Chapter 17

Business as a Global Actor

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Introduction

Business actors play an important role in global environmental policy-making and governance. Transnational corporations in particular are responsible for a significant portion of global economic activity, which in turn has enormous implications for both climate change and broader environmental conditions. And because policy frameworks attempt to shape the behavior of business in order to mitigate their impacts on the environment, these actors naturally want to be actively involved in trying to influence policy outcomes. Being part of the process does ensure their buy-in, and thus it is important to have them involved at least to some degree. But the involvement of business actors in environment and climate policy is not always transparent. These actors often operate behind the scenes or in subtle ways that influence the broader policy-making context whether or not they are involved in official policy-making processes. As such, business actors can carry their influence into the policy process through numerous channels.

This chapter seeks to unpack the multiple avenues of involvement of business actors, transnational corporations in particular, in the global environment and climate policy-making process. It shows that through these different avenues of involvement, business actors possess and make use of different kinds of power to influence the process. Their key avenues of influence include lobby activity, market influence, rule-setting participation, and issue-framing exercises. Business influence is exercised in overlapping and complex ways, through formal and informal interventions, public and private arenas, and global through to local scales. At the same time, business actors, while having access to numerous means by which to influence policy, do not always get their way with respect to policy outcomes. There are intervening factors that affect the extent to which business actors can wield power over policy and

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governance processes. These include, for example, NGO campaigns, business conflict, and business coalitions, each of which can push global environmental and climate policy in different directions – sometimes enhancing, and sometimes tempering the influence of business actors.

The Significance of Business Actors

Global business actors encompass a range of entities that include but are not limited to private firms. Large transnational corporations (TNCs) are indeed significant actors. These firms operate in more than one country, and many have a truly global scope to their operations. Business lobby groups and business-oriented nongovernmental organizations also fall under the heading of business actors, as their activities are often geared specifically to advancing the views of the industries that they represent and/or work with directly.

Collectively, TNCs are important players in the global economy, and their weight has grown significantly since the 1970s. In 2010 the number of TNC parent firms stood at 103 346, over 70% of which were located in developed countries. This compares with just 7000 TNCs that were in operation in 1970. The number of TNC affiliate firms in operation in 2010 was 886 143, over half of which were located in developing countries. Foreign direct investment (FDI) flows are another indicator of the significance of TNCs in the global economy. FDI flows have increased from US$9.2 billion in 1970 to US$1.24 trillion in 2010 (UNCTAD 2008; UNCTAD 2011). This phenomenal grown in TNCs and FDI has been reflected in greater production, sales, employment, and assets of these firms. Indeed, in 2010, the economic activity of TNCs accounted for around one quarter of world GDP. The economic weight of TNCs is also highly concentrated. The ETC group points out, for example, that in 2007 just 147 firms collectively controlled 40% of the value of all TNCs (ETC Group 2011).

The significant economic weight of TNCs in the global economy has important implications for the environment (Newell 2008). TNCs tend to dominate in sectors that have a high environmental impact, including manufacturing, mining, oil extraction, industrial agriculture, forestry, and chemicals. TNC have historically been associated with environmental damage in these sectors, especially in the developing world (e.g. Dauvergne 2001; Leighton *et al.* 2002). Foreign direct investment by TNCs has been especially strong in the primary sector, including mining and oil extraction, since the 1990s (UNCTAD 2006: 7). TNCs are also significant contributors to climate change, which is not surprising given that sectors in which they are most active are associated with high levels of greenhouse gas emissions (Morgera 2004: 215). Corporate concentration characterizes some of these high environmental impact sectors.

Most environmental regulation is geared toward influencing economic behavior and as such directly affects the operations of business actors. Indeed, business actors are often direct targets of regulation and policy, specifically because of the impact that business can potentially have on the environment. In the 1960s and 1970s, the approach was largely top-down. States imposed environmental regulations in a command-and-control-type fashion in which firms had to meet certain environmental standards. This kind of regulatory approach, however, was not often workable at

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an international scale within treaties on environmental issues that began to emerge and proliferate in the 1980s–1990s. Different states had different regulatory capacities, making the negotiation of uniform global regulatory environmental standards impossible. In addition, industrialized countries were seen by many to have had the bulk of responsibility for key environmental problems such as climate change and ozone depletion, with the result that global agreements incorporated stricter targets for those countries compared with developing countries.

