

The Role of Private Business in International Environmental Governance

Mikoto Usui

Preface

This paper is part of series of working papers that represents one of the first outputs from a two-year United Nations University Institute of Advanced Studies project on International Environmental Governance Reform, being conducted in collaboration with Kitakyushu University, Japan, and with support from The Japan Foundation Center for Global Partnership.

The project was initiated in response to increasing calls, from both within the UN and from external sources, for a more detailed analysis of the current weaknesses and gaps within the existing system of international environmental governance (IEG) and a more elaborate examination of the various proposals that have been put forward for reform. In responding to these calls, the project has drawn upon the expertise of several renowned academics and practitioners in the fields of international environmental law, science, economics, political science, the humanities, and environmental politics.

The first section of the project focuses on the identification of weaknesses and gaps within the current system of international environmental governance. The individual research papers commissioned within this section have concentrated on six key aspects of international environmental governance: the inter-linkages within the environmental governance system; the science/politics interface; industry/government partnerships for sustainable development; the participation of NGOs and other civil society representatives; the interaction between national, regional, and international negotiation processes; and the role of international institutions in shaping legal and policy regimes.

The second section of the project elaborates upon specific reform proposals that have been generated throughout recent debates and evaluates the potential of each proposal to strengthen the existing IEG system. The papers commissioned within this section of the study have focused on exploring the potential advantages and disadvantages of specific reform models and explained, in detail, how each model may be structured and how it would function. The models of reform that have been explored include: clustering of MEAs; strengthening UNEP; expanding the role of the Global Ministerial Environment Forum (GMEF); reforming existing UN bodies; strengthening financing sources and mechanisms; building up the environmental competence of the World Trade Organization (WTO); different possible models for a World Environment Organization; reforming the UN Trusteeship Council; expanding the mandate of the UN Security Council; and establishing a World Environment Court.

The final section of the project combines insights gained through the first two sections in order to provide an in depth evaluation of current reform proposals, elaborate on how they may resolve current gaps and weaknesses, and offers alternative recommendations for reform.

For more information relating to the International Environmental Governance Reform Project and for details of related publications, please visit the United Nations University Institute of Advanced Studies website at <http://www.ias.unu.edu> or contact Shona E.H. Dodds dodds@ias.unu.edu or W. Bradnee Chambers chambers@ias.unu.edu or visit The Japan Foundation Center for Global Partnership website at <http://www.cgp.org/cgplink/> or contact Norichika Kanie kanie@kitakyu-u.ac.jp

List of Contributors

Laura Campbell
Chad Carpenter
W. Bradnee Chambers
Steve Charnovitz
Lorraine Elliott
Dana Fisher
Harris Gleckman
Peter M. Haas
Toru Iwama
Norichika Kanie

Yasuko Kawashima
Satoko Mori
Sebastian Oberthür
Joost Pauwelyn
Gary P. Sampson
Jonathan Strand
Richard Tarasofsky
Mikoto Usui
Jacob Werksman
Yozo Yokota

**THE ROLE OF PRIVATE BUSINESS IN INTERNATIONAL
ENVIRONMENTAL GOVERNANCE**

February 2002

Mikoto Usui

Abstract

Industrial corporations constitute a crucial reservoir of technological innovations and investment capitals. In a period of globalization, privatization and liberalization of markets, they are seen as one of the most important forces to shape the future of the world. Within this context, this paper addresses a number of key questions. How can industry ever gravitate from the position of 'dragger' to that of 'pusher' in the arena of global environmental rule making? How credible are corporate voluntary standards and other self-regulatory initiatives? Are the evolving partnership arrangements between industry and government, industry and NGOs, and industry and IGOs likely to fill in effectively on the missing links in the existing institutions for global environmental governance? How ready is the international industrial community to respond to the Johannesburg trilogy of development, poverty and the environment and to transform its business models so as to help alleviate problems of North-South divide in global governance? Can corporatism be remolded so as to improve the structure and style of decision-making at the global level? How can we pull in technologically leading wings of the private business community on the task of further deepening of the various existing multilateral environmental agreements?

THE ROLE OF PRIVATE BUSINESS IN INTERNATIONAL ENVIRONMENTAL GOVERNANCE

Introduction	4
Three-Stage Model of Industry Participation in Environmental Regime Building	5
Voluntary Standards and Certification	7
Regulatory Realities at the National Level	10
Mandatory versus Voluntary Regulations	10
The “Covenant” Type of Industry-Government Partnerships	11
Industry’s Own Transnational Policy Networks	15
Transparency and Accountability	15
Greening of Finance	16
Addressing the Potential at the “Bottom of the Pyramid”	18
Trisectoral partnership in global policy-making	21
Global Corporatism: Would It Really Work?	21
Trisectoral Partnerships for Mutual Learning and Capacity Building	23
A Note on “Interlinkages”	24
Creating “Stiglerian Situation” for Leading Business Coalitions	25
Concluding Remarks: Major Policy Implications	27
References	29

THE ROLE OF PRIVATE BUSINESS IN INTERNATIONAL ENVIRONMENTAL GOVERNANCE

Mikoto Usui*

Introduction

Industrial corporations constitute a crucial reservoir of technological innovations and investment capitals. In a period of globalization, privatization and liberalization of markets, they are seen as one of the most important forces to shape the future of the world. Amid the process of preparation for the Rio+10 Summit, the business community too is joining the evolving hive of forward advocacy networks aimed at promotion of “sustainability business models”. Just to cite a few, LEAD International’s Virtual Panel for rethinking the SD challenges to Industry; WRI’s Annual Sustainable Enterprise Summit, the joint initiative of the ICC and WBCSD to create anew BASD (Business Action for Sustainable Development) for the Johannesburg 2002, etc.¹ In parallel, the UN General Assembly at its 56th session (November 2001) considered a substantial size of report of the Secretary-General on cooperation between the United Nations and the private business sector (A/56/323), to which public policy experts of the Prince of Wales International Business Leaders Forum made a major contribution.²

On the other hand, the FCCC COP 7, after the bumpy road of negotiation from Kyoto via Buenos Aires, the Hague and Bonn, finally managed to adopt a package of decisions on the Kyoto Protocol in November 2001 at Marrakech. But the U.S. continued its Bonn line of silence and non-obstruction. The Japanese government has not repealed its earlier promise to endeavor to ratify the Protocol before the Rio+10 Summit, while having great misgivings about getting estranged from its alliance with the U.S.A.. However, Keidanren’s communiqué (19 November ’01) was more explicit in reaffirming its sympathy with the U.S. position (the Byrd-Hagel Resolution in the Senate in 1997). It also reiterated that global warming should be dealt with primarily through industry’s Voluntary Action Plan and without making recourse to such “inflexible” approaches as the UK government-BCI agreement geared with the new climate change tax (effected since April 2001).

How can industry ever gravitate from the position of “dragger” to that of “pusher” in the arena of global environmental rule-making? How credible are corporate voluntary standards and other self-regulatory initiatives? Are the evolving partnership arrangements between industry and government, industry and NGOs, and industry and IGOs likely to fill in effectively on the missing links in the existing institutions for global environmental governance? How ready is the international industrial community to respond to the Johannesburg trilogy of development, poverty and the

* Professor Emeritus Tsukuba University and Adjunct Prof. UNU/IAS, E-mail: m_usui@nifty.ne.jp ; Fax: (+81) 471 461 430

- <http://www.lead.org/leadnet/virtualconf/workshop/business>; <http://www.wri.org/meb/wrisummit/> ;
<http://www.basd-action.net/>; <http://www.ceres.org/> ; <http://www.newclimate.org/help/> etc

environment and to transform its business models so as to help alleviate problems of North-South divide in global governance? Can corporatism be remolded so as to improve the structure and style of decision-making at the global level? How can we pull in technologically leading wings of the private business community on the task of further deepening of the various existing multilateral environmental agreements? This paper tries to address these challenging questions.

Speaking of global governance, regimes and institutions, James Rosenau proposes a three-layered perspective for studying change in global order. The first dimension addresses change unfolding at the ideational level (i.e. the ways people sense and perceive important change); the second one looks into change at the behavioral or objective level (i.e., what people regularly or routinely do); and the third focuses on change at the level of political aggregation of interests, values, and norms where governance takes the form of rule-oriented institutions and regimes. Each of these three dimensions is a necessary, but not a sufficient, determinant of the prevailing order, because ideational, behavioral and institutional dynamics are mutually interactive. But their relative temporary priority is, at least for analytical purposes, “a chicken-and-egg problem for which there is no clear-cut solution” (Rosenau 1992, esp. pp.14-16).

Put into this triplex perspective, our collective research project, of which this paper is to constitute only part, is primarily conceived to improve our insight into the third dimension, dynamics of international institutional arrangements. So, this paper too starts with an analysis characterizing industry’s participation in environmental regime building. A special three-stage model is used for this purpose. It will be shown that, while the private business sector has been almost as vociferous as environmental NGOs in taking a forward-looking stance at the first stage, it generally wishes to see the second stage prolonged as far as possible. Industry continues to insist that providing adequate space for industry’s own proactive innovations with business-like approaches should be more crucial to global governance in the future than further tinkering with legally binding international instruments. It will be worthwhile, therefore, to devote some space for an investigation along the second dimension as well – that is, behavioral characteristics of the industrial community at national as well as transnational levels. We will then revert to the third dimension of change and try to look at the promises and problems of emerging transnational and trans-governmental networks.

Three-Stage Model of Industry Participation in Environmental Regime Building

The interaction between international environmental policy and industrial corporations (especially major ones usually referred to as MNCs) runs both ways. On the one hand, corporations try to exert influence on public policy development where an effective regime is either absent or yet to evolve. On the other, corporations respond variously to the threat of regulation auguring for changed incentives and new rules of the game in the market. It is generally difficult to grip at the evidence of the industrial community’s influence on policy development in this critical phase. Industry’s “self-regulatory” initiatives can blur the demarcation line between this intermediate phase and the subsequent law-making phase. Moreover, there is evidence that the influence of international law and institutions has been more often in the form of soft-law persuasion than coercion (Chavaz & Chavaz 1999).

