major companies, only 14 companies had endorsed the CERES Principles in 1992, out of over 3000 corporations originally envisaged by the founding organisations. However, CERES was able to increase the endorsement rate over the years. In 2005, more than 60 companies are active CERES endorsers and a number are expected to join the

institution in the near future.[8] In addition to business endorsing the idea behind CERES, an increasing number of civil society organisations have joined CERES and thereby increased its general acceptance. Graphic 6.1 shows the increase in endorsing companies and CERES coalition members from 1989-2005.

Table 6.1: CERES endorsing companies' and coalition members' increase 1989-2005



What seems more important than the plain number of endorsing companies is both the impact of corporations and the quality of the actual report. With regard to the first point, CERES has been rather successful in integrating large corporations that really could make a difference. Next to Sunoco and GM, who are early endorsers, CERES has been able to secure the support of companies such as American Airlines, Coca-Cola, and McDonalds. Endorsing companies today cover most economic sectors, from finance, to oil and gas, to automobiles, to chemical companies. With regard to the second point, available studies indicate that CERES reports perform above average when it comes to completeness and quality of information (Davis-Walling and Batterman 1997). In sum, CERES has a modest influence on companies through its regulative function when measuring the standard-uptake. However, when taking into account the companies and sectors they represent as well as the actual quality of corporate environmental reporting, the judgement may slightly be more positive. In addition, when compared to standard-uptake in the FSC case (ha of forests certified compared to global forest cover), which is roughly 1,3%, the CERES figure of 2,1% (number of companies endorsing CERES compared to 3000 originally envisaged) is even better.

Another way of assessing the influence of the CERES Principles on a company is looking at the detailed performance reviews CERES has conducted for their interaction with General Motors (CERES 2002a), the world's largest corporation, and Sunoco (CERES 1999a), the first Fortune 500 company to endorse the Principles. CERES developed the performance review

[8] Personal interview with CERES staff member, November 2005.

> "as a mechanism for examining whether companies that endorsed the CERES Principles more than five years ago are achieving continuous improvement in corporate reporting, facility and product performance, and how the CERES Principles are influencing their culture, programs and policies" (CERES 2002a: 6).

In the beginning of the formal collaboration in 1994 both sides agreed on four areas of mutual interest that formed the baseline for the performance review conducted in 1999/2000: public accountability (environmental reporting according to the CERES report form), plant performance (improving the environmental impacts, health and safety conditions at GM plants), product performance (improving the fuel efficiency of its fleet), and stakeholder relationships (building a lasting dialogue with CERES coalition members and other stakeholders). All of these priority areas are based on the CERES Principles. The results of this major performance review, however, are mixed (CERES 2002a: 8-22). Addressing the issue of public accountability, GM has published eight annual environmental reports, expanding their scope from U.S.-only to global metrics. Issues addressed cover direct company impacts as well as supply chain issues; in addition, GM is described as a leader in promoting the use of the GRI guidelines. With regard to plant performance, the report shows that GM was able to achieve improved environmental performance at the plant level over the seven years covered by the review. Significant achievement was also made in stakeholder relationships. However, and most important, GM did not show improvement in product performance with its fleet fuel performance stagnating due to higher demand for fuel-intensive automobiles such as SUVs. This latter observation is of particular importance when assessing the actual influence of private governance in corporate environmental reporting and management. Although the results of the GM performance review are not representative and very much reflect the specific situation of the company and the sector, it seems plausible to assume that performance improvements will occur in sectors that are least prone to market developments and hard financial performance. While environmental reporting and improving stakeholder relations are of secondary importance to the core operations of an automobile company, and plant site improvements are relatively easy to achieve in the context of constant technological improvements, GM was unable to increase its fuel efficiency because of the demand situation and global competition.

The Sunoco performance review is slightly more positive, concluding that Sunoco "has made improvements over the last five years in these important areas [health, environment, and safety performance (HES); public accountability; relationship to external stakeholders; business process and culture; public policy]" (CERES 1999a: 2). What is most important, the review states that through the endorsement of the CERES Principles and the resulting close interaction with coalition members and CERES staff, Sunoco "has achieved important results in driving culture change by strengthening and changing its HES business process", and "[o]ver the six-year span, Sunoco's CERES commitment has affected the corporate culture in many ways" (ibid.: 14-15).

In sum, existing performance reviews of CERES endorsers highlight that changes in business practices and corporate culture occur. However, changes seem to be distributed unevenly across issue areas. Whereas corporate environmental reporting and improvements of health, environmental, and safety performance have become standards

practices and institutional goals, few changes have occurred in products and services. Comparative studies of corporate codes of practices come to similar conclusions (Nash and Ehrenfeld 1997: 519, 524). In general, "codes have helped to institutionalize some significant new practices in participating firms". With regard to CERES, interviewees "believe they are seeing signs of changing consciousness in several participating firms. They describe the changes as soft or attitudinal. They have not yet observed changes in products or processes that reflect this new consciousness".

A third possible indicator for CERES' regulative influence is the economic effects it generates, in particular with regard to the shareholder value and general economic performance of endorsing companies. The essential question is: can firms do well while doing good? Recently, this believe has been reinvigorated by Wall Street through the creation of the Dow Jones Sustainability Index and FTSE4Good. This 'myth of CSR", however, it is also heavily contested (Doane 2005). Why should companies voluntarily go beyond compliance? A straightforward answer is that by implementing environmental management systems and reporting on the progress achieved companies can reduce costs that occur from waste treatment, pollution prevention, bad press, and lawsuits, among other factors. More important, firms may use environmental performance as an asset in differentiation-based strategies that aim at signalling to investors and consumers that there is something unique about the company setting it aside from competitors (Eisner 2004: 150). In addition, as companies are embedded in larger networks, pressure from competitors or large market-leader may force firms to adopt existing best practices in order to survive.[9] After having argued that there is an instrumental value of corporate environmental reporting and management, the problem of causality remains. In simple terms, it is difficult to determine whether increased levels of corporate environmental responsibility cause higher returns on investment and profits in general or whether more profitable companies are simply able to invest more of their resources in environmental friendly behaviour.

Acknowledging this difficulty, research over the past 30 years has established nevertheless established clear links between good financial and environmental performance.[10] According to Eisner (2004: 149), "there is a growing body of evidence that firms with superior environmental performance (SEP) are reaping financial rewards although there are ongoing questions about causality". With regard to six companies endorsing the CERES Principles, White (1996) found that it pays to be 'green'. Over a period of 48 month the six CERES companies performed above the average of companies not using any environmental reporting scheme. In addition, qualitative data suggests that companies were able to benefit from involvement in CERES. For example, "Sunoco believes that there is a direct correlation between HES performance and the company's profitability" (CERES 1999a: 15). According to this account, a challenge for CERES and Sunoco has been to demonstrate to Wall Street "the specific dollars saved over the course of the relationship" (ibid.: 15). For example, several lawsuits could be avoided through the collaboration with CERES. In sum, given

[9] In the auto industry, for example, Daimler Chrysler, GM, Toyota, and Honda quickly followed Ford in embracing the ISO 14001 standards.