The approach of negotiating different targets for different countries raised questions about the environmental responsibilities of TNCs that operate in multiple locations around the world. In the 1970s–1980s, the UN Centre for Transnational Corporations floated the idea of a global code of conduct for TNCs, with the aim of holding this specific type of corporate actor accountable for any negative impacts of their activities, including environmental damages, regardless of where they operated (Clapp 2005). This initiative, however, did not develop further, as the UNCTC was disbanded just prior to the Rio Earth Summit in 1992. The Earth Summit took a decidedly different approach to TNCs and global environmental problems. Instead of seeking to regulate them in any kind of uniform fashion, it sought instead to embrace business actors as partners in the quest for sustainable development. Voluntary measures and public–private partnerships were proposed at Rio and have since become an increasingly important governance approach for global environmental policy-making.

In this new governance environment at the international level, firms, lobby groups, and business NGOs have taken on increasingly significant roles in shaping global environmental and climate policy. Corporate lobby groups – long a fixture at the national level – have become important actors on the global stage as well. Business NGOs have also grown in number and influence, particularly as actors in voluntary and certification-type schemes and public–private partnerships for environmental protection.

Channels of Influence

The power of business actors to influence processes of international environmental policy-making has been significant and on the rise in recent decades. Several studies have documented the growth in their political activity in global environmental governance (Falkner 2003; Clapp 2005; Levy and Newell 2005). This work builds on earlier studies in the field of international political economy that examined the structural power of corporate actors (Strange 1988; Gill and Law 1989). With a focus on the authority and legitimacy of business as an actor in global governance, this more recent work has focused not just on the influence firms have as a result of their economic weight in the broader economy, but also on their growing role in shaping environmental policy in a variety of ways (Clapp 1998; Cutler *et al.* 1999; Fuchs 2005a, 2005b). Specifically, this work has shed light on how corporate actors can influence the contours of the very policies that seek to shape their environmental behavior, thus enabling them to ensure that policies are established and implemented in ways that do not threaten their economic viability or profitability.

Channels of business influence in environmental policy-making include more traditional means, such as business lobbying, as well as less transparent forms of

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influence such as market or structural power, private rule-setting roles, and the sway they are able to hold on the development of public debate around the severity of certain environmental issues and views on the most appropriate policy tools to address those issues. The extent of their influence over policy outcomes has raised important questions about how firms have gained authority to engage in global policy-making, and whether governance processes in which they participate include a sufficiently wide set of voices to render them legitimate in the eyes of the broader public. The various channels in which corporate actors engage with global environmental governance are examined in more depth below.

Lobbying

Business actors have traditionally attempted to influence policy-making processes in a direct fashion through the practice of lobbying. By hiring consultants to meet regularly with government policy-makers, business actors can have their concerns voiced directly to those who matter in the process. Lobbying is seen as a form of "instrumental" or "compulsory" power, which refers to instances where one actor can wield direct influence over the behavior of another (Fuchs 2005a). Individual firms often join business associations that represent the shared interests of a group of firms or an entire sector of the economy. A single lobbyist representing a wide group of private economic actors can have significant influence on the policy-making process, often greater than a firm could achieve if it acted individually.

Business actor lobbying has long taken place at the domestic level to influence the kinds of environmental policies and regulations adopted by individual governments. But business actors have increasingly lobbied multiple governments in international contexts, and at multiple scales of government, as a means by which to influence the negotiation of international environmental agreements. As more international environmental agreements were negotiated in the 1980s and 90s, industry groups began to attend negotiation meetings as well as larger environmental conferences. As observers to these official government meetings, they are able to keep close tabs on how rules are formed and the likely areas for regulatory change. Business actors also use these meetings to voice their concerns and proposals in side-events and in the corridors during breaks.

