

CHAPTER 6



Drawing Big Lessons from Small Labels

Scholars and practitioners of global environmental governance confront a paradox. The most urgent environmental threats—climate change, biodiversity loss, ozone depletion, and air and water pollution—are deterritorialized, yet the institutions we depend on to address them are not. States and state-centric international organizations are struggling to adapt to a deeply integrated economy in which GVCs, and attendant environmental problems, transcend borders. Academics, activists, and government negotiators increasingly recognize that solutions to these problems need to come from outside the established institutions of global environmental governance. A recent survey of 922 participants in the 2013 and 2014 UNFCCC Conference of Parties (COPs) found broad consensus on the need for alternative climate governance, particularly non-state and hybrid governance instruments, in addition to traditional international agreements. However, the same study also found low agreement on which of these instruments are important and useful for tackling climate change (Hjerpe and Nasiritousi 2015).

This same uncertainty about which governance instruments are important and useful permeates the realm of eco-labeling, even as it continues to grow in acceptance and importance. Eco-labeling schemes now exist in nearly every country on Earth and are gaining traction with some of the world's largest companies (Bowles 2011; Ecolabel Index 2018). In some cases, they are embedding themselves in government procurement policies (EPEAT 2013b) and forming the basis for public policy (Gulbrandsen 2014). When applied on a large scale—as in Lipton's agreement to exclusively source Rainforest Alliance certified tea (Rainforest Alliance 2014)—they hold the potential to transform entire value chains virtually overnight.

However, to date, relatively little scholarly effort has been invested into explaining under what circumstances these schemes will be rigorous, credible, and best positioned to achieve their stated environmental objectives. Much of this inattention stems from the difficulty of comparing eco-labeling initiatives across sectors and finding a reasonable proxy for regulatory rigor and credibility. This book pioneers just such a proxy measure (the IBP) and uses it to identify the conditions underlying rigorous and credible eco-labeling. In doing so, it offers insights into broader debates about when emergent forms of transnational governance are most likely to be successful.

The central argument advanced in the preceding chapters is that who an ELO targets for governance is strongly linked to its commitment to best practices and consequently, the procedural rigor and credibility of its governance efforts. ELOs that aim big by attempting to certify a large proportion of a relevant global market are driven to closely follow best practices out of concern for both material consequences and demonstrating appropriate behavior. I posit three causal mechanisms through which aiming big increases adherence to best practices. First, as ELOs expand into foreign markets or target larger firms, they come under heightened critical scrutiny from NGOs, the media, and their clientele. This scrutiny drives a consequentialist concern for avoiding reputational damages, both for the ELO and for the firms it certifies. Thus, as ELOs expand outward they are more likely to conform to best practices as a means of insulating themselves and their clients from critical scrutiny. This dynamic is particularly evident when ELOs aim big by targeting large, downstream, multinational retailers. Such firms are particularly vulnerable to critical scrutiny and exert indirect pressure on their ELO partners to adhere to best practices.

Second, aiming big drives a stronger commitment to practices of stakeholder democracy. As ELOs expand into new markets, their decision-making bodies often become more inclusive in order to gain legitimacy and social license to operate among relevant communities of stakeholders. Increased inclusiveness in decision-making bodies provides opportunities for intra-organizational socialization wherein different, and often opposed, groups of stakeholders come to identify best practices as a common solution to the problem of achieving compromise on eco-label content while preserving the credibility of all parties. This dynamic occurs only after prolonged and repeated interactions between stakeholders in an ELO's decision-making body. Importantly, ELOs with smaller target audiences tend to have less inclusive decision-making bodies and therefore do not have to reach the same types of compromises. Consequently, they are less prone to best practice adherence. Aiming big increases the demand for multi-stakeholder

governance and thereby fundamentally alters the logic of decision-making within an ELO.

Third, aiming big increases attention to best practices by augmenting organizational capacity. When ELOs successfully implement an aiming big strategy, they begin to certify larger firms and/or more products or services. This leads to greater revenues from certification and logo licensing. Expanded revenues allow ELOs to invest in staff and resources that can help them adhere to the more expensive dimensions of best practice, like monitoring the environmental impacts of their standards and involving vulnerable stakeholders in ELO governance. ELOs that aim small tend to have fewer resources to devote to best practice adherence, and consequently, often lag behind their larger peers in areas of procedural credibility.

These three causal mechanisms are connected in a loose temporal sequence. As an ELO first endeavors to expand its certification activities, the anticipation of critical scrutiny drives adherence to best practices. Subsequently, this same critical scrutiny or a need to gain political legitimacy may lead to increased attention to stakeholder democracy. Bringing diverse stakeholders together creates opportunities for socialization within an ELO's key decision-making bodies, often deepening the ELO's commitment to best practices. Finally, once an ELO's strategy of aiming big has resulted in concrete improvements to its market share, enhanced organizational capacity strengthens its ability to follow best practices. In some cases, all three causal mechanisms are operative, whereas in others only critical scrutiny plays a role.

Evidence in support of the aiming big hypothesis and against alternatives is present in each of the three methodological approaches used in this book. Table 6.1 diagrams the hypotheses probed in the preceding chapters and summarizes where evidence was found for or against them. Early signs that the targets of governance may influence best practice adherence are evident in the statistical analysis presented in chapter 2. Drawing on an original dataset comprising as nearly as possible the full population of transnational ELOs in 2013, the analysis suggests that the number of countries in which an ELO's most widely used label is present is positively and significantly correlated with best practice adherence. In other words, transnational presence—one observable indication of a successful aiming big strategy—is strongly linked to best practice adherence. This is a surprising finding that lacks an explanation in the prior eco-labeling and transnational governance literatures. The relationship holds even when controlling for a range of other variables related to ownership, legal structure, location, and sector.

