

The politicisation of market instruments for  
ecological sustainability:  
The case of Voluntary Forest Certification in  
Canada

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## **Abstract**

Voluntary environmental certification and labelling of products is a market-based instrument to promote sustainability. Such ECL schemes are designed to provide consumers with information about a product's impact on the environment. They can also function to promote market access for producers working in environmentally sustainable niche markets (i.e. organics). In the 1990s, certification and labelling was promoted by environmental organisations to foster better forest management practices. At the same time, forest certification became politicised as different interest groups and governments developed different schemes and each vied against each other over the forest management standards to be applied and the processes by which certification and labelling could be granted. This paper examines the Canadian forest certification case, showing how a market-based instrument of sustainability quickly became politicised by federal and state governments acting.

## Introduction

Confronted with increasing evidence of ecological decline in the 1960s and under pressure from a growing environmental movement in the 1970s, governments resorted to tried and tested regulatory measures to address problems of pollution and resource degradation. Their efforts resulted in a slew of legislation in the 1970s mandating the adoption of 'best available technologies' (BATs) to abate pollution, multiple-use resource management to replace sustained-yield approaches and environmental impact assessment (EIA) to ameliorate the impact of large infrastructure projects (Latin 1982). By the early 1980s, a reaction to these 'command and control' measures set in. Environmental economists in particular charged that such measures were economically and ecologically inefficient (Ackerman and Steward 1985). Critics of government regulation advocated market-based instruments (MBIs) as a better alternative to achieve environmental objectives. MBIs worked with, not against, the market it was argued as firms adjusted their production and distribution practices to the new price and reputational signals received.

Throughout the 1980s, environmental economists developed a variety of economic instruments for sustainability. These included green taxation, green accounting and various types of property-rights' instruments such as the creation of markets and environmental covenants (Pearse 1998). One important MBI that became widely promoted was voluntary environmental certification and labelling (VECL). The rationale for VECLs was straightforward. Consumers, presented with a choice between labelled and unlabelled products, could express their environmental preferences by purchasing goods with an 'ecolabel'. Government regulation of production practices at the beginning and end of the market chain would be reduced in consequence. The establishment of VECLs, it was argued, would free governments from specifying BATs (which hindered a firm's flexibility to determine *its own* optimum technological mix to achieve environmental objectives). Governments could relax their resource management regulations also because empowered consumers would differentiate between sustainably and unsustainably produced goods in the market place.

The development of MBIs has proved far more controversial in practice than suggested by this simple theory of consumer choice. Competing interests have established alternative schemes, giving rise to inter-scheme rivalry and attempts to undermine opponents' schemes. Because the stakes were often high, governments found themselves continuously

lobbied by their industry associations to support industry-backed schemes and to denounce schemes sponsored by environmental groups. And environmental groups constantly lobbied industry, governments and the public to beware of bogus schemes that amounted to little more than 'greenwashing' (see Plant and Plant 1991). In short, although VECLs as MBIs were designed to work independently of government, they became 'politicised' as competing interest groups lobbied governments to support their particular scheme.

In this paper, I present a case study of forest certification politics in Canada. I argue that the MBI of forest certification and labelling became politicised in the 1990s when a government/industry coalition formed to challenge the Forest Stewardship Council's forest certification and labelling scheme. The objective of the partnership was to delegitimise the FSC scheme in the eyes of consumers and develop and promote an alternative scheme that protected business profits and government revenues. I conclude that the use of MBIs does not necessarily reduce government regulation, but they do alter its focus and nature. Instead of directly regulating technology choice and resource management practice, governments begin to regulate the conditions under which MBIs become established and validated.

## **Politicisation**

The concept of politicisation is used in different contexts to refer to somewhat different processes. Christensen and Gregory employ the concept to refer to the 'threat to merit-based appointments' posed by the introduction of New Public Management in Denmark and New Zealand 1980s and 1990s. The concept captures the danger that contractually-limited and performance-pay-dependent public servants will no longer give frank and fearless advice to government ministers for trepidation of incurring their displeasure (Christensen and Gregory 2001). The authors consider politicisation to be a bad thing. Alternatively, Hibbs employs the term in an economic context to refer to the inclusion of political considerations within neoclassical models of growth. Standard economic growth models ignore such variables as political autonomy, government corruption and risk of nationalisation. Hibbs argues that the inclusion of political variables improves the predictive accuracy of economic model (Hibbs 2001). Politicisation for Hibbs is a good thing.

A third and different usage of the term occurs in a review essay by Anderson (1993/94). In a discussion of the indigenous peoples' movement, Anderson uses the concept of 'politicisation' positively to refer to the degree to which Aboriginal peoples are forming political movements and becoming 'politicised' to pursue their land claims. For him, also, politicisation has a positive connotation. On the other hand, Hartman uses the term pejoratively in his consideration of the 'politicisation' of terrorism (Hartman 2001). Hartman does not define politicisation, but a reading of the article makes his meaning clear. He counterposes an 'objective' definition of the term 'terrorism' ('intentional violence or the threat of violence perpetrated on a civilian population to inflict fear in the pursuit of a political agenda') with the US's broad and shifting definition that serves the US's geopolitical interests.