Business actors are now regular participants in most international environmental gatherings – from broad environmental conferences to specific treaty negotiations regarding particular environmental issues. Their now ubiquitous engagement is a marked change from the 1972 Stockholm Conference on the Human Environment, where business actors made only a 15-minute intervention in the proceedings. At the Rio Earth Summit in 1992, business actors were brought into the conference not only as participants, but were integrated directly into conference themes articulated in Agenda 21 that included an emphasis on corporate voluntary initiatives. A strong presence by industry actors at the 1992 Earth Summit was facilitated by the conference secretary-general, Maurice Strong, who actively encouraged participation by groups such as the World Business Council for Sustainable Development (WBCSD) (Clapp and Dauvergne 2011: 185–186).

Business participation in major global environmental meetings continued with the 2002 Johannesburg World Summit on Sustainable Development, a 10-year follow-up

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to the Rio Conference. A coalition of business groups that represented the combined forces of the International Chamber of Commerce (ICC) and WBCSD formed a new business lobby group, Business Action on Sustainable Development (BASD, representing 161 TNCs), in 2001, with the explicit purpose of lobbying at the WSSD. The group again formed in the run-up to the 2012 Rio+20 Conference, under the name BASD 2012, specifically to lobby on behalf of its members at this international gathering. The group is convened by the ICC, WBCSD, and the UN Global Compact. Eleven international industry associations that represent a wide range of TNCs are among its members, including for example the World Steel Association, the Global Oil and Gas Industry Association, the International Council on Mining and Metals, and the International Council of Chemical Associations. One of the key aims of the group is to "Express global business positions on key sustainability issues to assist governments in making decisions that allow for a sustainable global business engagement" (BASD 2012).

International business lobby groups also engage with specific international environmental treaty negotiations in an attempt to shape rules that might affect their business. During the negotiation of the Cartagena Protocol on Biosafety, for example, business actors had a strong presence at the meetings. Individual firms sent representatives to observe the meetings and to engage in lobbying, including agricultural chemical and biotech giants Monsanto, Dupont, and Syngenta. Industry associations also had a strong presence that grew in size throughout the negotiations – from 8 groups engaged in the process in 1996 to some 20 industry groups in 1999. These included the ICC as well as biotechnology-specific industry associations such as the Biotech Industry Organization (BIO), which represents a number of firms in the biotechnology industry. By 1999, the industry groups also collaborated through a joint group that referred to itself as the Global Industry Coalition, which claimed at the time to represent some 2200 firms in 130 countries. The aim of the group was to try to influence the treaty outcomes with "one voice." In particular, it sought to lobby against the idea of incorporating the precautionary principle into the agreement (Clapp 2003).

Business actors use lobbying in different ways, in order to play to their strengths. Levy and Egan (1998, 2003) demonstrate how US firms tried to keep any regulatory efforts on climate change at the national level and away from the international level because they could have more influence on a single key player, given that over 140 countries were involved in the international negotiations. However, the degree of influence at the domestic level is determined by the political system. Pluralist and neo-corporatist arrangements grant firms different forms of access to policy-makers. The pluralist political system of the USA gives many different actors access to decision-makers but also increases competition among interests groups, thus encouraging a short-term adversarial culture. The neo-corporatist political systems of many countries in continental Europe, instead, have developed co-operative long-term relationships between a few key social actors. This reduces the number of players inside the system, but makes access for groups outside the system more difficult. In the European Union, the regional level has become the most important level for business lobbying on environmental issues, as the EU has enacted over 700 environmental regulations (McCormick 2001). Coen (2005) argues that the lobbying style in Brussels has become more American to the extent that the European

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institutions have become more accessible to lobbyists, and more competitive interest politics have emerged.

Market Influence

Firms also influence international environmental policy-making and governance in more diffuse ways that are shaped by their significance within both individual domestic economies and the global economy more broadly. The ability to move their operations across borders to set up shop in other locations, in particular, gives large TNCs a considerable amount of influence that can affect the style and extent of environmental regulations imposed by governments. Governments may be concerned that the imposition of more stringent regulations will push firms to relocate their activities, taking investment dollars and jobs with them, and as a result may fail to strengthen regulations facing particular sectors that are important to their economy. This can happen if firms threaten to relocate when faced with the prospect of more stringent environmental regulations, but it can also happen even if the firms do not threaten to leave openly. This phenomenon, sometimes referred to as the "regulatory chill," is difficult to prove, but anecdotally is widely seen to be in operation in practice (Neumayer 2001).