Table 6.1 SUMMARY OF HYPOTHESES AND SUPPORTING EVIDENCE

Hypothesis	Statistical analysis	Comparative case studies	Within-case process-tracing
H1: Private ELOs will be less likely to meet best practice than public ELOs.	✓	✗	✗
H2: ELOs that are primarily industry funded will be less likely to meet best practice than non-industry-funded ELOs.	✗	✗	✗
H3: ELOs legally registered as not-for-profit organizations will be more likely to meet best practice than for-profit ELOs.	✓	✗	✗
H4: ELOs with historical/financial ties to NGOs will be more likely to meet best practice than those without such ties.	✓	✗	✗
H5: ELOs headquartered in CME countries will be more likely to meet best practice than ELOs headquartered in non-CME countries.	✗	✗	✗
H6: ELOs headquartered near other ELOs will be more likely to meet best practice than those headquartered further away.	✗	✗	✗
H7: ELOs in direct sectoral competition with other standards will be less likely to meet best practice than those in non-competitive sectors.	✗	✗	✗
Aiming Big: ELOs targeting large, downstream retailers and/or global markets will be more likely to meet best practice than those that target small upstream producers and/or regional markets.	✓	✓	✓

Note: ✓ signifies that available evidence supports the hypothesis and ✗ signifies that evidence contradicts the hypothesis according to the research method used. The abbreviated versions of the hypotheses are presented here with full descriptions in chapter 2.

The statistical analysis further suggests that public ownership, non-profit status, and NGO origins are strongly correlated with best practice adherence. However, the subsequent comparative case studies and within-case process tracing uncovers less evidence in support of these hypotheses. Neither the quantitative nor qualitative evidence supports the argument that industry-funded ELOs are less likely to be credible (Levy and Newell 2002; Mattli and Büthe 2005, 405; Schäferhoff, Campe, and Kaan 2009).

The available evidence also does not suggest that intra-sectoral competition is a reliable predictor of procedural rigor and credibility in eco-labeling activities. This result is at odds with past research that has alternately theorized racing-to-the-top or racing-to-the-bottom dynamics in highly competitive sectors (Fransen 2011b; Gulbrandsen 2005; Overdevest 2010; Overdevest and Zeitlin 2014).

Further evidence of the relationship between the targets of governance and best practice adherence is offered in chapter 4, which conducts a “deep dive” into sustainable aquaculture eco-labels. The four ELOs reviewed in this chapter present a range of values on both the DV and IVs of interest. Two of the four ELOs, the ASC and BAP, score well on the IBP. The remaining two, FOS and Naturland, do not. I explain this variation with reference to differences in the types of firms and markets these ELOs target. Whereas both the ASC and BAP programs sought to capture a majority of the aquaculture market by targeting large, downstream retailers, FOS and Naturland did not. Consequently, both the ASC and BAP programs were submitted to heightened critical scrutiny which compelled concern for best practice out of a material desire to win exclusive procurement contracts with major retailers. In the ASC case, aiming big necessitated a strong commitment to multi-stakeholder governance which created opportunities for socialization within standard-setting bodies. Diverse participants in the Aquaculture Dialogues united around the common goal of creating a procedurally rigorous eco-label that would be widely perceived as credible.

In contrast, FOS, by targeting smallholders and upstream suppliers, limited the proportion of the market it could certify and consequently, reduced its exposure to critical scrutiny and its ability to improve organizational capacity. FOS’s key decision-making body lacks any semblance of balance largely because FOS flies below the radar, targeting producers that frequently elude the scrutiny of NGOs and the media. Naturland, as the lone organic ELO in this space, also limits the targets of governance by servicing a niche market: in line with the principles of organic production, it does not seek to engage large, multinational retailers. Thus, while its NGO origins exert a strong pull toward rigorous standard content, it does not possess the same attention to procedural credibility as its more mainstream counterparts. Low demand for stakeholder democracy coupled with difficulties in expanding organizational capacity due to meager certification revenues limit Naturland’s ability to follow best practices. In sum, the experience of all four aquaculture ELOs strongly supports the aiming big hypothesis developed in chapter 3.

The aquaculture cases also suggest that certain alternate explanations that found modest support in chapter 2’s statistical analysis lack the same

explanatory power as a focus on the targets of governance. To start, the hypothesis that industry funding is a reliable predictor of best practice adherence is belied by the BAP case. For BAP, the initial tendency toward low procedural rigor was reversed when it shifted toward certifying major retailers like Walmart. Hence, while industry funding may indeed adversely affect the rigor of eco-labeling activities, its impact can be moderated by the critical scrutiny that accompanies certifying large firms or global markets.

Secondly, despite the fact that the ASC was founded by and received seed funding from a pre-existing ENGO (WWF), its narrative does not suggest that ENGO involvement was a key driver of best practice adherence. To the extent that WWF's involvement in the ASC was relevant, it was principally its market transformation strategy (which seeks to construct certification in a way that captures the top 20% of a market) that helped push the Aquaculture Dialogues and later the ASC toward procedural rigor and credibility. This is a different dynamic than the one suggested in previous accounts of NGO influence, which tend to emphasize the role that NGO values play in driving decision-making (Corell and Betsill 2001; Gulbrandsen and Andresen 2004). The Naturland case suggests that NGO origins can indeed help shape an ELO's commitment to constructing rigorous standards, however, the FOS case suggests that not all NGOs exert similar influence over ELO activity. Notwithstanding its origins in the Earth Island Institute, FOS demonstrates comparatively weak adherence to best practices.¹ Thus we must conclude that the effect of NGO origins on procedural credibility varies from case to case. Here again, it appears that a focus on the targets of governance offers more explanatory leverage than alternative hypotheses.

Chapter 5 further supports the aiming big hypothesis with reference to a completely different sector: carbon neutral and carbon reduction labeling. Here again, the four ELOs that populate this space come from different places, represent a blend of public and private organizations, have different legal structures, and vary significantly in their adherence to best practices. As in aquaculture, differences in the ambition of governance activity separate the two more adherent cases—Enviro-Mark Solutions and TCNC—from the less adherent cases—The Carbon Trust and Carbonfund.org. Both Enviro-Mark and TCNC changed their approach to procedural rigor after deciding to aim big. For Enviro-Mark, expansion outside of New Zealand and into the highly competitive and highly scrutinized UK retail market precipitated a radical rethinking of its standards and operating procedures. It sought formal accreditation through JAS-ANZ as a means of reassuring nervous retail clients that they would not be exposed to undue risk by making a non-credible carbon neutral claim. For TCNC, the move

from certifying individuals, to celebrities, to large corporations, drove it from being a well-intentioned but non-rigorous afforestation scheme to a robust and credible transnational carbon neutral labeling scheme.