[10] For an excellent overview, see Jean Raar (2001).

the general positive correlation between corporate environmental performance and economic performance and the findings on CERES companies we can conclude that one clear influence of private governance in the environmental reporting and management domain is improved financial performance of participating firms, although data on the full sample of CERES companies is missing.

A fourth instance of regulative influence is the establishment of norms. One example is the increasing recognition that environmental interests should be represented at the highest levels of corporate governance. As some scholars have emphasised based on research with experts on voluntary business regulation and standards, to be effective, approaches must have a top management commitment (Krehbiel and Erekson 2001: 110). CERES acted as a norm-entrepreneur in this issue-area. As a general tend, the number of environmental committed people on boards has grown. In addition, companies who did not place an environmental representative on its board have created alternative ways of introducing environmental concerns to their upper-level management (Weiss 2002). With regard to CERES' precise role in this development through its rules on environmental board representation (principle 9) Weiss (2002: 101) notes,

> "However, CERES was a motivating force in exerting pressure and defining social expectations for a strong upper management commitment to environmental initiatives and for increased environmental-corporate collaboration. To some extent, when CERES defined the commitment of management a requisite for environmental responsibility, and companies appointed environmental representatives to their board, a norm of environmentally responsible behavior emerged".

In addition to environmental board representation, companies have accepted the concept of environmental mission statements in general. As one interviewee reports, language indicates that many companies have developed their own environmental codes based on the CERES Principles without publicly acknowledging this fact.[11] In sum, "CERES had a catalysing effect on the idea of mission statements. For a lot of businesses environmental reporting and mission statement have become a norm".[12]

To conclude, the influence of corporate environmental reporting and management through its regulative function can be summarised in four points. First, standard-uptake by business actors has been modest. However, CERES was able to steadily increase the number of endorsing companies and integrate influential global players such as GM and McDonalds. Second, company performance reviews conducted by CERES indicate that business practices have changed as a result of endorsing the CERES Principles. However, while changes in public accountability, stakeholder relations, and the environmental performance of individual plants could be observed in both reviews, no significant changes occurred in core business areas such as the fuel efficiency of GM's product range. Third, acknowledging the fundamental problem of attributing causality to the relation between environmental and economic performance, the literature converges in its assessment that good firms can do well. Therefore, adopting the CERES Principles and annually reporting on environmental performance potentially has influence on a company's core business, although specific data on the total sample of CERES

[11] Personal interview with CERES board member, January 2004.
[12] Personal interview with CERES board member, March 2004.

endorsers is absent. And finally, the analysis has suggested that CERES has been an influential driver in establishing sustained environmental commitment on the highest ranks of corporate governance.

GOVERNANCE THROUGH LEARNING AND DISCOURSE

Next to influencing actors through its regulative function, CERES affects actors in the corporate environmental reporting and management domain through shaping discourses and initiating learning processes. In more detail, I discuss the following four aspects of this cognitive governance: (1) producing and disseminating information, (2) providing the institutional setting for learning processes, (3) allowing for problem-solving by providing a forum for discourse and debates, and finally (4) the diffusion of the regulatory model. Similar to the FSC case, this cognitive function is a result of CERES distinct network structure and the specific roles and responsibilities of actors therein.

(1) CERES utilises its wide network of coalition members to produce and disseminate information on issues of key importance to CERES. One example of producing information is the recent attempt made by CERES to (re)define industry's stance towards climate change. Within this project, CERES has produced and commissioned a range of studies that raise the issue of climate change as a risk for business and investors. For example, in a 2002 report (Innovest Strategic Value Advisors: 2) CERES states:

> "[t]he bottom line [...] is straightforward: climate change represents a potential multi-billion dollar risk to a wide variety of U.S. businesses and industries. It should, therefore, command the same level of attention and urgency as any other business risk of this magnitude."

CERES' attempt to alter the existing discourse on climate change within the business community is also reflected in recent developments in its communications strategy. The media strategy that has been developed roughly from 2001 on reflects the situation that CERES is often perceived as an environmental advocate while its audience is really the companies and the financial markets. As one staff member recalls, "the shift that CERES tries to make is really about getting our issues into the financial press; not on the environmental page but in the business section."[13] This attempt has been remarkably successful with more than ten articles on the issue of climate change and business risk in major U.S. and international newspapers, including *The Wall Street Journal*, *Financial Times*, and *The New York Times*, in 2003 (e.g. Ball 2003a, 2003b; Burr 2003; Feder 2003b, 2003a; Murray 2003). Although the articles do not necessarily mention CERES, they make a strong case for the issue of climate change. *Wall Street Journal* for example comments (Ball 2003a): "Here's what companies' directors have to worry about these days: accounting scandals ... earnings problems ... oh, and global warming". And the *Financial Times* recalls (Murray 2003):

> "There was a time when the most prominent voices in the debate on climate change were environmental lobby groups, activists and non-governmental organisations. These days, however, new speakers are entering the fray: banks, insurers, investors and other organisations in the financial services sector".

[13] Personal interview with CERES staff member, January 2004.

These examples show that CERES acted as a knowledge-producer and knowledge-broker through its communications strategy. In the words of a CERES staff member, "CERES has really driven this issue and made it into the press".[14] This view is remarkable because, according to the same interviewee, two years ago [in 2001] there would not have been an article on climate change and risk in the business press. The triggering events have been shareholder resolutions on climate change and the corresponding risk for investors. CERES has also been active to influence a new class of actors, public pension funds, utilising its existing coalition network. The 2003 Annual CERES Report (2004) summarises:

> "Much of Ceres' work in 2003 culminated in the historic Institutional Investors Summit on Climate Change held at the United Nations headquarters in New York City on November 21, 2003. There, Ceres, the State of Connecticut Treasurer's Office, and the United Nations Foundation brought together institutional investors representing more than § 1 trillion in invested capital together to examine the financial risk of global climate change".

Especially the changed voting behaviour of large pension funds, who started to vote in favour of resolutions calling for adequate policies concerning climate change, has attracted much media coverage over the past few years.[15] In the view of one observer, CERES has been a prime mover and organiser of these critical resolutions, particularly in highlighting the business case and approaching mainstream advisors convincing them that climate change is a business issue and not just an environmental concern.[16]

A clear indicator for the success of CERES' attempt to challenge the existing discourse on business and climate change can be found in the 2005 record high voting support for shareholder resolutions seeking greater analysis and disclosure from companies about the financial impacts of climate change. For example, at the 2005 corporate annual meeting of Exxon Mobil, 28.3% of the shareholders supported

> "a resolution requesting that the company's board of directors undertake a comprehensive review on how it will meet the greenhouse gas reductions targets in countries participating in the Kyoto Protocol. The 28.3 percent support represent 1.5 billion shares with a market value of about $83.8 billion" (CERES 2005b).

