CO-REGULATING CORPORATE SOCIAL RESPONSIBILITY: GOVERNMENT RESPONSE TO FOREST CERTIFICATION IN CANADA, THE UNITED STATES AND SWEDEN

by

Jane Evelyn Lister

B.A., Trinity College, University of Toronto, 1987
M.B.A., University of British Columbia, 1995

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

in

The Faculty of Graduate Studies

( Resource Management and Environmental Studies)

THE UNIVERSITY OF BRITISH COLUMBIA (Vancouver)

April 2009

© Jane Evelyn Lister, 2009
ABSTRACT

The emergence of private environmental governance has been interpreted in the policy and global governance literature as a “retreat of the state” or “governance without government”. However, the most established example of a corporate social responsibility (CSR) standard, forest certification, reveals governments endorsing, enabling and even mandating certification. Forest certification demonstrates that the state is not in retreat, but has simply shifted its role towards co-regulation. Despite the increasing evidence, scholars have largely ignored the significance of this transformation.

This dissertation addresses this critical knowledge gap by developing the governance concept of CSR co-regulation, which serves to explain how governments are harnessing private rule-making authority alongside state regulation. Through a comparative case study drawing on more than 120 interviews, the research evaluates how and why governments within the world’s leading certified nations (Canada, the United States and Sweden) have responded to forest certification, and the implications for forest governance.

The results show that these governments are increasingly engaging in certification through a range of co-regulatory approaches that complement, rather than substitute for forest laws. While the rationale for co-regulation are similar across the case study jurisdictions, government co-regulatory responses have differed as influenced by socio-political, economic and environmental factors within the local context. The cases also highlight how certification co-regulation benefits forest administration, decision-making processes, and policy outcomes and suggest that governments are engaging in certification for other than market-driven reasons.

The evidence challenges the theory of “non-state market-driven” governance, demonstrating that certification is more accurately classified as a co-regulatory forest governance mechanism. Three new analytical tools are presented to evaluate the co-regulatory arrangements, and establish a framework to facilitate future research in this area. As well, the findings offer practical guidance to policy makers seeking new adaptive governance approaches to address complex sustainability challenges.
# TABLE OF CONTENTS

ABSTRACT .................................................................................................................. ii
TABLE OF CONTENTS .............................................................................................. iii
LIST OF TABLES ........................................................................................................ vii
LIST OF FIGURES ....................................................................................................... viii
ACRONYMS ................................................................................................................ ix
ACKNOWLEDGEMENTS ............................................................................................. xii
DEDICATION ............................................................................................................... xv

1.0 INTRODUCTION ................................................................................................. 1

1.1 FOREST CERTIFICATION & CSR CO-REGULATION .......................................... 3
1.2 RESEARCH APPROACH & METHODOLOGY ...................................................... 6
  1.2.1 Research Design & Objectives ..................................................................... 6
  1.2.2 Case Study Rationale ................................................................................... 6
  1.2.3 Case Selection .............................................................................................. 7
  1.2.4 Data Collection & Analysis ......................................................................... 10
1.3 RESEARCH PARAMETERS ................................................................................... 12
1.4 STRUCTURE OF THE DISSERTATION ............................................................... 17

2.0 CO-REGULATING CORPORATE SOCIAL RESPONSIBILITY ............................. 18

2.1 INTRODUCTION ................................................................................................. 18
2.2 CSR & THE EMERGENCE OF PRIVATE AUTHORITY ......................................... 20
  2.2.1 CSR Definition ............................................................................................ 21
  2.2.2 CSR Development ....................................................................................... 22
  2.2.3 The Institutionalization of CSR Initiative ..................................................... 25
2.3 CLASSIFYING PRIVATE ENVIRONMENTAL GOVERNANCE ........................... 27
  2.3.1 From Government to Governance ................................................................ 27
  2.3.2 Environmental Governance Typology ........................................................ 28
2.4 CO-REGULATORY GOVERNANCE SYSTEMS .................................................. 32
  2.4.1 Prescriptive versus Voluntary Policy Tools .................................................. 33
  2.4.2 Classifying Self-regulatory Policy Instruments .......................................... 36
  2.4.3 Co-regulatory Policy Mix ............................................................................ 40
2.5 EVALUATING PRIVATE ENVIRONMENTAL GOVERNANCE .......................... 45
2.6 PUBLIC SECTOR ROLE IN CO-REGULATING CSR ......................................... 50
  2.6.1 CSR Co-regulation Rationale ..................................................................... 51
  2.6.2 Government Role in CSR .......................................................................... 52
2.7 SUMMARY ........................................................................................................... 56

