

# Private Environmental Governance and International Relations: Exploring the Links

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This article is concerned with private environmental governance at the global level. It is widely acknowledged that private actors play an increasing role in global environmental politics. Corporations lobby states during negotiations on multilateral environmental agreements (MEAs), featuring prominently in the implementation of international accords. They also interact with each other, as well as with states and other nonstate actors, to create institutional arrangements that perform environmental governance functions. The rise of such private forms of global governance raises a number of questions for the study of global environmental politics: How does private governance interact with state-centric governance? In what ways are the roles/capacities of states and nonstate actors affected by private governance? Does the rise of private governance signify a shift in the ideological underpinnings of global environmental governance? This article explores these questions, seeking a better understanding of the significance of private environmental governance (PEG) for International Relations.

## Private Environmental Governance and Globalization

It is widely recognized that "governance without government"<sup>1</sup> is a reality in world politics. While this claim is relatively uncontroversial in the case of international regimes created by states, the role of private actors in international governance has been subject to debate. Growing numbers of scholars argue for the existence of "social choice mechanisms"<sup>2</sup> ranging from decentralized and self-regulatory to more centralized, hierarchical forms of governance. "Private governance" emerges at the global level where the interactions among private actors, or between private actors on the one hand and civil society and state actors on the other, give rise to institutional arrangements that structure and direct actors'

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1. Rosenau and Czempiel 1992.
2. Dryzek 1987.

behavior in an issue-specific area. These structuring effects resemble the “public” governing functions of states and intergovernmental institutions, and for this reason the notion of governance, and indeed authority, has been applied to private actors.<sup>3</sup>

Private governance needs to be distinguished from mere cooperation between private actors. Cooperation requires the adjustment of individual behavior to achieve mutually beneficial objectives,<sup>4</sup> and between private actors is a pervasive phenomenon in the global economy. It is mostly of an *ad hoc* nature with a short lifetime. Governance, however, emerges out of a context of interaction that is institutionalized and of a more permanent nature. In a system of governance, individual actors do not constantly decide to be bound by the institutional norms based on a calculation of their interest, but adjust their behavior out of recognition of the legitimacy of the governance system. Cooperation may lead to governance, but more is required than the spontaneous convergence of private actors’ interests via the coordinating function of markets.

Private governance has been documented in many global economic sectors.<sup>5</sup> It is also increasing in global environmental protection, at the level of individual firms, industries and cross-sectoral organizations. For example, the US Chemical Manufacturers Association, together with its Canadian counterpart, developed the so-called Responsible Care program in the 1980s to promote environmental and safety principles and codes of management practice within the global chemical industry. Through the market clout of American MNCs such as DuPont and Dow, Responsible Care has been exported to a number of developing countries, becoming an important benchmark for developing good practice in the chemical industry.<sup>6</sup> Likewise, the International Organization for Standardization (ISO) created a global standard for environmental management systems (EMS) that provides guidance in the development of environmental management across many industrial sectors and allows individual companies to seek certification. This “ISO 14000 series” has been adopted globally by corporations and regulatory agencies and has become the dominant reference point for developing national or industry-wide EMS.<sup>7</sup>

While interest in private governance has grown more recently, the active involvement of private actors in global governance is not entirely new. Private actors played a substantial role in ordering transnational economic relations in the 19<sup>th</sup> century, but in the 20<sup>th</sup> century, with the expansion of the state’s regulatory role, first domestically, subsequently in the international system, the provision of global governance came to be associated primarily with public authorities. Not surprisingly, perhaps, the re-emergence of private governance is closely related to late-20<sup>th</sup> century processes of economic globalization and the corresponding restructuring of state functions.