One of the more thoughtful articles on the politicisation concept, which builds on Gheballi's early work (1985) in the United Nations context, is by Bartkowski (2001). He defines politicisation as: 'the attempt to force national-oriented point of views and beliefs upon the administration of international organization, upon its procedures, debates as well as its member-states' (Bartkowski 2001: para. 5). According to Bartkowski, politicisation in the UN context consists of three types of practices. First, the appointment of personnel becomes politicised when countries nominate individuals based on political affiliations not merit. Second, politicisation occurs when an organization extends itself to issues beyond its mandate. The ILO's condemnation of Israel for its activities in the Occupied Territories is an example of this (Bartkowski 2001, para. 11). Finally, politicisation occurs when national states pressure the United Nations personnel to produce favourable programs, reports and results. More generally, for Bartkowski, politicisation within international organizations is a bad thing because it 'is like a corruption' that 'undermines the effectiveness of the international organization' and 'weakens legitimacy of actions undertaken by the United Nations' (Bartkowski 2001, para. 1 and 3).

From this overview, it is evident that the concept of politicisation has diverse meanings, connoting analysts' positive or negative attitudes in different contexts. I employ the term in this paper to highlight a gap between theory and practice in the implementation of MBIs. In theory, MBIs reduce the need for government regulation as responsibility for sustainable outcomes passes to consumers. As the number of VECLs proliferates, consumers are confronted with a choice not only between labelled and unlabelled goods but also between goods with different labels (making diverse claims such as that products are 'sustainable', 'green', 'well-managed' or 'environmentally friendly'). Consumers, not governments, become the arbiters of a scheme's reliability and validity, rewarding

companies that produce ecolabelled goods that match their preferences and punishing others that either lack an ecolabel or carry an ecolabel that is construed as not credible.

Theory, however, is not borne out through implementation. In practice, governments intervene extensively in the development and implementation of VECLs. In some countries, governments champion national schemes (such as Indonesia's *Lembaga Ekolabel Indonesia*, Canada's Sustainable Forest Management System and Australia's Australian Forest Standard). Not only do governments actively develop national approaches but also they often work to undermine VECLs sponsored by other groups, especially environmental organisations. The politicisation of VECLs has been most visible in the forest sector with state/industry coalitions tacitly or explicitly endorsing industry-friendly schemes and seeking to undermine schemes sponsored by environmentalists. The case of the Forest Stewardship Council (FSC) in Canada is a dramatic example of such bias. Politicisation occurs, then, when governments intervene on the side of industry to undermine environmentally sponsored certification schemes and promote those endorsed by industry.

The disjuncture between theory and practice in the development of VECLs requires explanation. The argument developed here is straightforward. Economic theory notwithstanding the fact remains that the distributive consequences of different schemes are too significant for governments to ignore. Schemes promoted by industry require marginal changes to conventional practices and are normally quickly adopted and implemented by companies because of the marketing advantages associated with claims to environmental friendliness and sustainability. Schemes promoted by environmental organizations on the other hand often require major changes in company practices, which are resisted by managers who view them as unnecessary, costly and disruptive. In the struggle between schemes, economists anticipate that governments will remain neutral and that 'the best scheme will win'. In fact, while governments often maintain an official policy of neutrality, they side in practice with industry against environmentalists. Like Ireland during the Second World War, which was 'neutral on the side of the allies', governments tend to be 'neutral on the side of industry.'<sup>1</sup>

To support my argument, I examine the case of the development of VECLs in the forest sector in Canada. First, I outline the growth of VECLs in the forest sector in the 1990s, distinguishing between first-, second- and third-party schemes and between process- and performance-based schemes. Then, I present three examples of the politicisation of VECLs in Canada. The first documents the establishment of the FSC by environmentalists in 1993 and the immediate industry response to set up the Canadian Standards Organisation (CSA). The second outlines the Government of Canada's failed attempt to have the CSA

standard declared an international standards by the ISO. And the third describes the findings and recommendations of the Standing Committee on Forest Resources and Government Operations. In the conclusion, I reflect on why certification and labelling has become politicised in the 1990s and how it has altered but not eliminated the need for government regulation.

## **Voluntary certification and labelling schemes**

Voluntary certification and labelling involves four basic steps. First, a set of standards to judge the merit of a product or operation must be developed. Then a label that can be placed on products to signal to consumers that the product meets the standards must be designed. Third, companies wishing to use the label must be audited to determine if they meet the specified standards. Finally, the market must be monitored to prevent fraud and ensure that only qualified companies are using the label. Each of these steps can be accomplished in different ways resulting in substantively different VECLs. A key question, for example, is: who should participate in standards' development? Should a firm develop its' own standards in-house? Should an industry association develop standards on behalf of its members? Or should a consultative process be adopted and standards developed by stakeholder groups at a round table? If so, what interests should be included at the table? Should all stakeholders have a single vote? Or should stakeholders vote in larger blocs representing environmental, economic, social and indigenous peoples' interests?

Alternative processes have profound consequences for a standard's content. If the development process is exclusive, narrow standards will emerge that reflect dominant interests. On the other hand, if a standards' development process is fully inclusive, deadlock may result. Another issue related to the development of standards concerns whether to adopt process or performance standards. In certification systems employing an environmental management system (EMS), the standards relate to the internal management procedures a company puts in place. Examples of process standards include establishing a coherent set of management objectives, developing a plan of action to reach those objectives, training staff to ensure the objectives are achieved, monitoring and evaluating the plan's implementation, and working towards continuous improvement. In contrast, other certification systems develop standards based on products and practices. In these performance-based schemes, certifiers examine production practices directly and

assess the degree to which the company is in compliance with the predetermined performance standards.

