

CHAPTER 1



Eco-Labels and the Credibility Puzzle in Transnational Governance

In 2008, a small green label appeared on the neck of SC Johnson's popular Windex glass cleaner. The label displayed a stem and leaf emerging from the words "Greenlist Ingredients—Same Great Product!" Three years later, SC Johnson abruptly withdrew the label from its entire product line and settled two class action lawsuits for undisclosed amounts. Both lawsuits contended that the Greenlist label was misleading and constituted "greenwash," a term frequently used to describe false or misleading environmental claims. The plaintiffs argued that the label gave the impression that it was awarded by a neutral third-party body when in fact the rules governing which products could and could not display the Greenlist label were administered by employees at SC Johnson. The plaintiffs also successfully argued that the label was ambiguous and did not necessarily denote specific environmental achievements. Greenlist labeled products allegedly contained fewer harmful chemicals but the specifics of their environmental benefits were not immediately clear to consumers. The lawsuits and their aftermath were embarrassing to SC Johnson and undermined the company's reputation as an environmental leader. As a senior vice president announced shortly after the settlements: "we want simply to learn from the experience and move on" (SC Johnson 2011).

The accusations of greenwash confronting the Greenlist label are not unique. Numerous other "eco-labels" have been critiqued for being vague, irrelevant, unverifiable, or patently false. However, not all eco-labels lack substance. The European Union's "EU Flower" eco-label, for example, is similar in appearance to Greenlist (depicting a blue and green flower

emerging from the words “EU eco-label”) yet denotes a far more credible and specific environmental achievement. The rules governing which cleaning products can display the EU Flower are developed through a transparent multi-stakeholder process involving scientists, regulators, and representatives from environmental groups. Products are only awarded the EU Flower after having undergone rigorous testing by accredited, independent auditors who verify the product’s compliance with the eco-label’s criteria. Moreover, the EU Flower denotes specific environmental achievements. Glass cleaners that display the label avoid certain toxic chemicals, are more biodegradable than their competitors, and use less packaging. In sum, the presence of the EU Flower denotes a credible environmental claim backed by rigorous procedures.

Eco-labels, like the ones just described, are an emerging and potentially powerful form of transnational environmental governance. They aim to fundamentally transform global value chains (GVCs) by providing information on the environmental performance of products, services, and companies “to encourage the demand for and supply of those products and services that cause less stress on the environment, thereby stimulating the potential for market-driven continuous environmental improvement” (ISO 1999, 2). They do so by establishing rules about proper environmental conduct—in the form of voluntary sustainability standards—that guide and constrain businesses across national borders and commercial sectors.

Eco-labels are increasingly ubiquitous. Over the past forty years, they have moved from the fringe to the mainstream of transnational environmental governance. Today, many of the world’s largest brands use eco-labels and sustainability standards to manage the impacts of their complex GVCs.¹ Environmental groups actively develop and support eco-labels to exert influence over businesses in multiple countries. Governments have enthusiastically embraced eco-labeling as a means of regulating environmental conduct outside of their own borders. And consumers in nearly every country can find eco-labels on most household goods, from window cleaners to orange juice.

Yet, despite their ubiquity, the preceding Greenlist/EU Flower analogy illustrates two features that are typical of the broader state of eco-labeling. First, there is broad variation in the credibility of eco-labels. Whereas some govern in a manner analogous to neutral, credible regulatory bodies, others are biased, arbitrary, weak, or nakedly politicized. Second, there is often very little to outwardly separate the credible eco-labels from the non-credible. Part of the reason for this is that eco-labeling, much like other emergent forms of transnational environmental governance, exists in an anarchic environment with no overarching regulatory body. Any group,

public or private, can create, own, or operate an eco-labeling scheme. Consequently, credible efforts to address environmental problems often exist alongside superficial greenwash, and the two are frequently indistinguishable to casual observers.

To date, efforts to make eco-labeling more credible have taken the form of best practice guidelines. These voluntary guidelines are created and disseminated by international organizations, non-governmental organizations (NGOs), and associations of eco-labeling organizations (ELOs). They focus on improving the procedural dimensions of eco-labeling and suggest best practices related to transparency, impartiality, inclusiveness, relevance, and truthfulness in developing and awarding eco-labels. The idea underlying best practice guidelines is that rigorous and credible procedures support the achievement of desirable environmental outcomes (ISEAL Alliance 2013, 4). Notwithstanding the consensus that exists on most dimensions of best practice, there remains broad variation in the degree to which ELOs adhere to the recommendations proposed in these guidelines. While some take best practices seriously, others continue to operate in a manner conducive to greenwash. The central research question that guides this book is therefore: *why do some transnational ELOs follow established best practices more closely than others?*

This question has thus far been overlooked in studies of eco-labeling and broader studies of transnational environmental governance. To date, political scientists have principally focused on explaining what led to the rise of non-state and private authority (Cutler, Haufler, and Porter 1999; Green 2013; Hall and Biersteker 2002; Ruggie 2004), how non-state governance schemes gain the political authority necessary to govern (Cashore 2002; Bernstein and Cashore 2007), or how such schemes interact with conventional state-based modes of governance (Abbott and Snidal 2010; Eberlein et al. 2014; Renckens 2014). While past scholarship has yielded valuable insights into the emergence and nature of non-state transnational governance, it leaves important questions unanswered about when and how these new forms of governance can succeed in achieving their stated objectives.