3. Cutler, Haufler, and Porter 1999.

4. Keohane 1984.

5. See Braithwaite and Drahos 2000; Haufler 2001; and Cutler, Haufler, and Porter 1999.

6. See Garcia-Johnson 2000.

7. Cascio, Woodside, and Mitchell 1996.

The literature on globalization has thus provided a major vantage point for the study of private governance and authority. Authors such as Susan Strange and DeAnne Julius,<sup>8</sup> and the polemic depiction by anti-globalization campaigners of a globalized economy out of control,<sup>9</sup> suggest the process of globalization is intimately linked with a transfer of power and authority from the public to the private sector. What is missing in this perspective, however, is a better understanding of the more precise connections that exist between globalization and the changing role of private actors.<sup>10</sup> In reviewing the debate on PEG, this article argues that, while the existing literature in International Relations (IR) rightly emphasizes the growing importance of new types of actors in global environmental governance (business actors and social movements) it overstates their autonomy, and underplays the high degree of variation within each type of actor. The following discussion stresses the importance of the relationship of these new actors to other actors and examines three particular claims arising in the context of globalization studies. Each claim suggests that the rise of PEG amounts to a transformational trend in global governance.

The first claim concerns the relationship between globalization and the perceived decline of the nation-state. In this view, private governance indicates a long-term shift away from state-centric models of governance to new forms of authority located in the global economy, with private actors emerging as the new sovereigns. Susan Strange, for example, has argued that over the last two decades "the powers of most states have declined still further, so that their authority over the people and their activities inside their territorial boundaries has weakened." At the same time, "non-state authorities . . . have impinged more and more on those people and their activities."<sup>11</sup> Authors working within this perspective emphasize the process of deterritorialization of global governance as a consequence of globalization and challenge the traditional dominance of state-centric regime theory in the study of global environmental politics (see Paterson, Humphreys and Pettiford, this volume).

A second, related, claim links the emergence of private governance with transnationalism and growth in global civil society. The latter is seen to support "activities that shape widespread behavior and influence the way public issues are addressed."<sup>12</sup> Private governance is thus a direct result of pressure exerted by activist groups on corporations. It has become an important instrument in the political toolbox of global civil society in its efforts to promote environmental sustainability. Both the "state in decline" school and the transnationalist approach contribute to the emergence of a "glocalization" perspective on global governance (see Paterson, Humphreys and Pettiford, this volume), which sees

8. Strange 1996; and Julius 1990.

9. Klein 1999; and Hertz 2001.

10. Efforts to this effect have been made by Cutler, Haufler, and Porter 1999; and O'Brien et al. 2000.

11. Strange 1996, xi. For similar views, see Schmidt 1995; and Ohmae 1995.

12. Wapner 1997, 77. See also Lipschutz 1996.

the interaction between global environmental politics and globalization as giving rise to multi-level governance. Governance is no longer identified solely, or even primarily, with the regime-building activities of states. Instead, multilevel sites of governance emerge out of interactions within the states- system, global civil society and the global economy.

A third, alternative, conceptualization of private governance is found in critical political economy. Following a neo-Gramscian analysis, capitalist forces are seen to be engaging in alliance building processes with a variety of state and civil society actors in an effort to realign the ideological and material bases of the dominant hegemonic order.<sup>13</sup> The rise of private governance signifies a new phase in the ongoing process of re-structuring global hegemony, in which global firms organize to establish environmental standards with a view to shifting the ideological focus in global environmental politics in the direction of market-oriented, deregulatory systems of governance. The emergence of corporate-sponsored environmental regimes thus points to an ideological shift in organizing international responses to the ecological crisis, that ultimately helps to cement the grip by the dominant class over anti-systemic forces.

These three perspectives raise important questions about the significance of PEG for understanding international order and change, suggesting a profound change in the way it is organized. This change affects the roles of states and nonstate actors alike, causing a power shift from the former to the latter. Furthermore, if private governance is indeed becoming more prevalent in global environmental politics, then the possibility of a fundamental shift in the ideological underpinnings of international environmentalism needs to be considered. In the following, these perspectives are examined and the impact of private forms of governance on the roles of states and nonstate actors, as well as the ideological basis for global environmental action, are investigated. I argue that while important changes in the international political economy can be noted, the above perspectives overstate the transformational impact of PEG.

### **Supplanting, or Complementing, State Authority?**

A key question in the study of PEG concerns the relationship between private actors and states. It can be argued that the rise of private forms of governance is intimately linked with a decline in state power and results from the failure of the states-system adequately to govern the global commons. In this perspective, the significance of PEG lies in the support it lends to those arguing for the abandonment of the traditional state-centric model.