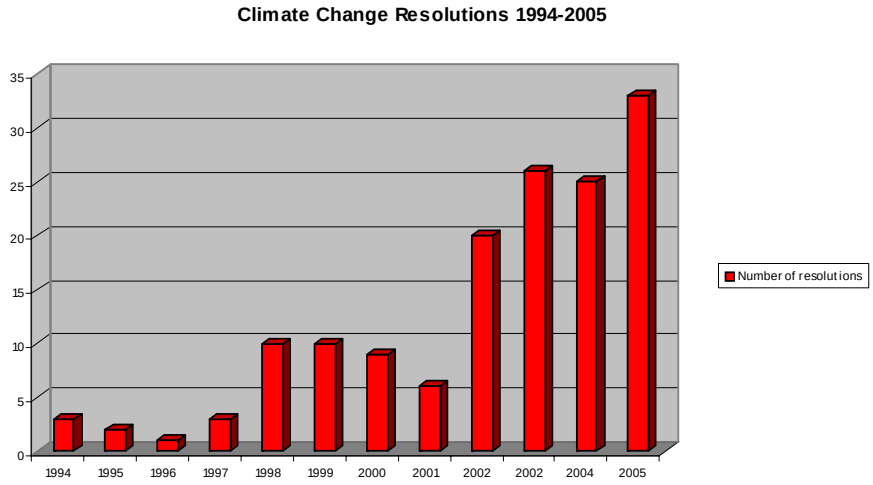
Table 6.2 shows the number of shareholder resolutions on climate change filed with U.S. companies from 1994 to 2005.

Table 6.2: U.S. shareholder resolutions on climate change 1994-2005

[14] Personal interview with CERES staff member, January 2004.

[15] One of these new actors is CalPERS (California Public Employees Retirement Fund) that started to set aside $ 200 million in a private equity fund for environmental investing in 2004.

[16] Personal interview with CERES staff member, January 2004.



In sum, CERES' function as a knowledge- and information-broker has really been changing the conversation. In its own words: "An important Ceres communication goal is to 'change the conversation' from the assumption that climate change solutions will hurt the economy to recognition that inaction is the greater business risk" (CERES 2004).[17]

Next to brokering knowledge through its media campaign and communication strategy, CERES also engages in close interaction with its coalition members, for example, when training them "environmental responsibility through dialogue and disclosure" in an annual *Corporate Accountability Workshop*.[18] In addition to media campaigns and capacity-building programs, CERES has also established, jointly with the Association of Chartered Certified Accountants (ACCA), an award scheme for communicating best practices in sustainability reporting in North America (Association of Chartered Certified Accountants 2005).

(2) CERES' institutional structure as a coalition of diverse actors clearly facilitates inter-organisational learning processes. Three aspects warrant closer attention. First, CERES organises an annual conference to bring together its coalition members and endorsing companies. Being just an annual gathering where people within the CERES network could meet and discuss issues of common concern until 2003, the conference has recently taken up a more profiled role. The new conference format places more emphasis on engaging endorsing companies and coalition members in strategic projects. This organisational change is based on the recognition that CERES does not make adequate use of its wide resources. As one interviewee reports, many people in member organisations lack a clear understanding of CERES work and the possible contribution of their own organisation to this work.[19] The conference is an attempt to increase the involvement of coalition members and endorsing companies beyond participating in

[17] CERES has successfully continued this strategy in 2004 and 2005. See, for example, Murray (2004); Harvey (2005).
[18] Website document (CERES 2003b), on file with author.
[19] Personal Interview with CERES staff member, January 2004.

CERES board meetings and committee work. In addition, greater emphasis is laid on utilising the distinct organisational knowledge of participants in workshops and discussion groups, covering topics from "How Investors Worldwide Are Addressing Sustainability Risks and Opportunities", to "Oil: Closing the Sustainability Gap", to "Electric Power and Climate Change: Best Practices in Disclosure and Management", to "What's Driving Competition and Change in the Auto Sector?", to "The Risk to Companies of U.S. Policy Uncertainty on Climate Change", to "Chemicals, Consumer Products and Environmental Health: Greening Supply Chains to Boost Corporate Reputations and the Bottom Line" (CERES 2005a).

A second example for inter-organisational learning is the investor summit on climate risk that CERES first organised in 2003 and the resulting Investor Network on Climate Risk (INCR) that is led by CERES.[20] As Amir Dossal and Michelle Fanzo comment,

> "[w]hen participants from the US Government, the United Nations, Wall Street and corporate board executives, were brought at the Investors Summit [...] this allowed participants to explore the linkages between previously separate ways of thinking. This is where innovation lies" (2004: 334).

One result of integrating previously separate ways of thinking is the ten-point "Call for Action" that was issued by ten leading U.S. institutional investors demanding new steps towards climate risk from business, Wall Street, and the U.S. Security and Exchange Commission. A report commissioned by CERES in 2005 (David Gardiner & Associates: 6), reviewing the progress that has been made since this first call for action, finds: "A further indicator of investors concern about climate risk is the degree to which investors are actively engaged in learning about issues and how to address it". Since 2003, members of INCR have organised and sponsored four major conferences on the issue of climate change and business risk in the United States and Europe. In sum, both the conferences and the investors' network can be considered major examples of inter-organisational learning involving over 600 different organisations, from large labour pension funds to the United Nations.

The third example of CERES inducing inter-organisational learning is the process of mutual endorsement that leads to the formalisation of relations between companies and CERES. After companies have communicated their willingness to endorse the CERES Principles, a detailed negotiation process commences that includes CERES staff members, CERES board members, and the applicant company. According to Robert Massie, CERES executive director from 1996 to 2003,

> "this period of negotiation is a mutual learning process in which CERES Board members and firm executives explore what CERES might expect from the company and how the firm's performance might change in the future. This process helps a firm develop a stronger sense of the environmental issue it faces and can be one of the most important benefits a firm derives from its CERES involvement" (cited in Nash and Ehrenfeld 1997: 515).

(3) Turning to a third form of cognitive governance, I briefly focus on CERES as a forum for problem-solving. As one observer has noticed:

[20] The 2005 progress report on INCR states "INCR is a project of CERES, and CERES President Mindy Lubber is the director of INCR" (David Gardiner & Associates 2005: 5).

> "Since its founding in 1989, the Coalition for Environmentally Responsible Economies (CERES) has played an important role in the dialogue between businesses and environmental interests" (Anonymous 2000).

However, CERES has not only acted as a facilitator of dialogue but also of problem-solving. The distinct structure of CERES – with its board meetings, working groups, the annual CERES conference, and other major events – provides plenty of opportunity for actors to meet in person and discuss issues of mutual concern. What seems important to companies is the fact that these debates take place behind closed doors rather than in front of the media. Hence, conflicts can be solved before they get public, an approach rather untypical for business-NGO relations.[21] In addition, the close cooperation with coalition members has also been credited as an early-warning system for corporations, signalling to them what the next big issue could be.[22]

(4) Similar to the FSC in forest certification, CERES has a considerable influence on the policy domain of corporate environmental reporting as a whole. In response to CERES, a range of industrial groups undertook initiatives to define corporate environmental reporting. One example is the Public Environmental Reporting Initiative (PERI) that was jointly developed by ten major U.S. companies between 1992 and 1994, among them industry leaders such as AMOCO, Dow, and DuPont that CERES had initially hoped to win for its own principles.

