

### Global governance through transnational network organizations - the scope and limitations of civil society self-organization

Kern, Kristine

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DISCUSSION PAPER



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Global Governance Through Transnational  
Network Organizations — The Scope and  
Limitations of Civil Society Self-Organization

Kristine Kern

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Kristine Kern

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Wissenschaftszentrum Berlin für Sozialforschung  
Reichpietschufer 50, 10785 Berlin, Federal Republic of Germany

Tel.: +49/30/25491-0 ● Fax: +49/30/25491-684

E-mail: <[wzb@wz-berlin.de](mailto:wzb@wz-berlin.de)> ● Internet: <<http://www.wz-berlin.de>>

## Abstract

When the topic of global governance or post-national governance arises, it generally does so in the context of the co-operation between nation states, international agreements and the role of international organizations. As opposed to this, global governance through the self-organization of transnational civil society is rarely discussed. Therefore, the aim of this paper is to demonstrate the scope and limitations of global governance through civil society self-organization. The case of the “Forest Stewardship Council” (FSC), which is now deemed a success, has been selected to demonstrate this phenomenon at work. What is involved here is a globally distributed environmental label for the certification of sustainably managed forests. The FSC shows how a private civil society regime can be implemented, how its implementation can be controlled and how violations can be sanctioned. It may be stated that the case of the Forest Stewardship Council is a form of global governance *without* nation-state involvement that can be viewed as a complete alternative to global governance *through* nation states.

The rapid spread of the FSC system was enhanced by the dynamic combination of civil society self-organization with market mechanisms. Moreover, the FSC system fills a gap that arose from the political failure at the level of international regimes. However, it has become clear that national forest protection standards are needed for the FSC system to function smoothly. The FSC system cannot replace national legislation and its implementation by an effective administration. The fact that the FSC can rely not only on its own internal means of sanction (i.e. withdrawal of certification), but can also resort to boycotts as a potential external instrument of sanction is undoubtedly a key factor behind the success of the FSC. However, the analysis also shows the limits of global governance through self-organization: As no nation state has the norm-setting monopoly, the FSC system competes with other certification systems in many countries throughout the world. Overall, the FSC system can be deemed a success. Private standards appear to work best if a specific combination of self-organization and market mechanisms comes to fruition, if the non-state systems are embedded in nation-state systems, if resources are available outside the system that can, if necessary, be used to mobilize consumers and if the problems that necessarily arise from the competition of certification systems can be overcome.

## Zusammenfassung

Wenn von globaler Governance oder postnationalem Regieren die Rede ist, geht es zumeist um die Kooperation von Nationalstaaten im Rahmen internationaler Vereinbarungen oder um die Rolle internationaler Organisationen. Im Gegensatz dazu wird globale Governance durch die Selbstorganisation transnationaler Zivilgesellschaften selten thematisiert. Aus diesem Grunde will der vorliegende Beitrag die Möglichkeiten und Grenzen globaler Governance durch zivilgesellschaftliche Selbstorganisation aufzeigen. Ausgewählt wurde ein Fall, der mittlerweile als Erfolg gilt: das „Forest Stewardship Council“ (FSC). Dabei handelt es sich um ein weltweit vergebenes Umweltzeichen für die Zertifizierung nachhaltig bewirtschafteter Wälder. Der Fall des FSC zeigt, wie ein nichtstaatliches Regelwerk implementiert und seine Umsetzung kontrolliert werden kann und wie Verstöße sanktioniert werden können. Bei dem hier analysierten Fall des Forest Stewardship Council handelt es sich um eine Form der globalen Governance *ohne* Nationalstaat, die durchaus als eine Alternative zur globalen Governance *durch* Nationalstaaten gesehen werden kann.

Die rasche Verbreitung des FSC-Systems wurde durch die dynamische Kombination zivilgesellschaftlicher Selbstorganisation mit Marktmechanismen befördert. Darüber hinaus schließt das FSC-System eine Lücke, die sich aufgrund des Politikversagens auf der Ebene internationaler Regime ergeben hatte. Allerdings ist deutlich geworden, dass nationalstaatliche Standards des Waldschutzes nötig sind, damit das FSC-System reibungslos funktionieren kann, denn das Zertifizierungssystem des FSC kann nationale Gesetzgebung und ihren Vollzug durch eine effiziente Verwaltung nicht ersetzen. Ein Faktor für den Erfolg des FSC ist zweifellos, dass dieser Organisation nicht nur eigenes Sanktionspotential (z. B. Entzug des Zertifikats) zu Verfügung steht, sondern bei Bedarf auf Boykotte als externes Sanktionspotential zurückgegriffen werden kann. Die Analyse zeigt jedoch auch die Grenzen globaler Governance durch zivilgesellschaftliche Selbstorganisation. Da es hier keinen Nationalstaat gibt, der über das Monopol zur Normsetzung verfügt, konkurriert das FSC-System in vielen Ländern mit anderen Zertifizierungssystemen. Insgesamt gesehen kann das FSC-System als Erfolg bewertet werden. Private Normen scheinen dann am besten zu funktionieren, wenn eine spezifische Kombination der Selbstorganisation mit Marktmechanismen zum Tragen kommt, wenn die nicht-staatlichen Systeme in nationalstaatliche Systeme eingebettet sind, wenn Ressourcen außerhalb des Systems zur Verfügung stehen, die bei Bedarf für die Mobilisierung der Verbraucher eingesetzt werden können, und wenn die Probleme bewältigt werden können, die sich aus der Konkurrenz von Zertifizierungssystemen zwangsläufig ergeben.

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## 1. Introduction

When the topic of global governance or post-national governance arises, it generally does so in the context of the co-operation between nation states, international agreements and the role of international organizations. As opposed to this, global governance through the self-organization of transnational civil society is rarely discussed. The first and obvious question posed by this concept is whether such governance, i.e. governance without state involvement, is even possible. Various studies have been carried out on the emergence of transnational networks and their significance in terms of agenda-setting and policy formulation.<sup>1</sup> However, whether such networks are in a position to implement policies remains a largely open question, i.e. can transnational networks not only set, but also implement standards?<sup>2</sup>

This question constitutes the starting point of the following assessment of governance through network organizations.<sup>2</sup> The aim of the analysis is to demonstrate the scope and limitations of global governance through civil society self-organization.