Once standards are developed, a decision must be made on whether to develop an ecolabel. Proponents of some schemes design ecolabels that mark the product as 'sustainable' or 'environmentally friendly' or 'not tested on animals'. Three types of ecolabels exist. Type I ecolabels use a logo to indicate that the product meets the stated environmental standard. Type II ecolabels use a generic logo to signal that the product is superior on at least one environmental criterion (i.e. energy saving, recyclable, non-toxic). The claim is not that the product is sustainable, but that it meets some of the criteria for sustainability. Type III logos make no environmental at all. Instead, they provide details on the products composition to enable interested consumers to make appropriate comparisons. However, some firms may decide not to have any label attached to its products. The reason is that many companies do not sell directly to the final consumer, but to intermediaries. Wholesalers and retailers can investigate and determine whether their suppliers are appropriately certified or not and do not require a logo on every product.

A third step in the development of certification and labelling schemes is to determine who should carry out the audit to determine if standards are met. There are three possible options. In first-party schemes, companies audit their own practices. This is generally accepted to be a weak requirement that lacks reliability and validity and leads to unsubstantiated claims. In second-party schemes, an industry association audits a company's practices. While somewhat more rigorous than first-party schemes, second-party certification is also open to abuse. Most schemes today are third-party schemes involving certifying firms that operate at arms' length from the industry. This provides consumers with greater assurance that the claims made by the company are, in fact, valid. However, as recent events in the corporate world involving Enron, HIH and WorldCom demonstrate, even third-party audits have their problems. Hence a fourth requirement of well-structured certification schemes is that auditors be accredited, carefully monitored and auditing standards rigorously adhered to.

## **Politicisation I: Forest Certification in Canada**

Forestry is a vital component of Canada's economy. A recent statistical analysis by the Confederation of Forest Industries (COFI 2000) noted that Canada's forests constitute 10 per cent of the total world forested land base, with pulp and paper and wood products

constituting almost C\$63 billion (13 per cent) of Canada's total gross domestic product. Moreover, because so much of Canada's wood products are exported, the industry makes a very important contribution to the country's balance of payments and foreign exchange earnings. In 1999, for example, exports minus imports of forest products was just over C\$32 billion, the major markets being the United States, Japan and the European Union. The forest industry is a major employer, moreover, with COFI estimating that over one million Canadians are directly or indirectly dependent on the forest industry for their jobs (COFI 2000). Provincial governments can be heavily dependent on the forest industry for tax revenues. For example, the Province of British Columbia earns between 10 and 20 per cent of its total annual revenue from forest taxation depending on how such taxes are calculated.

Given its heavy dependence on the forest industry and forest exports, Canada is quite vulnerable to pressure from its trading partners, especially in the United States (Gale and Burda 1998). Such pressure is applied directly by foreign governments and indirectly by downstream companies responding to consumers changing tastes. Because forest certification aims to alter the purchasing pattern of consumers, retailers and wholesalers in favour of certified forest products, Canada's governments and industry have taken a significant, albeit reluctant, interest in its development.

Forest certification as a concept first appeared as a request for a feasibility study presented by the Government of Great Britain at the 7<sup>th</sup> meeting of the International Tropical Timber Organisation in November 1989 (Gale 1998a: 158). At that time, industry professionals viewed forest certification and labelling as impractical and uneconomic. Canada (unlike the UK) did not support the ITTO initiative, with Federal and provincial governments and the domestic forest industry largely hostile to the concept. The situation changed quickly in 1993, however, when a group of environmental activists linked to timber retailers in Europe (especially the UK) established the Forest Stewardship Council to certify and label forest products from 'well-managed' forests.

## **Forest Stewardship Council**

The FSC is a voluntary international body dedicated to promoting third party, performance-based forest certification and labelling. Given the lack of support it received from Canadian governments, it is ironic that FSC's Founding Assembly was held in Toronto, Ontario in October 1993. The Founding Assembly was the culmination of three years' negotiations between environmentalists, indigenous peoples' activists, certifying

agents and progressive timber producers and retailers to establish nine (later ten) principles and associated criteria of good forest management (Dudley et al 1995: 143–154). The FSC received financial support largely from the World Wide Fund for Nature (WWF), although a number of other foundations have contributed to its finances over the past decade.

At its founding meeting, the FSC established a unique, two-chamber model of governance. The social, environmental and indigenous peoples' chamber held 75% of the total votes while the economic chamber held the remaining 25%. Later, the social, environmental and indigenous peoples' chamber was split in two and a separate, third chamber formed for environmental interests. Today at Annual Conference meetings delegates participate as members of one of the three chambers with decisions requiring 67 per cent of the vote. This arrangement ensures that economic decisions are embedded in and responsive to social and environmental interests, an arrangement in marked contrast to decision-making structures in other international and national organizations.

FSC-International oversees the development of national and regional standards, ensuring they conform to the requirements of its 10 principles and 56 associated criteria. FSC-International's headquarters are based in Oaxaca, Mexico but it has established several regional and national offices around the world including one in Canada. The initiative to establish FSC-Canada was taken at an inaugural meeting in January 1996 and later that year an Executive Director was appointed. FSC-Canada is mandated to coordinate the development of regionally specific standards within Canada, processes completed in 1999 in the Maritime Region (Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador) and in the British Columbia in 2002.<sup>2</sup> Standards development processes are underway or about to commence in other regions of Canada including the Great Lakes–St. Lawrence Region, Quebec, Ontario and the Yukon.