This aspiration to certify a large proportion of the global market is either absent or constrained in the two negative cases. The Carbon Trust's certification and labeling activity was largely confined to the UK because it was initially intended to redistribute revenues from the UK's CCL to British businesses. Similarly, Carbonfund.org's business was largely restricted to the United States because of its status as a 501(c)(3) charity granting tax relief to US but not foreign clients. In both cases, the constraints on the targets of governance prevented these ELOs from seizing broad transnational market share. Consequently, they had limited exposure to critical scrutiny, fewer incentives to practice stakeholder democracy, and less ability to grow revenues in a way that would strengthen organizational capacity. Thus, the carbon labeling chapter provides further evidence that the targets of governance help determine the rigor of governance activities. It also illustrates the importance of taking into account structural conditions (such as government ownership) and path dependency in explaining who an ELO does or does not target for governance.

The carbon labeling chapter also provides confounding evidence on a number of alternate hypotheses. Most significantly, it suggests that public funding is not a sufficient condition for regulatory rigor or procedural credibility. While Enviro-Mark is owned and operated by a publicly funded, New Zealand research institute, little in its evolutionary narrative suggests that public ownership was the driving force behind attention to procedural credibility. Rather, it was the decision to expand beyond its government-mandated remit and evolve into a more entrepreneurial organization that led to heightened attention to procedural credibility. The other government-funded ELO reviewed in the chapter, The Carbon Trust, provides evidence that public ownership can have the reverse effect on best practice adherence. Government funding reduced the need for The Carbon Trust to expand labeling activity. Consequently, it resisted the impulse to expand beyond the UK's borders and focused its certification efforts on SMEs. This, in turn, reduced its market share and the chances for strengthening best practice adherence through the three aforementioned causal mechanisms. Thus, public ownership is a less reliable predictor of best practice adherence than aiming big.

Finally, notwithstanding the negative correlation between for-profit status and IBP score in my statistical analysis, the TCNC case implies that it is possible for a for-profit ELO to create credible standards under the right conditions. In this case, the scrutiny applied by the media, NGOs,

and its own advisory board appear to have curbed TCNC's supposed predisposition to crafting superficial governance in service of increasing its profit margins. Here again, the evidence suggests that legal structure is not determinative of commitment to procedural rigor. For-profit labeling and certification organizations can be adherent to best practices under the right conditions.

As Table 6.1 shows, the empirical evidence presented in this book supports the aiming big hypothesis and a focus on the targets of governance more broadly. ELOs that aim big are significantly more likely to conform to best practices and create rigorous and credible standards. This relationship holds in the large-N statistical analysis and across comparative case studies, and is further borne out by within-case process tracing. The size, market leverage, and transnational presence of an ELO's clients matter, not just for the reach of its governance efforts but also for its potential to create and enforce meaningful rules. At the same time, the evidence also suggests that ownership, location, and sector-specific dynamics do not offer the same degree of analytic leverage. These findings are unique and present a number of implications for the theory and practice of transnational governance.

RETHINKING CREDIBILITY IN TRANSNATIONAL GOVERNANCE

Seven implications of this research are particularly relevant for scholarship on transnational governance. First, scholars of transnational governance need to place renewed emphasis on the *targets* of governance and not simply the *owners* or *sponsors* of governance. The idea that ownership is important for regulatory rigor is implicit in both neo-Gramscian and rationalist scholarship on this topic (Carmin, Darnall, and Mil-Homens 2003). In both literatures, ownership conveys a relatively static set of interests within a governance body. For neo-Gramscians, industry-owned eco-labeling organizations are principally driven by a narrow desire to capture the institutions of governance and place them under the control of market actors or to maintain the appearance of environmental consciousness for reasons of economic self-interest (Fuchs and Kalfagianni 2010; Levy and Newell 2002; Murphy and Bendell 1997). While rationalist scholarship is somewhat more nuanced on this topic, it too ultimately equates ownership with either a strong or weak commitment to regulatory rigor, depending on the interests of the owners (Carmin, Darnall, and Mil-Homens 2003; Darnall, Ji, and Potoski 2017; Maxwell, Lyon, and Hackett 2000).

Yet, the evidence in this book suggests that both of these literatures overstate the importance of ownership for the rigor of transnational governance activities. In contrast to both neo-Gramscian and rationalist accounts, I find that ownership of an eco-label—defined in terms of either public/private control, NGO/non-NGO involvement, or industry/non-industry funding—does not completely explain the rigor of governance activities. Credible eco-labeling organizations can come from variety of sources, including those owned by public, private, industry, and civil society groups. Thus, a more fruitful line of inquiry centers on the targets of governance. Pressure for increased attention to procedural rigor often comes from the governed community and not the owners of an eco-labeling scheme.

Multinational retailers in particular serve as a vital source of pressure toward best practice adherence, regardless of who owns or funds an ELO. Publicly owned ELOs targeting major retail clients are just as susceptible to pressure toward best practice adherence as are privately owned ELOs. The same can be said of NGO and industry-led schemes. Essentially, large multinational retailers are at once more inclined to worry about reputation and more susceptible to public scrutiny (van der Ven 2018). They bring these sensitivities to the eco-labeling organizations with whom they partner, resulting in heightened attention to procedural credibility. These findings support Bartley's (2009) argument that brand-sensitive companies targeted by social movements are more likely to join multi-stakeholder initiatives. However, they also extend Bartley's argument by suggesting that brand sensitivity and critical scrutiny can drive increased rigor in labeling and certification schemes, not just increased participation.