Conventional studies of international environmental politics have viewed global governance as a function provided primarily by the states-system, through processes of international negotiations and regime building. Environmental scholars were among the first to point to the eminent role that nonstate

13. Cox 1987; and Gill 1993. See also Ford, this volume.

actors play in promoting global norms and pressuring states into action. But private actors are usually conceptualized as lobbyists seeking to influence state-centric processes of regime-building. In some cases, private actors have exerted a considerable degree of influence over outcomes, either supporting or hindering progress towards effective environmental governance, as witnessed in the cases of ozone layer protection and climate change respectively.<sup>14</sup> But despite the growing recognition of the involvement of private actors, the conventional notion of governance remains firmly embedded in a state-centric setting, insisting that effective governance depends on state authority in establishing and implementing international regimes.

Viewed against this background, the emergence of private governance poses a challenge to established understandings of the relationship between states and private actors. This argument is central, for example, to Rosenau's notion of a multi-centric world which is contrasted with the state-centric world of international politics.<sup>15</sup> Recent writings in the field of private governance suggest a whole range of institutional arrangements at the global level that fall into this category of a multi-centric world. Haufler, for example, has analyzed the emergence of "private regimes" within the oligopolistic market structure of the global insurance industry.<sup>16</sup> Others have highlighted the international authority acquired by telecommunications companies, accountancy firms, credit rating agencies and so on.<sup>17</sup>

Arguments of this kind provide fertile ground for exploring the new reality of global environmental governance. A problem, however, is that what might be called the "pure" form of private governance (governance outside the realm of the states-system) is of only limited empirical and conceptual relevance. For most instances of PEG are of the kind that are better described as "mixed" regimes, where "the boundary between public and private spheres is blurred."<sup>18</sup> Hybrid private-public governance emerges out of the interactions of private actors, either with the involvement of states or with the later adoption, or codification, by states and/or intergovernmental organizations. States are not the driving force behind the creation of such governance systems, but lend them strength through official recognition or incorporation into international law.

This mixed nature of PEG can be seen in the case of the ISO 14000 series.<sup>19</sup> In the early 1990s, a cross-sectoral group of corporate and legal experts from around the world began drafting this global environmental management system (EMS), eventually adopted in 1995. Although the ISO 14000 has a mix of private and public sector members, its drafting was dominated by business rep-

14. See Levy 1997; and Falkner 2001.

15. Rosenau 1990.

16. Haufler 1995.

17. Strange 1996; and Cutler, Haufler, and Porter 1999.

18. Clapp 1998, 295.

19. On the role of the ISO 14000 series in global forests governance, see Humphreys, this volume.

representatives and reflects the interests of large multinational corporations. ISO 14000 is intended to become the global standard that would allow multinational firms to apply an EMS across their transnational operations to reduce transaction costs.<sup>20</sup>

ISO 14000 standards have already proved to be a successful tool in persuading industries around the world to seek ISO certification for their EMS. However, they derive particular strength from the fact that states and international organizations have recognized the ISO standards and lent them additional legitimacy. Several countries, particularly in East Asia and Europe, have adopted ISO 14000 as their official standards; governments are expected to incorporate them into their procurement and international bodies such as the WTO have recognized the voluntary ISO standards as international standards under the WTO system and as being consistent with the Technical Barriers to Trade Agreement.<sup>21</sup>

Thus, private regimes such as ISO standards gain in strength and legitimacy because they are adopted by states and international organizations. More often than not, they are hybrid regimes created by transnational policy networks consisting of industry representatives and regulatory officials. They exist outside the states-system only insofar as the international community has not set comparable standards. States do, however, exercise considerable influence over such private forms of governance in that they tolerate, and even encourage, their creation and maintenance by the private sector. Simplistic dichotomies between private and public regimes do not help in understanding the dynamics involved in PEG.

The idea that PEG may supplant or undermine the governance function of the states-system is also called into question by the fact that many private regimes are beneficial to states in leaving the burden of implementation in the hands of the private sector. States may actually choose to let industry establish systems of self-regulation where there is no overriding demand for public regulation. In these cases, states are saved from the often complex task of negotiating international standards and do not pay the costs of implementation and compliance. Rather than suffering from a lack of state capacity, as much of the globalization literature suggests, states can therefore be seen to be benefiting from the more widespread use of private governance mechanisms.