The ability of firms to influence regulatory outcomes based primarily on their material position within an economy gives them a degree of what is referred to in the literature as structural or market power. This kind of power enables firms, through their dominant position in the global economy, not only to influence the formation and functioning of environmental policy, but also to shape mainstream ideology, which in turn affects the nature of the policy choices contemplated by governments. Attention to structural power has been especially prominent within the historical materialist school of International Relations that focuses on the role that a "bloc" of actors – including TNCs and powerful states – can play in shaping policy more broadly due to their material position within the global economy. Gill and Law, for example, argue that the distribution of power and the interests of actors are determined by the structure of global capitalism (Gill and Law 1989). Other conceptions of structural power draw out the role of different structural factors that lend power, such knowledge, and different ways in which market influence of business actors plays out in different sectors (e.g. Strange 1988; Falkner 2008).

The market influence of business actors is also the product of the key role that they play in the development and use of technology. Business actors take a leading role in deciding which technologies they will invest in and adopt which in turn is fundamentally important for determining shifts in technological usage that can have profound environmental impacts. Not only is the largest share of total research and development in OECD countries in private hands, but it is also concentrated in a small number of firms (Mytelka 2000). Firms that control research and development for new technologies, particularly those that can lead to environmental improvements, can have significant leverage to shape policy and regulatory developments, especially when they have property rights over the knowledge from which those technologies are developed. In such cases, firms can use their leverage to encourage policies that enhance their own market position by requiring use of those technologies.

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Technological knowledge, in other words, shapes the regulatory options available (Falkner 2005; Tjernshaugen 2012).

Business decisions regarding investment in technology also play into the effectiveness of the implementation of multilateral environmental agreements. The case of ozone politics is a classic example of the role of corporate research and development investment in regime evolution. DuPont had successfully explored substitutes for chlorofluorocarbons (CFCs), which caused the firm to change its strategy from fierce opposition to support of the Montreal Protocol in order to secure first mover advantages. Once technological investment became relevant in the political process as technological knowledge, the firm emerged as a key actor in the international political dialogue around rules to reduce ozone depletion (Falkner 2008: chapter 3).

Rule-setting

The establishment of privately set standards and rules is a further avenue by which business actors influence international environmental policy and governance (see also Chapter 23 in this volume). With the globalization of the world economy, in particular the development of truly global commodity chains, business actors have begun to establish voluntary rules and standards that govern their operations, and those of others, within those chains. Their participation in such activities has been part of their wider strategy of pursuing corporate social responsibility (CSR). The proliferation and acceptance of private environmental governance schemes has enabled corporate actors to directly influence governance decisions. In some cases those rules have not just supplemented state-based regulations, but have replaced them. In this way, adherence to private standards and rules can become *de facto* obligatory for other market participants, and may also have distributional consequences for less powerful actors within those markets (Fuchs 2005a). According to Fuchs, the rise of private rule-setting activities gives firms a form of structural power. Firms' role in shaping these kinds of standards, even if they are largely voluntary on the part of firms, gives them in effect the ability to set the rules of the game by which others are forced to play.

There is a range of private environmental governance initiatives featuring business actors, including non-binding rules such as principles and codes of conduct, reporting and disclosure schemes, voluntary environmental management standards, and hybrid forms of co-regulation (Utting and Clapp 2008; Clapp and Thistlethwaite 2012). Codes of conduct and principles to which firms sign on are typically set from within industry itself, and adherence to these rules tends not to be monitored or enforced by outside parties. By the late 1990s, most large TNCs had signed on to one or more of these kinds of initiatives. The Global Compact, for example, is a set of principles that firms sign onto that include environmental practices. Similarly, Responsible Care in the chemical industry is a set of best-practice rules that was established by the chemical industry without much external input, and which are self-monitored (Prakash 2000). Reporting and disclosure schemes include measures such as the Global Reporting Initiative and the Carbon Disclosure Project, which encourage firms to report on their environmental performance (Kolk *et al.* 2008; Brown *et al.* 2009).