Pressure from the governed community appears to affect eco-labeling organizations relatively equally, regardless of ownership or funding structure. For this reason, simple dichotomies like public/private or industry/NGO offer limited analytic leverage for theorizing procedural rigor and credibility in TNG. Rather, procedural rigor and credibility in transnational governance is produced through an *interaction* between the community of the governed and the governors. Rigorous governance institutions are co-constituted and not reducible to the interests of a single actor. This suggests that renewed scholarly attention be directed toward the community of the governed, or the targets of governance, not just for their role in awarding legitimacy and political authority (Bernstein 2011) but also for their role in shaping the rigor of governance activities.

The preceding discussion also illustrates the importance of theorizing rigor and credibility in TNG differently than in conventional, multilateral governance. The key difference is as follows. In multilateral governance, the governors and the governed are often one and the same. States signing

a multilateral treaty or constructing a new international organization are at once the sponsors and targets of governance. Conversely, in TNG the relationship is often more complicated. In many cases, the owners of a governance scheme are at least nominally independent from the targets of governance. The MSC, for example, is not itself a fishery. Consequently, it does not have to abide by the rules it creates for sustainable capture fishing. Admittedly, the relationship is more complicated than this example suggests and the targets of governance are frequently connected to the sponsors or owners of governance through either formal (i.e., stakeholder engagement) or informal channels (i.e., consent/refusal to participate in a particular scheme). However, the fact remains that the separation between the governed and the governors is frequently more distinct than it is in multilateral arrangements. Thus, an important implication for trans-national governance theory is that a focus on the targets of governance has particular relevance in the context of TNG (particularly in private/non-state governance arrangements) but may be less applicable to multilateral arrangements where the distinction between the sponsors and targets of governance is blurrier.

Second, and related to the previous point, the preceding analysis suggests the ongoing merit of a focus on agency in explaining procedural rigor and credibility in TNG. While I found some evidence to suggest that structural conditions shape who ELOs target for governance (e.g., The Carbon Trust's decision to target SMEs resulted from its government mandate), I also found ample evidence to suggest that structural conditions cannot wholly explain who an ELO targets or why. Indeed, many of the ELOs in my case study chapters share a sector, are owned by similar entities, and are located in the same region. Yet, there remains broad variation in who they target for governance and concurrently, the procedural rigor and credibility of their governance activities. Thus, an important conclusion is that structural conditions are not always determinative of regulatory rigor.

I did, however, find ample evidence to suggest that early decisions made by ELOs affect who they target for governance and how readily they commit to best practices. For example, Carbonfund.org's decision to become a 501(c)(3) non-profit confined its future certification activity to the United States. This decision, in turn, limited its capacity for growth and moderated the degree of critical scrutiny it faced, both of which had important implications for its attention to procedural rigor. Thus, in many ways this book's findings complement the central conclusions reached in Auld's (2014) book on the evolution of private governance. Specifically, it concurs that early choices in eco-labeling programs create path dependencies that condition their future form and behavior. However, it extends the

relevance of Auld's findings even further by suggesting that early decisions also affect the prospects of ELOs producing credible governance.

Third, while the empirical evidence in this book emphasizes the potential for non-state forms of governance to be rigorous and credible, it also suggests the continued relevance of states and international organizations in helping to steer emerging forms of TNG. As chapter 1 details, instances of state-centric, hierarchical, and universal governance through international law are declining in terms of quantity (Pauwelyn, Wessel, and Wouters 2014). Fragmentation, in various forms and degrees, exists across numerous governance areas (Biermann et al. 2009) and political authority is dispersed across an ever-increasing range of actors (Ostrom 2010, 2012). Some scholars have observed that this fragmentation leads to regime complexes where authority overlaps and creates contestation and sometimes, inefficiencies (Keohane and Victor 2011; Morse and Keohane 2014; Raustiala and Victor 2004). Others have observed a condition of gridlock wherein vested interests preserve outdated and dysfunctional institutions while basic governance needs go unmet (Hale and Held 2012). Still others argue that fragmentation is relatively unimportant and that the challenges faced in governing the global commons are reducible to the distribution of interests between the great powers (Drezner 2007). There are no shortage of diagnoses for what is ailing global governance, but treatment options are in far shorter supply. While some scholars are optimistic about the ability of new forms of decentralized, non-hierarchical governance to fill this governance gap (Bernstein et al. 2010; Ruggie 2014), others are far more cautious (Abbott and Snidal 2010).

The evidence presented in this book implies both that credible global governance can come from outside the modern state system and that it can come from a multitude of sources. Indeed, many of the privately owned ELOs analyzed in the preceding chapters exhibit some or all of the characteristics that scholars have come to associate with credible, state-led governance. These are characteristics like inclusiveness, accountability, impartiality, rigor, and adaptability. In this sense, the shift toward a reconstituted and broader global public domain (Ruggie 2004) may not be the Pandora's box that many state-centrists suggest it is. With this said, it is equally important to note the role of overarching institutions in engendering the qualities of procedural rigor and credibility we observe in contemporary eco-labeling organizations. One cannot assume that eco-labeling organizations adopt these qualities of their own accord. Rather they are often steered in this direction through the existence of clear, well-institutionalized, and far-reaching guidelines for best practices (Bernstein and van der Ven 2017). These best practices help move the

global population of eco-labeling organizations in a similar direction, albeit at different speeds.

In light of the importance of these broad “meta-standards,” my research implies that the emerging literature on orchestration has much to offer (Abbott et al. 2015; Abbott and Snidal 2009, 2010; Bernstein and Abbott 2015; Hale and Roger 2014). While the role of states and IOs may be declining in terms of crafting binding international laws, both types of actors can still play a vital role in institutionalizing norms and rules that help orchestrate disparate transnational governance activities. The creation and promulgation of best practices is exactly the sort of activity that is uniquely suited to the inclusiveness, legitimacy, and established political authority of states and IOs. This type of orchestration will be vital to efforts to improve the regulatory capacity, reach, efficacy, and consistency of emerging forms of TNG. As Green (2010, 201) notes: “when global public rules are in place, private standards have an incentive to be compatible with them, and by extension, with each other.”