Ideally, the FSC National Office manages the development of regional standards within a country to ensure conformity to FSC-International's standards' development guidelines. In practice, however, regional standards' development has taken place simultaneously with the establishment of a national office. In Canada, this occurred in the Maritimes and BC. For example, in British Columbia, an alternative certification body, the Pacific Certification Council, was formed as early as 1993 to 'promote ecologically-responsible forest management and forest product certification for the Pacific Northwest bioregion' (Smith 1995: 105). While members of the PCC were affiliated to the newly established Forest Stewardship Council, as an autonomous entity they adopted their own forest management standards (a modified version of the Institute for Sustainable Forestry's Ten Elements of Sustainability). Although work on the development of FSC-BC Regional

Standards began as early as 1996 with the formation of an 'informal BC Working Group of individuals, organizations and companies interested in FSC certification' (FSC-BC Regional Initiative Steering Committee 2002: 7), progress was slow as several regional organizations worked through their relationships to the FSC, the PCC, and to regional clients.

The development of regional FSC standards in Canada has been highly charged and contested by industry. In the Maritimes, the dominant forest company J.D. Irving accused the Maritime Regional Standards Committee (MRSC) of a breach of consultative process requirements and a failure to implement a 'fair decision-making process'. This accusation led to a bitter fight between Irving and FSC resulting in the company lodging a formal complaint with FSC-International over its treatment by the MRSC. Irving's complaint resulted in full-scale Commission of Enquiry established by FSC-International in February 2000 to review and make recommendations on the MRSC regional standards procedures and outcome. Although the Enquiry, which submitted its Report in May 2000, largely exonerated MRSC from blame, the Committee has found it impossible to recruit forest industry members subsequently. In British Columbia, FSC-BC produced three drafts of the FSC-BC Regional Forestry Standards for circulation, discussion and input from interested parties. Following the completion of the Second Draft, and Final Draft was prepared and submitted to FSC-Canada for approval in May 2002. Despite having been part of the process since its inception in 1998, the industry members of FSC-BC Regional Initiative Steering Committee refused to sign-off and endorse the final Draft 3 standards, which were recently sent to FSC-Canada for approval.

## **Canadian Standards Association**

As already noted, the industry and government attitude to forest certification in Canada was that it was infeasible, expensive and unnecessary. However, the launching of the FSC in 1993 spawned a flurry of industry/government initiatives around the world to deal with the FSC 'threat'. That FSC was a threat rather than an opportunity for the Canadian forest industry is evident from the following comments in a recent PriceWaterHouseCoopers Report.

An international coalition of ENGO's formed the Forest Stewardship Council (FSC) in 1993, creating the FSC certification scheme in 1995. It is the belief of the industry that, left to its own accord (i.e. no strategic response from government or industry), the influence of the FSC could grow to develop into a monopoly position in the market place, exerting strong

influence on forest policy and the development and use of forest products (PriceWaterhouseCoopers 1999).

The industry was in a flap because it feared the FSC would corner the market of forest certification and impose an overly environmental definition of sustainable forest management on forest companies. Large forest corporations in Canada moved quickly in 1993 under the auspices of the Canadian Pulp and Paper Association (now the Forest Products Association of Canada). In collaboration with the Canadian government through the Standards Council of Canada (SCC), they established an alternative process for the development of certification and standards through the Canadian Standards Association (CSA).

Canada, like most other countries, has an official body that monitors national standards and accredits organizations to develop and audit standards. In Canada, this work is carried out by the Standards Council of Canada, a Crown Corporation (statutory body), funded by the Federal Government and headquartered in Ottawa. The SCC not only oversees standards' development in Canada, but also mediates between Canada and the International Organization for Standardisation (ISO) in Geneva, Switzerland. Hence, the SCC is a gatekeeper for the internationalisation of Canadian standards to the rest of the world and for the domestication of international standards within Canada.

One of the largest standards' development agencies accredited to the SCC is the Canadian Standards Association, a not-for-profit, industry-dominated organization that develops standards in a large number of sectors. CSA develops standards normally under contract with industry or government. It also participates in international standards' development by representing the SCC (and hence Canada) on two Technical Committees: ISO/TC 176 on Quality Management and ISO/TC 207 on Environmental Management. In October 1993, at the same time as FSC-International was holding its inaugural meeting the CPPA offered the CSA an one million dollar contract to develop sustainable forest management standards for the industry (and for Canada, since the standards were to be endorsed by the SCC). CSA agreed and, following the establishment of an enlarged industry group (the Canadian Sustainable Forestry Certification Coalition (CSFCC)), CSA struck a Technical Committee, which held its first meeting in July 1994.

The aim of the industry was to compete with the FSC by establishing a 'made in Canada' forest certification scheme that had the support of Canada's major forest corporations. There was a risk attached to this strategy, since there was a possibility that the CSA might adopt a performance-based approach to certification that could prove every bit as troublesome as the FSC approach. However, as Elliott documents, this risk was more

apparent than real, because the CSA appears to have been under instructions to adopt an environmental management standard, process approach.