In addition to passively inducing environmental reporting like in the case of PERI, CERES was also actively involved in mainstreaming, broadening, and essentially globalising the model of corporate environmental reporting with the successful establishment of the Global Reporting Initiative (GRI). As detailed accounts of the formative phase of the GRI are given elsewhere (Dingwerth 2005b; Waddell 2002), I only provide a brief summary, focusing on CERES' distinct role in the process. The GRI was set up in 1997 to harmonise and integrate existing environmental/sustainable reporting schemes. Several companies had approached CERES and raised concern about the fragmented scope of reporting and its limited geographical reach. At the same time, the Tellus Institute[23], a major North American think tank in the field of sustainability, published its report *Green Metrics*, a study that compared existing reporting schemes and their requirements in a single matrix and identified overlaps between various schemes (White and Zinkl 1998). Based on this input, initial discussions on establishing a broader and harmonised reporting framework began, leading to the successful establishment of a *Steering Committee* in December 1997. Shortly after, UNEP could be won as a partner institution, a step that proved decisive, both in terms of enhanced legitimacy through public participation as well as scientific input.[24] Until the GRI became an independent organisation in 2002, CERES served as its secretariat and provided most of the finan-

[21] Personal interview with CERES staff member, January 2004.
[22] Personal interview with CERES board member, March 2004.
[23] Tellus Institute and CERES did not only share the professional vision of corporate sustainability but also office space in Boston between 1997 and 2003.
[24] Integrating UNEP's Division of Technology, Industry, and Economics (DTIE) in Paris was a logical step given their long-standing work on corporate best practices and reporting guidelines.

cial resources[25]. Although being a key driver of the GRI process, CERES managed to involve a range of other players in the deliberations that led to the draft GRI principles. In this context, it was of major importance that CERES had agreed on transforming the GRI into an independent organisation with its own board of directors early in the process (Waddell 2002: 5-6). In 2005, CERES participates in various GRI working groups and is represented on its board by Joan Bavaria.

To conclude, the influence of CERES through its discursive and cognitive function can be summarised in four points: first, CERES has considerable influence through producing and disseminating information. Its media strategy with a focus on getting information about CERES and the risk of climate change into the business press has been successful and can be credited to have influenced the recent increase in shareholder resolution on climate change filed with U.S. corporations. Second, CERES shows clear signs of being an inter-organisational learning network, mainly through its annual conference and the establishment of INCR. Third, CERES has provided a forum for problem-solving and early-warning, mainly because it kept conflicts within the institution rather than making them public before they were solved. And finally, CERES has forced other actors in the field to react to the general idea of corporate environmental reporting as well as successfully implemented its own global sustainable reporting scheme, the GRI.

GOVERNANCE THROUGH INTEGRATION

The third function through which private governance is constructed in the environmental reporting and management domain is integration. This concept has a twofold connotation: first, existing international norms and regulations may be integrated into the private governance system and thereby enforce existing regulative structures. Integrating international standards may also increase the authority of private governance arrangements. And second, private rules for corporate environmental reporting may be transferred upwards to the international level through formal acknowledgement or endorsement as well as side-wards to national or sub-national political arenas.

(1) With regard to the first mode of integration, evidence is scarce and reference to existing international norms and regulative frameworks is rather implicit. In a wide sense, a number of CERES Principles such as protection of the biosphere, sustainable use of natural resources, and energy conservation can be interpreted to relate to the general idea of sustainable development as embodies in the 1987 Brundtland Report. However, different from the FSC case, the CERES Principles do not formally relate to international accords.

(2) With regard to the second mode of integration, three basis patterns can be observed. First, CERES Principles have been introduced as state legislation in sub-national polities in the U.S., for example in the state of New Jersey. In addition, several states have passed legislation on voluntary audits, and the EPA has strengthened their guidelines on auditing and public disclosure (Weiss 2002: 104). Second, a range of

[25] Grants by the Spencer T. and Ann W. Olin Foundation as well as the United Nations Foundation secured funding in the formation period.

public actors and agencies endorse the CERES Principles. For example, the Environmental Department of Pennsylvania states:

> "While industry associations like the Chemical Manufacturer's Association and the American Forest&Paper Association deserve recognition for their environmental initiatives, as do the Programs of the Global Environmental Management Initiative and the International Chamber of Commerce, these initiatives do not match the CERES Principles nor the CERES reporting process in several important respects..." (2005).

CERES has also been supported by public actors such as state comptrollers[26]:

> "New York City Comptroller Alan G. Havesi, joined by more than 19 key institutional investment groups, will announce a year-long drive to call on the nation's leading companies to endorse the CERES principles on environmental reporting and encourage other institutional investors to join in their demand for environmental reporting from the world's largest corporations" (Socialfunds.com 1999).

The third pattern of integration relates to the upward transformation of private rules. Three examples illustrate this development. First, the United Nations used the Valdez Principles in the design of its sustainable development guidelines for multinational corporations (Weiss 2002: 104). Second, CERES has been a key driver in launching the GRI, which today provides an encompassing reporting framework on social, economic, and environmental issues for large corporations along with small- and medium-sized enterprises, NGOs, and public agencies. The GRI has been endorsed by UNEP who became an early member in the formation process in 1998. The GRI is a an official collaborating centre of the United Nations Environment Programme and works in cooperation with UN Secretary-General Kofi Annan's Global Compact. Hence, the idea of standardised reporting advanced by CERES and mainstreamed into the GRI can be considered as generally endorsed and supported by the highest levels of international politics. Substantiating this claim, the idea of corporate sustainability reporting and management has also received public acknowledgement at the 2002 Johannesburg Summit on Sustainable Development.

In sum, the integrative influence of private governance systems is less obvious in the CERES than in the FSC case. Very little reference is made to existing international norms; however, private rules have been endorsed by public actors on the national, international, and transnational level, including U.S. public agencies, governments, and UN programmes. The most profound impact that CERES can be claimed for is mainstreaming the corporate environmental reporting agenda to a global sustainability reporting agenda, and securing support for this development from the United Nations and the international community.

Certifying Sustainability: The Forest Stewardship Council

The Forest Stewardship Council was founded in 1993 by a general assembly of interested parties in Toronto, Canada. Among the 126 participants from 26 countries were

[26] In general, a comptroller is an officer who audits accounts and supervises the financial affairs of a corporation or of a governmental body.

concerned individuals and representatives from a wide range of organizations, including environmental NGOs, retailers, trade unions, and indigenous interest groups. Although consultations among forest producers, retailers, and environmental and social interest groups had been going on since 1990, it was not until 1994 that the founding members of FSC agreed upon the "FSC Standards and Principles," the substantive basis of FSC's work with regards to definition and operationalisation of sustainable forestry (FSC). The idea behind the FSC is to certify forest management operations according to a detailed standard. Certification and continual verification of commitment is carried out by independent certification organizations that are accredited by the FSC according to specific rules.