For example, the international forest regime is still weak. The IPF (Intergovernmental Panel on Forests) process under the CSD has so far received little support from states, and MNCs, which control almost 40 % of the world forest products market, have been effectively avoiding involvement with it. Inspired by this and various other case histories of regime building, Sears et al. suggest a three-stage model about corporate action in international policy-making for sustainable forestry management: *Stage 1*: Avoiding the emergence of regulation; *Stage 2*: Enforcement-driven compliance; and *Stage 3*: Performance-driven compliance (Sears, Davaloz & Ferraz 2001).

While Stage 1 in this model is clear-cut, Stages 2 and 3 would seem to suffer some terminological ambiguities. “Enforcement-driven” can be understood as referring to a phase in which intergovernmental negotiations have advanced with an increased likelihood of enforcement of a new regulation, and “compliance” as referring primarily to industry’s own voluntary initiatives that are aimed at conditioning emerging mandatory policy measures on the inclusion of options allowing for minimal or even no adjustment costs. It would be better to replace “compliance” by such terms as “self-regulatory initiatives” or even “green-washing”. The third stage, “performance-driven compliance”, seems to assume a situation in which a regime has been successfully established with dramatically changed market incentives such that it becomes profitable for firms to comply with the new rule of the game. The ozone regime is one of the rare cases of success in reaching this third stage. However, Sears et al. fails to zoom in onto the “slippery hills” lying between Stage 2 and Stage 3.

Focusing on the behavior of domestic major actors striving for “win-sets” (i.e., domestically feasible international agreements), Sprinz and Weiss (2001) refer to three types of interests: (i) *Dragger* or *laggard* (most typically, polluting industry or pollution-inducing consumers), (ii) *Pusher* or *leader* (mostly, victims of environmental impacts, environmental NGOs and “green” parties), and (iii) *Third party leaning toward Pusher* (sometimes industrial actors that represent providers of renewable energy and leading innovators on substitution technologies). Most interesting in our context is the “third party leaning toward pusher”, which may be associated with the so-called “Stiglerian situation”.

Decades ago, George Stigler (1971) pointed to the condition on which industrial firms would opt to coalesce with environmentalists to press jointly for a new regulation. Such a condition is met when regulatory benefits are likely to concentrate on a relatively few but leading business actors, as they perceive a new regulation as a chance for earning quasi-monopolist profits (whereas regulatory costs are thinly diffused over too many actors to trigger an organized resistance).³ In fact the success in the adoption of the Ozone Protocol at Montreal in 1987, only two years after the adoption of a vague Framework Convention at Vienna, can be attributed to the changed perception of leading CFCs producers, particularly DuPont, about the commercialization prospect of its substitution technology (Oye & Maxwell 1955).⁴

- Such a situation is in contrast to the classical “Olsonian” situation for provision of public goods, in which regulatory costs on a relatively few industrial actors while benefits are diffused thinly over many.

- Other examples of the Stiglerian situation can be found with such regulations as: the ban on loaded, gasoline when it promised higher profits for producers of unloaded, gasoline; the

(We will come back to this topic later in the last section of this paper.)

In view of the above, we wish to restate the three-stage model of corporate interaction with the process of international rule-making in the following manner:

- Stage 1: Leading blocking coalitions against the emergence of legally binding agreements;
- Stage 2: Enforcement-oriented self-regulatory initiatives; and
- Stage 3: Performance-oriented beyond-compliance initiatives.

Evidence about Stage 1 abounds. At the level of multilateral diplomacy, one can recall the prolonged battle between the international business community and the UN organs involved in the UNCED process, of which Harris Gleckman (1995) gave a revealing insider story. The ICC (International Chamber of Commerce) had for years argued that the UN should reduce its attention to environmental matters affecting the international market. The UN Center on Transnational Corporations prepared "*Recommendations of the Executive Director on Transnational Corporations and Sustainable Development*" (1991), which articulated such principles as applying the highest environmental standards throughout each firm's global operations, and corporate accounting and reporting on environmental activities that can be related to corporate financial position and performance. "When this report reached the PrepCom IV for UNCED in March 1992, the ICC and the BCSD launched a frontal effort to avoid any reference to TNCs" (Gleckman 1995, p.100). "Within the Rio Conference proceedings there was silence on the role of TNCs" (p.97); and "the ICC's three-day conference omitted any direct discussion of the future tasks expected from national industries or TNCs in Agenda 21" (p.106, n.18).

With regard to the forestry regime, which is the weakest among the six major global environmental agreements currently at various phases of advancement⁵, Mayers and Bass (1999) show how MNCs have exploited either a policy vacuum or loopholes in policies and regulations, and/or high-level patron-client relations with local government forestry institutions. In many developing countries, particularly where regulatory resources are limited and civil society agents are weak, illegal logging continues still on a massive scale, that is comparable to legal production in size, thus presenting a classic case of "concurrent government and market failure" (Brack & Hayman 2001).

Voluntary Standards and Certification

In Stage 2, industry attempts to influence public policy development, all too often by making out cases that any pre-emptive mandatory regulations would impose too heavy adjustment costs on the economy, and advocating self-imposed voluntary

advance of other countries; the Japanese automobile industry's adoption (as early as in 1978) of the then world's most stringent NOx regulation (the so-called Japanese resurrection of the Muskie law) when the industry saw it help enhance its international competitiveness; the 1962 amendment of OILPOL (facilitated by the UK oil firms with a new Load-on-Top technology) and the 1978 Protocol to MARPOL (sponsored by the US industry with a Segregated Ballast Tank technology); etc.(See Usui 1998).

- The other five concern problems of climate change, stratospheric ozone depletion, biodiversity,

measures. Sears et al (2001) cite various initiatives of timber and paper trade associations to launch voluntary “soft” policy tools in the form of certification and verification schemes for sustainable forestry management. Rugge (2000) reports that the number of certification initiatives on forestry and forestry products has more than doubled since 1996, and over 40 new schemes are under development in more than 30 countries. “Because these are implemented on a piecemeal basis and offer little comparative advantage at the exploitation end of the trade chain, they amount to a small dent in the larger deforestation problem” (Sears et al. p.358). The *Sustainable Forestry Initiative* (SFI), developed jointly by American, Canadian and English forest and paper associations among others, is jeered by critics as “a classical example of the fox guarding the henhouse”.

Voluntary standards and certification do not only have negative but also positive impacts in terms of their regulatory characteristics. The negative impacts are such that a privately sponsored system tends to be focused on discriminating the best producers against the next best, or just good producers in given industry; seldom offering incentives for bad producers to be certified. A perceived lack of equity would lead to a proliferation of certification schemes with differentiated thresholds for “good practice”. While it would confuse global consumers and lead to market fragmentation, it might open room for altering power balances in the playing field in favor of locally better adapted innovation and competition and thus for meeting the needs of otherwise marginalized groups. Actions for tourism certification, which took off no earlier than around 1998, have already resulted in over 100 labels and schemes, mostly self-administered, leaving customers with little information to distinguish sustainable practice from sheer green-washing. .

There is now increasingly felt need for linking them to an appropriate set of governmental regulatory instruments for sustainable development. To the extent that sustainability-conscious NGOs are often actively involved in development of local conservation programs and related certification schemes, standards and certification may be said to provide a real-time policy forum and raise expectations for better-than-legal practice and accountability (Bass, Font & Danielson 2001). Such expectations might help push the industrial community nearer toward our Stage 3 of international regime building. As the agreed norms of a fledgling regime permeate into consumer preference, buyers’ groups may start shifting their sourcing strategy in favor of more credible certification systems and stimulate the development of national and regional certification and labeling systems⁶. This would then give rise to increased recognition of the need for policy coordination at the level of the WTO and TBT-associated fora. Globalization has been accompanied by the adoption of management process-focused standards by MNCs. This is not unfortunate as such standards prove more easily applicable across countries. Nevertheless, we should bear in mind that, in order to avoid inequity from top-down standards, “exploring locally specific visions and standards is a necessary precursor to certification schemes” (Bass, Font & Danielson 2001, p.30). .

⁶ Examples include the emergence of Pan-European Certification Initiative in June 1999, and the effort of the African Timber Organization to develop a regional scheme based on the ITTO criteria and

Smart Hierarchy of Public Policy Measures: Industry's Perspective

Industry's advocacy for market-based approaches recognizes the need for a stable and supportive framework of public policy, which includes, among others, legislation and regulations on competition, intellectual and physical property rights, reliable contractual terms, fair and transparent accounting standards, etc. Often added to these is "predictability of government intervention". Kathryn Harrison examines various cooperative approaches to governmental regulation, including "negotiated rule-making" and flexible approaches to enforcement, as well as voluntary codes and agreements in environmental protection. After surveying both theoretical arguments and empirical evidence about the Canadian and U.S. practices, she likens this exercise with "talking with the donkey", and concludes that evidence of such new programs are too fragmentary yet to tell how really effective they are (Harrison 1999).

The so-called "smart hierarchy" of public policy measures was once presented by Arthur D. Little in the following order of industry's preference: (i) *Unconstrained* (an ideal situation in which environmental considerations have come to be fully internalized into corporate decision-making); (ii) *Induced* (energy tax, tax offsets and permits trading), (iii) *Negotiated* (the Dutch covenant-type of business-government agreements), and (iv) *Regulated* (permits and emission limits) (Little 1996). In the recent presentation by Chad Holiday (DuPont) and John Pepper (Procter & Gamble) on behalf of the WBCSD, the *smart hierarchy* is partially re-aligned so that the ordering now runs: (1) "Voluntary initiatives", (2) "Negotiated agreements", (3) "Economic instruments" and (4) "Command and control regulations" (Holiday & Pepper 2000, p.33). This may be taken as reflecting more faithfully the current industry preference as well as the recently increased adoption of the covenant-type private-public partnership arrangements.