3.0 GOVERNMENT ROLE IN FOREST CERTIFICATION ......................................... 57

3.1 INTRODUCTION ................................................................................................. 57
3.2 THE EMERGENCE OF FOREST CERTIFICATION ............................................. 59
  3.2.1 The War in the Woods & Tropical Deforestation ......................................... 59
  3.2.2 The Failure to Establish a Global Forest Convention .................................... 62
  3.2.3 Competing Forest Certification Programs ................................................. 65
  3.2.4 Certification Effectiveness .......................................................................... 69
  3.2.5 Certification Drivers ................................................................................... 71
  3.2.6 Credibility & Mutual Recognition ............................................................... 75
3.3 CLASSIFYING FOREST CERTIFICATION GOVERNANCE .............................. 79
  3.3.1 Non-state Market-driven Governance ....................................................... 81
5.3 CERTIFICATION DEVELOPMENT & ADOPTION ............................................. 189
  5.3.1 U.S. Certification Status .......................................................... 189
  5.3.2 U.S. Certification Adoption & Evolution ................................ 190
  5.3.3 Government Role in Forest Certification .................................... 193
5.4 THE CERTIFICATION OF U.S. STATE-OWNED FORESTS .................... 195
  5.4.1 State Certification Drivers ................................................... 198
  5.4.2 State Certification Implementation Debates ............................ 211
  5.4.3 Rationale for Certifying State-owned Forests .......................... 220
5.5 GOVERNANCE IMPLICATIONS OF STATE FOREST CERTIFICATION ........... 221
  5.5.1 Implementation Challenges ............................................... 222
  5.5.2 The Benefits of State Forest Certification ............................ 229
5.6 SUMMARY ........................................................................................................... 236

6.0 CERTIFICATION-POLICY INTERACTION IN SWEDEN: PRIVATE-
  PUBLIC FOREST GOVERNANCE SYNERGIES ............................................. 239

6.1 INTRODUCTION ................................................................................................. 239
6.2 THE SWEDISH FOREST REGIME ................................................................. 241
  6.2.1 Intensively Managed Secondary Boreal Forest ............................. 241
  6.2.2 Family Forest Ownership ............................................................. 242
  6.2.3 Fragmented Fiber Supply ............................................................... 245
  6.2.4 EU Export Dependence ................................................................. 246
  6.2.5 The New Forest Regime – Freedom with Responsibility ............. 247
6.3 SWEDEN’S FOREST CERTIFICATION LEADERSHIP ................................. 250
  6.3.1 Certification Status ................................................................. 250
  6.3.2 Certification Development & Adoption ........................................ 252
6.4 GOVERNMENT ROLE IN CERTIFICATION ................................................. 257
  6.4.1 The Government’s Position .......................................................... 257
  6.4.2 Expectations of Government Role ............................................... 258
  6.4.3 The Range of Government Certification Role ............................. 258
6.5 CERTIFICATION-POLICY INTERACTION ..................................................... 262
  6.5.1 The Window of Co-regulatory Opportunity ................................. 263
  6.5.2 Enhancing SFM Targets ............................................................... 265
  6.5.3 Supplemeting the SFM Discourse .............................................. 273
6.6 SUMMARY ......................................................................................................... 279

7.0 CONCLUSION ...................................................................................................... 281

7.1 CO-REGULATING FOREST CERTIFICATION ............................................ 284
  7.1.1 The Spectrum of Government Engagement ................................ 285
  7.1.2 The Rationale & Drivers .............................................................. 288
  7.1.3 The Governance Implications ..................................................... 291
7.2 THE CO-REGULATORY OPPORTUNITIES & CHALLENGES ................... 298
  7.2.1 Policy Design ........................................................................... 298
  7.2.2 Policy Targets ........................................................................... 302
  7.2.3 Institutional Durability ............................................................... 304
7.3 CERTIFICATION CO-REGULATION IN PRACTICE .................................... 306
7.4 FUTURE RESEARCH ......................................................................................... 310
REFERENCES ........................................................................................................................................ 312

APPENDICES ...................................................................................................................................... 344
Appendix A  Research Interviews ........................................................................................................ 344
Appendix B  The Leading Global Forest Certification Programs ......................................................... 348
Appendix C  U.S. State Forest Agency Interview Summary ................................................................. 350
Appendix D  U.S. State Forest Certification Audit Outcomes ............................................................... 352
Appendix E  Sweden Interview Questions ............................................................................................ 354
Appendix F  Certification Co-regulation – A Non-partisan Policy Approach ................................. 355
Appendix G  Ethics Review Board Approval ......................................................................................... 360
## LIST OF TABLES