The case of the “Forest Stewardship Council” (FSC), which is now deemed a success, has been selected to demonstrate this phenomenon at work.<sup>3</sup> What is involved here is a globally distributed environmental label for the certification of sustainably managed forests. The FSC is a suitable subject for such a case study as its certification system existed as early as 1993 and it has spread to around 60 countries in the intervening period. The rapid diffusion of this label is nothing short of remarkable and few other innovations in the area of environmental policy have enjoyed a similarly dynamic development.

The distribution of the FSC label is based on a transnational multi-level organization, i.e. a highly institutionalized network organization with international and national offices and working groups, standard-setting processes on both international and national level and implementation and control processes at local level. The fact that decisions about the standards and their implementation are made

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1 Cf. in particular the studies by Keck and Sikkink (1998, 1999) on “advocacy networks” in international politics.

2 Network organizations are referred to here in the sense of highly institutionalized networks with a long-term vision. Policy implementation services can only be expected from this kind of network organization.

3 Cf. Kern/Kissling-Näf (2002) and <<http://www.fscoax.org>> (15 June 2003).

completely independently of the influence of nation states and international organizations is characteristic of the FSC process.

In order to assist in the classification of the case study, section 2 provides a brief account of the different variants of global governance. The next chapter (section 3) presents the FSC as an example of civil society self-organization. The performance of the FSC, quantified on the basis of the effectiveness and legitimacy of the system, is discussed in section 4. Section 5 examines the effects of market mechanisms, state regulation and competing private systems for the definition and implementation of standards on the success of the FSC. And, finally, the scope of global governance through civil society self-organization is assessed in summary in section 6.

## 2. Global Governance Through Transnational Network Organizations

Three types of global governance are relevant in relation to the resolution of global problems. They are in no way mutually exclusive; indeed, they often present simultaneously and can complement each other. The three types in question are global governance through (1) international and intergovernmental co-operation; (2) global policy networks; and (3) transnational network organizations.

<b>Forms of Global Governance</b>		
<b>Type of Institutionalization</b>	<b>Definition and Implementation of Standards</b>	
International and intergovernmental co-operation	<i>without</i> self-organization	<i>through</i> nation states
Global policy networks	<i>with</i> self-organization	<i>with</i> nation states
Transnational network organizations	<i>through</i> self-organization	<i>without</i> nation states

The first type of global governance involves the resolution by means of international and intergovernmental co-operation of transnational problems that individual countries cannot resolve through independent action, for example the destruction of the ozone layer or the difficulties surrounding greenhouse gases. This co-



operation often leads to the establishment of international regimes.<sup>4</sup> In this case, the decisions are made by the participating nation states which then have to implement the resolutions at national level. Thus, this form of global governance corresponds to the model of horizontal self-coordination between nation states combined with corresponding (hierarchical) implementation strategies at national level.

The second type of global governance involves global policy networks that have emerged in recent years and whose members include both state and societal actors. The Global Alliance for Vaccines and Immunization (GAVI) is an example of such a global policy network. International organizations, national governments, the manufacturers of vaccines, research institutes and NGOs have all joined this alliance, whose purpose is to protect children throughout the world against preventable illnesses through immunization.<sup>5</sup> Global policy networks also involve a form of horizontal self-coordination within which nation states no longer dominate, but merely represent a group of actors whose status is equal to that of international and supranational institutions, various NGOs and also subnational actors. Although the participants in global policy networks (may) belong to different political levels, their interaction in the context of negotiations is not based on any hierarchical structure.<sup>6</sup>

The issue being examined here concerns the third variant of global governance, i.e. global governance through transnational network organizations.<sup>7</sup> What is involved here is self-organization without the involvement of nation states.<sup>8</sup> Thus, the primary focus of interest here are cases in which nation state actors are not involved in the definition of standards and whereby the system is implemented by the participating (private) actors themselves, i.e. a system of private standard-setting is created. Along with the FSC, other examples of this phenomenon include

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4 Cf. the classical definition coined by Stephen Krasner (1983: 2): "Regimes can be defined as sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations." International regimes have greatly increased in significance, in the area of the environment in particular; cf. for example Gehring/Oberthür (1997); Young (1997); Biermann (1998).

5 Cf. <<http://www.vaccinealliance.org>>.

6 On global policy networks, cf., for example, Reinicke/Deng (2000); Witte/Reinicke/Benner (2000) and Benner/Reinicke/Witte (2003).

7 Cf. more recent studies on the emergence of a transnational civil society and transnational social movements (e.g. della Porta/Kriesi/Rucht 1999; Florini 2000; Smith/Johnston 2002; Rucht 2002: 332 ff.).

8 However, irrespective of the definition of their own private standards, transnational network organizations can participate in global policy networks and co-operate with state actors in this context.

the Marine Stewardship Council (MSC)<sup>9</sup> for the sustainable development of fishing and the Rugmark label<sup>10</sup> for the prevention of child labour in the manufacture of rugs and carpets. While all of these cases involve new forms of governance (transnational regimes) in the economic sector, they differ significantly from the self-regulation of the corporate sector which is generally described using terms such as “private international regimes” and “private authority”.<sup>11</sup> These often involve “codes of conduct” under which the actual norm setting is left to the company itself, i.e. it is not controlled by independent third parties (cf. Cashore 2002: 514). As opposed to this, the FSC is a network organization whose emergence and development was predominantly supported by an environmental NGO, the World Wildlife Fund for Nature (WWF). As transnational regimes of this type are (still) relatively rare, little research has been carried out on them up to now.<sup>12</sup>

### **3. The Forest Stewardship Council as an Example of Civil Society Self-Organization**

The FSC arose from a plan established by various stakeholders (including the forest and forestry sector, the timber industry, private certifying bodies, environmental and nature conservation organizations, indigenous peoples) that had become involved in a WWF initiative in the area of sustainable forest management. FSC International was formally established as an independent and non-profit organization comprising 126 participants from 26 countries in Toronto in 1993. One year later a Managing Director was appointed and an office with three employees was opened in Oaxaca (Mexico).

Although many environmental NGOs and numerous economic organizations were involved from the outset, in the public eye, the FSC was mainly associated with the WWF. Thus, the extraordinarily dynamic development of the FSC was enhanced by the fact that it could rely on the support of the highly professionalized organization of the WWF with its organizational units at national and regional levels. This played a key role with regard to the astonishingly rapid diffusion of the FSC label.

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9 Cf. <<http://www.msc.org>> (06 June 2003).