More interestingly, Holiday and Pepper attempt to add a coordinate that measures the degree of innovativeness required on the part of industry in terms of sustainability-oriented corporate governance. Thus, different types of policy support to industry are related to four different types of target groups: (a) "innovator", (b) "market shaper", (c) "complier" and (d) "laggard/free-rider". Regulation like the Montreal Protocol providing for product- and process-specific bans and sanctions on infringement is viewed as applicable to the least innovative laggard. Process and product standards and labeling are viewed to be only compliance-oriented. Eco-taxes and consumer incentives (like solar energy credits) are also meant to influence mere compliers. Public-private joint ventures that are oriented to explicit performance targets and market shaping are ranked higher (examples cited for this category include a U.S. EPA-sponsored voluntary multi-stakeholder program called *WasteWise*, and as voluntary performance-oriented industry codes of good environmental practice like the AISE Code which is explicitly linked to the EC policy framework).⁷ The "covenant" type of negotiated agreements between industry and government may be seen as being more compliance-oriented than a market shaping innovation, although some of them are performance-oriented as in the case of the

⁷ AISE stands for the International Association for Soap, Detergent and Maintenance Products which represents more than 1,200 companies in Europe. *WasteWise* is a voluntary multi-stakeholder program on municipal waste management (since 1994) involving over 1,000 firms, public agencies

Netherlands, Denmark and the latest U.K. initiative.

It is recalled that Arthur D. Little presented “negotiated policies” as an option only one step away from mandatory regulation, involving a fairly high level of governmental control even though they are hinged on more cooperative business-government relationships. Thus, negotiated policies are made effective often because of the threat of regulation. Examining the Dutch Covenancing process under the National Environmental Policy Plans, Gouldson and Murphy confirm that the covenant agreements have been more effective in areas where the government has already regulatory powers. They even say that covenants are, rather than an example of voluntary regulation, a instrument through which government attempts to disseminate information and mobilize support for its environmental targets" (Gouldson & Murphy 1998, p.108).

Regulatory Realities at the National Level

Mandatory versus Voluntary Regulations

Industry's self-regulation does not occur in a vacuum. "Voluntary regulation" may be defined as action that is "not forced by law nor persuaded by financial incentives" (Jacobs 1991, p.134). It does not follow, however, that government has no influence over its design and implementation. Gouldson & Murphy (1998) argue that government can have much influence over the design, implementation and impact of voluntary regulation. They attempt to delineate critical parameters of regulatory schemes, mandatory or voluntary, that are likely to affect their effectiveness. They are summarized in the table below.

A Comparison of Framework Features of Policy Design and Implementation between Mandatory and Voluntary Regulations

Issue	Mandatory regulation (e.g., EU's IPPC)	Voluntary regulation (e.g., EMAS)
Policy Framework	-Strategic (well established objectives) or Symbolic (creating uncertainty)	-Active (strong foundation) or Passive (weak foundation)
<i>Implementation Structures:</i>		
-Legal	-Amalgamated/Comprehensive or Additive (incremental)	-Formal/Explicit recognition -Informal/Implicit recognition
- Institutional	-Integrated /Comprehensive or Fragmented/Incremental)	-Mechanistic /Explicit or Organic /Implicit
-Resource	-Strong/appropriate or Weak/inappropriate	-Adequate or Inadequate
<i>Implementation Styles:</i>		
-Design	-Anticipatory/Process-focused or Reactive/Emissions-focused)	-Impacts/Environment-focused or Systems/Management-focused
-Delivery	-Hands-on (frequent on-site advice) or Arms-length (no on-site advice)	-Hands-on (regular external audits & advice) or Arms-length(bureaucratic & infrequent audits)
-Enforcement	-Conciliative/Consensual or Litigious/Adversarial	-Conciliative/Consensual or Litigious/Adversarial

Aseem Prakash investigates a similar issue from the angle of on intra-firm decision processes for corporate environmental policies (Prakash 2000). While most firms adopt only environmental measures that are either required by law or by dominant *de facto* standards that affect their competitiveness in the market, some adopt “beyond-compliance” environmental policies specifically designed to exceed the requirements of existing regulations as well as of ex ante profitability criteria. Prakash looks into various cases drawn from Baxter International Inc. (a producer of health-care goods and services) and Eli Lilly & Co. (a U.S.-based multinational pharmaceutical company). He finds that the managers who are environmental policy supporters can sometimes (though not always) win favorable decisions over the opposition of an overwhelmingly larger number of policy-skeptics, particularly:

- (1) When the policy supporters can invoke “external factors” such as the threat of new regulation and market pressure) to influence the intra-firm policy process; and also,
- (2) When the policy supporters are participating actively in reputable national or international environmental caucuses⁸.

Incidentally, it is interesting to note that the ISO 14000 standards, although enthusiastically adopted by Japan and several European countries, have not enjoyed a comparable degree of diffusion in the U.S. partly because of the EPA’s lukewarm support in this matter.

The “Covenant” Type of Industry-Government Partnerships

The covenant-type negotiated agreements are contracts between industry (business associations and/or major corporations) and governmental authorities (national, regional or provincial), usually containing specific targets and time schedules of achievement, not legally binding but linked with public incentive/disincentive schemes. This approach has gained greater currency within major EU countries than in Japan and the USA. In the Netherlands the first *LTA*s (Long Term Agreements) were introduced in 1992 as an integral part of the 1990 National Environmental Plan (NEPP). Around the same time the European Commission started paying heed to this type of agreements in the context of its Fifth Environmental Action Plan. A few years later the European Commission issued “recommendations” on this matter to the effect that such contracts be designed to be enforceable either under civil law if not under public law, and that quantitatively verifiable objectives be specified and subjected to regular monitoring and reporting to the public as well as to competent public authorities (Commission of the European Communities 1996).

Comparative features of several national regimes are briefly touched upon in the following⁹.

- These are indeed not sufficient conditions for successfully pushing beyond-compliance environmental policies. Leadership-based policy initiatives need to be backed up by an appropriate power-based process to weaken opposition, especially when policies require significant organizational reform.

- Based, except for the UK and the USA, on the information contained in the June 2001 report of the Ministry of the Environment study group on this matter (2001). Information on the latest UK policy

i. The Netherlands

*LTA*s 1 (First Agreement for 1992-2000) had 83 covenants by 1996, addressing energy/climate, waste, pollutions and various other environmental issue areas. Of them, 75 are considered to be enforceable under civil law (although no litigation has been reported yet). Associated incentives are mainly in the form of privileged access to governmental business permits and licenses as well as exemption from certain additional environmental regulations. The overall target of 20% improvement in energy efficiency for the industrial sector as a whole has been translated through consultation processes into 83 covenants covering more than 90% of the country's total industrial energy consumption. Targets are set by industrial branches with implementation plans left on an individual company basis with yearly monitoring and reporting. Participating firms submit annual performance records to the Energy Authority (NOVEM) which verifies them and makes publicly available annual reports. From 2001 on, *LTA*s 2 are applicable to medium-size business firms (about 300, accounting for some 9% of total industrial energy consumption, whereas *Energy Efficiency Benchmarking Covenants* are newly entered by large-sized energy-intensive industries (about 180 companies) in order to cope with the requirements of the FCCC-Kyoto Protocol by "achieving the world highest level of energy efficiency by 2012". The covenanters are promised exemption from energy tax and other newly envisaged regulatory measures.

ii. The United Kingdom

Before 2001, the Chemical Industries Association was the only manufacturing sector that had an *Energy Efficiency Agreement* with the Department of the Environment, Transport and the Regions (DETR). Since April 2001 the *Climate Change Levy* has come into effect (albeit still at a low rate of experimental significance), coupled with the *Climate Change Agreements* between government and business sectors, the participants in which are rewarded with an 80% reduction in the Levy. Also, the CBI (Confederation of British Industry) is actively involved in designing a domestic cap-and-trade regime, which would encourage non-covenanters to set their voluntary emissions reduction targets in order to participate in emissions trading.

iii. Denmark

Denmark's environmental law has provisions for making industry-government agreements that are legally binding, although actually only few existing covenants explicitly assume that status. Under the *Climate 2012 Plan* (issued in March 2000), energy-intensive firms which have three-year agreements with the Energy Agency are granted reduced rates of carbon tax. Agreements can be established on either collective or individual firm basis. Collective agreements may reduce administrative costs but are subjected to stringent legal conditions. Those on an individual firm basis have greater room for flexibility and thus are more broadly accepted (136 firms entering such agreements between 1996 and 1998, accounting for 45% of total industrial energy consumption). The number of agreements is expected to increase as the carbon tax rate is raised in the future.

iv. France

The Environment Ministry has a long history of cooperation with industry for air and water pollutions abatement since the 1970s. The practice subsided after a bitter debate around 1985 over the illegality inherent in relegating to voluntary agreements the matters traditionally handled by regulatory authorities. But there has been a revival to cope with increasingly complex global environmental issues since the 1990s. *Contrats de branche* are entered collectively through industrial associations, while *programmes de branche* by individual firms. They are generally legally non-binding, with no established measures against non-compliance, but exceptions are those cases linked specifically to subsidies and other incentive schemes. The government attempted to place into effect by 2001 a new energy tax scheme that could be effectively linked to further advancement of industry-government agreements, but the attempt has failed so far.

v. Germany

Voluntary environmental agreements with the federal and regional governments have been broadly in practice since the mid-1980s (with the number of existent agreements comparable to that in the Netherlands). But almost all of them are legally non-binding, with commitments unilaterally declared by companies, and all entered on a collective basis. Public criticism about lack of transparency has led to the introduction of a third-party monitoring organ (Rhein Westphalia Institute) with a 50-50 cost sharing between industry and government. The *National Climate Plan* (2000) has prompted the exchange of a new letter of agreement between the Federal Government and the BDI, with a view to establishing quantitative sectoral targets for emissions reduction targets linked to the requirements of the Kyoto Protocol. The agreement is “politically” binding but provides for no specific measures against non-compliance.

vi. Japan

Keidanren, on behalf of all the industrial business community, announced the *Keidanren Appeal on the Environment* in 1996 and produced the *Voluntary Action Plan on the Environment* that addresses global environment as well as waste-related issues in 1997. The Action Plan is now participated in by 43 industrial branches (associations). *Keidanren* itself takes the responsibility for following up and publish annual summary reports that indicate only branch-by-branch collective performance. The government has not taken part in these processes, except that various environmental councils from different ministries hold “hearing” sessions on the results of annual follow-up (which it is said that consists of just “questions and advisory comments”).