In contrast to CERES, being a network of coalition members and endorsing companies, the FSC is constituted as a membership organization. The General Assembly (GA), a tripartite body that represents business, social, and environmental interests within three chambers, governs the FSC. The GA elects a board of directors that mirrors the principal governance structure. Each chamber sends three members to the board for a three-year term. The board decides on all issues of major importance, from approving national representatives and initiatives of the FSC, to allocating the annual budget, to approving new standards. The operational work of the FSC is handled by the FSC international secretariat located in Bonn, Germany, and supervised by an Executive Director who is appointed by the board. Whereas the day to day operations of the FSC are in the responsibility of the international secretariat and its executive director, and questions of major importance are decided by the board of directors, only the general assembly is authorized to change the fundamental "standards and principles" as well as the statutes of the FSC. Currently, the FSC incorporates more than 600 individual and organisational members, 36 national initiatives, and 15 independent certification organisations within its network. Member organizations include large economic actors such as IKEA, The Home Depot, and B&Q, national and international environmental advocacy groups, for example Greenpeace, the World Wide Fund for Nature (WWF), and Friends of the Earth, and a wide range of social advocacy groups, including trade unions and indigenous campaigns within their scope.

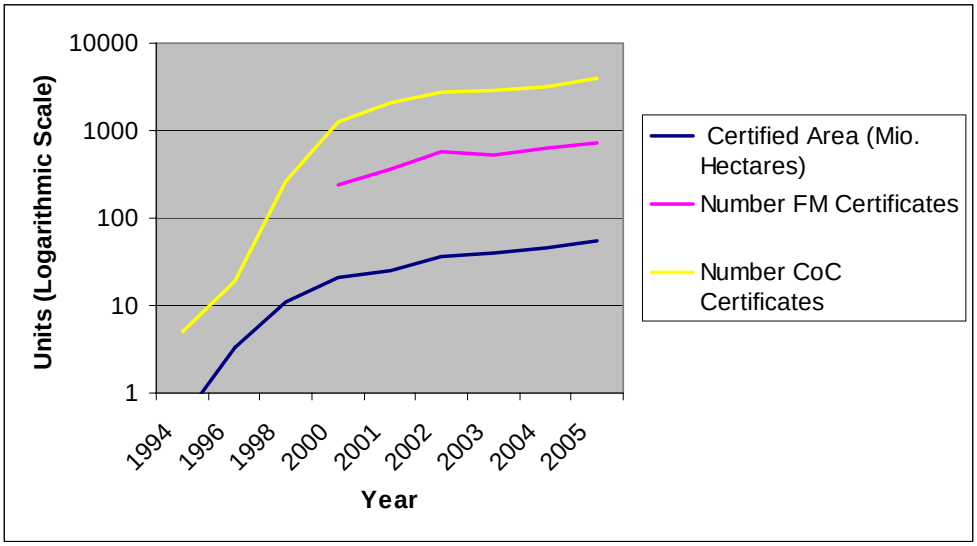
One prime function of the FSC as an example of private governance is to develop and implement detailed rules for sustainable forest management (SFM). As a rule-maker, the FSC produces three different types of standards, which constitute the regulative rules of the institution.[27] Global forest management standards represent the first type of standard the FSC has developed; they form the basis for national and regional standards development. Forest management standards are certified on the ground. The second type of standard is the chain of custody standard (CoC) that prescribes detailed rules along the production chain, which includes log transport and processing, shipping, and further processing. The third standard prescribes rules for the accreditation

[27] Standard-setting, as opposed to the more general process of establishing and maintaining constitutive regulations, is defined as the making of voluntary, expertise-based structural, procedural or substantive regulation (Kerwer 2002: 297-298). Standards can take the form of management schemes, guidelines, product and process labels or general codes of conduct and can further be specified as product and process standards (cf. Nadvi and Wältring 2002).

of independent certifiers, so called certification bodies (CB) and national FSC processes.

GOVERNANCE THROUGH REGULATION

It is through the process of rule-making and the subsequent implementation of these sustainable forestry standards through certification, accreditation, and labelling (cf. Meidinger, Elliott, and Oesten 2003), that private governance is established in the forestry arena. But what are the measurable effects of this *governance through regulation*? In July 2005, approximately 54 million hectares of forest area worldwide were certified in FSC-terms.[28] The fifteen independent CBs accredited by the FSC have issued more than 4500 certificates to forestry companies and businesses. Conservative estimates are that 100 million cubic meters of timber from FSC-certified sources reach the market each year, while the total supply of certified timber products is estimated at about 234 million m^3 on an annual basis (Atyi and Simula 2002). However, only a small fraction of certified timber is actually traded as a certified forest product (CFP)[29] while the large majority of timber reaches the market without reference to its certification status (Rametsteiner 2002: 160). The FSC's share of certified area stands at approximately 30 percent in 2005, competing with the two other major certification schemes, the industry-based Sustainable Forestry Initiative, SFI (24 %), and the Pan European Forest Certification Council, PEFC (33 %). The FSC believes it will be possible to increase its certified area to 140 million hectares by 2010.[30]



Sources: FSC (2001; 2003; 2004; 2005b), FSC and WWF-Germany (2002)

After the first FM certificates had been issued in 1996 the area certified according to the FSC standards quickly rose from less than 500,000 ha in 1994 to 21 million in 2000

[28] The world's total forest cover – including commercially operated as well as protected areas – is 3.9 billion hectares. The FSC certified forest area makes up 1,36% of the total forest cover.

[29] CFPs "bear labels demonstrating in a verifiable manner by independent bodies that they come from forests that meet standards for sustainable forest management" (Rametsteiner 2002: 158).

[30] Interview with FSC staff member, November 2003.

and than more than doubled in the next four years to reach well over 54 million ha in 2005. Similar to the area increase, the important chain-of-custody certification, which allows products to be recognised in the market, grew from a modest 268 in 1998 to over 2000 in 2001 only to double again to almost 4000 in July 2005.

While it is obvious that these developments have occurred as a result of the institutionalisation of the FSC as a mechanism of private governance, it is less clear how high the regulative impact on the standard-takers really was. Figures from Germany indicate that about one third of the applicants for FSC forest management certification are in conformity with the FSC standards already before the certification process starts. However, it can be assumed that forest managers in developing countries lacking the long-standing experience of industrialised nations with sustainable forestry will have to make more substantial adjustments to their operations. One possibility to approximately determine the level of changes made in reaction to the FSC regulation is analysing the corrective action requests issued by the CBs in the initial auditing process. A corrective action request (CAR) is defined as "the formal document which details non-conformity with the requirements of the certification scheme and which specifies actions which must be taken to achieve conformity" (FSC 2002b: Glossary). It may be issued by the FSC to a CB or by the CB to a standard-taker.

A 1999 study (Thornber) reviews CARs issued to forest management operations. For example, 42 percent of companies were required to develop plans for the protection of water and soil resources, 38 percent were required to improve the protection of representative ecosystems within their boarders, and 37 percent had to improve their management of rare, threatened or endangered species. A more recent study by Gullison (2003) confirms these general trend and concludes that "[t]he results reinforce those of Thornber in that they clearly demonstrate that the process of FSC certification requires companies to make a wide variety of significant changes to management..." (ibid.: 158). With a specific focus on the impacts of FSC regulation on European forestry, the World Wide Fund for Nature has reviewed 2817 CARs covering more than 18 million hectares of forest in six European countries (World Wide Fund for Nature Europe 2005). The report summarises its key findings:

> "The analysis across six countries shows that FSC certification is delivering a number of benefits for a wide range of stakeholders in the forest industry, and provides hard evidence of tangible improvements that the voluntary mechanism of credible certification delivers for society, the environment and the economy".