Finally, claims about the "state in decline" are misleading in not distinguishing between different states and differential ways in which they are affected by private sector governance. The power of firms clearly has a more constraining effect on the autonomy of the state in developing countries than in the industrialized world. And in the case of PEG, a similar case can be made for arguing that it is primarily developing countries that are left with little capacity

20. See Haufler 1995, 36–38; for a critical view see Gleckman and Krut 1996.

21. Haufler 2001, 37; and Clapp 1998, 303–304.

to influence, or resist, the setting of international environmental standards by private actors.

Analyzing the ISO 14000 series, Jennifer Clapp demonstrates how developing countries were systematically disadvantaged compared to their Northern counterparts. First, standard setting agencies from the developing world were under-represented in the drafting of the management standard and were thus unable to push for a discussion of issues related to technology transfer and a phase-in period for developing countries. Second, some developing countries, particularly those in sub-Saharan Africa, faced considerable difficulties in accessing relevant information about new environmental standards.<sup>22</sup>

North-South inequality in the setting and implementation of private standards is ubiquitous. Developing country interests regularly find themselves marginalized. Maintaining a sufficient level of involvement for state actors, based on UN-style representation, will therefore be crucial for developing countries in their efforts to redress imbalances in international environmental policy-making. This is not to say that problems of North-South inequality do not plague the state-centric forums of environmental governance, but traditional forums of international policy-making provide Southern states at least with formal equality in the representation of their interests. Furthermore, developing countries have managed to improve their bargaining position in more recent MEA negotiations, for example in securing additional funding for complying with MEAs,<sup>23</sup> and in pushing for regulatory standards that were initially opposed by industrialized countries.<sup>24</sup>

This does not claim nothing has changed in the relationship between firms and states; the rise in PEG undoubtedly enhances the position and legitimacy of corporations in GEP. Whether it reduces the power of states at the same time, or signifies an erosion in state capacity, is another question; it cannot be answered in a simple and straightforward manner, but requires more careful analysis of the changing conditions of "stateness" (the institutional centrality of the state) in an era of globalization.<sup>25</sup> It seems clear, however, that the simplistic dichotomy between government and market, and between state-centric and non-state-centric governance at global level, is not helpful in trying to understand the changing dynamics of global environmental governance.

### **Empowering, or Usurping, Global Civil Society?**

A second set of questions concerns the way in which private governance affects the opportunities for civil society actors in shaping global governance. The focus here is on the interaction between corporations and the environmental move-

22. Clapp 1998, 306–308.

23. Jordan 1994.

24. This was the case in the biosafety negotiations. See Falkner 2000; and Bail, Falkner, and Marquard 2002.

25. Evans 1997.

ment, particularly the latter's attempts to change the corporate sector's behavior in favor of greater environmental sustainability. A central argument in the transnationalist research agenda is that environmental NGOs play a crucial role in creating global environmental awareness, spreading ecological values across borders, and targeting private actors in their campaigning efforts. In the era of globalization, which provides the "infrastructure" in the form of global communication systems, for new forms of "world civic politics"<sup>26</sup> private governance thus emerges not in a political vacuum but in an increasingly politicized space of transnational interaction.

Against the backdrop of this transnationalist conception of global politics, the rise of private governance can be seen as strengthening the position of transnational activist groups in global environmental politics. In this view, important connections exist between the self-regulating activities of corporations and campaigns organized by environmental and consumer groups around the world. The argument is that corporate self-regulation reflects not so much a desire by corporations to govern themselves but a need to respond to public pressure. The campaigning efforts of NGOs are an essential factor in the proliferation of PEG; they push and shove corporations in the direction of environmental sustainability. At the same time, private governance helps empower global civil society in providing activist groups with political levers that exist outside the states-system.<sup>27</sup>