The Environment Ministry has endeavored, although not very successfully yet, to challenge *Keidanren*’s stronghold for this Voluntary Action Plan. It has recently organized a small study group on the subject, comprised of only neutral academics, to review the regulatory features of the on-going programs in five European countries. The Group’s recommendations include such propositions as:

• That the government should take a more active policy stance by stopping its

on the process of introducing a new environmental taxation or by designing new regulatory devices to be invoked in case the Voluntary Action Plan should fail to achieve its declared objective (i.e., reducing GHG emissions from industrial and energy sectors in fiscal 2010 to below the fiscal 1990 levels) (by way of lessons drawn from the cases of Denmark, the Netherlands and the UK);

- That failing companies be subjected to enforcement under civil law (a lesson from the case of Denmark or the Netherlands);
- That a neutral but authoritative body responsible for monitoring and auditing be established, jointly supported by industry and government, to advise the government for facilitative action as need be (a minimalist lesson from the German example);
- That agreed industry plans need to assume a legally binding status in order for them to become eligible for the tax exemption-type of privilege (reflecting legalistic argument as heard in the mid-1980s in France).

vii. The United States

In the United States, industrial associations are rarely involved in direct partnership arrangements with government. Under the Clinton administration the EPA explored the concept of negotiated policies through the so-called “Common Sense Initiative”. It was targeted at several major industries, but emphasized, as in the case of the *WasteWise* mentioned above, a multi-stakeholder decision process involving environmental advocacy and justice groups and labor unions along with representatives from federal, state and local governments and industry. American companies seem generally to prefer making their own decisions on voluntary commitments. For example, the American Chemistry Council (formerly the Chemical Manufacturing Association) pays heed to the diversity and uniqueness of individual member companies and encourages each to establish at least one performance goal (American Chemistry Council 2000).

However, one should not overlook the fact that U.S. multinational chemical corporation are no longer a villain on the international scene but are now actively “exporting environmentalism” abroad, as depicted by Ronnie Garcia-Johnson with particular reference to their practices in Brazil and Mexico (Garcia-Johnson 2000). In the United States the industry-government relationship is generally more adversarial than that in Europe and Japan. Statutory regulations tend to specify non-negotiable compliance requirements, case-specific implications of which are to be settled through litigious processes. Thus, U.S.-based MNCs would sooner collaborate among themselves to build their joint platforms for self-legitimization than negotiate agreements with governmental authorities. And they have a capacity to do so.

Thus, there exists much difference among different national regimes. Some are in more or less advanced stages of evolution than others. This is likely to give rise to conflicts in relation to the WTO rules, especially when the negotiated agreements are explicitly government-sponsored. In fact Japanese and German industrial communities more openly speak of the potential adverse implications of any stronger governmental intervention for leveling the international playing field. Greater

international trade wrangles; still better to have early international consultation with a view to well-coordinated joint advancement in this area..

Industry's Own Transnational Policy Networks

While corporate legality continues to rest within a system of state law, MNCs have begun to work harder at legitimating themselves at the international level. Cutler, Haufler and Porter emphasize the private sector's rule-making capacity in cyberspace, financial markets, intellectual property rights, bond-rating institutions, etc., and conceptualize the notion of "private international authority". It is formed through cooperative relationships among world-renowned MNCs, by establishing common standards and institutions that complement, conflict with, or even substitute for, government authority (Cutler, Haufler & Porter 1999).

Just about 30 years ago in the preparatory process for the UN Conference on the Human Environment (Stockholm, 1972), Maurice Strong endeavored to persuade Robert Anderson, then President of the ICC, that the private business sector should play a supportive, at least non-adversarial, role in the major effort toward the Stockholm conference. 20 years later, Strong appointed Stephan Schmidheiny as his principal adviser on business and industry to set up a Blue-ribbon Council of 50 major industrialists from all over the world – the Business Council for Sustainable Development (today's WBCSD). The 1992 Rio Summit was adorned by its publication, *Changing Course*, which eloquently exhibited the views of progressive business leaders and success stories from environment-friendly transnational firms. Now, in the preparatory process for the 2002 Johannesburg Summit the ICC and the WBCSD have jointly put up a new banner, *BASD* (Business Action for Sustainable Development) to rally the world business community once again. Now, alongside with major CSO caucuses, the business community, too, sounds rather receptive to the demand for "bottom up approach", which may imply more explicit heed than before to problems of poverty in the developing world - the new third pillar being added this time to the environment-development linkage^{1 0}. (We will take up this angle a little later.)

Not surprisingly, the *BASD* banner carries such respectable messages as: "a business-like emphasis on action", "a commitment to transparency and accountability all round" and "openness to partnership with other players". It is yet to be seen what sorts of really new elements are implied by the *BASD* agenda, compared to the *From Idea to Action* propaganda of ten years ago. Voluntary self-regulation, coupled with information disclosure, continues to lie at the hardcore of corporate issue networks. The businessmen's networks or clubs leaned for action-oriented programs have been increasing in number and some of them look quite serious.

Transparency and Accountability

The CERES (Coalition for Environmentally Responsible Economies) is a leading business NGO known for its forward policy advocacy, its members including those social investors and U.S. environmental leaders who formulated the *Valdez*

¹ See <http://www.basd.org> (last visited 10/10/02). Reportedly, Sir Mark Moody-Stuart, Chairman of the Board

Principles in the wake of the Exxon-Valdez oil-spill. The Principles are now refined into a 10-point code of conduct toward sustainable corporate practices. It has taken initiative, in collaboration with UNEP, to mount a program called *GRI* (Global Reporting Initiative) since 1997, which endeavors to develop and propagate a comprehensive, standardized form of environmental reporting with well-defined indicators and metrics^{1 1}.

Another note-worthy example is the *GEMI* (Global Environmental Management Initiatives), which is supported by many U.S. based MNCs in 17 different business sectors.^{1 2} The GEMI purports to provide strategies for business to achieve environment, health and safety services by benchmarking exercises on best practices and, in doing so, collaborates with other pre-eminent business think-tanks like the IRRC (Investor Responsibility Research Center, founded in 1972). They have recently produced jointly a review of a wide array of corporate environmental reports that are mostly voluntary. In regard to the verification and endorsement of those reports, the review concludes deplorably that third-party statements on corporate environmental reports “have not yet evolved to a stage where they enhance credibility with external audience ... and meet the threshold of added value” (IRRC & GEMI 1996).

Greening of Finance

Private financial actors have been more nimble and efficient than generally believed in developing the rules of behavior for themselves, which have influenced in many cases the direction of government policy and intergovernmental financial regimes. According to the Socially Responsible Investment Forum, the portfolios screened for “social responsibility” (SRIs) in the United States increased from \$40 billion in 1994 to over \$2 trillion in 1999 – a growth of more than 40% per year. There are now at least 175 SRI mutual funds, and nearly 80% of the 1999 portfolios are subjected to environmental screening.^{1 3} The *DJSGI* (Dow Jones Sustainability Group Index), the first world-wide sustainability index, covers 230 corporations, virtually all major MNCs. The rating involves five principles, including “commitment to environmental protection” and “commitment to social goals” along with other social/ethical criteria. It is admitted, however, the environmental criterion remains much less clearly defined than others.

The UK has now a new law requiring the trustees of pension funds to disclose how they account for social responsibility in their investment strategies. Reportedly, now nearly 30% (equivalent to US\$300 billion) of total U.K. pension funds in assets have incorporated SRI into their strategy^{1 4}. Japanese financial institutions, especially banks, are trailing a way behind in this domain. Only one Japanese bank has subscribed to the 1992 UNEP *Finance Initiative*. Insurance companies are relatively more enthusiastic about building “eco-funds” with investment portfolios screened and

– See <http://www.ceres.org/reporting/globalreporting.html>

– 37 GEMI members include, among others, Anheuser-Busch; Coca-Cola; Dow Chemical; Duke Energy; DuPont; Eastman Kodak; Eli Lilly; Goddard Tire; INETL; Johnson & Johnson; Lockheed Martin; 3M; Motorola; Pfizer; Procter & Gamble; Texas Instruments; etc. See <http://www.gemi.org/>.

– Other social/ethical criteria for screening relate to human rights, social justice, gambling, weapons,

rated according to firms' environmental performance. It is only the mid-1999 that such eco-funds have been introduced in the Japanese market. Admittedly, however, environmental screening is based only on qualitative information that does not easily lend itself to standardization. (Major screening criteria are related to the ISO14000 certification, the availability and quality of environmental reports, and hear-say information on corporate eco-efficiency policies)^{1 5}.