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Firms have also been active participants in the development of environmental management systems (EMS) and market certification schemes that have more external oversight than codes, principles, and disclosure schemes. Environmental management standards, such as the International Organization for Standardization's ISO 14000 series, are in effect a quasi-private, quasi-public regime of standards that are certified by third-party auditors. Industry players took a key role not only in setting the agenda for these standards, but also in setting out the specific rules (Clapp 1998). Concern has been expressed that the ISO 14000 standards, which were not developed fully in the public sphere, have been given public sector legitimacy, for example, by being named by the World Trade Organization (WTO) as international standards for EMS standards. There is also concern when states choose to ease up on monitoring of firms that adhere to these standards (Krut and Gleckman 1998).

Market-based rules that focus on certification of particular products to environmental and social standards are designed to create market incentives for firms to correct or improve environmental practices at crucial points along the product's supply chain (Cashore 2002). Market certification schemes are sometimes controlled entirely within an industry, but they can also be undertaken with the involvement of non-state actors such as NGOs and other independent oversight providers such as third-party auditors. When undertaken with multiple stakeholders, these types of certification schemes are seen to be forms of "co-regulation" (Pattberg 2005). These kinds of market-based regulations include initiatives such as sustainable forestry certification under the Forest Stewardship Council and Fairtrade certification overseen by Fairtrade Labelling Organizations International (Raynolds 2000; Cashore 2002). Supermarket firms have also increasingly begun to certify produce to "good agricultural practices" through the Global GAP program – a scheme that industry players took a lead role in developing (Fuchs *et al.* 2009). These various certification schemes have enormous influence on other market participants, who, if they wish to sell into global commodity chains, must adhere to the rules, which also means taking on the risks and costs of certification.

Through their strong participation in these various private regimes, firms are able to influence the shape of these kinds of rules. Moreover, their position in global economic networks enables them to have a strong influence on which private standards and labels become widely adopted. Industry actors may prefer to adopt standards and labels that have more industry input over NGO-created standards and labels. At the same time, firms that sign on to these kinds of initiatives can and often do use them to advertise their environmental credentials and to make the case that external regulations beyond these voluntary measures are not needed to achieve positive environmental change in firms' behavior.

Issue-framing

A further way in which business actors have engaged in environmental policy-making is through their attempts to shape public discourses surrounding conceptions of environmental sustainability and the role corporations play in the promotion of environmental goals. By making strategic use of ideas, firms can shape the broader public's understanding of the nature of environmental problems and the possible solutions to those problems (Sell and Prakash 2004). For example, business actors

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often tend to frame environmental problems as being the product not of industry activity, but rather individual consumption choices or forces out of the control of society. By framing ideas in ways that favor the interests of industry, business actors hold what is referred to as "discursive power." When those ideas spread widely it translates into indirect influence over the policy-making process (Fuchs 2005b).

One strategy used by industry to frame environmental problems is to interpret scientific evidence for a broad audience. Business actors have challenged the science behind environmental problems, as was the case early on with respect to climate change. Scientific knowledge is not simply imposed on the political process by the scientific community but is essentially contested in discursive battles (Litfin 1995). Tactics employed by firms include public campaigns or the creation of so-called "Astroturf" organizations. The latter are set up as grassroots organizations in order to give the impression of civil society activity, but are actually run by individual firms or business associations. Such strategies have been used in climate change politics (Levy and Egan 2003). This discursive power based on technological knowledge plays out in debates on substitutes for harmful substances (e.g. ozone) or technologies (e.g. energy technologies) and in the evaluation of the environmental risks and benefits of particular technologies (e.g. biotechnology).