1.1 Case Study Forest Regimes .......................................................... 9
1.2 CSR Codes & Standards .............................................................. 25
1.3 Hard Law vs. Soft Law Regulatory Approaches .............................. 34
1.4 Theoretical Perspectives on Private Environmental Governance .... 48
1.5 Government Role in CSR Co-regulation ........................................ 54
1.6 Forest Certification Programs ...................................................... 68
1.7 Forest Certification Private Governance Classification .................. 80
1.8 NSMD Authority ........................................................................... 82
1.9 Forest Certification State-based Drivers & Public Authority Overlap ... 88
1.10 Forest Certification Self-regulatory Governance Classification .......... 93
1.11 Summary of Government Forest Certification Positions ............... 103
1.12 Provincial Forestry Comparison, 2004 .......................................... 115
1.13 British Columbia Major Forest Certification Holders ................. 120
1.14 Positive and Negative Certification Policy Value ........................... 126
1.15 New Brunswick Major Forest Certification Holders ..................... 134
1.16 Certification Audit & Crown Land Monitoring Program Alignment ... 140
1.17 Quebec Major Forest Certification Holders .................................... 143
1.18 Ontario Major Forest Certification Holders .................................. 152
1.19 Provincial Government Role in Certification Enforcement, 2005 .... 164
1.20 Canadian Forest Company Expectations of Government Role, 2005 ... 169
1.21 Industry-government Certification Alignment, 2005 ....................... 170
1.22 U.S. Forest Ownership ............................................................... 182
1.23 Comprehensive State Forest Practice Acts .................................... 188
1.24 Certified State-owned Forests (1996-2007) .................................. 196
1.25 State Certification Drivers .......................................................... 199
1.26 Certification Drivers by State ..................................................... 199
1.27 State Certification Private Funding ............................................... 200
1.28 Industry Perspectives on State Certification .................................. 209
1.29 Market Uncertainties and Justifications of Certification Expense ...... 214
1.30 U.S. State Dual-Certification Status .............................................. 217
1.31 State Certification Rationale ....................................................... 220
1.32 Summary of State Forestland FSC Corrective Action Requests ........ 225
1.33 Sustainable Forestry Objectives & National Targets ..................... 248
1.34 Sweden Forest Certification Status, 2007 ...................................... 251
1.35 “Living Forest” Protection Programs & Status ............................... 270
1.36 Government Forest Certification Co-regulation Strategies ............. 285
1.37 Government Rationale for Certification Engagement ...................... 289
1.38 Certification Co-regulation: Regional Considerations & Drivers ....... 291
1.39 Certification Co-regulation Governance Outcomes ....................... 293
1.40 Certification Contribution to Forest Policy Process ........................ 297
1.41 Certification Co-regulation Opportunities & Challenges ............... 298
1.42 Certification & Regulation: Complementary Governance Attributes ... 299
LIST OF FIGURES

1.1 Case Study Target Sample .............................................................. 8
1.2 The Top Certified Countries, 2003-3004 ........................................ 9
2.1 Shifting Modes of Governance Authority ...................................... 29
2.2 Scale of Policy Coercion ............................................................. 35
2.3 Co-regulatory Policy Mix ............................................................ 41
2.4 Regulatory Enforcement Strategies ............................................. 43
2.5 Government Role in CSR - Spectrum of Engagement .................. 53
3.1 Percentage Certified Forest Area by Region, 2007 .......................... 71
3.2 Certification Drivers, 2002 ......................................................... 72
3.3 Forest Certification as a Non-state Market-driven Policy Instrument .. 86
3.5 Forest Certification Co-regulatory Governance ............................ 89
3.6 Forest Certification Overlap with Forest Law ............................... 90
3.7 Forest Certification Overlap with Self-regulation ........................... 93
3.8 Forest Certification & Regulated Self-regulation ............................ 96
3.9 Certification Costs by Ownership Size ($/ha/yr) ............................ 100
3.10 Spectrum of Government Role in Forest Certification ................ 102
4.1 Forest Certification Uptake in Canada (1999-2007) ...................... 111
4.2 Provincial Government Certification Approach ............................ 117
4.3 Provincial Government Certification Response ............................ 161
4.4 Influence of Industry Expectations on Certification Enforcement .... 170
4.5 Provincial Forest Policy Cycles ................................................. 175
4.6 The Temporal Dynamics of Certification-Policy Cycle Alignment ... 177
5.1 State-owned Forestland versus Total State Timberland Area ........ 184
5.2 The Range of U.S. Forest Policy Regimes ................................... 188
5.3 U.S. Forest Regions ................................................................. 189
5.4 Certified U.S. Forests (Acreage by Program) ............................... 190
5.5 U.S. FSC and SFI Forest Certification Uptake (1992-2005) ............... 191
5.6 State Government Role in Forest Certification ............................. 194
5.7 Certified State Forests, 2007 ..................................................... 195
5.8 State Certification Timeline ...................................................... 198
5.9 Evolution of State Certification Drivers .................................... 211
5.10 State Forest Certification Implementation Challenges ................. 222
5.11 State Forest Certification Benefits .......................................... 229
6.1 Sweden Forest Ownership ......................................................... 243
6.2 Regions of Sweden ................................................................. 244
6.3 Certified Forest in Sweden (by ownership category), 2007 ............. 251
6.4 Forest Certification Uptake in Sweden (1997-2007) ..................... 256
6.5 Swedish Government Role in Certification ................................. 259
6.6 Co-regulatory Forest Governance in Sweden .............................. 264
7.1 Summary of Government Response to Forest Certification .......... 288
7.2 The Politics of Certification Authority: A Virtuous Cycle ............. 294
7.3 Optimizing the Policy Target .................................................... 302