10 Cf. <<http://www.rugmark.net>> (06 June 2003); cf. also Wolf (2002).

11 Cf. Haufler (1993, 2000, 2001) or Higgott/Underhill/Bieler (2000); the majority of the contributions in Ronit/Schneider (2000) and Hall/Biersteker (2002) concentrate on the corporate sector.

12 Cf. in particular Cashore (2002), who also deals with forest certification, and O'Rourke (2003) and Wolf (2002), who analyze the social clauses.

In 2002, the FSC decided to open an “International Center” in Bonn. This involved the transfer of its international office to Germany and the conversion of the Oaxaca office into the regional office for North and South America.<sup>13</sup> It was also decided to establish other regional offices for Africa, Asia and Europe. The purpose of the regional offices was to support national initiatives and certification processes in countries with relatively scarce national capacities (FSC 2003: 51). The intention behind this step in the direction of regionalization and decentralization, which can be observed in many transnational network organizations that have reached a certain size, was to structure the organization’s work in a more effective and efficient way (WWF 2002: 7 ff.; FSC 2003: 50).

Between 1994 and 2000, FSC International developed ten principles and 56 criteria (“Principles & Criteria” or “P & C”) for the forestry sector, e.g. regulations for compliance with national laws and international agreements (principle 1); for the definition of use rights (principle 2); for the protection of the rights of indigenous peoples (principle 3); for the protection of forestry workers (principle 4); for management plans (principle 7); and for the monitoring of certified forests (principle 8).<sup>14</sup>

These international principles provide a basis for the development of national and regional standards which constitute a central element of the FSC system. They are defined by national or regional working groups and must be recognized by FSC International before they can be implemented locally. The first national standard (for Sweden) was recognized by FSC International in 1997. National initiatives<sup>15</sup> currently exist in 31 countries and ten national and regional standards<sup>16</sup> have been recognized in full or with restrictions (status May 2002; WWF 2002: 11).

In the case of the national initiatives, the different forms of institutionalization are clearly differentiated. Firstly a “Contact Person” is nominated and then a “Working Group” is set up for the development of a national standard. Once the national standard is recognized by FSC International the “Working Group” becomes an “Advisory Board”. Furthermore, if the necessary resources are available, National or Regional Offices may also be established.

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13 Cf. WWF Faktenservice Wald- und Holzzertifizierung Nr. 1, März 2003, S. 5.

14 Cf. <<http://fiscoax.org/html/1-2.html>> (15 June 2003).

15 Cf. FSC Protocol for Endorsing National Initiatives <<http://www.fiscoax.org/html/4-1.html>> (29 July 2002).

16 The countries in question are Belgium (with restrictions), Bolivia, Canada, Columbia (with restrictions), Germany, Peru, Sweden, Great Britain and the USA.

The FSC system is implemented by (private) certifiers which are accredited by the FSC and can act as certifiers throughout the world.<sup>17</sup> The certifiers apply either the relevant national standards, if they have already been recognized by the FSC, or the international standards. In the absence of national standards, the certifiers adapt the international principles to the relevant national context.

In terms of the effectiveness of the system, it is extremely important that there is a temporal limit on certification (i.e. five years).<sup>18</sup> If violations come to light that are not rectified within a defined period, the certificate may be withdrawn.<sup>19</sup> Possibilities also exist for the issuing of sanctions.<sup>20</sup> And in cases involving the serious violation of the rules, provision also exists for the actual withdrawal of FSC accreditation from a certifier.<sup>21</sup>

The organization's structure has had a positive effect on the success of the FSC system through which direct links between transnational, national and local decision-making, co-ordination and implementation networks are established. The FSC system was only able to spread so rapidly because it allows private standards defined at international level to be applied directly at local level. On the other hand, the definition of national standards is a more gradual process, however it guarantees — in the medium to long term at least — the consistent consideration of specific regional factors. Furthermore, its decentralized and regionalized struc-

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17 Hitherto, twelve certifiers have been accredited by FSC International: KPMG Forest Certification Services Inc. (FCS) (Canada); Eurocertifor (France); GFA Terra Systems (Germany); Istituto per la Certificazione ed i Servizi per Imprese dell'arrendamento e del legno (ICILA) (Italy); Institut für Marktökologie (IMO) (Switzerland); Swiss Association for Quality and Management Systems (SQS) (Switzerland); SKAL International (Netherlands); BM Trada Certification (Great Britain); SGS Forestry QUALIFOR (Great Britain); Soil Association Woodmark (Great Britain); Scientific Certification Systems (SCS) (USA); SmartWood Program (USA) <<http://www.fscoax/html/5-3-1.html>> (15 June 2003); of these twelve accredited certifiers, two are only authorized to certify the "chain of custody" and they are not authorized to certify forest management; the accreditation process is defined in detail in the FSC Accreditation Manual (FSC 2002).

18 General requirements for the monitoring process are defined in the Accreditation Manual (Part 3.2) (FSC 2002).

19 Cf. the general terms and conditions in the FSC Accreditation Manual, Part 3.1 (FSC 2002).

20 A situation that arose in Ukraine is an example of this: following the observation of serious violations of FSC regulations, the certifier (IMO) withdrew the FSC certificate from a forestry operation (ILMEST); cf. WWF Faktenservice Wald- und Holzzertifizierung, Nr. 7, August 2001, p. 3.

21 The fact that this option is used when necessary is demonstrated by the fact that certification was temporarily withdrawn from the Dutch certifier SKAL; cf. WWF Newsletter Forestry and Wood Certification No. 10, April 2001; the general procedure is regulated in the FSC Accreditation Manual (Part 2.4) (FSC 2002).

ture ensures the FSC's presence not only at international level, but also at national and regional level (national FSC initiatives and the "Forest and Trade Networks" of potential buyers which are supported by the FSC), and at local level (certification through FSC-accredited certifiers).

#### **4. The Performance of the Forest Stewardship Council**

The key yardsticks for the assessment of the performance of governance through transnational network organizations are the effectiveness and legitimacy of their solutions. The FSC system can be deemed a success if the certified forest area actually increases and the transnational regime associated with the label is accepted by participants in terms of both its content and procedures. When assessing the performance of the FSC, it is necessary to make a distinction between the industrialized countries of the West, the transformation countries of Central and Eastern Europe and newly industrialized and developing countries.