Partnership with Environmental NGOs

Holiday & Pepper's policy strategies on *Sustainability Through the Market* (2000) include "Move from stakeholder dialogues to partnerships for progress". The relationship between businesses and NGOs used to be either broadly antagonistic (with vociferous environmental criticism of all industry) or narrowly collaborative (restricted to corporate donations to worthy social causes). But Jem Bendell informs us of a number of newly emerging initiatives arising from both business and NGO camps. Major NGOs, like WWF and Greenpeace, which used to pay little attention to market-based mechanisms, have begun to enter strategic partnership arrangements with business companies in order to pursue their own objectives as well as to help improve the environmental/ethical performances of their partner companies. The various case studies included in Bendell's book, *Terms of Endearment* (2000), can be classified roughly into the following five different types:

- (i) Joint establishment of international standards and certification programs: e.g., WWF-supported efforts of U.K. timber products industry and Unilever which have led to the: Forestry Stewardship Council (FSC) and Marine Stewardship Council (MSC), respectively.
- (ii) Joint venture-type collaboration between environmental NGOs and business firms: e.g., Greenpeace-Foron project, "*Greenfreeze refrigerator*" (designing and marketing of environment-friendly refrigerators in Germany); the Micro Compact Car's collaboration with local NGO-supported car-sharing initiative, Mobility; and BP's recent alliance with the Environmental Defense Fund for carbon-offset investments in developing countries..
- (iii) The "endorsement" style of partnership for products or companies, such as SA 8000 principles (a social accountability certification scheme introduced by the Council on Economic Priorities), and the climate-neutrality certification schemes being promoted by the Carbon Storage Trust and SustainAbility Ltd in the UK.
- (iv) Strategic dialogues to engage a wide array of-NGOs in designing the detailed rules and parameters for corporate environmental reporting, such as the "triple bottom line" worked out by Shell, as well as the multi-party GRI program initiated by the CERES mentioned in the above.
- (v) Use of corporations' websites by way of a public dispute forum where NGOs are invited to express their frank opinions about specific aspects of business practices at issue (although usually without promising compromising action on the part of corporations): e.g., Monsanto's attempt to cope with European resistance to genetically modified organisms, and Freeport McMoRan (a U.S.-based mining company) exposing itself to social criticisms about one of the

– Based on the report presented by Masaatsu Takehara (Yasuda Research Institute) at the Conference of the Society for Environmental Economics and Policy Studies, Kyoto, 20-22 September

world's largest mines in Irian Jaya, Indonesia.

The major motivations for business-NGO partnerships, viewed from each side, can be summarized as follows.

Drivers for business to engage with NGOs	Drivers for NGO engagement with business
* Creating new markets	*Disenchantment with government policies
*NGO's credibility with the public on issues and priorities	*Gaining greater leverage through business links with government
*Avoiding negative public confrontations	*Access to more funds and technical and managerial resources
*Cross-fertilization of thinking for the future	* Cross-fertilization of thinking
*Cooptation of new stakeholders	* Access to supply chains

Optimism about business-NGO partnerships might be a precursor to a new form of self-regulation for sustainable development, for which Bendell has coined the term of "civil regulation". However, Elkington and Fennell (SustainAbility Ltd., UK) warn that there are yet many factors that could easily reverse the trend. Business firms would face difficulties in addressing NGOs' sustainability agenda becoming ever broader and threatening their short-term financial concerns, while NGOs might face conflicts with their memberships and fund-raising base. Their research shows that good NGO resources are more limited than expected and will probably quickly come short of the rising demand from corporate players. Thus, the corporations leading off in forging strategic alliances with key NGOs may be doing so just to enjoy a "first-mover" benefit (Elkington & Fennell 200, pp.152-3)

Bendell takes note of yet serious limitations of "civil regulation" because of the limited social reach of consumer politics of today. As consumer power is directly linked to spending power, citizens in Southern countries have far less of such a power than their counterparts in the North. The constituents Northern NGOs purport to represent are very different from those for which Southern NGOs are accountable. We recall that, in parallel with the UN Global Compact process, NGOs did make a call for a *Citizens' Compact* that would help develop a legal framework to govern the behavior of global corporations (Bendell 2000, p.252-4).

Addressing the Potential at the "Bottom of the Pyramid"

Poverty alleviation is a long-weathered agenda for the international development cooperation community. And most international environmental accords (and even the WTO charter) more or less explicitly commit themselves to it as one of primary objectives. The Millennium Declaration puts a renewed emphasis on development and poverty eradication and a role that the private sector should be able to play in it. It is now resonating into the trilogy of the Johannesburg Summit as its third pillar. In order to harness the power of the market in the social interest, corporate business models would have to undergo a radical change to address unmet basic needs and turn them into new business opportunities. It is gratifying to note that the WRI-organized Sustainable Enterprise Summit gave considerable attention to this issue already at its October 1999 session. Prahalad & Hart's contribution to that session.

opener.

They say that the lowest tier of the world pyramid consists of some four billion people living mostly in rural villages, shanty towns and urban slums, with less than \$1,500 (PPP) annual income per capita. That data alone might imply a potential market of no more than around \$ two trillion (although still not effective), compared to some \$10 to 15 trillion anticipated in the mid-tier of the pyramid (with 1.5 to 1.75 billion people at annual incomes between \$1,500 and 20,000), but the challenge is how to bring business-based solutions, not just development aid, to tap that potential and to elevate it toward a higher tier. Prahalad and Hart cite various examples of MNCs' initiatives in this direction, and attempt to dovetail their implications into a theoretically plausible framework of business models. In a nutshell, the game is, like the electronic commerce, about recouping return on corporate investment via "capital efficiency", increased intensity of labor/participation of local actors in host countries, and high volume sales with low margin returns (Prahala & Hart 1999). To say just that much may not sound very convincing. So, let us look a little more closely into key elements of that proposition.

- (i) Developing basic communication and commercial infrastructures tailored to the needs and conditions of poorest communities, by engaging local governmental authorities, NGOs, local financial agents and business entrepreneurs. First of all, "rural telephones" in India or "Grameen phones" in Bangladesh would help radically alter local communications links within as well as between villages. For collaboration with local multiple stakeholders, a good example may be offered by *Suez*, a French firm, which led the private *Aguas Argentinas Consortium* which now operates the water system in Buenos Aires. A tripartite contract has been developed including the concessionaire, the municipality and the community, with a local NGO providing social training to the company as well as coordination between the community people and the private-public partnership managing the project^{1 6}.
- (ii) Providing access to micro credit with the collateral requirement replaced by local peer group evaluation and focus on women. Microcredit facilities are essential for creating buying power and income-earning potential of the poor. The *Grameen Bank* in Bangladesh is cited as one of the great stories of hope in this context.^{1 7} The Deutsche Bank has established *Deutsche Bank Microcredit Development Fund*, which cooperates with local financial agents and CSOs to create community-owned for-profit microcredit companies^{1 8}. Citibank is also experimenting micro-lending services to customers with as little as a \$25 deposit in Bagalore, India. At the international level already several SRI funds exist catering for small scale investments, as low as \$250,

– The department of quality, environment and safety of Suez gives a fairly detailed account of this project in <http://www.suez.fr/>.

– Shore Bank for the troubled south side of Chicago is said to be modeled after the Grameen Bank. Grameen Bank's total lending grossed US\$2 billion, with a 95% repayment rate, and with over 2.3 million borrowers, 94% of whom are poor women, located in 38,957 (46%) of Bangladesh's villages. See <http://www.grameen-info.org/>. Also see Siddiqui & Newman (2001).

– Deutsche Bank's lending to the Society for Helping and Awakening Rural Poor through Education (*SHARE*) in India has led to the creation of *SHARE MICROFIN*, a company whose almost 20,000 shareholders are all *SHARE* borrowers. The CEO of Deutsche Bank, Dr. P. F. Bräuer, was honored

such as *Pax World Funds* (since 1971) and *Calvert New Africa Fund*.

- (iii) Corporate strategies for sourcing from indigenous business firms and small-holder farms in developing countries. The relevant examples include: *Indigenous Designs*, a small clothing producer in California, which sources high-quality garments from indigenous communities in Ecuador and Peru for sale in the U.S.; Starbucks' initiative in bringing the "shade-grown" coffee from poor farmers to the global coffee market, and M&M Mars, a candy products producer which source only "sustainably grown" cocoa from small farmers in developing countries.
- (iv) Product development and distribution systems tailored to the conditions of those at the bottom of the pyramid, from indigenous firms successfully operating at the low end of local markets. An example is a subsidiary of Unilever in India which has altered their traditional business model in the light of the practice of a prosperous local detergent producer, Nirma. Another interesting example is the *Ruf and Tuf Jeans* (ready-to-make jeans components) created by Arvind Mills in India, with such a new value-delivery system that involves a network of 4,000 tailors located in small rural towns and villages.
- (v) Reaping on the opportunity for leapfrogging along a new development path leading to a more sustainable way of living, even ahead of the industrialized world. E.g., a company, Waterhealth International, has been formed to finance and distribute throughout the developing world the solar-powered Ultra Violet Waterworks technology, one unit of which it is said can clean water at a cost of only 10 cents per villager for over 2,000 villagers, thus with a possibility for earning carbon-offset credits the Clean Development Mechanism of the Kyoto Protocol on climate change.
- (vi) Relevant empirical evidence is limited to only a few countries involving only a few MNCs, but can at least point to the direction in which smart corporations might seek to assume a greater role in addressing the poverty alleviation agenda. Admittedly, we have only begun to scratch the surface of the potential. There is need for serious action-oriented research on the promises and problems in this direction, in order to design a further enabling policy environment at local, national and international levels.

The first two items in the above five-point summary suggest that it is a prerequisite for international corporations to form new alliances with local firms, cooperatives and community leaders in given host countries, - an extension of the type (2) of industry-NGO partnership mentioned in the previous section. Obviously great scope exists for international assistance in capacity building in those countries. In fact, the UNCTAD under the aegis of the Global Compact has recently entered a partnership with the ICC (whose membership covers business entities in many developing countries) to assist some of the world's poorest countries in upgrading the managerial and technological capacity of their small and medium-sized firms by facilitating their supply and distribution linkages with MNCs. In parallel, there have emerged several initiatives on the part of other UN organizations that may be considered to be either direct or indirect relevant in this context; for example, UNDP's *Micro-Start* program

the GEF-supported IFC funds for supporting environmental enterprises, the UNDP-World Bank *Advisory Facility for Public-Private Infrastructure*, the *Money Matters* Initiative launched at the Copenhagen Summit for Social Development (1995), etc. It is hoped that the entry into force of the Kyoto Protocol will add a new focus for synergizing these international programs toward a broader-based corporate commitment to tapping the market opportunity at the bottom of the pyramid.