Part of the reason for this lacuna is the lack of a clear metric by which to measure the success of transnational governance. Environmental outcomes are frequently over-determined, thereby making it difficult to infer a causal relationship with any particular governance intervention (van der Ven and Cashore 2018). To further complicate matters, many eco-labeling schemes strive toward different objectives, thereby rendering them difficult to compare on the basis of their standards. These causality and comparability challenges make it difficult to answer the bigger question of whether

eco-labels, as a form of transnational governance, can effectively solve environmental problems.

In the chapters that follow, I pioneer a new approach designed to overcome these measurement and comparability challenges. The Index of Best Practice (IBP) in eco-labeling measures an eco-labeling organization's commitment to the procedural dimensions of credibility. Procedural credibility can be defined as the suitability of organization-level systems, policies, and processes for bringing about positive environmental, social, and economic outcomes. This includes practices like setting measurable and scientifically informed environmental objectives, including all relevant stakeholders in standard development, setting levels of achievement appropriately high, balancing representation in key governing bodies, using independent auditing and compliance verification bodies, subjecting rules and policies to public scrutiny, and monitoring and evaluating real-word environmental impacts. I argue that procedural credibility increases the likelihood that ELOs will craft rigorous and credible eco-labels with the potential to achieve environmental objectives. The IBP allows me to compare ELOs across sectors and issue-areas and thus, to make broader inferences about the conditions that lead to procedural credibility.

When one examines the broader population of transnational ELOs through the prism of the IBP—as this book does in chapter 2—an interesting puzzle emerges. The ELOs that have broad transnational presence tend to be far more procedurally credible than those that are present in fewer countries. This tendency occurs irrespective of who owns the ELO, where it is headquartered, or which sector it operates in. This result is puzzling for two reasons. First, it suggests that factors other than sponsorship or sectoral competition might be driving attention to rigor and credibility in eco-labeling (Darnall, Ji, and Potoski 2017; Fransen 2011a). Second, it runs contrary to conventional wisdom in transnational governance that the rigor of governance decreases as the community being governed expands. Intuitively, one might assume that eco-labels gain users and transnational presence by cutting regulatory corners and making it easier for businesses to comply. This could entail developing standards behind closed doors, loosening auditing requirements, or marginalizing the voices of critical stakeholders. Yet, my findings suggest that the opposite is true. The broader the community being governed, the more closely ELOs tend to follow best practices. What explains this relationship?

The book's central argument—summarized here and fully elaborated in chapter 3—is that who an ELO *targets* for governance has an important bearing on its level of adherence to best practices. Put differently, the types of companies and markets to which an eco-labeling organization markets

its services strongly influences its level of commitment to the various components of procedural credibility. I distinguish between two market strategies related to who an ELO targets for governance: “aiming big” and “aiming small.” ELOs that “aim big” publicly announce their intention to certify a large percentage of firms or products in a relevant market, often upward of 20% of global production. They seek to create broad, mainstream eco-labels and sustainability standards that are immediately achievable by the top environmental performers in a given sector. In service of these goals, they often target large, multinational, downstream retailers that hold considerable leverage over GVCs (Gereffi, Humphrey, and Sturgeon 2005; van der Ven 2018).² They also seek to expand their eco-labels into foreign markets to increase the volume of goods/services/firms certified to their standards. By contrast, ELOs that “aim small” publicly disclose their intention to service a small market niche, target smaller companies with limited leverage over GVCs (particularly upstream suppliers), and/or restrict their certification and labeling activities to domestic markets or particular regions. I argue that ELOs aiming big are much more likely to follow best practices than those aiming small.

Aiming big influences best practice adherence through several causal mechanisms. First, the increased critical scrutiny that accompanies “aiming big” exerts pressure on ELOs, firms certified to their standards, and environmental non-governmental organizations (ENGOs) who support or lend their name to the eco-label, to pay closer attention to best practices out of a mutual concern for reputational damage. The decision to create a large, mainstream eco-label invites critical scrutiny to a degree that is uncommon for smaller, niche labels. The media, activist groups, and the public are more likely to scrutinize a label that is highly visible and stands to impact a considerable volume of goods or services than one that lacks these attributes. Best practice adherence provides a means of insulating ELOs, their ENGO partners, and their corporate clients from this critical scrutiny by publicly demonstrating a commitment to procedural credibility. This type of insulation is a requisite for avoiding negative media coverage and NGO naming-and-shaming campaigns that can sink an ELO, ENGO, or corporation’s reputation.