##### **4.1 The effectiveness of the system**

The effectiveness of the FSC system is demonstrated by the increase in certified forest areas and product chains. In mid-2002, ten years after the introduction of the label, there were certified forests in 57 countries and certified product chains in 65 countries. 36.8 million hectares (ha) of forest are now (May 2003) FSC-certified (FSC 2003a).

The first country in which 86,000 ha of forest were certified by SmartWood<sup>22</sup> in 1991 was Mexico. Mexico was followed by the USA and Costa Rica in 1992 and 1993. In Europe, the role of the pioneer was assumed by the Netherlands (first certificate awarded in 1995), followed by Sweden and Poland in 1996, which were followed in turn by Great Britain<sup>23</sup> and Italy in 1997. By mid-2002 between 30% and 77% of the forest areas in the Netherlands, Sweden, Poland, Ireland, Great Britain and Estonia had been awarded FSC certification. Progress in recent years

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<sup>22</sup> SmartWood is a programme of the Rainforest Alliance, an international NGO whose headquarters are located in New York. Although the programme was originally aimed at tropical forests, SmartWood is now active throughout the world, although its activities are mainly focussed on Latin America. The FSC was not established until 1993 and SmartWood applied for and was awarded accreditation of its certification programme in 1996; areas that were previously certified by SmartWood are also valid as FSC-certified areas <<http://www.smartwood.org>> (15 June 2003).

<sup>23</sup> On the development of forest certification in Great Britain, cf. Howell (1999) and Cashore et al. (2001: 23 ff.).

has been particularly dynamic, for example, in Canada, but also in some of the transformation countries of Central and Eastern Europe.

The extensive involvement of the newly industrialized and developing countries in the FSC system is particularly remarkable. In mid-2002, approximately 60% of the countries with FSC-certified areas were not members of the OECD. The question as to whether this is due to the fact these countries are mainly affected by the threat of the logging of tropical forests, against which the FSC label is directed, is an open one. The fact that these countries export most of their timber and timber products and that certified timber is in demand on the target markets probably plays a crucial role here.

The real success stories in the FSC context are the industrialized countries of the West as well as some of the transformation countries of Central and Eastern Europe. For example, the certification of forests owned by forestry enterprises in Sweden has undergone a very dynamic development, in particular since the introduction of the national standard. In June 2002, over 10 million ha, i.e. over 40% of Sweden's total forest area, was certified. This corresponds to approximately one third of the world's certified forest area. The development of certification in Poland, the first transformation country in which FSC certification was implemented, was similarly dynamic. By May 2003, 64% of Poland's forest area had been certified (cf. FSC 2003a).

The differences between countries in terms of the size of certified areas can be explained at least in part by the differences in the prevailing property rights regimes. Countries that have relatively few private forests and small forest owners and, above all, large state forests (e.g. Poland) and large forestry enterprises (e.g. Sweden) are at an advantage here.<sup>24</sup> 80% of the certified Swedish forests are owned by the forestry sector and all of the Polish forests that have been certified up to now are state forests.<sup>25</sup>

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24 One criticism of the FSC is levelled here: the owners of larger expanses of forest (in particular the forestry sector) have certain advantages within the FSC certification system as certification is far less costly for these companies than it is for the owners of small forests; on the problems faced by small forest owners when trying to have their forests FSC-certified and the possibility of group certification, i.e. the joint certification of forests owned by several small owners, a measure intended to alleviate this problem, cf. Scrase (2000).

25 In the meantime, the forests in 13 of the 17 regional forestry directorates have been certified (FSC 2003a). In contrast to the situation in Poland, problems with FSC certification arise in Central and East European countries in which the state forests were privatized and preferentially transferred to small forest owners.

**Table 1: FSC-certified areas by country<sup>1</sup>**

Country	Certified area in ha	Proportion of total national forest area in %	Proportion of worldwide certified area in %	Average area per certificate in ha
Sweden	10,130,310	41.48	34.58	440,448.26
USA	3,887,704	1.83	13.27	40,923.20
Poland	3,592,160	41.14	12,26	449,020.00
Brazil	1,182,640	0.21	4.03	49,726.67
Estonia	1,063,517	52.89	3.63	531,758.50
UK	1,060,667	44.38	3.62	33,145.84
Canada	1,000,920	0.41	3.42	90,992.73
Bolivia	927,263	1.92	3.16	115,907.88
Latvia	906,217	31.44	3.09	129,459.57
South Africa	898,225	10.57	3.07	64,158.93
New Zealand	610,258	7.74	2,08	55,478.00
Mexico	516,404	0.93	1.76	24,590.67
Ireland	438,000	76.84	1.50	438,000.00
Germany	417,673	3.89	1.43	7,734.69
Croatia	372,765	20.43	1.27	93,191.25
Guatemala	312,461	8.13	1.07	26,038.42
Chile	249,096	3,16	0.85	62,274.00
Russia	215,715	0.03	0.74	71,905.00
Indonesia	151,589	0.14	0.52	50,529.67
Zimbabwe	110,561	1.27	0.38	27,640.25
Netherlands	102,522	30.70	0.35	8,543.50
....	...			
<b>Worldwide</b>	<b>29, 295,435</b>	<b>1.13<sup>2</sup></b>		<b>66,580.53</b>

<sup>1</sup>The table only includes countries in which more than 100,000 ha of forest has been certified.

<sup>2</sup>Related to those countries in which forest area has already been certified.

Sources: FSC International (<http://fscoax.org>); Certified Wood (<http://certifiedwood.org>); FAO 1999; author's own calculations; status: July 2002.

The extremely dynamic development of forest certification in Poland can be explained largely by the fact that Poland exports a lot of timber and timber products to Great Britain where the demand for FSC-certified timber is increasing. In general, this correlation also applies for developing and newly industrialized countries, however, markets for illegally logged timber still exist and these cannot be subject to state regulation. This phenomenon limits the effectiveness of the FSC

system as demonstrated, for example, by the situation in Indonesia.<sup>26</sup> Although pressure from export markets (in Europe and the USA in particular) in the late 1980s and early 1990s prompted initial steps in the direction of the development of a timber certification programme, serious problems continue to exist with illegally logged timber in Indonesia.<sup>27</sup> Corresponding national policies and controls are required to protect the country's forests and the FSC system cannot simply replace these state systems (cf. Murphy 2001a).<sup>28</sup>

#### **4.2 The legitimacy of the system**

As a general rule, it can be assumed that the legitimacy of non-state systems for the regulation of the economy is considerably enhanced by the direct involvement of NGOs (cf. O'Rourke 2003: 19). Thus, it may be assumed that, because it is based on a WWF initiative and operates with the involvement of the WWF, the FSC system enjoyed greater legitimacy from the outset than the "codes of conduct" created by the corporate sector. Moreover, legitimacy should be generated by the processes implemented within the FSC system, i.e. the international and national decision-making, co-ordination and information networks, on the one hand, and local implementation networks, on the other.