Fourth, the causal model outlined in chapter 3 adds further nuance to research on rigor and credibility in transnational governance by allowing for equifinality. In lieu of focusing on a single causal mechanism that describes a common trajectory toward rigorous and credible transnational governance, the aiming big hypothesis allows for multiple causal sequences that lead toward the same outcome. In doing so, it suggests that multiple behavioral logics may be operative in steering ELOs toward best practice adherence. Under the first mechanism, the fear of reputational damages associated with increased critical scrutiny is consistent with a logic of consequence, wherein the behavior of ELOs, firms, and NGOs is driven by rational expectations of negative consequences for failing to craft a credible eco-labeling standard (March and Olsen 1998, 949). Under the second mechanism, the socialization that occurs in multi-stakeholder environments is consistent with a logic of appropriateness, wherein the behavior of decision-makers within an ELO changes as identities gradually shift from being associated with a particular stakeholder group toward a sense of common purpose (March and Olsen 1998, 951). In doing so, the group dynamic also shifts from strategic bargaining to collaborative problem-solving. Under the third mechanism, the increased organizational capacity that often accompanies a broadening of the targets of governance improves the material ability of ELOs to meet best practice, a process consistent with a consequentialist logic. While all of these causal mechanisms are not operative in every case, they are all equally catalyzed by an ELO’s decision to aim big. Thus, the explanatory model in chapter 3 provides a bridge between scholars who focus exclusively on causal mechanisms

consistent with a logic of consequence (Potoski and Prakash 2005) and those who emphasize a logic of appropriateness (Checkel 2005).

Fifth, this book expands on recent scholarship on legality verification as an emerging form of transnational governance (Cashore and Stone 2012, 2014). While not an eco-label per se, legality verification standards have emerged in forestry as a way of verifying whether forest products have been produced in accordance with national laws. This represents a departure from many other eco-labeling schemes which extend well beyond legal compliance in what they demand of certified firms. Scholarship on this topic has suggested that legality verification can serve as “the ‘trigger’ of a process that may provide institutional solutions to global forest governance in ways that previous efforts have yet to accomplish” (Cashore and Stone 2012, 13). The logic underlying this claim is that legality verification, in starting from a modest baseline with widespread support, may help to ratchet up principles of good governance domestically.

While the argument made in this book is somewhat different, it supports some of the same precepts. Namely, in associating procedural rigor and credibility with the targets of governance, I suggest that there is value in taking the type of broad and inclusive approach advocated by legality verification. By targeting an entire global market for forest products and setting a bar that is low enough for large firms and developing country suppliers to meet, legality verification leaves itself open to improvements in procedural rigor through augmented critical scrutiny and heightened demand for democratic legitimacy. Both of these mechanisms can, in turn, help to gradually raise the bar in forestry to beyond legal compliance levels. In this sense, the evidence in this book reflects favorably on legality verification, particularly since past attempts to set a high bar and then expand the target audience (e.g., FSC) have resulted in sub-optimal levels of market penetration.

Sixth, the preceding analysis suggests the continued value of focusing on the procedural dimensions of rigor and credibility when assessing the merit of transnational governance activities. Not only can a focus on procedure help scholars compare governance schemes in disparate sectors and issue areas, it can also help them understand dynamism in the nature and quality of the rules created by transnational governance schemes. As the case study chapters illustrate, many eco-labeling organizations undertake substantial changes to the content of their standards over time. TCNC, for example, went from paying very little attention to the additionality of carbon offsets in its early tree-planting schemes to defining additionality strictly in later carbon offsetting activities. These types of changes to standard content often flow from procedural changes. In this case, the

addition of a stakeholder advisory board pushed TCNC toward defining additionality more strictly. In general, as ELOs become more rigorous in the procedures through which they develop and monitor their standards, one can observe a concurrent impact on the content of their standards. A detailed analysis of the connection between procedure and content is outside the scope of this book, but the connection remains plausible and therefore deserves continued scholarly attention.

My argument implies that critiques of the “procedural turn” in transnational standard setting should be weighed against the plausible connection between procedural change and changes to the substantive content of transnational standards. While skeptics of the so-called procedural turn are correct to point out that many transnational standards turn a blind eye to content (Loconto and Fouilleux 2014), content should not be the sole metric by which one gauges the potential of a standard to achieve governance outcomes. As these findings suggest, there is room for content to improve as attention to procedural rigor and credibility improves. Scholars and practitioners should therefore exert caution when drawing conclusions about the merit of governance activities based on static analyses of content. Doing so fails to recognize the dynamism with which standards evolve.

For example, a recent, high-profile critique of wild-catch seafood certification raised legitimate points about the inadequacy of MSC standards for specific fisheries (Jacquet et al. 2010). However, in the period since the article was written, the MSC moved to address many of the concerns put forward by the authors. Its ability to do so reflects its strong commitment to procedural credibility and the presence of strong policies for receiving criticism and modifying the criteria in its standards accordingly. Yet, a static analysis of MSC’s standard content would fail to capture its potential to evolve and become more rigorous. Thus, a key implication of this research is that future assessments of rigor and credibility in transnational governance should pay equal attention to both substantive content and whether a governance initiative has “good bones” in the form of robust procedures. Strong procedural foundations can, with time, help overcome sub-optimal content.

Lastly, and related to the preceding point, the findings presented in this book cast doubt on one commonly asserted relationship in TNG. Namely that uptake of a particular standard or system of transnational governance is inversely related to its stringency (Kalfagianni and Pattberg 2013). The logic here is that TNG schemes are inevitably watered-down as they extend to a broader global audience. Uptake can only be achieved by lowering the bar for certification. However, the aiming big hypothesis suggests that this relationship is not necessarily true. While many eco-labels may start

with relatively weak criteria, broad uptake can be a strong driver of critical scrutiny and increased attention to procedural credibility. Procedural credibility can, in turn, provide pathways for internal and external stakeholders to improve the substantive stringency of a standard over time. The experiences of Best Aquaculture Practices and TCNC are illustrative of this point. Relatively weak standards can improve both procedurally and substantively when exposed to the critical scrutiny of global market presence. The relationship between procedural and substantive credibility is far from straightforward, but deserves further scholarly attention. I identify this as a task for future research later in the conclusion to this chapter.