At their first meeting, the TC members thus found themselves working with a pre-established framework with two main components: a systems standard which would be compatible with the ISO 14001 standard on Environmental Management Systems, and the intention to submit the Canadian standard to the International Organisation for Standardization (ISO) as the basis for developing an international standard on forest management. The decision to use a systems rather than a performance approach to forest certification was never questioned or even discussed in the TC, although the inclusion of performance components was occasionally suggested (Elliott 1999: 303).

The CSA held nine meetings of its Technical Committee, producing a draft of its 'Sustainable Forest Management System in late 1995 for public 'consultation'. The consultation process, which included the hosting of public meetings in Toronto, Montreal, and Vancouver was wracked with controversy, with environmental protests outside and considerable acrimony on the structure of the draft and the operation of the scheme on the inside.<sup>3</sup> The scheme was opposed by environmentalists because (a) it had been established in opposition to the FSC scheme; (b) it embraced process not performance standards; and (c) its development was biased in favour of industry and against environmental and indigenous peoples. On the latter point, the CSA constantly maintained that its SFMS was developed with widespread consultation including environmental and indigenous peoples representatives. Yet, as Elliott notes

NGO participation in the TC was more apparent than real for several reasons. First, although the chief executives of two of the major Canadian NGOs working on national forest policy issues (Monte Hummel of WWF Canada and Elizabeth May of Sierra Club of Canada) were listed as members of the technical committee (CSA 1994, Appendix 2), neither had agreed to this. In the end neither participated in any meetings of the TC, partly because they both felt that their names had been mis-used to give credibility to the TC and partly because they were not convinced of the usefulness of the exercise (Elliott 1999: 305).

## Canada's Certified Forests

By 1996, there were two major certification schemes in operation in Canada. One developed under the auspices of environmentalists and another under the direction of industry. Today, a Canadian forest manager can choose between four certification schemes. These are FSC, CSA, ISO and SFI. The ISO Scheme is not specific to the forest sector, but forest companies can apply for certification under the provisions of its ISO

14001 environmental management system certification. The ISO scheme is similar to the CSA scheme, requiring companies to implement an environmental management system. The SFI (Sustainable Forestry Initiative) scheme is an offshoot of the US forest industry, operating under the auspices of the American Forestry and Paper Association (AF&PA). Until recently it was largely a second-party scheme with conformity to standards assessed by the SFI unit of AF&PA. Recently, however, AF&PA have permitted forest managers to obtain third-party certification of their compliance with the SFI standard in order to generate greater credibility (SFI 2001).

Table 1 presents the relative take up of the four schemes in Canada as of June 2002.

**Table 1: Canadian Forest Management Certification Status Report: Canada**

<b>Name of Certification Scheme</b>	<b>Area Certified (Hectares)</b>	<b>Annual Allowable Cut (cubic meters)</b>
ISO 14001 EMS Standard	107,785,000 ha	99,275,000 m <sup>3</sup>
CSA SFM Standard	8,820,000 ha	17,790,000 m <sup>3</sup>
AF&PA SFI Standard	8,350,000 ha	12,240,000 m <sup>3</sup>
FSC Standard	973,856 ha	N/a
<b>Total</b>	<b>109,532,987 ha **</b>	<b>99,855,000 m<sup>3</sup>**</b>

\*\* Some operations are certified under more than one scheme.

Source: *Data extracted from Abusow 2002*

The table highlights the huge difference in the relative take up by industry of different schemes. The ISO 14001 standard is by far the most widely adopted, while the FSC standard is largely ignored. The CSA and AF&PA schemes are roughly level, but are considerably less utilised than the ISO scheme. If forest certification were a popularity contest, then the ISO scheme would be the clear winner. The crucial test of forest certification schemes, however, is their credibility with wholesalers, retailers and final consumers. Currently, the credibility of the schemes is inversely related to their level of take up (Gale 2002), a factor of great concern to the industry.

This brief summary of the history of forest certification in Canada reveals how politicised the development of schemes was from their inception. Recognising that an environmentally endorsed VECL in the forest sector was being planned through FSC, an industry/government partnership formed in 1993 to pilot an alternative scheme through the Standards Council of Canada. At this point, two schemes developed, endorsed by two very different coalitions. There is little in the literature on MBIs that leads one to expect such a close linkage between VECLs and economic and political interests. The reason for this is that the development of standards in other sectors (electricity standards, appliance standards, automotive standards) has largely remained the purview of relevant industries and hence outside of the scrutiny of consumers and interested stakeholders. An exception to this occurred in the organic food industry in the 1990s, when governments in North America and Europe began to take an interest in regulating the use of the 'organic' food label through their respective standards' agencies. In the US, for example, considerable controversy was sparked when the United States Department of Agriculture produced a set of organic food standards that were deemed by the organic good industry to be too weak (Food Bytes 1998).

## **Politicisation II: Internationalising the CSA Standard**

The second example of politicisation of forest standards in Canada more explicitly concerns the actions of government. After all, although the Canadian Government was involved in the approval of CSA's Sustainable Forest Management standard through the SCC, industry took the lead in developing the standard through a not-for-profit organization, the CSA. It could be argued that Canadian Government's involvement was consistent with a policy of neutrality and did not constitute a deliberate effort to politicise certification and undermine the FSC scheme. Such a view would be consistent with the Canadian Government's official position on forest certification, outlined in its recent policy statement.