Business actors also frame environmental problems and solutions to make environmental policy more compatible with business interests. While popular discourse often depicts firms as the cause of global environmental problems, the discourse of ecological modernization – where environmental improvements are seen to occur alongside economic growth – is promoted by business actors because it puts firms center stage in the solution to environmental problems (Young 2000). Key to this view is the idea of "win-win" solutions, which benefit both the economy and the environment. Regarding environmental policy, the discourse on ecological modernization suggests market-based measures, such as emissions trading schemes and voluntary agreements. Neo-Gramscian scholars in particular point to the role industry plays in marketing only "market-friendly" solutions to environmental problems that fit within a neoliberal economic framework (Levy and Egan 2003). In climate politics, for instance, business actors increasingly attempt to depict climate change as a business opportunity for low-carbon technologies and for productivity improvement through increases in energy efficiency. Through their engagement in international gatherings on the theme of sustainable development, business actors have portrayed the voluntary corporate initiatives and industry-set standards, discussed above, as more efficient and effective than government command-and-control regulation (Finger and Kilcoyne 1997; Clapp 2005).

A notable example of issue-framing is clear in the case of business actors and their portrayal of agricultural biotechnology. Monsanto, for example, has actively engaged in public debate about the issue. It has made the case that genetically modified foods serve the poor, and that they are vitally important to solve world hunger and promote environmentally sustainable agricultural production. This message has been reiterated through its annual reports, its web site, and through public statements and advertisements. Industry associations to which major agricultural biotechnology firms belong, such as the Biotechnology Industry Organization and CropLife, have also put forward a similar framing of agricultural biotechnology in an attempt to promote this particular view of agricultural biotechnology, and to argue that these

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types of crops should not be held back by what they consider to be overly stringent regulation (Williams 2009).

Intervening Factors

Firms possess a range of power resources that allow them to influence global environmental policy-making through the four channels we discussed above. Yet power capabilities do not equal actual political influence. While power refers to an actor's capabilities to effect political change, influence refers to the actual effect of an actor's behavior on political outcomes (cf. Corell and Betsill 2008: 24). In fact, the translation of power resources into actual political influence is mitigated by a number of intervening factors. The literature on non-state actors in global politics has pointed to a series of factors that play into the level of influence of non-state actors. These include, for instance, the rules of access, the political stakes of an issue, the existence of policy crises, and state allies as political opportunity structures (Betsill 2008; Meckling 2011b). Other authors emphasize the role of strategy and in particular the framing of a cause as a source of advocacy effectiveness (Sell and Prakash 2004).

In this chapter, we focus on three select intervening variables, which relate primarily to the role of transnational political competition and cooperation in mitigating corporate influence. More recently, work in international political economy (IPE) on transnational pluralism has emphasized competition and cooperation among state and non-state actors as pivotal forces in world politics (Mattli and Woods 2009; Avant *et al.* 2010; Cerny 2010). The central assumption is that individual and collective actors "engage in processes of conflict, competition, and coalition-building in order to pursue those interests" (Cerny 2010: 4). Building on this assumption, we focus on three key variables that mitigate or enhance corporate influence in global environmental politics: (1) competition from NGOs, (2) conflict within the business community, and (3) coalition-building among business actors.

NGO Campaigns

Environmental groups are key non-state actors in global environmental politics, assuming the role of advocate for environmental action (see also Chapter 16 in this volume). While sometimes NGOs and firms cooperate, often enough NGOs act as a countervailing force to business interests. Other non-state actors that may act as countervailing forces are consumers and labor (Ronit 2007). The relative strength of environmental NGOs vis-à-vis business groups thus affects the likelihood of the lobbying success of firms. Research on transnational advocacy networks has demonstrated how NGOs organize transnational campaigns (Keck and Sikkink 1998; Khagram *et al.* 2001). NGOs can attack individual firms or entire industries through naming-and-blaming campaigns, thus undermining in particular their legitimacy and discursive clout. Alternatively, NGO campaigns may be directed at states in an attempt to influence political agendas and outcomes.