Given that it was one of the aims of the FSC to strike a balance between economic, ecological and social interests, it was agreed to grant equal voting rights to the representatives of the three chambers at international level (economic, environmental and social chambers),<sup>29</sup> i.e. in the General Assembly. Voting rights within the Board of Directors, which has nine members, will also be equally dis-

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26 10% of the world's tropical rain forests and 60% of the Asian rain forest is located in Indonesia, 75% of whose territory is under forest cover. Thus, a transition to sustainable forest management would appear to be particularly imperative.

27 It is estimated that 70% of the timber logged in Indonesia's is felled illegally (cf. Murphy 2001). It would appear that this even affects FSC-certified forests, which, far from increasing in Indonesia in recent years, are actually declining. One reason for this, for example, is that in 2001 the certificate for the largest certified teak plantation in Indonesia had to be withdrawn after serious violations against the FSC regulations were observed (WWF 2002: 12); cf. also WWF Faktenservice Wald- und Holzzertifizierung Nr. 1, März 2003, p. 3.

28 In 2002, a pioneering agreement was signed by the British and Indonesian governments. The aim of this bilateral strategy is to stop illegal logging and international trade in this timber and its products, WWF Faktenservice Wald und Holzzertifizierung Nr. 4, Juli 2002, p. 4.

29 In April 2002, the FSC had 541 members of 60 countries, including individuals, institutions and companies. Of these, 46% were members of the economic chamber (e.g. Home Depot, OBI, IKEA), 36% belonged to the environmental chamber (e.g. Greenpeace, WWF, Friends of the Earth) and 18% were representatives of the social chamber (e.g. IG BAU) (WWF 2002: 14). The social chamber was not established until 1996 when the environmental and social chamber was split; cf. also FSC (2003: 8).



tributed among the three groups in future.<sup>30</sup> Furthermore, the representatives of the countries of the northern and southern hemispheres also have the same voting rights in all three chambers (Elliott 1999: 38).<sup>31</sup> These regulations are remarkable because even when NGOs are guaranteed access to international negotiations, there is usually a clear imbalance between NGOs from the north and south that is not compensated by procedural rules (cf. Oberthür et al. 2002).

Similar provisions exist for the national working groups which present proposals for national standards to FSC International. Where possible, these standards are supposed to be defined on the basis of consensus within multi-stakeholder processes. The national working groups and committees also consist of three chambers (economic, environmental and social chambers) which have equal voting rights if voting is actually necessary.<sup>32</sup>

In addition to the regulations concerning the FSC bodies, procedural provisions have also been developed for individual certification processes. The certification process includes the mandatory consultation of local stakeholders (von Kruedener 2000: 16).<sup>33</sup> Complaint procedures also exist for (local) NGOs. When a complaint is received, it must be followed-up by the relevant certifier and FSC International only becomes directly involved if this action does not result in the resolution of the problem. The process can result in the loss of certification.

The strong emphasis on participative processes has undoubtedly resulted in the FSC's contribution to democratization processes in transformation countries and in newly industrialized and developing countries. With respect to the national level, this necessitates, however, that a national working group is established and national standards defined – a strategy that is emphatically pursued by the FSC, particularly in recent years. However, in terms of the individual certification processes, the situation at national level is of no consequence because the local stakeholders must be involved in the process, even if no national standards have been

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30 Hitherto, the economic chamber had only two representatives and was thus underrepresented; cf. Forest Stewardship Council A.C. By-Laws, No. 48 ff. <<http://www.fscoax.org/html/1-1.html>> (16 June 2003) and the relevant resolutions of the last General Assembly (Motion Statutory 5) of November 2002.

31 In 2001, 73% of members came from the North and 27% of members came from the South (WWF 2002: 14).

32 The consultation process for the development of the national standards is regulated in Chapter 12.4 of the FSC National Initiatives Manual (FSC 1998).

33 Cf. the relevant provisions (No. 2.19) in the FSC Guidelines for Certification Bodies (FSC 2002a).

defined. This means that local NGOs are granted rights in the context of the FSC process that they are not even granted under the national legislation in many countries.

Thus, overall it may be said that the FSC enjoys a very high level of legitimacy because the relevant stakeholders are involved in all decisions and the processes are relatively transparent.<sup>34</sup> These effects are further enhanced as a result of the allocation of the certification and monitoring tasks to third parties.<sup>35</sup>

## **5. Transnational Governance Through Civil Society Self-Organization**

New forms of governance between the market, state and self-organization are characteristic of the FSC system. First, the combination of civil society self-organization with market mechanism appears to play a key role in the success of the label. Secondly, the relationships between civil society self-organization and (nation-)state governance also appear to play an important role. The first question that arises here is whether an opportune structure for civil society self-organization was created as a result of the failure of the negotiations on an international forest convention. The second question that arises in this context concerns the complementarity of nation-state and non-state standard-setting and implementation and the interdependencies that exist between state and non-state standard setting. Thirdly and finally, the consideration of this issue must also incorporate the relationships between the different forms of self-organization. These relationships can be explored, on the one hand, under the heading “certification in the shadow of mobilization.” What is also involved here is the competition between non-state systems of standard setting and implementation. While the international process did not lead to the creation of binding standards, it did, however, result in the development of guidelines and indicators for sustainable forest management. As a result, the basis was created for both alternative private regulatory systems of sustainable forest management and for competition between the different certification systems. Thus, the next questions that arise concern the way the competing sys-

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<sup>34</sup> On the requirements concerning the transparency of procedures, cf., for example, FSC (1998), No. 5.3.

<sup>35</sup> Despite the far-reaching processes, in reality, problems are not at all uncommon. A critical report issued by the Rainforest Foundation in autumn 2002 resulted in the adoption of measures for better quality control at the General Assembly of the FSC in November 2002, involving, *inter alia*, the improvement of current procedures for the suspension of certificates and processes for the management of complaints (e.g. from forest owners and environmental organizations); WWF Faktenservice Wald- und Holzzertifizierung Nr. 1, März 2003, p. 6.

tems have developed in the meantime and whether these different non-state systems of standard setting and implementation converge or diverge.