MAKING STRONGER ECO-LABELS

Confusion continues to abound in eco-labeling. Retailers are unsure which labels will strengthen their brands and attract new customers. Producers want to know which labels will allow them access to lucrative export markets in North America and Europe. States are puzzled by which eco-labels, if any, are worth supporting or building into public policy. NGOs are trying to figure out which labels will create tangible environmental benefits. And consumers just want to know if their coffee, seafood, or other household purchases actually live up to the claims made on their labels. This book does not fully resolve this confusion, but it does offer some insights that may help eco-labeling organizations, multinational retailers, NGOs, and states make well-informed decisions with regard to eco-labels.

Implications for Eco-Labeling Organizations

The causal model outlined in chapter 3 and supported in chapters 4 and 5 holds considerable implications for how nascent eco-labeling organizations should develop in order to maximize their prospects for achieving broad environmental goals. If one allows that both rigorous standard content and broad market uptake are necessary to maximize the likelihood of achieving environmental goals, then my causal model implies that market presence should come *before* rigorous content. The rationale is as follows. While it is possible for an eco-label with broad market presence but relatively weak content to become procedurally stronger over time, it is far less likely that an eco-label with strong content will accrue broader market presence. Aiming big causes ELOs to strengthen their commitment to procedural credibility in the form of best practices. Procedural credibility, in

turn, increases the leverage that internal and external stakeholders have to improve the substance of governance, for example, by offering external stakeholders influence over standard development and exposing standard content to critical scrutiny. While a shift toward procedural credibility by no means guarantees improvements to standard content, it does improve the likelihood that content will get stronger over time.

By contrast, the conventional wisdom that guides many NGO-led eco-labeling organizations suggests the inverse approach. They begin with rigorous standard content but relatively small market presence. Efforts to increase market presence rely on broader exogenous forces, like consumer demand for particular types of products. For example, Naturland relies on greater demand for organic products to increase the demand for its eco-label. However, as chapter 4 shows, Naturland has struggled to garner any real market presence and a number of its clients have reverted back to non-organic aquaculture due to a lack of demand.² This lack of market presence limits the impact of Naturland's standards. The behavioral requirements demanded by its standards are simply too steep (in the current global economic context) to expand beyond a small, niche market. Therefore, Naturland's prospects for achieving broader reforms to aquaculture are limited because it governs only a small segment of the total aquaculture market.

One can juxtapose this approach with the one taken by BAP, which started with a relatively lax commitment to procedural credibility and became more rigorous as it shifted toward targeting bigger firms and larger markets. As a result, BAP now controls significant market share and its standards govern a significant portion of global aquaculture production. BAP's capacity to transform aquaculture production is amplified by the reach of its standards. While an examination of the criteria in its standards suggests that they are not yet as demanding as those of Naturland, BAP nonetheless "has a significantly high bar"³ according to its competitors. Moreover, BAP's commitment to best practices offers numerous avenues through which its standards can improve (i.e., stakeholder input, transparency). Given the lessons from the BAP and Naturland examples, one takeaway for ELOs is that an early commitment to best practices allows for both broad market presence and the possibility of strong content. Conversely, an initial commitment to stringent standard content can limit the reach of eco-labeling standards and reduce the overall prospects of achieving broader environmental goals.

The aiming big hypothesis also has implications for which types of firms ELOs choose to target for certification. Decisions about who to certify often flow from ELOs' concern about brand reputation. Recall the

example in chapter 4 of *Naturland* not wanting to be associated with large corporations like Nestlé. The hesitancy to partner with large businesses stems from the common ethos in the environmental movement that small is beautiful. ELOs that certify large-scale, industrial production are sometimes critiqued as less credible than those that certify smaller, grassroots organizations (Gulbrandsen 2010; Jacquet et al. 2010). Yet the explanation advanced in this book suggests flaws in the small is beautiful mantra. Large-scale producers are subject to more critical scrutiny than their smaller counterparts. Thus, ELOs that certify SMEs are often able to fly under the radar, operating with procedures that would not withstand scrutiny in a more public context. While this does not imply that all ELOs with SME clients lack procedural rigor, it does suggest that ELOs should perhaps be less averse to working with large industrial producers. The scrutiny that such clients invite can serve to strengthen commitments to procedural rigor and the overall credibility of a scheme.

Implications for Multinational Retailers

For multinational retailers, this study holds two implications. First it suggests that best practice adherence can be a useful metric through which to evaluate prospective eco-labels. As third party eco-labels work their way into the procurement policies of some of the biggest companies in the world, procurement officers need broad-based tools to quickly and efficiently assess which eco-labels are most credible and least likely to expose them to reputational risk. A focus on best practices achieves this. The IBP, and its approach to comparing labels, can be incredibly useful tools in helping companies and firms decide which labels to trust and which to bypass, not just on environmental issues but on the other dimensions of sustainability as well. Indeed, recent efforts by ITC's Standards Map initiative to benchmark ELOs on their commitment to rigorous processes reinforces the utility of such an approach.⁴

Secondly, this study highlights the considerable structural power that multinational retailers have over eco-labeling organizations. Large, downstream retailers are the gatekeepers to producers and suppliers in the developing world (van der Ven 2018). Many of these suppliers would never seek certification absent demand from retail buyers (Bair 2017). This affords retailers considerable power over ELO governance and standard setting. In the right hands, this power can be put to good use. For environmental champions within retailers, this book suggests that retailers have considerable leverage to raise the bar in competitive certification markets.

For example, the decision by Walmart to procure farmed seafood through BAP only after it reformed its standard-setting procedures was a watershed moment in sustainable aquaculture certification. Walmart's actions sent a strong signal that there is a minimum threshold for procedural credibility in aquaculture certification. If similar actions were undertaken by retailers in other sectors, the result would be a marked improvement in the procedural rigor and credibility of ELOs across the board. Of course, the reverse implication is also true. Retailers have considerable power to lower the bar by committing to weak, non-credible environmental standards. It is in these cases that strong oversight from NGOs, academics, public officials, and the media will be necessary to steer retailers away from this course.