This current multiplicity of certification systems in the global marketplace is a reflection of the early stages of certification as a market-based tool to promote sustainable forest management. While in the future some certification systems may prove to be more efficient than others from either the global or local perspective, *there is no current reason to believe that one approach is best* (NRCan 2002, my emphasis).

The Government of Canada did not limit itself initially to such an even-handed approach to certification. In league with industry, it determined at the outset of the CSA standards

development process to promote the resulting Canadian standard internationally through the ISO. Substantial benefits flow to the firm, industry and country that is able to have its national standards 'internationalised' through the ISO. The competitiveness of Canada's forest industry would be enhanced since it would be in a position to move faster than firms in other countries to implement the national standard. Obtaining a one- or two-year advantage in terms of the sale of forest products certified to a new ISO standard would make a huge difference to Canada's profitability and enable it to obtain a significant share of the emerging certified forest products' market. Moreover, an *international* forest standard under the auspices of the ISO could possibly have enabled governments to challenge the emerging FSC scheme as under the World Trade Organisation's rules on Technical Barriers to Trade (TBT). Those rules provide that states employ international standards developed through the ISO in preference to national standards where they exist. An international forest standard would have locked all states into agreeing to the standards for sustainable forest management set out in the CSA document (Gale 1998b).

The Canadian proposal mobilised environmental groups around the world to lobby against it directly at ISO and nationally with their national governments. In 1995, the CSA requested the ISO Environmental Management Committee (TC 207) to begin work on the development of a 'Guide to the Application of ISO 14001 in the Forest Sector for Sustainable Forest Management'. As Elliott notes, the expectation was that the ISO Guide would be based on the CSA system, an expectation all the more reasonable given that 'a CSA representative occupied the post of secretary of TC 207, while TC 207 was chaired by a representative from the Standards Council of Canada' (Elliott 1999: 310). While the procedure adopted by Canada was 'normal' in that ISO standards were often developed based on national standards, it was unusual because the ISO 14001 series had been prepared as a generic EMS standard for companies in all sectors and the organization had not sought to adapt its 9000 quality management series or 14001 environmental management series to specific industrial sectors.

In any event, the CSA proposal rapidly became controversial with lobbying against it arising from a peculiar coalition of environmentalists (notably the WWF-International) and states (notably the United States). Environmentalists argued that the process was discriminatory since it implied that the ISO recognised only process standards (such as those embedded in the CSA scheme), ignoring performance standards (such as those adopted by the FSC). The US, on the other hand, apparently did not wish to see sector specific schemes develop in the ISO; after forestry, what next, it asked? The combined opposition had the desired effect, as Elliott observers:

In view of this opposition, the Canadian proposal was withdrawn at the TC207 annual meeting in Oslo in July 1995. Eventually, a working group was set up by TC207 to produce a report on the ways in which ISO 14001 could be used by forestry organizations (Elliott 1999: 311).

The CSA/ISO case represents an example of collusion between the Canadian Government and its industry partners to promote one forest certification (CSA) over another (FSC) despite a declared policy of neutrality. Had the Canadian strategy succeeded, then an international forestry standard based on process standards would have been developed at the ISO that would have seriously undermined the FSC's performance-based approach. The case also demonstrates how closely associated the SCC, the CSA and the CPPA were. Elliott sites an incident at the Oslo ISO meeting when Gerard Lapointe of the CPPA was quoted as saying that CSA would publish the CSA standard independently in the absence of ISO support. As Elliott notes:

This statement is surprising in two ways. First, the standard was still in draft form at that time and the pilot tests and public consultations would not be completed in time to allow publication of the standard in 1995. Second, neither the CPPA nor the Sustainable Forestry Certification Coalition were members of the CSA TC. However, Lapointe as a CPPA representative was apparently speaking on behalf of the CSA. This casts some doubt on how independent from the industry the TC, and CSA, actually were (Elliott 1999: 311).

## **Politicisation III: Canada's Standing Committee on Natural Resources and Government Operations**

The final example of the politicisation of forest certification in Canada comes from an inquiry into forest management practices conducted by the House of Parliament Standing Committee on Natural Resources and Government Operations. The Inquiry commenced in November 1998 following representations from the Industrial, Wood and Allied Workers of Canada (I.W.A.-Canada), Western Forest Products Ltd., and International Forest Products Ltd., about the Greenpeace-led boycott of Canadian (mainly British Columbian) forest products in Europe, the United States and Japan. Inquiry members made a short trip to investigate forestry in BC and noted 'the gravity of the situation, as well as the effort Canada is making to implement sustainable forest development' (Report of the Standing Committee 2000: Introduction, Para 3).

The interesting point to note about the Standing Committee's comment is that it presumes to be true what is at the centre of the debate. The Standing Committee assumes at the outset of their investigation that Canada is making substantial efforts to sustainable forest management. It observes 'how rapidly the forest management situation is changing and how diligently the provincial authorities have acted to implement sustainable forest management policies...' (Report of the Standing Committee 2000: Section C, Para 2). In relation to British Columbia in particular it notes, citing the industry lobby group the Council of Forest Industries, that 'significant progress has been made at all levels, from planning land use and integrating forestry operations with the landscape, to renaturalizing logging roads after forestry operations have been completed' (Report of the Standing Committee 2000: Section C, Para 3). On the basis that there is nothing inherently wrong with forest practices across Canada, the Standing Committee launches its inquiry on forest certification to determine to what extent it 'may be a partial solution' to the problem of market access generated by environmental boycotts.