Trisectoral partnership in global policy-making

A key question here is what sorts of new innovative institutional arrangement can be designed especially in relation to the impact of environmental law, that would better capture the diversity of social forces that include NGOs and MNCs and thus safely transcend the state-centric Westphalian legacy.

Global Corporatism: Would It Really Work?

In their contribution to a German foundation for Development and Peace (SEF, Bonn), Biermann and Simonis suggested a decision-making procedure for a World Environment and Development Organization (*WEDO*) that is modeled to the ILO Tripartite mechanism to ensure fuller participation of relevant non-governmental actors. It is proposed that each member state has four votes at conference diplomacy, two being assigned to government, one each to the national representatives of industry and environment (and/or) development organizations (Biermann & Simonis 1998). Long-lasting struggles among governments, businesses and civil society organizations result in increasing costs of adjudications (as witnessed at the 1999 WTO summit in Seattle and subsequent protests during Economic Summits). It is about time that these actors found a more authoritative forum for negotiating interests. So, the WEDO proposal tries to introduce elements of “global corporatism”.

The WCD (World Commission on Dams), formed in 1998 is often mentioned as an example of the “reinvented international corporatism at work” (Ottaway 2001). It consists of twelve commissioners, four each from governments, private industry and NGOs, and reviews the plans and performances of large dams in the world, with the World Bank providing its initial financing and functioning as a government-like organization seeking harmony and compromise (Udall 1998). However, the WCD is not a permanent organ, but its mandate is limited to producing one report to the World Bank, the IUCN and the international community. A similar was the case with the Brundtland Commission on Environment and Development which issued a report, *Our Common Future*, in 1987). These Commissions can make recommendations but have no “mandating” authority, as they consist of only a group of people with expertise in the particular issue areas. For that matter, ILO does set labor standards but lacks effective sanctions, with the result that trade unions in OECD countries have tended more readily to look to the WTO on matters related to labor standards.

Corporatism has a long history at the national level particularly in Europe and Latin America. Ottaway observes that corporatist arrangements have worked best as temporary ways of stabilizing labor relations in moments of economic crisis but have

interest groups. She even argues that a much better alternative is the prevailing model hinged upon an open democratic process of “lobbying” through which NGOs as well as business seek to influence the policies of international organizations and national governments (Ottaway 2001, p.287-8).

The problem is, however, that business lobbies are not subject to regulation nor registration requirements at the national level. For example, Helleiner complains that business lobbyists’ linkages with IGOs’ decision-making are not transparent to the public. He fears that, if future arrangements for global governance were left in the hand of the private or NGO sectors, they would become even more biased toward Northern interests than they already are in most IGOs (Helleiner 2001). Cutler, Haufler and Porter’ thesis of “private transnational authority” goes even further by pointing out the corporate collective capability of capturing national and international institutions to undermine the latter’s regulatory capacity and even to use them against other major actors (Cutler, Haufler & Porter 1999). Admittedly, such private transnational authority does no claim to be a substitute for the existing inter-state system. An alliance with IGOs is used as a source of its self-legitimization and sometimes even to gain the status of executing agency for mutually beneficial projects¹⁹. Even then, industry would continue to prefer “parallel”, rather than “nesting”, connection to other institutions when bargaining in the matter of international institutional reform.

It is certainly desirable that intergovernmental organs duly share power with the private sector and civil society organizations, but this can not be just for the sake of democratic legitimacy. Representatives to IGO forums from business and NGO sectors tend to be either self-elected unrepresentative elites or nominated without transparent procedures that facilitate accountability. Thus, the domestic analogy as in the case of the European Union would not be appropriate for global institutions in the absence of a global community that would make voting meaningful (Keohane & Nye Jr. 2000, p.35). Moreover, governance grounded in trisectoral decision-making may not dissolve the all too often adversarial relationship between environmental NGOs and MNCs. It might even complicate further the already thorny task of reconciling between the different criteria for performance measurement and accountability upheld by different actors: the business sector focusing on efficient use of resources for effective problem solving, civil society groups hitching every occasion toward issues of equity, welfare and identity in favor of weaker actors, and the state struggling for democratic accountability to key domestic stakeholders (Brown, Khagram, Moore & Frumkin 2000).

Thus, in the interim it would be more important to develop more modest practices that could enhance cross-sectoral possibilities for “social learning”. Competitive “issue networks” with occasional crossovers for mutual learning would offer one type of such possibilities. Another useful type would be the business-IGO and business-NGO partnership building addressing specific problem areas through task-oriented

– Here we may recall Dahl and Lindblom’s seminal writing about the nature of government-business relationship that would appear peculiar to a man from the Mars. They say, “Societies operate by rules that require that businessmen be induced rather than commanded...These societies must provide sufficient benefits and indulgencies to businessmen to constitute an inducement for them to perform their assigned tasks (for organizing and managing their productive forces).” (Dahl & Lindblom 1979

approaches to mutual capacity building. Let us reflect a little more on these two approaches.

Trisectoral Partnerships for Mutual Learning and Capacity Building

Given parallelism between government, business and CSOs, one being connected to another through occasional coalitions and confrontations, we now seem to live in a world of “networked minimalism”²⁰. This is just a principle of governance that seems most broadly accepted and practiced today, with the rhetoric of partnership becoming ever more pervasive. The UNCSD now has increasingly active participation from a variety of private sector and civil society groups in its multi-stakeholder dialogue sessions. Both the UN Global Compact and the UN Vision Project on Global Public Policy (GPP) Networks were launched in 1999. Around the same time, an NGO network launched the Millennium Forum to include NGOs ever more extensively into the discourse on UN reform possibilities.

The Global Compact is designed primarily as a “learning” forum for identifying and promoting “good practices” among the world’s major business actors. Without a binding commitment to any specific performance criteria, progress is to be measured simply by the extent to which tangible examples of good practices are identified and disseminated. As such, the Compact is anticipated to offer “a useful point of reference “ for UN agencies engaging business partners for their action programs, and also themselves building an improved “internal capacity” to do so (United Nations General Assembly A/56/323 28 Aug. 2001, paras.118-120).

The UN Vision Project on GPP Networks stresses helping close two important gaps in public policymaking: a knowledge gap (that underlies an “operational” gap) and a participatory gap. It also aims toward the creation of “tri-sectoral” corporatist structures, including the public sector (states and IGOs), civil society (CSOs) and the for-profit private sector (corporations and their associations). Its functions are to include among others such activities as “placing new issues on the global agenda”, “facilitating the negotiating and setting of global standards”, “gathering and disseminating knowledge” on technological revolutions and “making new markets where they are lacking and deepening markets that are failing to fulfill their potential” (Reinicke & Deng 2000, esp. pp.31-56). But these activity proposals do not yet seem well dovetailed with explicit reference to the various specific issue areas at stake in a number of on-going treaty negotiations, nor in terms of well-nested clusters of action areas that might guide improved interfacing among existing diverse action-oriented trisectoral partnership arrangements.

A more noteworthy example of knowledge and learning networks in our context is the trisectoral partnership project called “Business Partners for Development”. It is reported that this initiative is based on 30 “focus projects” in 20 countries, offering practical experience in building partnerships along particular thematic clusters such as natural resources, water and sanitation and global road safety. It is participated in by more than a hundred firms, CSOs and government agencies and supported by a combination of grants, trust funds and loans from private sector partners, foundations

– “Networked” implies parallel connection rather than “nested” or hierarchical connection, and “minimalism” implies minimal intrusion into the autonomy of different entities with respect rather than

and the World Bank. However, this type of initiative does not aim at having direct bearing on the rule-making phase of multilateral environmental diplomacy.

Competitive initiative taking toward trisectoral learning and proactive coalition building may be a good thing in itself as long as it generates space for enhanced transparency and accountability. It may also help resolve, if only on a case-by-case basis, the outstanding issue of rights and power, and can influence states' major decision-making activities for creating more or less "hard" law at national and international levels. Still another important question arises from the ever more muddled hierarchy of powers and issues in the contemporary world. The question is how better to structure multilateral and multi-layered policy processes in order to achieve effective interlacing between opportunities for issue linkages on the one hand and those for issue division on the other.

A Note on "Interlinkages"

Now, much attention is being paid to scope for "inter-linkage" between the UNCED instruments on climate change, biodiversity, anti-desertification, forest sustainability, hazardous chemicals, etc., and also between these and major economic instruments like the WTO and the OECD MAI (Multilateral Agreement on Investment). The focus of such inter-linkages has been by and large two-fold: a greater administrative efficiency in intergovernmental negotiations and policy management at national and international levels; and an enhanced cognitive base for agreement making. The logic of synergistic merits is quite clear. Less clear is, however, the processes through which the synergies would help dissolve recurring deadlocks in multilateral treaty making and induce deeper policy harmonization among countries.