In sum, the analysis of corrective action requests issued to forest companies suggests that in general successful certification involves substantial behavioural changes as a result of FSC regulation, both in developed and developing countries and potentially across all types of forests.

The FSC has been heralded as the first truly global approach towards sustainable forestry. According to the FSC by-laws in their current version, the FSC "shall promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests" (FSC 2002a: 1). Paragraph 8 specifies: "[t]he FSC Principles and Criteria are intended to apply without discrimination to tropical, temperate and boreal

forests worldwide which are managed for production of forest products" (ibid: 2). However, actual figures look somehow different. Currently, 79,2 % of the certified area is in Europe and North America, while Africa, Asia, Oceania and Latin America account for only 20,8 %. For forest management and chain-of-custody certificates the relation is 28,5 % to 71,5 % in favour of North America and Europe.

An unintended consequence of the uneven distribution of certified forest area between North and South could well be the institutionalisation of trade barriers between developing and industrialised countries.[31] With only 6-8% of global timber production entering international trade, a major share taking place between countries of the same region, and environmentally sensitive markets only existing in Europe and North America, producers from developing countries have significantly less access to premium markets and therefore, their incentive to seek costly certification is relatively low (Gullison 2003: 158). Hence, it is an open question whether the FSC can we considered a successful steering mechanism towards sustainability or rather has to be analysed as a strategy tool for companies to drive others out of the valuable 'green' market.

Another question central in this context is: What are the costs of certification and who pays for them? In other words, how does the FSC as a private governance system affect the economic incentive structures and the distribution of costs and benefits within the forest arena? Costs related to forest certification fall into the two broad categories of indirect and direct costs (Simula 1996: 126-134). Indirect costs include the incremental costs of forest management to meet the certification standard such as additional silviculture and harvesting costs, additional management and planning costs, and costs deriving from lower yield per area unit. In addition, indirect costs also contain the information costs of certification, both for forest management and chain-of-custody standards. These costs derive from investment into resource inventories and surveys, forest management planning, reporting and recording of activities as well as from the necessity to mark and track logs and products along the supply chain. The direct costs are those linked to the actual process of auditing, including application fees and the initial as well as annual inspections.

With regard to the question who bears the additional costs of certification that derive from raising existing forestry standards to the level of the FSC rules and regulations, studies have shown that costs have not been evenly distributed but tended to be concentrated at the lower end of the value chain. Bass and colleagues conclude that "[f]or the most part, costs borne at the producer end of the chain have not been passed on to buyers in the retail sector" (Bass et al. 2001: 71).

The initial expectation of most forest managers and timber exporters with regard to certification has been a rise in exports and higher profits through premium prices.[32] However, there seems to be no sign of higher prices in general. Early market studies (e.g. Winterhalter and Cassens 1993) have shown some interest in some market segments for paying a premium price, but the analysis at that time suggested that "there is

[31] For a discussion of possible clashes between WTO law and forest certification, see Klabbers (1999).

[32] Other expected benefits include increased forest yield as a result of improved forest management procedures as well as improved efficiency in harvesting, timber processing and marketing (cf. Simula 1996). Retailers on their part also expected an economic benefit from a 'green' corporate image.

not yet convincing evidence of an existing price premium for sustainably produced, certified timber" (Baharuddin and Simula 1994). This assessment seems still valid today. A recent study from the International Institute for Environment and Development (IIED) finds that premium prices are rare in DIY retailer supply chains. The only situation were premium prices for certified timber have occurred is "when there has been a mismatch between supply and demand, if buyers are competing for certified wood with few sources" (Bass et al. 2001: 64). However, the same report acknowledges that there have been instances of enduring premium prices for tropical hardwood. For example, producers from Brazil and Papua New Guinea report that they are receiving premium of up t0 20% for well-known commercial species (ibid.). In sum, the incentive structures prevalent in most tropical countries do not lend support to the assumption that there will be rapid increases in the area of FSC-certified forests in the near future, although premium markets may exist in some areas for some time. To conclude, few producers have been able to receive a premium from FSC-certification or to shift costs to retailers and consumers.

To conclude, the influence of private forest governance through its regulative function can be summarised in three points. First, the analysis of existing corrective action requests has shown that forest management practices across all types of forests have effectively changed as a result of the FSC rules. Second, the analysis of the FSC's geographic representation has drawn our attention to the fact that private governance in the form of forest certification may systematically benefit some type of actors while it clearly disadvantages other players in the field. For Northern companies, compliance with relatively tight regulative standards is easy compared to those in developing countries because the regulative environment is already tight in industrial nations and key concepts such as sustainability have – to a large extent – originated in Western societies. As a result, private environmental and social regulation could rather be considered a strategy tool for companies to drive others out of the valuable 'green' market than a substantial steering mechanism towards sustainability. Third, and substantiating the former claim, producers, particularly those in the South, have been largely unable to secure premium prices for certified timber. To the contrary, the costs of certification are concentrated at the lower end of the supply chain due to the power of large retailers in the North. Rather than resulting in higher profits through a premium, certification has helped Southern companies to access new markets or at least to guarantee existing ones. As a general observation, private governance through certification has more impact on countries that have strong export markets to Europe and the U.S., while countries with rather weak ties to green markets are less affected.

GOVERNANCE THROUGH LEARNING AND DISCOURSE

The second function through which the FSC gains influence on actors in the forestry arena can be labelled cognitive and discursive governance and contains the following elements: (1) producing and disseminating information, (2) providing the institutional setting for learning processes, (3) allowing for problem-solving by providing a forum for discourse and debates, and finally (4) the diffusion of the regulatory model to other issue areas. This cognitive/discursive function is a result of the FSC's distinct network

structure and the specific roles and responsibilities that influence the behaviour of a range of actors outside the narrower reach of rule-making and regulation via standards.

(1) Through its network structure and the different organisational levels – the international secretariat, the regional offices, and the national working groups and initiates – the FSC produces and disseminates information to a wide range of stakeholders. This function is of particular importance for actors from the South because certification of tropical forests, especially in small-scale operations, requires more informational capacities than well-organized commercial forest management. Partially in response to these demands, the FSC has successfully implemented regional offices to help producers and local communities in getting the right information.[33]

Connected to the process of knowledge dissemination is the question of awareness raising with regard to the idea of forest certification and the underlying global forest crisis. With regard to the former objective, FSC has been relatively successful in areas where sustainable forestry already existed an important issue. However, with regard to recognition by the public in general and the consumer in particular, interviewees held the opinion that the FSC still has a lot of work ahead.[34] Although the consumer in OECD countries shows a general interest in eco-friendly products and has a strong sentiment on deforestation and biodiversity loss, in particular with reference to tropical forests (Rametsteiner 1999), consumer awareness of established logos such as the FSC is low. Partially as a reaction to low recognition by consumers, FSC international has agreed to professionalise its entire communication structure and outside appearance. As a result, in August 2003 FSC international has hired a head for the newly structured communications unit. Early results of a more consumer-oriented strategy can be seen in the Netherlands. Here, FSC has teamed up with the WWF to launch a countrywide campaign to increase the recognition of the FSC label. In 2004, after three consecutive years of campaigning, the initial recognition of the FSC logo stands at 33 percent, while more than 60 percent recognize the label after some brief explanations. For people under 35 years of age, the initial recognition is even higher, at around 42 percent. The business sector has a role to play in awareness raising, too. For example, as member of FSC international and the national initiative in Germany, the large DIY retailer OBI prominently markets the FSC label in store as well as in its communication brochures and annual business reports. In the case of the FSC-WWF campaign in the Netherlands, more than 30 companies have supported and participated in the effort (FSC 2005a).