There is indeed growing empirical evidence that NGOs play an important role in the formation of PEG, contributing in two principal ways. First, NGOs target individual firms that they accuse of environmentally damaging behavior, with a view to changing that behavior and creating conditions in which other firms are induced to comply with higher environmental standards. An example of this kind of activity is Greenpeace's campaign against the sinking of Shell's Brent Spar oil platform in the North Sea, which forced the company to abandon its original plan for decommissioning and opt for the more costly alternative of dismantling on land. The repercussions of this were felt well beyond the individual case. Greenpeace succeeded in creating sufficient public awareness of the potential ecological risks of deep sea decommissioning that other firms have had to adjust their own decommissioning plans and explore alternative options. By attacking a single firm, Greenpeace succeeded in establishing a quasi-standard for decommissioning of oil platforms.<sup>28</sup>

Second, NGOs also target entire business sectors, seeking to engage them in a process of establishing sector-specific environmental standards. In this case, NGOs are both a stimulus for and a participant in PEG, and may also play a key

26. Wapner 1996.

27. On the role of NGOs in creating private environmental governance, see Newell 2001; and Bendell 2000.

28. This quasi-standard was undermined by Greenpeace's later admission that errors occurred when it calculated the potential risk to marine life from the sea-based decommissioning of Brent Spar.

role in monitoring compliance. An important example is the global regime to protect forests that has emerged outside the conventional, state-centric realm of environmental regulation. The Forest Stewardship Council (FSC) was launched in 1993 by the World Wide Fund for Nature in response to a lack of effective action by the international community. It establishes criteria for sustainable forest management, certifying companies complying with FSC standards.<sup>29</sup>

The growing involvement of civil society actors in private governance signifies an interesting point of departure in the study of global governance. Some analysts contend that NGOs are empowered by their ability to target global firms in transnational campaigns without having to rely on the established channels of international policy-making.<sup>30</sup> According to this view, environmental activism directed at the corporate sector has opened up new political space that exists outside the confines of the territorially-based states-system. Engaging with private governance mechanisms thus provides NGOs with an alternative form of global environmental activism that is potentially more effective than lobbying states to establish international environmental regulation.

Targeting individual corporations or industry sectors and engaging with firms in a process of global standard setting has become an important form of environmental activism for many NGOs. Yet this trend raises important questions about the nature of the relationship between private actors and activist groups. Some activists have voiced concern about the closeness of this relationship fearing that NGOs are in danger of losing their original identity as civil society actors with campaigns driven by ecological values.

Indeed, these concerns point to critical issues in the conceptualization of the link between private governance and global civil society. First, where environmental NGOs provide the impetus for the creation of private governance, they often do so in an unsystematic, uneven manner, concentrating on those environmental issues that are more likely to support media-intensive public campaigns, as is the case with Greenpeace. It is often large corporations operating at the consumer end of the production chain that are most vulnerable to consumer boycotts and campaigns that dent their reputation. Recent examples of successful campaigns against such firms include the sporting goods manufacturer Nike and the oil company Shell. Given the selective and uneven focus of NGO campaigns, it therefore falls upon public regulatory authorities to ensure adequate global governance. World civic action alone cannot guarantee comprehensive coverage.<sup>31</sup>

Second, the growing willingness of environmental NGOs to engage in a constructive dialogue with corporations and participate in efforts to establish private governance mechanisms has created a new form of interdependence that may limit the scope for independent civil society activism. One aspect of this

29. See Humphreys 1996 and also in this volume.

30. Wapner 1997.

31. See similar concerns raised in Newell 2001.

new interdependence between the private sector and civil society is the growing reliance on corporate funding by some environmental NGOs. Another aspect is the concern that, by working with corporations to create global environmental standards, NGOs are effectively lending legitimacy to these corporations and their business operations. Rather than empowering NGOs, private governance can thus be seen as taming civil society actors.

There is undoubtedly an important link between private governance and global civil society that warrants a transnationalist perspective on the changing conditions of global environmental politics. But to presume that the rise of private governance works in one direction, empowering environmental activists and enhancing the potential for more effective environmental governance, would be misleading. The study of transnationalism needs to be grounded in a political-economic perspective that critically examines the power relationship between private actors and environmental NGOs.