The Standing Committee's Report is divided into three chapters: the current situation, types of certification schemes, and the role of the Federal Government. Of particular interest is the tone of the report in dealing with industry and environmentalists. Industry, we are told, is responsive, consultative, scientific and honest. Environmentalists, on the other hand, are regressive, secretive, emotional and misleading. Without investigation, Standing Committee members take the side of the major New Brunswick forest corporation J.D. Irving when they note:

For example, the Committee heard from witnesses that the development of the Maritime Regional Standards for the FSC has been roundly criticized by both industrial and environmental organization as being secretive and biased. Forest certification, particularly in Canada, where the public largely owns the forest, has the potential to profoundly impact public policy and so it is imperative that the process be publicly open and accountable (Report of the Standing Committee 2000: Chapter 2, Sect. 3, Para 2).

This is the same incident that was the subject of the FSC inquiry detailed earlier, which largely endorsed the openness and fairness of the FSC-Maritimes process. On the other hand, the Standing Committee views the CSA in an altogether different light.

The CSA standard has been called 'perhaps the most sophisticated and comprehensive alternative to the FSC certification model'. While the CSA certification standard was sponsored by industrial organizations it was developed by a wide range of stakeholders. It is based on the management principles of ISO 14001 but goes beyond them to include specific performance goals...One of the CSA system's great strengths, as acknowledged by ENGO's, is the openness of its process' (Report of the Standing Committee 2000: Chap. 2, Section B, Sub-Section 3, Para 1).

It would be nice to know which ENGOs endorse this view of the CSA, since almost none of them participated in its process and its public hearings were accompanied by environmental protests against its draft standards.

Having prejudged the question of sustainable forest management and demonstrated considerable bias in favour of industry and against environmental non-governmental organizations, members of the Standing Committee argue for an important role for the Federal Government of Canada in the future evolution of forest certification. One of the Standing Committee's central recommendations is:

...that the federal government, in cooperation with the provinces and territories, take all necessary proactive measures to ensure that no certification system, or similar process, has the effect of superseding or usurping the policy-making and/or regulatory functions of any level of government in matters relating to forest management or international trade (Report of the Standing Committee 2000, Recommendations).

Ignoring for a moment exactly how the Federal and provincial governments might achieve this recommendation, let us concentrate on its import. In effect, the recommendation is a denial of the very rationale for forest certification systems, or for that matter, any certification systems. The idea behind VECLs is to empower consumers to make distinctions in the market place between sustainably and unsustainably produced products, thereby reducing the regulatory burden on industry. Governments need no longer specify best available technologies or 'sustainable' forest practices because consumers will reward those companies that are appropriately certified and non-certified (and presumably companies producing environmentally unsustainable products) will go to the wall.

Even more curious is that this pro-regulatory recommendation emerged from a Standing Committee of the Canadian House of Parliament that was dominated by liberal and conservative Members of Parliament, who would be expected to be ideologically committed to small government and deregulation.<sup>4</sup> Instead, the Report's recommendations call on the Federal Government of Canada to involve itself much more substantively in the monitoring and harmonisation of forest certification schemes and in the promotion of an international forest standard. Having demonstrated to its own satisfaction that the FSC Scheme is closed, non-transparent and inequitable, it then recommends that the Federal Government in cooperation with the provinces and territories monitor schemes to ensure they are open, transparent and equitable. Moreover, the Committee promotes a process for the international harmonisation of standards that recalls the failed Canadian attempt to promote the CSA through the ISO. Only this time,

the forum would not be the ISO, but possibly in the negotiations to establish a Global Forestry Convention.

The Committee recommends that the time is right to encourage formal talks leading toward mutual recognition of forest certification systems. As Canada is a leader in sustainable forestry the Committee recommends that the federal government, in cooperation with the provinces and territories, encourage a process with all interested countries and other parties with the goal of developing an international mutual recognition framework for certification systems. Such discussions could be held as part of, or in parallel to, the current talks around the development of an international forestry convention (Report of the Standing Committee 2000, Recommendations).

## Conclusion

This paper analysed the process of politicisation of one popular MBI, that of voluntary certification and labelling in the forest sector. Using the case study of Canada, I have sought to demonstrate the gap that exists between economic theory and political economic practice in the use of a VECL in a specific sector and country. Economic theory understands MBIs to deliver environmental sustainability efficiently through the market, with consumers making informed choices based on the certification and labelling information available. The need for extensive government regulation of technology choice and resource management practices gives way to a deregulated environment in which VECLs compete with one another for consumer allegiance.

In practice, however, every aspect of VECLs is controversial and becomes politicised. At each of the four stages of VECL development actors representing interests contest the process and the outcome. In the case of Canada's forest certification standards, firms and governments argued that they were excluded from the standards' development process, that the resultant standards were unscientific and unnecessarily tough, and that the FSC scheme was being inequitably implemented around the world. Environmentalists argued in response that the industry-sponsored CSA scheme was unrepresentative, lacked clear performance standards, and legitimated existing forest management practices that were already contributing to biodiversity loss and ecosystem destruction.