With regard to the second objective of raising awareness of the underlying causes of the forest problem, the FSC has been quite passive. Although the issue of forest destruction has become less an issue in public debates, the FSC is not the prime mover in generating awareness on the problems related to forestry, but rather communicating the idea that by buying certain products people can become part of the solution.

(2) The institutional structure of FSC as a private system of governance facilitates two types of learning processes. The first could be described as *intra-organisational*

[33] Personal interview with FSC staff member, November 2003.
[34] Personal interview with FSC staff member, November 2003.

learning and includes processes of self-evaluation and resulting organisational restructuring. Organisational learning can be described as the way an organisation builds, supplements, and organises knowledge around its activities, resulting in a change in organisational structures and procedures.[35]

The second type of learning could be labelled *inter-organisational learning*, involving very different types of actors. From this perspective, the FSC constitutes the institutional core of a wider learning network, including members, first and second order stakeholders as well as the general public. This organisational diversity, both in structure and content, seems to facilitate effective learning processes. Consider the example of leading retailers of wood products. It was the specific structure of the FSC as a network of local, regional, and global organisations that has led to successful learning. Only the involvement of local and regional experts, forest managers, and producers enabled retailers to learn about the many unnecessary intermediate traders participating in the business. The result was not only a cheaper product for the retailers and a higher profit margin for local producers and managers but also a decline in illegal logging activities in the respective areas.

In addition to new knowledge about their supply chain, leading retailers have also benefited from insights into the environmental community and their strategies. One representative of a leading retailer for home and wood products[36] summarises what the company has gained from participating in the FSC:

> "What we have learned in the process of partnership through both FSC International and FSC Germany was what others expected from us as a leading company in home-construction and do-it-yourself products in the field of environmental management and engagement. In addition, we also learned what was possible and what not in terms of strategies and policies with regard to environmental issues".

In return, what the environmental community learned from business was a better understanding of economic thinking and basic concepts of business strategy. This provided the environmental organisations with information that changed their strategic approach to business, too. As one observer to this learning process notes, it was quite difficult in the beginning to reach an understanding because environmental organisations had a lot of brilliant ideas but very few knowledge of the internal processes of business and what is possible and what is simply impossible from a business perspective. Some seven years later, however, the two organisations are close partners with a good understanding of each other's goals and strategies.[37]

(3) Next to inter- and intra-organisational learning, the cognitive function of the FSC is also reflected in providing a forum for diverse discussions and deliberations among a wide range of actors that enables stakeholders to find common solutions to their veryday problems. In addition, there is evidence that the FSC enables actors in the network to take up new roles and enter into new environments by strategically using their FSC involvement as an argument in negotiations and debates.

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35 For an example of organizational learning within the FSC, see Pattberg (2005b).
36 Personal interview with business representative, June 2004.
37 Personal interview with business representative, June 2004.

Analysing complaints raised by the FSC's stakeholders, we find business actors and civil society organisations in rather uncommon roles. Surprisingly, companies are relatively reluctant towards general criticism against FSC. The Confederation of European Paper Industries (CEPI), for example, comparatively examines 24 different forest certification schemes and concludes that among all those analysed, the FSC is the most credible scheme measured against the CEPI criteria (Confederation of European Paper Industries 2001). In contrast, nongovernmental organizations play a more ambivalent role. One the one hand, NGO criticism may direct the FSC towards existing shortcomings in certification or actual forest management practices, thereby allowing the FSC to constantly improve the overall performance of its regulative system. As one board member mentioned in an interview conducted for this study, a substantial number of NGOs put a great deal of energy into monitoring compliance, acting as watchdogs for the FSC. On the other hand, nongovernmental organizations also direct their criticism towards the FSC directly, thereby putting pressure not only on the organisation but also on its non-profit members and supporters. One particular example is the criticism contained in a recent report by the UK based NGO Rainforest Foundation (2002). The report highlighted – among other shortcomings – the problematic relationship between certifiers and forest managers, wherein vested economic interest may impinge on the outcome of certification, as well as the FSC's fast growth strategy that tends to put quantity over quality (ibid.: 5-7). Interesting enough, it was Greenpeace that came to the FSC's rescue by publicly stating that much of the report was overstated and that many of the shortcomings were currently remedied.[38]

(4) The fourth aspect of the cognitive function analysed in this section is providing an institutional model within the environmental arena. Within the forestry arena, the FSC has forced other actors to react. In order to protect their specific interests, forest owners and the forest industry developed their own certification schemes (SFI, PEFC). Next to the forestry arena, the idea of a stewardship council has been taken up in the fisheries sector (MSC), marine conservation (MAC), and the tourism industry (STSC).

To conclude, the influence of private forest governance through its cognitive function can be summarised in four points. First, producing and disseminating knowledge and information enables the FSC, in many cases through its supporting organisations, to change the perceptions actors have about sustainable forestry and the underlying causes of the current forest crisis. Second, the FSC constitutes a dual type of learning institution. As a result, the FSC was adaptive to external demands and thereby made several behavioural changes possible. Third, the FSC has functioned as a conflict-resolution mechanism by providing room for debates and discourses. Hence, it can be seen as a main driver for changing perceptions of a range of actors on various issues. And finally fourth, the FSC provides a well-established model for environmental governance beyond the state and public-private partnerships, although imitation has not always been very accurate.

[38] For details, see www.greenpeace.org/deutschland/fakten/wald. In addition, over 30 North American environmental organizations signed a "Joint NGO Statement on Forest Certification" in March 2003 that stated, "the Forest Stewardship Council is the only certification system that is currently worthy of our support" (document on file with author).

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GOVERNANCE THROUGH INTEGRATION

The third function through which private governance is constructed in the forestry arena is integration. This concept has a twofold connotation: first, integration refers to the transformation of international or transnational norms and standards to the level of private governance. The impact is mainly a 'legalisation' of functional spaces wherein rules become enforceable (through the process of certification and the threat of withdrawing the respective certificate) that were not or only reluctantly enforced beforehand. And second, integration refers to FSC principles, their underlying rational, and resulting procedures being integrated into national political systems or international agreements. In this case, governments may formally or informally endorse FSC standards, former state-functions may be outsourced to the FSC or public policies, both on the national and international level, may be influenced by the operation of the FSC. Closely connected to the latter mechanism, formerly marginalized actors may gain access to policy debates and decisions on the national or local level.