A multi-party forum necessarily involves multiple issues even when it deals with a single issue area at a time. And, as Kremenjuk says, "in the contemporary world, every international negotiation is a part of a much broader network of negotiations and, explicitly or implicitly, it interacts with the network of which it is a part" (Kremenjuk 1991, p.32). Ernst Haas' typology of international decision-making suggests that an agreement based only on politically sponsored tactical issue linkage in the absence of a consensual knowledge base would be short-lived; and that, even when the expert knowledge for ambitious problem solving exists and is available to politicians, but if shared political goals are static or fragmented, then issue linkage may remain at best fragmented, the resulting agreement being only of pragmatic value and subjected to further amendments in line with increased knowledge (Haas., Ernst 1990, esp. pp.78-80)^{2 1}. Traditionally, however, international regimes have been constructed mostly as "decomposable" hierarchies, each being based on fragmented issue linkage. This tendency may be attributed to the requirement of "practical manageability" as well as the absence of a shared package of political goals broad enough to match the available knowledge base. With reference to the Law of the Sea negotiations, Sebenius (1993) warns that a comprehensive package deal is not only prohibitively time-consuming but also faced with a reduced chance

— Aggarwal's study on institutional bargaining games suggests that the most significant factor favoring nesting (hierarchical) connection (such as the Multifibre Arrangement within the GATT framework) is that a strong cognitive consensus exists. In the absence of a strong cognitive agreement on a hierarchy of goals, a division of labor through parallel linkage would be preferred

for ratification. Also, after reviewing the theory and practice of linkage, Susskind (1994) suggests that negotiators should be able not only to add issues and parties but also to subtract issues and parties to help hold winning coalitions together.

On the one hand, the predominance of numerous voluntary parallel issue networks may be taken as a sign of the weakness of political goal sharing among different sectors. We may anticipate that the increasing involvement of knowledge communities in these networks, such as the *Global Knowledge Partnership*, will help expand the zone of issue linkage, although we do not expect all that will make inroads into “hard” multilateral agreements^{2 2}. In practice, one may generally expect that not only interlinkages among MEAs but also a broader-based “issue fusion” – linking together financial, economic, political and environmental issues - will materialize more easily and effectively as we move to plurilateral (regional and sub-regional) regimes than at the level of global multilateral accords (Sjoestedt 1991, p.328). On the other hand, the emerging IGO-business partnerships are mostly operational task-oriented for capacity building and technology delivery services in specific problem areas. Perhaps the corporatist model would more effectively at the task-oriented than at the rule-oriented level.

Recall Maurice Strong’s “*Process-is-the policy*” strategy in the preparatory process for the 1972 UNCHE (Stockholm). The strategy included the establishment of three distinct levels of proposals. The first of these were promising that were yet to take shape as new negotiation agenda; the second level consisted of proposals already pretty well structured but requiring possibly another convention or protocol for their finalization; and the third level was packed with issues and programs that could be acted upon for concrete recommendation at the Conference itself (Herter Jr. & Binder 1993). This third level can be instrumental for rallying more “pushers” for advancement of the overall agreement. The private business sector would be generally more enthusiastic in participating in this level of negotiation.

Creating “Stiglerian Situation” for Leading Business Coalitions

Mention was made of the “Stiglerian situation” already in the earlier part of this paper referring to possibility for a “third party leaning toward pusher” to emerge from the private business sector. The Stiglerian situation can occur when technologically leading firms begin to perceive a newly envisaged regulation to promise an opportune leverage for earning quasi-monopoly rents on their new products and technologies and thus choose to coalesce with environmentalists in support of the enactment of the new regulation.

While the climate change regime has entered a fairly advanced phase of Stage 3, the role of the private business sector appears still highly elusive. Business groups have a wide variety of stakes and have difficulty in presenting themselves as an across-the-board cohesive interest group in face of the formal negotiation agenda set in an extremely “aggregative” fashion. On the one hand, oil and coal suppliers as well as power corporations that rely on carbon-rich energy sources still vigorously resist the imposition of binding emission-reduction targets. But, on the other hand, the U.S.-based *Council for Sustainable Energy* and the *European Business Council for a*

² In fact, multilateral treaties of global significance account for only 40% of all treaty activities in the

Sustainable Energy Future are representing at international fora the ventures supplying carbon-free energies (particularly solar, wind and other “natural” energies) and thus likely to gain from stricter carbon control. While they are not yet a major actor at international negotiations, they make vociferous appeals to the public. There are also an increasing number of industrial concerns which deal in new environmental products and technologies or have been endeavoring to develop and propagate new “sustainability business models”. A good news is that companies like BP-Amoco, Royal Dutch/Shell International, and several automakers have left the hard U.S. bloc of global warming skeptics (like the *Global Climate Coalition*) and announced the creation of the *Partnership for Climate Action* in October 2000^{2 3}, avowing to champion early credible action for reducing GHGs emissions.

Most of those corporations actively leaned toward sustainability business models are individually specialized in different specialty lines. Struggling with their respective incipient niche markets, they seem yet unable to form a global consortium powerful enough to turn the tide. Leading consortia of corporations coalescing with environmentalist NGOs with their clearly framed win-sets at the level of international agreement-making might come forth more easily, when the complex whole of problem sets at table were comfortably unpacked or “decomposed” into a series of discrete action proposals. Not many of such win-sets may prove domestically feasible win-sets. Elizabeth DeSombre’s recent work provides a number of examples of industry-environmentalist coalitions to shape forward-looking policy proposals in the areas of endangered species, air pollution and fishery. Industry’s interest in these cases is mainly in seeking a new level playing field for international competition. In some cases, even the same industry that has opposed a domestic legislation came forth to promote it at the international level (DeSombre 2000). We thus hope that multilateral diplomacy does not only help bridge over the discrepancy between problem space and political action space but also serves itself as an agent of change that opens up for diffusion of policy innovations from outside. We certainly wish to see the kind of empirical research undertaken by DeSombre extended to cover many other countries.

Certainly, regime design matters for rallying industrial interests for effective compliance. Ronald Mitchell points out that a specific regime of the classical type (which Keohane et. al call the “Club” model of cooperation) specialized in a single issue area could more effectively induce compliance by establishing technology-based standards than by performance-based standards. An example is the provision of the 1962 amendment of the 1954 OILPOL which introduced provisions requiring tankers to install specific technology (Segregated Ballast Tanks) whereas the earlier OILPOL provisions specified only discharge limits (Mitchell 1994).

Synergizing by interlinking different multilateral environmental agreements is important for the purpose of creating an improved cognitive basis and expanding the zone of inter-connected and possibly better nested political goals. At the same time, care should be taken to deepen further individual agreements with various issue-specific protocols and sub-agreements. After all, “cognitive evolution encompasses the ability to compose and then decompose a nested problem set” (Ernst Haas 1990,

– Reportedly, this new coalition includes such companies as DuPont, Suncor Energy Inc., Ontario Power Generation, Alcoa, Baskin, and the Environmental Defense Co. *Chemopolitics*, Journal 4

p.192)^{2 4}. Decomposition is required to make organized action possible. And we know that climbing up the long “slippery hill” for global environmental governance requires the pragmatism of building on small agreements and their ratchet effects (Usui 1998, pp.367-370).

We may anticipate that global corporatism will work better for governance of a specific issue area to create such ratchet effects. Strategic “issue division” may enhance accountability and transparency when it facilitates clearer responsibility allocation among the participants. Effective sub-agreements would be such that industry stands responsible for working out and commit itself a broad set of technologically feasible (and politically acceptable) goals for innovation (preferably both in a medium and in a much longer term); and that NGOs be held responsible for monitoring actual progress of industry towards the agreed goals and specific standards. And, in the context of the existing sustainable development accords, NGOs may well be assigned an additional responsibility for international cross-fertilization of national and local CSO action programs geared to “greening of consumption”.

Concluding Remarks: Major Policy Implications

By way of the briefest possible recapitulation of the foregoing discussions, we select only half a dozen propositions that have relatively important policy implications:

1. The proliferation of privately-sponsored voluntary standards and certification schemes can have both negative and positive impacts on environmental governance. The existence of differential thresholds for “good practice” might confuse consumers and lead to market fragmentation. But some of them are instrumental for altering power balances in the playing field in favor of locally better adapted innovation and meeting the needs of otherwise marginalized groups. Care should be exercised in public intervention at national and regional levels to ensure that inequity imposed by top-down standards be rectified by stimulating locally specific visions and standards.
2. Industry’s self-regulation does not occur in a vacuum. The effectiveness of regulation, mandatory or voluntary, depends very much on the firmness of the governmental policy framework and institutional structures for implementation in which it is embedded. There is scope for early policy coordination among the countries experimenting with “negotiated policies” such as the covenant type of quasi-voluntary arrangements, particularly ones that are explicitly sponsored by government which would give rise to conflict in relation to the WTO rules.
3. It should be noted that U.S.-based MNCs would sooner collaborate among themselves to build their own transnational policy networks than negotiate agreements with government. Some of those initiatives aimed at enhancing

– Irritated at the “Green Room” practices, Helleiner explicitly disfavors the Uruguay Round type of full-package approach, but welcomes more flexible arrangements for joining and/or opting out of particular sub-agreements (which are analogous to those negotiated during the Tokyo Round) while

transparency and accountability through standardized corporate environmental reporting, as well as at greening of finance, seem to represent beyond-compliance policies of leading sustainability-oriented corporations. It is desirable that the Global Compact and other global public policy networks in which major business actors participate should gradually move forward beyond being just a learning forum for good practices, and get onto the path toward creation of innovative “sustainability business models” that could address the yet untapped market potential “from the bottom of the pyramid” and thus help fill in over the North-South divide.

4. Key to such sustainability business models would be that resourceful international firms enter partnerships with local firms, cooperatives and community leaders in their host developing countries. IGO-industry collaboration programs should actively respond to the need for mutual education and capacity building in this domain through various country-specific “focus projects” (as in the case of the trisectoral initiative for *Business Partners For Development*). As we have only begun to scratch the surface of the potential in this direction, it is desirable to incorporate serious action-research components into such projects.
5. The predominance of voluntary parallel advocacy/issue networks may be taken as an indication of the weakness of the political goal sharing among different actors. Under such circumstances, “global corporatism” would not turn out an attractive option for a high level of multilateral environmental diplomacy that addresses crossovers among the on-going multiple tracks of treaty negotiation. The focus of the *Interlinkages* project may thus be primarily on consensualization of substantive knowledge and information sharing. However, global corporatism may work better for governance of specific issue areas or when applied to issue-specific sub-agreements that are to deepen further the existing MEAs.
6. There are an increasing number of industrial concerns dealing in new environmental products and technologies, and thus more leaned to become “pusher” than to remain “dragger” in international arenas of environmental policy-making. Winning coalitions of such industrial players with environmental NGOs might come forth more readily, if the whole complex of problem sets at table were comfortably unpacked or “decomposed” into a series of discrete action-oriented sub-agreements. Creating such a Stiglerian situation to have domestically yet unfeasible win-sets promoted at the international level would enhance, rather than reduce, the legitimacy of multilateralism.