### **Shift in Authority, Shift in Ideology?**

The third, related, dimension of PEG is that it is held to signify a shift not only in authority but also in ideology. In this view, the growing reliance on private governance in global environmental management represents a privileging of a business-friendly, market-oriented approach to environmental politics over a more holistic and ecology-oriented understanding of the relationship between human activity and environmental destruction. The “privatization” of global environmental politics is regarded as a process that undermines established, state-centric, models of democratic accountability in global governance and promotes a deregulatory agenda serving to weaken the transformative power of global environmentalism.<sup>32</sup>

Underlying the trend towards PEG is a change in attitude and strategy in the corporate sector over the last twenty years.<sup>33</sup> In the 1970s and early 1980s, corporate responses to the environmental agenda were largely hostile and consisted of little more than reluctant adaptation. While many companies continue to react in similar fashion, the 1980s saw the emergence of new responses based on proactive and systematic integration of environmental goals into corporate strategy. Having failed to stem the tide of environmental regulation and facing changing consumer attitudes, many corporations began to develop systematic environmental management strategies. Drawing on managerial approaches associated with ecological modernization,<sup>34</sup> corporate leaders embraced the notion that corporate environmentalism can promote “win-win solutions” that further business and environmental interests.<sup>35</sup> A practical manifestation of this

32. Stevis and Assetto 2001.

33. On the change in corporate attitudes, see Fisher and Schot 1993; and Piasecki 1995.

34. On ecological modernization, see Weale 1992.

35. Porter and van der Linde 1995.

was corporations becoming more actively involved in the international political process, seeking not simply to block environmental initiatives but to shape and influence them.

Corporate efforts to shape the global environmental agenda were particularly visible in the run-up to the Rio Earth Summit of 1992. Individual firms and organizations such as the Business Council on Sustainable Development (BCSD) and the International Chamber of Commerce (ICC) lobbied delegates and promoted the idea of a partnership between the private sector, environmentalists and international society in searching for environmental solutions. Putting forward an interpretation of sustainable development that sought to reconcile environmental and business concerns, BCSD and ICC in a sense provided a blueprint for a more market-oriented and self-regulatory model of global environmental governance.<sup>36</sup>

The ideas informing business interpretations of sustainable development center on the notion that markets, if left to their own devices, have the ability to regulate themselves. Environmental governance emerges as a natural outcome of the market process and only in extreme scenarios requires intervention by states to impose regulatory regimes. Under normal circumstances, producers will incorporate environmental concerns into their activities wherever consumers value environmental sustainability, allowing for the price mechanism to establish the optimal level of investment in environmental protection efforts.

These ideas have entered the praxis of PEG in a number of ways. The ISO 14000 series represents the most systematic effort to date to lay down principles of environmental self-regulation. They are based on the notion that corporations can agree to a set of principles and guidelines that govern their environmental management without needing external, state-sponsored, enforcement mechanisms. In the area of climate change, where the international negotiation process has been predicated on the need for setting emission reduction targets, global firms have successfully lobbied governments to include more flexible implementation mechanisms involving emissions trading systems currently being set up by business organizations.

Critics, however, argue that this business interpretation of sustainable development and environmental governance puts at risk the environmental movement's achievement in establishing a political agenda for international environmental issues. By linking environmental policies with the self-regulatory economic agenda, private actors are seen to promote a managerial perspective on global environmental issues that precludes a more radical critique of the world economy as a source of the ecological crisis. In this view, the emergence of PEG represents a shift in the ideological underpinnings of environmental politics towards a corporate conception of state-market relations.<sup>37</sup>

Criticisms of this kind certainly provoke many questions and provide a useful corrective to the belief in the self-healing capacity of global markets. They

36. See Schmidheiny 1992; and Eden 1994.

37. The Ecologist 1993; and Chatterjee and Finger 1994.

give rise to an important research agenda that sees private actors as part of a wider global framework of domination based on a mix of economic might and ideological predominance. Neo-Gramscian approaches in IPE, for example, employ the notion of a global hegemonic order, comprising elites from MNCs, state agencies, civil society and academia, which legitimizes a specific model of global political-economic organization and marginalizes alternative political ideologies. Private governance appears to fit well into the neo-Gramscian argument that global hegemony is never a fixed entity, but is constantly undergoing a process of contestation and re-alignment of its central forces. In this view, the growing relevance of private forms of environmental governance suggests a convergence of global hegemonic forces towards a model of environmental governance that favors “market-enabling regimes” over “regulatory regimes.”<sup>38</sup>