(1) Analysing the first mode of integration, the influence on actors in the South is potentially high because the existing level of regulation is relatively low and compliance measures including sanctions are often only reluctantly enforced in developing countries. The FSC P&C demand that "[i]n signatory countries, the provisions of all binding international agreements such as CITES, ILO Conventions, ITTA, and the Convention on Biological Diversity, shall be respected" (FSC 2000: principle 1.3). The recent inclusion of the core ILO conventions[39] into the FSC standards is of particular importance because government compliance with these treaties has been relatively weak in many developing countries. As one FSC board member observes, the FSC is successfully bringing worker rights to the people on the ground. In this view, the process of certification leads to the convergence of rights for local workers. As a result, and often for the first time, social interests are considered through the influence of FSC.[40] The WWF's study on corrective action requests comes to a similar conclusion for temperate forest regions:

> "Those employed in the forests industry have been some of the biggest beneficiaries of FSC certification, through the improvement in the implementation of legislation and guidelines on health and safety. A reliance on properly qualified staff, backed by improved training and a compliance with social taxation requirements have all lead to improved working conditions for those working in FSC certified forests" (World Wide Fund for Nature Europe 2005).

As a result of these positive developments, unions, initially cautious of the certification issue have "especially over the last two or three years become more involved in certification efforts. They are now actively participating in a number of national initiatives including those in Sweden, Germany and Ghana, where they have been involved in the negotiation of national standards" (Bowling 2000: 134).

(2) Turning to the integration of FSC standards into national political systems, three potential mechanisms can be observed. A first possibility is that governments endorse

[39] The FSC standards demand compliance with all ILO labour conventions that are related to forestry, in particular the numbers 29, 87, 97, 100, 105, 111, 131, 138, 141, 142, 143, 155, 169, 182 as well as the ILO Code of Practice on Safety and Health in Forestry Work.

[40] Personal interview with FSC board member, November 2003.

the FSC, for example through their public procurement policies. A recent forest products market review by the UNECE and the FAO (Rametsteiner 2002: 163) states that "[p]ublic procurement continued to become a growing source of demand for CFPs". In addition to a range of policies already existing on the municipal level, in most cases due to the early involvement of city governments in timber boycott activities (cf. section 5.2.1), several national governments have announced public procurement measures that directly or indirectly favour certified timber. The German government for example has decided in 2002 that public procurement should solely rely on the FSC for wood products (Trittin 2003). In addition, the red-green coalition government has also clearly stated their commitment to forest certification in general and the FSC in particular in their 2002 coalition contract (World Wide Fund for Nature Deutschland 2002). In a similar vain, the British government has enacted the "Central Government Timber Procurement Policy". Another example is provided by the government of Denmark. Within the context of the fight against illegal logging, a decision in 2001 recognises the FSC label as an example of a credible instrument to provide assurance that timber is not only sustainable but also legally produced. All together, procurement policies and public endorsement of forest certification exist in Austria, Belgium, France, Germany, the Netherlands, the Nordic States, Switzerland, the UK, and some states of the U.S. However, as a strong environmental consciousness among voters is largely confined to OECD countries and governmental action to accommodate such views is correspondingly limited, endorsement seems to have little impact beyond industrialised countries.

A second form of integrating FSC standards into national systems seem to have been more influential in developing countries. South Africa for example has effectively outsourced its forest surveillance to the FSC as a consequence of its strict monitoring practices. Potentially, this strategy could well spread to other developing countries that control considerable portions of its forests and seek for some budgetary relief.

A third form of integration is better documented, namely the influence of the FSC on national policies and the corresponding empowerment of actors in national debates. The multi-stakeholder process of the FSC is credited to have had a beneficial influence on policy discussions and stakeholder relations, especially in countries with otherwise weak forestry governance (cf. Bass, Font, and Danielson 2001). A study on South Africa (Mayers, Evans, and Foy 2001) has revealed that stakeholder consultations on forestry have contributed to bringing actors to national debates that so far have been excluded. With regard to the actual influence of private forest governance on national forest policies a recent study argues that while certification has in most cases been a complementary instrument to induce compliance with national laws, "[i]n countries like Bolivia, there has been a more interactive process between recent legal forest reforms and certification, where incentives to landowners that engage in certification have been specifically introduced into the forestry law" (Segura 2004: 9). A second example is Mexico that has reacted to the increase of FSC certification occurring after 1996 (the FSC headquarter was situated in Oaxaca until 2002) by a national forestry law closely mirroring the FSC standards on SFM.

To conclude, the integrative function of private governance is reflected in two major trends. First, binding international agreements and national legislation as well as transnational norms are transferred to spaces regulated by private governance systems. As a result, norms and rules that have not been implemented sufficiently become enforceable through the private rule-system operating on the ground. Evidence from tropical and temperate forest regions support the assumption that the FSC has successfully influenced, for example, the safety and health conditions of forest workers. The second integrative trend can be observed in the influence distinct FSC rules and procedures have on national forest politics. Impacts range from endorsement of the FSC through public procurement policies to devising national forest laws that mirror the FSC's definition of sustainable forestry. Both mechanisms of integration clearly show how closely the public policy arena is connected with the field of private governance. On many occasions, the FSC as utilised international norms complexes such as sustainable development and the partnership paradigm to legitimise its distinct standards and procedures. On the other hand, public actors have equally often looked to the private governance realm for support of their policies or simply for solutions for their pressing problems.

5 Conclusion: Private Governance as Transnational Organization

This paper argues that the recent phenomenon of private governance in global politics goes beyond common forms of private cooperation because it involves not only adjustments of behaviour towards mutual goals but also shared norms, principles and roles. As a result, private governance is believed to include private systems of rule that exist mainly outside of the international system of governance.

Within the context of academic debate about global environmental governance and international organisations, the key point is that the institutionalisation of private governance leads to transnational organisation as an emerging form of post-sovereign order in world politics, complementing international and predominantly state-based forms of organisation. Transnational organisation can be understood as the functional outcome of a multitude of governing processes, actor-constellations and transnational policies that in sum give rise to structured behaviour of different types of actors across borders and functional domains. This observation goes beyond well-known forms of coordination and cooperation between private actors. Similar to claims that the international system shows signs of becoming gradually more rule-based and legalised, I contend that this holds true for the transnational level of world politics too. In particular, relations between actors excluding states and international organisations have become more institutionalised. I suggest in my analysis of two distinct forms of business co-regulation – corporate environmental reporting and forest certification – that private governance systems are one such source of the emerging sphere of transnational organisation that has been largely overlooked in many previous accounts of world politics and its shift from public to shared forms of political steering.

As Djelic and Quack (2003b: 27) argue,

> "the mainstream of the International Relations (IR) tradition pictures the transnational space as essentially anomic – a shapeless and structureless arena. Agents are essentially free and rational, maximizing their own interests with little burden being put on them by the space in which their action takes place."

However, the empirical analysis has shown that private governance influences a range of actors within and beyond its formal scope through three distinct functions. In sum, the regulative, cognitive and integrative function of private governance account for the observed effects, ranging from changes is norms and perceptions to changing discourses and political and economic incentive structures. Although evidence is still rather scarce and comparative case studies using quantitative methodologies are missing, the observations presented in this paper suggest that the transnational level of world politics is gradually getting more institutionalised and, even more important, there seems to be no theoretical objection against analysing it in terms of increasing and deepening organisation.

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