NGO campaigns targeted directly at firms aim to change corporate behavior. Often the goal is to disclose green-wash activities by holding firms accountable. For example, in the late 1980s the Earth Island Institute and other environmental groups launched a campaign against tuna fishing methods that led to bycatch of dolphins

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(Wapner 1995). Their campaign included a boycott of canned tuna, demonstrations at shareholder meetings, and public rallies. In response, the three largest tuna companies stopped using those fishing strategies. In a number of instances, naming-and-blaming campaigns against firms or industries have led to self-regulation through codes of conduct (Haufler 2001). The heightened rule-setting activity of corporations is thus partially a result of the power of civil society organizations and their ability to scrutinize corporate conduct (Falkner 2003).

NGO campaigns directed at states aim to change state behavior or shape rules and laws. The more influential the NGO campaign is, the more limited its business influence. For example, Schurman (2004) demonstrates how the anti-biotech movement in Europe successfully fought the agricultural biotechnology industry over rules on biosafety. Its advocacy for a precautionary approach ultimately shaped environmental regulation. The success of the NGO campaign was facilitated by the existence of industry vulnerabilities, so-called "industry opportunity structures." Different economic and cultural features of firms and industries may render them more or less vulnerable to NGO campaigns.

As in the case of corporate lobbying, the efficacy of NGO campaigns depends on the level of coalition-building or conflict in the NGO community. Alcock (2008) suggests that conflict or cooperation between environmental groups depends on their values and the governance approaches they advocate. In climate politics, for instance, conflict erupted between the Climate Action Network and Environmental Defense over the use of markets in designing a governance response to climate change. NGOs, thus, face similar challenges as firms in global environmental politics.

Business Conflict

Though we often speak of a business as a monolithic interest group, different business actors often hold diverging policy preferences. Political struggles extend into the business community itself. Divisions between different firms and/or different industry sectors may diminish the clout of the overall business community (Falkner 2008). This is the central argument of the "business conflict" model in IPE (Cox 1996; Skidmore-Hess 1996). Firms may have different policy preferences for mainly two reasons: first, environmental policy has differential distributional effects; and, second, firms operate in different political and institutional environments.

The distributional effects of environmental policy and regulatory policy in general lead sectors and firms to different policy preferences, which can result in inter-industry or intra-industry conflict over policy preferences and political strategies. After all, "political competition follows in the wake of economic competition" (Epstein 1969: 142). Such distributional effects exist when environmental regulation causes lower aggregate costs to an industry as a whole compared to other industries; when environmental regulation generates rents for some industries or firms while it erects barriers to other industries and firms; and when environmental regulation causes differential costs across firms in the same industry (Keohane *et al.* 1998). Conflict over political strategy may not only erupt due to different economic interests but also due to being embedded in different social and political institutions (DiMaggio and Powell 1991). These institutions exist at different levels, such as the national level (Vogel 1986) or at the level of organizational fields (Hoffman 2001; Dingwerth

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and Pattberg 2009). Some authors have emphasized the role of home country-level institutions in leading to divergent business strategies (Skjærseth and Skodvin 2001). Others suggest that economic interests have a stronger effect on corporate strategies than different institutional environments (Levy and Newell 2000; Clapp 2003).

Business conflict has played a role in mitigating business influence in a number of cases of global environmental policy-making (Falkner 2008). In the early phase of climate politics, fossil-fuel industries were capable of organizing an influential anti-regulatory coalition, which started to disintegrate with the emergence of business conflict in the run-up to the Kyoto negotiations. The line of conflict ran in particular between American and European oil companies (Pulver 2005). While US firms forcefully opposed targets and timetables, European firms, but also some US companies, accepted mandatory targets and timetables as long as market mechanisms were available for implementation (Meckling 2008, Meckling 2011a). Against this backdrop the Kyoto Protocol was created. Thereafter, the business division between anti-regulatory and pro-regulatory forces deepened. The split in the business community was widely seen to have weakened the opposition toward mandatory climate policy. While business conflict has played an important role in some cases of global environmental politics, Falkner (2008) stresses that the analytical possibility of business conflict does not imply its empirical ubiquity. In fact, as we discuss below, business is often able to organize unity.