Implications for NGOs

For NGOs, this book suggests that efforts to target market actors are working, but that further scrutiny needs to be directed toward ELOs that certify smallholders and upstream suppliers. A recurring theme across the cases examined in this study is that ELOs and retailers alike fear NGO naming-and-shaming campaigns. For an organization like TCNC, being denounced as selling "carbon indulgences" by reputable ENGOs represents a threat to its core business. NGO attacks target the very currency that ELOs trade in: consumer trust. A loss of trust can decrease certification and logo licensing revenues and, in extreme cases, put an ELO out of business. Evidence from chapters 4 and 5 suggests that NGO pressure is equally effective when indirectly applied to retailers that procure through a particular standard. Such pressure was pivotal in getting Enviro-Mark Solutions to avoid certain types of dubious carbon offsets out of concern for the reputation of retail clients in the UK. The evidence therefore suggests that NGO pressure can be tremendously effective. The problem is that this pressure is unevenly applied. It allows ELOs targeting smallholders, upstream suppliers, or non-consumer-facing companies to avoid critical scrutiny. If further pressure were applied to ELOs that certify less visible producers, we might observe broader upward pressure across all manner of ELOs.

Implications for States

Increased organizational capacity is one of the causal mechanisms through which ELOs become more adherent to best practices. My research suggests that this is an area of eco-labeling through which states and public funding

bodies can exert direct leverage over the rigor and credibility of such schemes. In addition to the orchestration role described for states earlier in this chapter, states can also encourage rigorous eco-labeling practices through either direct funding or indirect support that encourages other private-sector donors to come on board. Both play a vital role in improving organizational capacity which, in turn, allows for greater adherence to best practices. Direct funding is particularly important for practices related to the accessibility of eco-labeling standards. It can be challenging for smaller ELOs to engage disadvantaged stakeholders in standard development, since this often involves setting aside resources to fund their participation. Absent these voices at the table, eco-labeling standards can be biased toward certain interests or fail to address the concerns of certain regions or groups of stakeholders. Smallholders in developing countries are particularly liable to be left out of eco-labeling governance (Lee, Gereffi, and Beauvais 2012). Public funding is one avenue through which practices related to accessibility can be improved.

State support is also valuable for bringing other private sector donors on board. Often a commitment from a state funding source, even if it is only a modest commitment, can encourage donors from other sectors to lend their support. This was the case for the ASC, which cites the support of IDH as vital to garnering wider private sector support.⁵ While the broader question of how states interact with TNG is better left to future research, mine certainly suggests an immediate role for the state through enhancing the organizational capacity of ELOs.

AVENUES FOR FURTHER INQUIRY

Three avenues for further inquiry follow, one specific to eco-labeling and two directed at the broader spectrum of transnational governance activities. In relation to eco-labeling specifically, further research is needed on how best practices are constructed and how they connect to eco-labeling standard content. Best practice guidelines are necessarily designed to target high-level operational principles and, thus, risk missing the small differences that may separate meaningful from hollow eco-labels (Bernstein and van der Ven 2017). While there remain good reasons to believe that best practices improve the likelihood of ELOs achieving environmental goals, it would be erroneous to conflate best practice adherence with on-the-ground environmental impact. Rather best practices are more accurately conceived of as a middle ground that allow opposing stakeholder groups a means to move forward while avoiding tricky discussions about

standard content. They involve compromises on industry's side in terms of relinquishing control over rule-making authority, but they equally involve compromises from NGOs and environmentalists in terms of sidelining discussions about the substantive content of eco-labeling standards. For these reasons, future research should closely examine when and how the meta-governance approach taken by best practice guidelines actually leads to more stringent standards. A systematic investigation of the procedure-content nexus is necessary for addressing broader questions about when and how procedural governance (i.e., governance through best practices) actually strengthens efforts to solve core environmental problems or when it simply legitimizes superficial governance efforts. Such an investigation may also lead to a clearer idea of what best practices overlook, either intentionally or unintentionally.

In relation to TNG more generally, further research is needed into how generalizable findings from eco-labeling are to the broader population of such activities. Eco-labeling shares many characteristics with other forms of TNG. It is populated increasingly by non-state and sub-state actors that are geographically dispersed. It is concerned with conducting the "public's business" (Ruggie 2004, 504). It relies on voluntary participation and there is often a clear distinction between the governor and the governed community. For these reasons, one can see how lessons from eco-labeling might be extrapolated to other forms of TNG. Yet, systematic research into this relationship is necessary. Specifically, future research might test this book's hypothesis about the targets of governance in another transnational governance context to see if the relationship holds. Social standards, transnational accounting standards, and voluntary carbon markets provide fertile grounds for examining how the targets of governance interact with the procedural credibility of the governance effort.

More research is also needed into how civil-society- and private-sector-led governance, like eco-labeling, interacts with state-led efforts to solve transboundary environmental problems through international law and global treaties. One promising line of research is to investigate the conditions under which non-state efforts to govern global environmental problems either supplant or bolster state-led efforts to construct multilateral solutions. This question is increasingly salient as different patterns of interaction occur between state and non-state governance across different issue areas (Andonova, Hale, and Roger 2017). In forestry for example, non-state, market-driven solutions like forest certification are interacting with state-led attempts to construct a global forest treaty (Cashore 2002). While a comprehensive global forest treaty has been under consideration since the Rio Earth Summit in 1992, the industrialized countries of the

Northern hemisphere who are the chief proponents of a global forest treaty appear to be content with a voluntary solution to deforestation in the form of sustainable forest certification (Hale and Held 2012).