### **5.1 Civil society self-organization and the market**

The FSC involves a form of governance through transnational network organizations based on the interaction between civil society self-organization and market mechanisms. The dependency on foreign markets, on which demand for FSC-certified timber exists is crucial to the dynamic diffusion of FSC certification (cf. Cashore 2002). Thus, dependency on the export of timber products can lead to the introduction of and compliance with FSC-regulated processes in countries in which consumers have little interest in certified products, e.g. Poland. Hence, it may be assumed that rapid spread of the FSC label is due to the fact that there is considerable demand for certified timber and certified timber products. This demand has direct repercussions for the countries from which the timber originates.

The WWF tried to intensify these repercussions through the creation of networks and thus established the Global Forest and Trade Network (GFTN), a platform for companies interested in the sale of certified timber products (Leuba 1998: 8; cf. also Meidinger 1997: 52). The purpose of this network, which is independent of the FSC, is to improve the co-operation between companies and NGOs. This meta-network currently comprises 19 national and regional<sup>36</sup> “Forest and Trade Networks” which have members in 30 countries (e.g. in the United Kingdom, Germany and Belgium). Three other networks are currently being established (in Bolivia, South East Asia and West Africa). There is a strong focus on Europe and North America within the GFTN as 14 networks are directed at countries in these regions. Almost 900 companies currently belong to these national and regional networks.<sup>37</sup> They are the actual target group of the FSC.

It is a basic strategy of the FSC System to mobilize market pressure to enable the formulation and implementation of a sustainability regime. The existence of a potentially politicized market among the consumers of timber products, i.e. furniture manufacturers etc., is a necessary precondition for the success of this strategy.

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<sup>36</sup> Regional networks exist, for example, in North America and in Central America.

<sup>37</sup> Status: April 2002; the first Forest and Trade Network, the British WWF 95+ Group was established as early as 1991; 15 of the 19 networks only emerged, however, between 1997 and 2002; Information Service of the Global Forest and Trade Network/WWF Sweden of 21 August 2002.

The assumption that this kind of politicized demand exists constitutes the common basis for the companies and the WWF. What is important is that the consensus about the objectives of sustainability depend not only on political-moral responsibility, but can also be associated with considerations involving issues of self-interest and competition. This does not mean that companies cannot assume ecological responsibility, but that an economic basis is undoubtedly an important resource when it comes to the stability and success of the self-organized regime.

## **5.2 Civil society self-organization and the (nation) state**

### *Civil society self-organization instead of international regimes?*

The significance of these economic considerations was intensified by the failure of the planned international forest convention. The protection of forests was already a topic of debate at both national and global level in the early 1980s.<sup>38</sup> However, the initial inter-governmental initiatives — for example the establishment of the International Tropical Timber Organization (ITTO)<sup>39</sup> in 1986 — did not achieve the success that was hoped for. In 1989, several NGOs<sup>40</sup> supported by the British government proposed a scheme for the introduction of a label for commercial timber from sustainably managed forests to the ITTO. When the ITTO failed to react to their proposal, the NGOs began to develop a strategy independent of national and inter-governmental organizations.

It was during this period that the initial preparatory work for the foundation of the FSC also took place and the organization was eventually established in 1993. As early as 1990, a meeting between environmental and human rights organizations and representatives of the timber industry was held in California, at which the principles of good forest management and the need for certification combined with independent audits were discussed. This was followed by intensive consultation processes in ten countries for the purpose of gaining support for the concept. This initiative gained further impetus when efforts to adopt an international forest convention with the approval of the G7 states and the UN's Food and Agriculture

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38 A number of problems can be mentioned here: the logging of tropical forests, the loss of old tree stands in the moderate climate zones, the threat to the biodiversity and ecological functions of the forest and the inadequate protection of the rights of indigenous peoples.

39 The ITTO is an international organization which involves countries that produce or use commercial timber. It has 57 members, including the EU, and its headquarters are in Yokohama (Japan); for more information, cf. <<http://www.itto.or.jp>> (16 June 2003).

40 In particular, WWF International, Friends of the Earth and Greenpeace (Kiekens 1999).

Organization (FAO) failed at the UN Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992.<sup>41</sup>

The failure of the attempts to establish an international regime for forest protection gave rise to the opportune structure and upsurge in support for the WWF's co-operative strategy. The FSC filled the gap that arose from the lack of co-operation between the nation states and assumed, at least in part, the functions of the forest convention through the combination of civil society self-regulation and market mechanisms.

*State standard setting and implementation as a prerequisite for self-organization*

Nonetheless, the non-state civil society regimes for standard setting and implementation in the FSC system remain dependent on state regulation in many respects. Firstly, the FSC system is influenced by national legislation. The legal provisions of the nation-state represent a kind of minimum standard that applies for all forest owners. The latter can then voluntarily opt to comply with the more stringent FSC standard, as compliance with this standard is associated with promise of advantages on export markets. Thus, more stringent national forest laws automatically lead to the raising of the national FSC minimum standard. In this respect, the combination of nation-state legislation and civil society FSC regulation can at best result in a “race to the top.”<sup>42</sup>

Furthermore, can be assumed that a complementary relationship exists between state and non-state regulation. FSC certification, which is carried out on a private and voluntary basis, cannot replace all of the functions of the law. The private regime cannot function in the absence of a minimum level of state standard setting and implementation for the protection of the forest (cf. Wolf 2002: 205). Theoretically, the FSC system would manage without state support if it could seamlessly regulate the timber markets. However, this is not the case, and anyway such a scenario would probably be beyond the capacities of civil society actors (cf. Wolf 2002: 194; O'Rourke 2003).

Thus, it is not surprising that the FSC system is more successful in industrial countries and in many transformation countries with extensive experience in the

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41 Cf. WWF (2002: 8); on the failure of the international forest convention, see Humphreys (1996) and Hönerbach (1996).