Business Coalitions

Given external and internal political competition, firms face the challenge of organizing collective action to achieve political clout. As Cerny argues, political outcomes "are determined ... by how coalitions and networks are built in real-time conditions among a plurality of actors" (Cerny 2003: 156). Alliance-building helps to leverage and pool sources of power such as funding or legitimacy, thus being a strategic form of power (cf. Levy and Scully 2007). Coalition-building requires a certain level of coordination among actors. They are often embedded in broader policy networks of actors that share interests and norms but that do not necessarily coordinate their strategies (Mahoney 2007).

With regard to business, we have witnessed the emergence of "complex multi-level and institutional advocacy coalitions" in Europe and the United States and at the international level (Coen 2005). Such coalitions emerged in virtually all major environmental policy fields. Coalitions that oppose environmental regulation often consist of firms only. Coalitions that promote a particular policy proposal may include environmental organizations as allies, as "firms have learned to *mix and match* their political alliances with various environmental and business interests groups to create flexible advocacy coalitions" (Coen 2005: 216). Alliances between business groups and green groups have been referred to as "Baptist-and-bootlegger" coalitions (Yandle 1983; DeSombre 2000). The term connotes the cooperation of unlike interest groups in advocacy for a common cause.

In the realm of environmental politics, we could observe the emergence of transnational business coalitions in a number of cases, with climate change, ozone, and biosafety being high-profile cases (Newell and Levy 2006; Meckling 2011b). Here, we discuss the latter two. In an effort to prevent further ozone regulations in the

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USA, the chlorofluorocarbon (CFC) industry created the Alliance for Responsible CFC Policy in 1980 (Haas 1992; Falkner 2008). Representing the interests of US firms, the Alliance first opposed the regulation of CFCs in the USA. Due to increasing scientific certainty about the ozone problem and shifting political dynamics, the coalition shifted its strategy to support international caps on CFCs. This political shift was led by DuPont in 1986. Henceforth, DuPont and the Alliance for Responsible CFC Policy became the hub of a larger transatlantic coalition aiming to shape the international rules of ozone regulation. On the other side of the Atlantic, it was in particular the German chemical company Hoechst that pushed the new transnational industry agenda (Falkner 2008). The new pro-regulatory industry stance strengthened the position of the US Department of State, which was in favor of an international agreement.

In biosafety politics, the Global Industry Coalition was the unified voice of biotechnology companies in Europe and the United States (Newell 2003). In addition, it served as a forum for information exchange. Created in 1998, the coalition represented mostly seed companies, pharmaceutical companies, commodity traders, and food manufacturers (Reifschneider 2002). The coalition was led by association leaders from Canada, Europe, and the United States. It claimed to represent more than 2200 companies from over 130 countries (Clapp 2003). The transnational coalition allowed industry to speak with one voice on fundamental issues while governments – in this case the EU and the USA – were divided.

Conclusion

Business actors – in particular multinational corporations – have a preponderance of power resources and shape global environmental policy and governance through a number of different channels. These avenues of influence include direct lobbying at both the national and international levels, market influence due to their ability to move capital across borders and control technology research and development, participation in rule-setting schemes of various types, and framing issues that shape broader understandings of environmental problems and their solutions. Business actors often employ more than one of these strategies, often simultaneously, to effect influence over the outcome of environmental policy and governance.

At the same time, corporate influence over environmental policy and governance varies according to the circumstances under which their activities aim at shaping the process take place. The extent to which they influence policy outcomes, in other words, is mediated through processes of transnational political contention and cooperation. Political competition – from both within and outside the business community – is a force that limits the influence of business in global environmental policy-making. Successful coalition-building, instead, may strengthen the influence of firms. Analyses of business actors in global environmental policy and governance must take these complexities into account.

What are the lessons for the future? The history of corporate involvement in global environmental politics and governance suggests a trend from business opposing environmental regulation to business shaping the regulatory options, style, and rules of governance arrangements. Business not only shaped understandings of

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environmental problems, it also shaped possible solutions, and supported in particular the emergence of market-based forms of environmental governance such as private governance and environmental markets. Analysts should therefore continue to follow closely the role corporate influence plays in the choice of governance approaches and in the specific design of global environmental governance mechanisms.

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