This relationship stands in stark contrast to the situation in global aquaculture governance. Efforts by the FAO to address the pollution, genetic contamination, and disease associated with aquaculture have drawn heavily on non-state initiatives developed by the civil-society-led ASC and the industry-led GAA (FAO 2001). Complementary aspects of efforts made by FAO and by ASC and GAA suggest a relationship of coordination and collaboration wherein all parties are working together to arrive at a global solution. The coordination/competition distinction between forestry and aquaculture is meaningful because coordinated efforts to address environmental problems tend to reduce regulatory duplication, broaden global reach, and improve consistency in the content and enforcement of rules (Biermann et al. 2009). Future research can help determine when non-state governance will serve as a building block for state-led multilateral initiatives, when it will diminish the political will for state-led action, and what consequences both pathways offer for prospects of achieving desirable environmental goals.

CONCLUDING THOUGHTS: ARE ECO-LABELS THE ANSWER?

Certification and labeling have made several notable contributions to lessening the environmental footprint of staple commodities and consumer goods. The global market for certified organic products has grown fivefold since 1999, thereby reducing the usage of fertilizers, pesticides, and other toxic pollutants (IFOAM 2015). Rates of illegal logging in key producer countries have fallen by as much as 50% due in part to private traceability schemes (Lawson and MacFaul 2010). Voluntary standards for electrical goods have helped redirect half a million metric tons of mercury and other hazardous waste from landfills since 2006 (EPEAT 2013a). The global percentage of wild-caught fish certified to MSC standards more than doubled from 5% in 2010 to 12% in 2018 (MSC 2018). Around one quarter of coffee is currently certified to one or more sustainability standard (Lernoud et al. 2017). These are just a few examples of eco-labeling making small but notable contributions toward broader sustainability efforts.

However, eco-labeling is by no means a panacea for our current global environmental woes. Indeed, it can only ever form part of a solution. The twin stresses of a rapidly expanding global population and increasing

aflfluence in the developing world are contributing to rising levels of consumption that vastly outpace the progress made in rendering particular goods more sustainable (Dauvergne 2008; Princen, Maniates, and Conca 2002). Even at current global levels of consumption, humans are rapidly depleting renewable resources far more quickly than nature can regenerate them. Moreover, there is scarce evidence to suggest that advances in technology or improvements to production efficiency will address the consumption problem before irreversible damage is done. The long-awaited decoupling of economic growth from environmental degradation has yet to materialize. Thus we must take seriously Dauvergne and Lister's caution that the cumulative stress of consumption vastly outweighs improvements to the environmental footprint of particular consumer goods (Dauvergne 2008; Dauvergne and Lister 2010, 2012, 2013). Inasmuch as eco-labels do not address consumption, they cannot and should not be viewed as a stand-alone response to a worsening planetary ecosystem.

In addition to their blind spot on consumption, eco-labels are also plagued by implementation problems. The signal sent by environmentally-conscious consumers at one end of a value chain does not always translate into commensurate action by producers at the other end. In fact, the system has occasionally been likened to the children's game "broken telephone" wherein a message gets more and more muddled as it is passed along (van der Ven forthcoming (b)). The well-documented flaws in third-party auditing systems are a key problem (Lebaron and Lister 2015; Locke 2013; Power 1997). Audits often cover only a fraction of a GVC and thereby risk omitting the portions where environmental abuses are most likely to take place (Lebaron and Lister 2015). Moreover, the costs of undergoing third-party audits are borne entirely by producers. This can have the effect of deterring smallholders from seeking certification and precluding their access to certain export markets (Kalfagianni 2015). All of this contributes to weak uptake of certification across many sectors. For example, forest certification is often touted as an eco-labeling success story, but after twenty-five years of forest certification, less than one tenth of the world's forests are certified (Lernoud et al. 2017).

Problems exist on the demand side as well. A growing body of research suggests that consumers have difficulty recognizing eco-labels and vary widely in their willingness to pay for eco-labeled products (Bullock and van der Ven 2018; Gutierrez and Thornton 2014). Demand may also be softening among corporate buyers due to the ongoing difficulties in establishing a clear causal link to environmental impacts (van der Ven forthcoming (a); van der Ven and Cashore 2018; van der Ven, Rothacker, and Cashore 2018). The inability of ELOs to sell a clear vision of impacts to

business audiences may impede their ability to gain buy-in from the large, downstream buyers who hold the key to vast networks of suppliers (Bair 2017). To these challenges, one can add the prohibitive costs of creating new standards and eco-labels. For example, early uptake of product carbon footprinting in the UK was stifled when the cost of conducting a single footprint was determined to be in the range of 30,000 USD (van der Ven, Hoffmann, and Bernstein 2017). This led early adopters like the supermarket Tesco to abandon the initiative before it could gain traction with consumers. Absent sustained demand from large buyers and consumers, eco-labeling may struggle to gain the scale necessary to achieve broader environmental goals.

Nonetheless, the broader constellation of economic and political institutions that render eco-labels necessary are unlikely to disappear in the short term. The increased movement of goods and services across borders is a trend that shows few signs of abating, despite the recent tide of economic nationalism. Moreover, the ongoing fragmentation of the established global governance architecture leaves room for newer forms of transnational governance to emerge as pragmatic alternatives to the halting efforts of the United Nations and other international organizations (Biermann et al. 2009). In this context, a growing body of scholars and practitioners agree that there is no single, all-encompassing solution to global environmental problems (Bernstein et al. 2010; Falkner, Stephan, and Vogler 2010; Hoffmann 2011; Ruggie 2014). Idealists who hope for a “silver-bullet” solution in the form of an all-powerful World Environmental Organization are likely to be disappointed. Rather, solutions to global environmental crises will likely have to employ every tool in the global governance toolbox, including eco-labeling.

To be clear, this book by no means intends to suggest that voluntary market mechanisms are an adequate substitute for traditional command and control domestic regulation or international law. Regulation and governance at multiple scales remains necessary if humanity holds any hope of overcoming problems like climate change and biodiversity loss before irreversible thresholds are crossed. However, given that eco-labeling and similar forms of transnational governance already exist, target key sectors and environmental issues, and are slowly gaining uptake, it is vital to understand how they work and what prospects they hold for success. This book takes a significant step in that direction.