Yet, the view that the rise of PEG represents an ideological shift in global environmental politics raises two critical problems; it is in danger of overstating the influence of business in setting the global agenda *and* understating the continuity of a fundamentally liberal consensus enshrined in the global environmental agenda. With regard to the role of firms, it is fair to say that private actors have certainly adopted a more proactive role in global environmental politics and are powerful lobbyists in the international bargaining process. But corporate involvement continues to vary considerably, across different sectors and types of business organizations, and is far from promoting an ideologically consistent agenda. As the international politics of ozone, climate and biodiversity demonstrate, business conflict over the objectives and design of global environmental regulations continues to weaken the business case in environmental politics.<sup>39</sup> At the same time, corporations often pursue contradictory objectives when seeking to influence global environmental governance. Global firms may wish to achieve harmonization of environmental standards while national firms continue to oppose them; and although favoring market-consistent regulation in principle, many firms that have successfully adapted to command-and-control regulations often find it in their economic interest to preserve such traditional, state-centric, forms of governance.

Moreover, the notion that we are experiencing an ideological shift in environmental politics tends to understate the continuity of a liberal orientation in global environmental governance. The rise of private governance has undoubtedly strengthened the place of liberal ideas of self-regulation in environmental politics, particularly since the 1992 Rio Earth Summit. But to suggest that this represents fundamental change in the ideological underpinnings of global governance underestimates the extent to which the institutionalized praxis of environmental protection has come to reflect liberal political and economic ideas. As Bernstein has recently argued, the emergence of the “compromise of liberal environmentalism”<sup>40</sup> over the last thirty years is less the result of corporate efforts than of a convergence of policy ideas among leading members

38. Levy and Egan 1990.

39. Falkner 2001.

40. Bernstein 2001.

of state-sponsored policy networks, such as the OECD. He argues that “industry cannot be credited with formulating ideas around sustainable development or with being overly significant players in its institutionalisation.”<sup>41</sup> It is therefore more appropriate to view PEG as strengthening the existing dominance of a liberal environmentalist philosophy in international politics, than as being a causal factor in itself. If an ideological shift can be detected at all, then it is occurring within the liberal paradigm of global environmentalism, away from the free-market ideal towards that of markets governed by large firms. As economic liberals point out,<sup>42</sup> global standard-setting by large corporations is at risk of distorting free markets and discriminating against weaker competitors, thus favoring the interests of big business and undermining the classic liberal ideal of fair play in economic competition.

## Conclusion

Private governance has become a reality in global environmental politics that few analysts deny. Its significance for International Relations, however, remains contested in contemporary debates about globalization and international order. There are good reasons to suggest that the rise of private actors in environmental governance points to an ongoing erosion of state capacity, empowerment of global civil society and shift in the ideological underpinnings of global environmental governance.

However, closer analysis of the phenomenon of private governance reveals the more complex connections that exist between the “privatization” of environmental governance and shifts in the relationship between firms, states and global civil society. The new agenda in global governance is defined by an intricate private-public nexus in which private and public authorities work hand-in-hand to redefine the parameters of global policy-making. Environmental activists’ groups assume a larger role in shaping global agendas and pressuring private actors into action, but their involvement in private governance also serves to alter their role and identity as nonstate actors. And PEG not only strengthens the predominant liberal paradigm in the ideational structure contained in the global environmental agenda, but promotes a model of global self-regulation that benefits the interests of powerful MNCs.

This raises a number of issues that ought to be central to future research on PEG in international relations. First, if the ongoing spread of private governance mechanisms does not suggest a straightforward power shift away from states and towards firms but a more complex interdependence between private and public actors, then the public-private mix in environmental governance needs to move center-stage in the study of international environmental politics. Second, given the close involvement of NGOs in private governance, we need to

41. Bernstein 2001, 15.

42. See Henderson 2001.

look more carefully at the ways in which global civil society actors are co-opted into self-regulatory efforts, and how this changes their role and influence in the global environmental agenda. Third, if private governance tends to promote a particular international liberal consensus in environmental governance that strengthens the position of MNCs, then we need to pay closer attention to ongoing processes of redefining the legitimacy of public and private actors in global environmental governance.

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