42 Problems only arise if the national standards in individual countries differ significantly as this can affect the national FSC standards — with the result that the national requirements for the awarding of the FSC logo can diverge strongly.

area of nature conservation and state management of forests than in developing countries where the logging of tropical forests may be illegal, but cannot be prevented by means of either state regulation or international standards. The situation in Indonesia, where the FSC system has hitherto failed to halt illegal logging, demonstrates the limits of civil society self-organization. Thus, one of the FSC's key aims, i.e. the protection of tropical rain forests, has not been achieved. One of the most important prerequisites for the functioning of the FSC system is lacking here: national standards for the protection of forests that are actually implemented by the state in question (cf. Cashore 2002: 510).

### **5.3 The relationships between different forms of self-organization**

#### *Certification in the “shadow of mobilization”*

From the perspective of those involved, the development of a timber trade that is completely independent of the state — at least formally — represents a change in strategy which constituted their reaction to the failure of all initiatives aimed at establishing an international regime (cf. Humphreys 1996: 149). From then on, the participating actors tried to compensate for the lack of co-operation between the nation states through self-organization and network building.<sup>43</sup>

This strategy change was facilitated by a “division of labour” that existed among the different environmental organizations. Some of these organizations adopted a policy focused on protest, mobilization and boycotts. For example, the environmental organization Friends of the Earth organized a boycott against the import of tropical timber in Great Britain as early as 1984 (Elliott 1999: 162). As opposed to this, other environmental organizations (e.g. WWF International) expressed the view at a very early stage that the problems could only be resolved through co-operation with the local population as the logging of forests was often an expression of the difficulties facing the local populations whose existential needs were not being met (Dürrenmatt 1999: 2). Thus, from the perspective of WWF, instead of promoting boycott measures, what they needed to do was to develop new methods for the management of tropical forests with all stakeholders which would meet both ecological requirements and the needs of the local population.

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<sup>43</sup> The case of the Rugmark Label, examined by Wolf (2002), can be assessed in similar terms. International agreements actually exist in this area. However, the conventions of the International Labour Organization (ILO) are not observed, thus the civil society initiatives start where the ILO has failed (Wolf 2002: 209).

Nonetheless, consumer boycotts also played an indisputable role in this process. The threat of boycotts was probably crucial in terms of the development and acceptance of the system by the timber manufacturing and trade sectors. The case of “Home Depot” in the USA shows just how essential such external pressure is. This leading global Do-It-Yourself chain has meanwhile become the largest trader in FSC-certified products in the USA<sup>44</sup>; however it did not do so entirely voluntarily. The actions of the Rainforest Action Networks in organizing boycotts against Home Depot undoubtedly played a role here (Cashore 2002).

### *Competing civil society regimes*

As a regime based on civil society and private self-regulation, and unlike state-supported regimes, the FSC system cannot claim monopoly status. The “Pan European Forest Certification” system (PEFC) was launched in 1998/99 on the initiative of the forestry sector as a direct response to the FSC system (Gillon 2001: 635 ff.; cf. also Kiekens 1999). The PEFC is directly linked to the Helsinki Process<sup>45</sup> and the criteria and indicators for sustainable forest management adopted there. Like the FSC, it is also a reaction to the failed international forest convention. Moreover, the development of alternative certification systems is in no way limited to Europe. The situation in North America has followed a very similar trajectory (Humphreys 1996, 2001).<sup>46</sup>

In May 2003, the total PEFC-certified forest area in Europe was 47.3 million ha; of this 21.9 million ha are located in Finland,<sup>47</sup> 9.3 million ha in Norway, 6.4 million ha in Germany, 3.9 million ha in Austria and 2.3 million ha in Sweden.<sup>48</sup> Previously, significant differences existed between the two certification systems in terms of spatial distribution as, in the past, the PEFC system was limited to Europe. However, far-reaching changes are underway in this regard. The PEFC

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44 Cf. WWF Faktenservice Wald- und Holzzertifizierung Nr. 1, März 2003.

45 In the course of several ministerial conferences (Ministerial Conference on the Protection of Forests in Europe (MCPFE) staged *inter alia* in Helsinki in 1993 and Lisbon in 1998), 37 European countries agreed on a definition of sustainable forest management and a system of criteria and indicators. This system is only implemented on a voluntary basis (Humphreys 2001a).

46 Two other certification systems exist in North America along with the FSC system, i.e. the US Sustainable Forestry Initiative (SFI) system and the Canadian Standards Association (CSA) system; cf. the comparative studies by Cashore (2002: 508 f.).

47 On the criticism of the situation in Finland, e.g. of deforestation in PEFC-certified forests, see <http://www.pefcwatch.org> (23.06.2003).

48 PEFC-certified forest areas also exist in the Czech Republic, France, Spain, Switzerland, Latvia and Great Britain; cf. <[http://www.pefc.de/stand\\_zertifizierung/europa.phtml](http://www.pefc.de/stand_zertifizierung/europa.phtml)> (16 June 2003).

has been engaging in co-operation with the North American systems since 2001,<sup>49</sup> and in November 2002 eight other national certification systems joined the PEFC. Thus, in future, the FSC and PEFC will be competing not only in Europe, but throughout the world.

The PEFC is based on national certification systems and the mutual recognition of these systems. The PEFC criteria are less stringent than those of the FSC. They merely enact, in part, provisions already contained in the national forest legislation and give little priority to social and ecological criteria. The most serious differences between the two systems exist in the area of stakeholder involvement.<sup>50</sup> Thus, the FSC system should enjoy greater legitimacy than the PEFC system. Nevertheless, the PEFC is holding its ground and spreading throughout the world alongside the FSC label. Preferences with regard to the two systems in Europe are quite clearly divided: while the forestry sector prefers the FSC label, small forest owners generally opt for the PEFC system.

The competition between the alternative systems will certainly do nothing to further the impact of the civil society self-regulation of sustainable forest management. Thus, attempts have been made to alleviate the conflicts between the FSC and PEFC systems. To this end, for example, an informal working group was established in Sweden comprising representatives of the forest owners' associations, the association representing the Swedish forestry sector, the Swedish nature conservation organization (SSNC) and the WWF Sweden. The working group published a so-called "bridging document". However, it merely consists of an overview of the additional requirements that the PEFC-certified forest owners need to fulfil to obtain FSC certification and there are no plans to harmonize the two standards.<sup>51</sup>

A similar situation developed in Switzerland. In autumn 1997, the forestry sector and timber industry associations created the Q-Label as an alternative to

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49 FERN, an NGO specialized in the protection of forests, presented a comparative study on the following labels in May 2001: FSC, PEFC, US Sustainable Forestry Initiative (SFI) and the certification system of the Canadian Standards Association (CSA). The report's assessment of PEFC, SFI and CSA is quite negative (FERN 2001). Cf. also the report of the Meridian Institute (Meridian Institute 2001), in which the FSC system is systematically compared with the SFI certification system, and also the comparison of the FSC and PEFC by Sprang (2001).