While governments desire to appear formally 'neutral' with respect to forest certification schemes, such neutrality is practically difficult to sustain. In the Canadian case, the Federal Government worked closely with its industry partners to develop a counter-FSC

strategy. This had several dimensions. The first was to adopt a formal position of neutrality, since to do otherwise would be to call into question the entire rationale for MBIs and VECLs. The second was to offer behind-the-scenes support to the industry in creating an alternative to the FSC scheme. Industry and government officials collaborated closely in the CSA, SCC and ISO in the hopes of internationalising the Canadian standard and neutralising the FSC threat. When this strategy failed, the government was urged by its members of parliament to consider an alternative venue for the harmonisation of certification standards and to ensure that standards' development did not take place at the expense of government's right to regulate forest practices.

Standards development has been taking place for many years. The ISO was formed in 1947 to harmonise national standards to promote the free trade in products. The Standards Council of Canada was instituted in 1970 by an Act of Parliament and has been coordinating national standards development for the past 30 years with relatively little controversy. What changes have occurred in the past decade that now makes certification and labelling so controversial? The answer appears to lie in two interrelated issues. First, and notwithstanding the participation of consumers' groups, standards' development has largely been the prerogative of industry. The 'normal' pathway towards standards development has involved a dominant company establishing a new product and then obtaining certification of elements of that product as the national and, ultimately, the international standard. While consumers' may have been involved, the issues have largely been technical and dominated by industry groups.

The situation is very different in the way in which forest certification standards developed. Here, industry was unwilling to develop standards for forest management arguing that current practices were sustainable. Moving in to unoccupied policy space, environmentalists developed standards in the face of staunch industry opposition. While the procedures adopted by FSC did not ignore the forest industry (its Founding Assembly included small-scale producers, wholesalers and retailers), the larger, producing companies did not participate. Having opted out, however, they became very worried about the strategic vacuum created by the existence of a single set of environmentally rigorous standards in the market place.

The second, interrelated issue that contributed to the politicisation of certification is that changing rationale for standards development. In the past, standards were developed to promote consumer welfare and company profits. National standards related to toasters, boilers, food, and so forth provided consumers with guarantees that they would not be electrocuted, burned, or poisoned. And companies that met those standards were rewarded in the market place by being able to sell their products. The international

adoption and harmonisation of standards meant that products produced in one country would be compatible with products produced in other countries, at least in their technical dimensions. People who travel know what an advantage this can be, since even today television sets do not work from one country to another and electrical outlets can differ widely.

The market access motive that drives industry to develop national and international standards was challenged in the 1990s by an environmental and social motive. In the past, standards development could be narrowly 'technical' with companies concerned about the size, weight, capacity, strength and safety of a product. More recently, companies are being asked to include environmental and social objectives in their certification schemes. These are not embedded in the product but constitute part of its 'process and production methods' or PPMs. Industry is resisting this expansion of the scope of certification and labelling; and in the case of the forest sector in Canada, it was able to enlist the support of the Canadian government in doing so. It is this two-way interrelated conflict that is generating such heat for VECLs. The result is their politicisation, with environmentalists developing schemes of an expanded scope and industry, supported by governments, seeking to maintain the status quo ante. As recognition grows, however, that industry has a responsibility to society beyond the bottom line—that it must also meet a social charter—the struggle over standards and their enforcement can be expected to spread beyond the forest sector to embrace other products. Indeed, this has already occurred in relation to agriculture and organic food, while coffee, tea and clothing are also becoming politicised.

Rather than treat the process of politicisation as a deviation from 'right' practice, however, environmental and social activists need to embrace it as an inevitable consequence of the structure of the current political economic arrangements. As Lindblom has shown, there is a structural relationship between government and business that militates against government impartiality when it comes to economic matters and the environmental and social costs of action (Lindblom 1977). Governments, at the end of the day, tend to serve the narrow, parochial interests of their national industry and to see in VECLs not the possibility of improving resource management practices or relations with indigenous peoples, but the potential of improved export market access and increased market share. They may also be concerned about the impact of environmental and social schemes on their tax base. Hence, environmental and social activists must anticipate and lobby governments to mute their responsiveness to industry. In doing so, they may find the concept of 'politicisation' useful as a lobbying tool.

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## Endnotes

<sup>1</sup> The phrase is attributed to Sean Lemass, an Irish politician and Prime Minister, speaking in the Irish Parliament (Dáil) in the 1950s about Ireland's non-participation with the Allies during the Second World War.

<sup>2</sup> Final ratification of both standards is still pending, however, as of July 2002. The FSC-BC Regional Standards were submitted to FSC-Canada in May 2002 and are under review. The FSC-Maritime Standards were the subject of a lengthy FSC-International Inquiry into the standards' development process in the region following representations of unfairness and inequity by some of the participating industry members. The inquiry required five conditions to be met before the standards could be endorsed. These related to the inclusion of references to FSC-International Principles and Criteria, greater precision in some cases in the identification of indicators and verifiers, and demonstrated agreement by most stakeholders with the standards' higher performance requirements concerning exotics, biocides and conversion forests (FSC-Maritimes 2002).

<sup>3</sup> The author participated in the public consultation meeting in Vancouver in 1995.

<sup>4</sup> The then Standing Committee on Natural Resources and Government Operations had 16 members. It was chaired by Joseph Volpe, Liberal MP for Eglinton-Lawrence (Ontario), who with the additional eight Liberals, three representatives of the Canadian Alliance, and one member of the Progressive Conservative Party would normally be in favour of government deregulation. The remaining members were from the Bloc Québécois (two MPs) and the New Democratic Party (one MP).