References

- Aggarwal, Vinod K. (1998) *Institutional Design for a Complex World: Bargaining, Linkages and Nesting*, Ithaca & London: Cornell University Press
- Asaoka, Mie (2001) "Report on the study visit to the UK concerning the latest Climate Change policy initiatives, *Kiko Network Communication* No. 21 (1 Nov.)
- American Chemical Council (2000) *Responsible Care Progress Report 2000*, Arlington, Virginia
- Bass, Steve, X. Font & L. Danielson (2001) "Standards and Certification: a Leap Forward or a Step Back for Sustainable Development", *The Future Is Now*, Vol.2 (November), International Institute for Environment and Development (IIED) (freely available from www.iied.org/)
- Bendell, Jem (2000) *Terms of Endearment: Business, NGOs and Sustainable Development*, Greenleaf Publishing (in association with New Academy of Business)
- Bierman, Frank & Udo E. Simonis (1998) *A World Environment and Development Organization*, Policy Paper 9, SEF (Stiftung Entwicklung und Frieden), Bonn
- Bouma, Jan J., Marcel Jeuken & Leon Klinkers (2001) . *Sustainable Banking: Greening of Finance*, Greenleaf Publishing (in association with Deloitte & Touche)
- Brack, Duncan & Gavin Hayman (2001) "Intergovernmental Actions on Illegal Logging" (a scoping study prepared for the UK Department for International Development", as available from the website of the Royal Institute of International Affairs /Energy and Environment Program, London (www.riia.org/Research/eep/)
- Brown, L. D., S. Khagram, M. H. Moore P. Frumkin (2000) "Globalization, NGOs and Multisectoral Relations", in J. S. Nye & J. D. Donahue eds. *Governance in a Globalizing World*, Brookings Institution, Chapter 12
- Chayes, Abraham & Antonia Chayes (1996) *The New Sovereignty: Compliance with International Regulatory Agreements*, Harvard University Press
- Commission of the European Communities (1996) "Commission Recommendation of 9 December 1996 concerning environmental agreements implementing Community directives", Official Journal of the European Communities, 21 December
- Cutler, A. Clair, Virginia Haufler & Tony Porter (1999) *Private Authority and International Affairs*, New York: SUNY Press
- Dahl, Robert A. & Charles E. Lindblom (1976) *Politics, Economics and Welfare*, New Haven: Yale University Press (esp. Preface)
- DeSomre, Elizabeth (2000) *Domestic Sources of International Environmental Policy: Industry, Environmentalists and the U.S. Power*, Cambridge: MIT Press
- Elkington, John & Shelly Fennell (2000) "Partners for Sustainability", in Jem Bendell (2000) Chapter 11.
- Garcia-Johnson, Ronie (2000) *Exporting Environmentalism: U.S. Multinational Chemical Corporations in Brazil and Mexico*, Cambridge: MIT Press
- Gleckman, Harris (1995) "Transnational Corporations' Strategic Responses to Sustainable Development", in the Fridtjof Nansen Institute, *Green Globe Yearbook 1995*, Oxford University Press, pp.93-106
- Gouldson, Andrew & Joseph Murphy (1998) *Regulatory Realities: The Implementation and Impact of Industrial Environmental Regulation*. London: Earthscan

Harrison, Kathryn (1999) "Talking with the Donkey: Cooperative Approaches to Environmental Protection", *Journal of Industrial Ecology* Vol.2, No.3

Helleiner, Gerald K. (2001) "Markets, Politics and Globalization: Can the Global Economy Be Civilized?", *Global Governance* Vol.7, No.3 (July-Sept.)

Herter, C. A. & J. E. Binder (1993) *The Role of the Secretariat in Multilateral Negotiation: the Case Maurice Strong and the 1972 UN Conference on the Human Environment*, Foreign Policy Institute Case Studies No.21, Washington D.C.: the Johns Hopkins University/SAIS.

Holiday, Chad & John Pepper, *Sustainability Through the Market: Seven Keys to Success*, - paper contributed on behalf of the WBCSD at the WRI Sustainable Enterprise Summit, Washington, DC, 19-20 September 2000

Investor Responsibility Research Center (IRRC) & Global Environmental Management Initiative (GEMI), Environmental Reporting and Third Party Statements, Washington, DC (available from www.gemi.org/).

Jacobs, M. (1991) *The Green Economy*, London: Pluto Press

Keohane, Robert O. & Joseph S. Nye, Jr. (2000) "Introduction" in J. S. Nye & J. D. Donahue eds. *Governance in a Globalizing World*, Brookings Institution, pp.1-41

Kremenyuk, Victor A. (1991) "The Emerging System of International Negotiation", in V. A. Kremenyuk ed. *International Negotiation: Analysis, Approaches and Issues*, San Francisco & Oxford: Jossey-Bass Publisher, Chapter 2

Ku, Charlotte (2001) *Global Governance and the Changing Face of International Law*, (2001 John W. Holmes Memorial Lecture) ACUNS Reports & Papers 2001 No.2.

Little, Arthur D. (1996) "Sustainable Industrial Development: Sharing Responsibilities in a Competitive World" (presentation at Den Haag: Netherlands Ministry of Housing, Spatial Planning & the Environment, quoted in L. D. DeSimone and Frank Popoff, *Eco-Efficiency: the Business Link to Sustainable Development*, MIT Press, 1997, p. 154)

Mayers, J. & S. Bass (1999) *Policy That Works for Forests and People* (Policy that works Series No. 7), International Institute for Environment and Development

Mitchell, Ronald B. (1994) "Regime Design Matters: International Oil Pollution and Treaty Compliance", *International Organization* 48(3) (Summer)

Ministry of the Environment (Japan) (2001) Report of the Study Group on Industry Voluntary Agreements (in Japanese), 21 June (freely available from www.env.go.jp/)

Ottaway, Marina (2001) "Corporatism Goes Global: International Organizations, Nongovernmental Organization Networks and Transnational Business", *Global Governance* Vol.7, No.3 (July-Sept.)

Oye, K. A. & J. H. Maxwell (1995) "Self-interest and Environmental Management", in R. O. Keohane & E. Ostrom eds. *Local Commons and Global Interdependence*, Sage Publication, Chapter 8

Prahala, C. K. & Stuart L. Hart (1999) *Strategies for the Bottom of the Pyramid: Creating Sustainable Development* – draft dated August 1999, accessible through the website of the WRI/Management Institute for Environment and Business. See www.wri.org/mebl/.

Prakash, Aseem (2000) *Greening the Firm: The Politics of Corporate Environmentalism*, New York: Cambridge University Press

Reinicke, Wolfgang H. & Francis Deng (2000) *Critical Choices: The United Nations, Networks and The Future of Global Governance*, Ottawa: International Development Research Center

Rosenau, James N. (1992) "Governance, Order and Change in World Politics", in J. N. Rosenau & E.-O. Czempiel eds. *Governance Without Government: Order and Change in World Politics*, Cambridge, New York & Melbourne: Cambridge University Press, Chapter 1.

Rugge, I. (2000) *Progress in Timber Certification Schemes Worldwide*, London: Forests Forever
Sears, R. R., L. M. Davalos & G. Ferraz (2001) "Missing the Forest for the Profit: the Role of Multinational Corporations in the International Forest Regime", *Journal of Environment & Development* 10(4), December, 343-364

Sebenius, James K. (1993) "The Law of the Sea Conference: Lessons for negotiations to Control Global Warming", in Gunnar Sjoestedt ed. *International Environmental Negotiation*, Jossey-Bass, Chapter 11

Siddiqui, F. A. & P. Newman (2001) "Grameen Shakti: Financing renewable energy in Bangladesh" in J. J. Bouma, M. Jeucken & L. Klinkers eds. *Sustainable Banking: The Greening of Finance*, Greenleaf Publishing, Chapter 6

Sjoestedt, Gunnar (1991) "Trade Talks" in V. A. Kremenyuk ed. *International Negotiation: Analysis, Approaches and Issues*, San Francisco & Oxford: Jossey-Bass Publisher, Chapter 21

Sprinz, Detlef, F. & Martin Weiss (2001) "Domestic Politics and Global Climate Policy", in U. Luterbacher & D. F. Sprinz eds. *International Relations and Global Climate Change*, the MIT press, Chapter 4

Susskind, Lawrence E. (1994) *Environmental Diplomacy: Negotiating More Effective Global Agreements*, Oxford University Press

Udall, Lori (1998) "The World Bank and Public Accountability: Has Anything Changed?" in J. A. Fox & L. D. Brown eds. *The Struggle for Accountability: NGOs, Social Movements and the World Bank*, MIT Press

Usui, Mikoto (1998) "National and International Policy Instruments and Institutions for Eco-restructuring" in Robert U. Ayres & Paul M. Weaver eds. *Eco-restructuring: Implications for Sustainable Development*, Tokyo: UN University Press, Chapter 12

Usui, Mikoto (1999) "Multilateral Environmental Diplomacy: Science-Politics Interface, Industry-Politics Interface and Issue Linkages in the Emerging System of Multilateral Negotiations", *Cross-cultural Business and Cultural Studies* (Shukutoku University) Vol.3, No.1

Victor, David G. (2001) *The Collapse of the Kyoto Protocol and the Struggle to Slow Global Warming*, Princeton University Press