50 A systematic comparison between the FSC and PEFC systems was recently developed by a joint working group in Germany; cf. <[http://pefc.de/vergleich/synopse\\_kurz.htm](http://pefc.de/vergleich/synopse_kurz.htm)> (16 June 2003); on the NGOs' criticism of the PEFC system, cf., for example, Ozinga (2000).

51 WWF Faktenservice Wald- und Holzzertifizierung Nr. 1, Januar 2002 and Nr. 2, Februar 2002.



FSC certification as they feared that their economic interests were not sufficiently safeguarded by the latter (Stoffel 2000: 3).<sup>52</sup> As a result, two competing approaches to forest and timber certification were established in Switzerland and the harmonization of the two is creating major problems. The Swiss Agency for the Environment Forest and Landscape (SAEFL) made a serious attempt to do this by adopting the role of mediator in the dispute and urging that general requirements be defined for both labels (“national standards for timber certification”).<sup>53</sup>

Although the topics of mutual recognition<sup>54</sup> and the harmonization of the systems now feature regularly on the international agenda, it is not expected that it will be possible to combine FSC and PEFC certification in a uniform system in the foreseeable future. The requirements that would need to be fulfilled for parallel certification are already being discussed in numerous countries. Thus, the more likely outcome is the co-existence of the two labels rather than their convergence. However, parallel certification gives rise to higher transaction costs than a single uniform label. Furthermore, it risks causing confusion among consumers due to the existence of competing timber labels. Even in the industrialized countries of the West consumers are not all that familiar with the two labels – not to speak of the differences between them (cf. O’Rourke 2003: 18, 22).<sup>55</sup> Thus, the competition between the labels risks diluting the market pressure which is the ultimate lever that can be used to make companies comply with the standards of the certification systems.

## **6. Conclusion**

In summary, it may be stated that the case of the Forest Stewardship Council as analyzed above is a form of global governance *without* nation-state involvement that can be viewed as a complete alternative to global governance *through* nation states. Standards for forest management are set and implemented by the FSC. The target groups must comply with these standards if they wish to be awarded the certificate and benefit from the economic advantages that come with certification.

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<sup>52</sup> The Q-Label, the Swiss variant of the PEFC label, is based on the Federal Swiss Law on Forests and the ISO 14.001 and ISO 9.001 standards.

<sup>53</sup> Cf. BUWAL Presseveröffentlichung, 16 February 2000 (press release available in German and French).

<sup>54</sup> On mutual recognition and the comparison of the different timber certification systems, cf. also <<http://www.mutualrecognition.org>> (23 June 2003).

<sup>55</sup> On the status of the familiarity of German consumers with the labels, cf. the study carried out by the Holzabsatzfonds (Heinze Marktforschung 2002).

The FSC shows how a private civil society regime can be implemented, how its implementation can be controlled and how violations can be sanctioned.

The FSC's solution to the problems regarding legitimacy that arise relatively frequently in the context of network organizations is remarkable: it was decided to award the same voting rights to representatives of the three chambers, both at international and national level. Furthermore, the votes of representatives from the northern and southern hemispheres carry the same weight at international level. This means that democratization processes can get under way, especially if national working groups with the same structure are created. Thus, economic globalization can not only lead to the sustainable management of forests, it can even contribute to the (more or less forced) diffusion of participative processes through which civil society is strengthened in the countries concerned.

The rapid spread of the FSC system was enhanced by the dynamic combination of civil society self-organization with market mechanisms. Demand exists for FSC-certified timber and the corresponding timber products, particularly in highly developed countries. This affects transformation and developing countries as they mainly export their timber to these countries. Internal demand for certified timber and products manufactured from it in the transformation in developing countries is not generally a factor that could be expected to generate pressure for sustainable forest management. However, thanks to their export orientation, the FSC standards are nonetheless effective in these countries.

The varying diffusion of the FSC label in the individual countries can be explained at least in part by the prevailing property regimes. Evidently, it is considerably easier to certify large state forests and large forestry enterprises than to convince small forest owners of the advantages of FSC certification. Thus, it is surely no coincidence that Sweden and Poland became the pioneers of the FSC system. In Sweden, it was mainly forests belonging to forestry enterprises that were certified, while in Poland the certified forests were exclusively owned by the state.

The FSC system fills a gap that arose from the political failure at the level of the international regime. However, it has become clear that national forest protection standards are needed for the FSC system to function smoothly. The FSC system cannot replace national legislation and its implementation by an effective administration. While corrupt and authoritarian structures cannot be compensated for or replaced by the FSC, in many industrialized countries the national standards act as minimum standards. Forest owners decided to comply voluntarily with the

more stringent FSC standards as they hoped to gain advantages over their competitors on the markets.

In the course of the establishment of the FSC system, the environmental movement followed a dual strategy that can often be observed in other contexts: on the one hand, some organizations threatened to stage consumer boycotts if necessary, while co-operation was entered into with the companies to establish the FSC, on the other. The fact that the FSC can rely not only on its own internal means of sanction (i.e. withdrawal of certification), but can also resort to boycotts as a potential external instrument of sanction is undoubtedly a key factor behind the success of the FSC. Mobilization and certification can, therefore, be viewed as complementary elements for the stabilization of civil society self-regulation.

The FSC is a system of private and voluntary certification. Thus, it cannot prevent the emergence of alternative competing systems. This is where the limits of global governance through self-organization lie. The FSC system competes with the PEFC system in Europe, and meanwhile in many other countries throughout the world. This competition is proving problematic. It looks as though this will lead to a system of parallel certification which will definitely increase transaction costs and, perhaps, also limit the controlling effect of the labels on sustainable forest management.

Overall, the FSC system can be deemed a success. At the same time, however, its success demonstrates the limits of global governance without the involvement of nation states. Private standards appear to work best if a specific combination of self-organization and market mechanisms comes to fruition, if the non-state systems are embedded in nation-state systems, if resources are available outside the system that can, if necessary, be used to mobilize consumers and if the problems that necessarily arise from the competition of certification systems can be overcome.

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