Second, in some cases, aiming big increases inclusiveness within an ELO’s core governing bodies (i.e., boards or technical committees in charge of standard development) and can fundamentally redefine internal governance dynamics. As an ELO expands its certification activities to encompass more firms and foreign markets, it must seek legitimacy in the eyes of a growing community of stakeholders in order to gain the political authority necessary to govern (Dingwerth 2007; Prno and Slocombe

2012).³ One of the ways that ELOs acquire this legitimacy is by engaging in practices of “stakeholder democracy” (Bäckstrand 2006), whereby stakeholders are accorded greater influence in decision-making processes related to the eco-label. Multi-stakeholder decision-making bodies initially have limited impact on best practice adherence, as board members and technical committees engage in strategic bargaining in service of their individual interests. However, over time and through sustained interaction, shared problems and common understandings of appropriate solutions emerge and the group dynamic can shift toward deliberative problem-solving. In this context, best practice adherence often emerges as an appropriate solution to a problem faced by all stakeholders engaged in bargaining, namely, reaching a compromise on standard content while simultaneously safeguarding an eco-label’s credibility and preventing all parties from incurring reputational damages. Best practices bridge the divide between industry and environmental groups, allowing both parties to agree on appropriate procedures even if they cannot agree on substantive issues. Importantly, this type of inclusiveness and bargaining is most likely to occur in large ELOs that need the participation of diverse stakeholder groups to govern legitimately. ELOs that target smaller firms in smaller markets often have smaller, less diverse, and less contentious governing bodies and therefore do not face the same internal pressures toward best practice adherence.

Third, once an ELO’s strategy of aiming big has resulted in discernible improvements to the scale of its eco-labeling activities, concurrent increases in certification and logo licensing revenues allow ELOs to invest in organizational capacity. Strong organizational capacity—defined in terms of both monetary and human resources—is necessary for performing some of the more resource-intensive aspects of best practice. These aspects include impact monitoring and evaluation, auditor accreditation and training, and programs to provide access to certification for firms or products from developing countries.

This argument marks a significant departure from past transnational governance scholarship, which has principally explained credibility in governance arrangements by focusing on who is actually performing the governance (the governors) or by examining the interaction between different governors (Avant, Finnemore, and Sell 2010). Eco-labels can be created or managed by a range of public and private organizations, and past scholarship has argued that certain types of governors are more likely to create credible governance than others. A number of scholars have expressed particular concern about the credibility of industry-sponsored ELOs. Mattli and Büthe (2005, 405), for example, envision a principal-agent

relationship between industry-sponsored ELOs and their corporate funders wherein the ELOs have strong incentives to take the interests of their funders into account at the expense of other interests. Similarly, neo-Gramscian scholars suggest that industry self-regulation arises out of a desire to proactively accommodate oppositional claims, like a duty to care for the environment, thereby stabilizing the hegemonic capitalist worldview and reproducing a corporate-friendly global governance system (Levy and Newell 2002, 84; Schäferhoff, Campe, and Kaan 2009, 455). In the neo-Gramscian conception, the primary objective of industry-backed eco-labels (e.g., Best Aquaculture Practices or the Sustainable Forestry Initiative) is to demonstrate just enough regulatory effort to mitigate anxiety about the benevolent nature of global capitalism. By this logic, the procedural credibility of governance—and the degree of best practice adherence—is strongly conditioned by which type of organization owns or operates the governance scheme.

Others suggest that interaction between governors is important. Competition between ELOs operating within a particular sector has alternately been theorized to decrease or increase the prospects of credible governance. Some argue that competing ELOs have an imperative to cut regulatory corners as they seek to attract clients, leading to a regulatory race to the bottom (Abbott and Snidal 2010, 324; Fransen 2011b, 359; Gulbrandsen 2005). ELOs entering a sector already crowded with other labeling schemes may attempt to gain a foothold by lowering barriers to compliance (Cashore et al. 2007, 163), as has been well-documented in the forestry sector (Gulbrandsen 2005, 349). Others suggest that competition engenders coordination, institutional mimicry, and upward pressure on credibility (Eberlein et al. 2014, 2). Vogel (1995) has termed this racing-to-the-top dynamic a “California effect” in reference to the nationwide scaling-up of automobile emissions standards following California’s move to more stringent tailpipe emissions standards. California effects may be driven by public comparison and benchmarking that serve to ratchet up competing standard systems (Overdevest 2010; Overdevest and Zeitlin 2014).

A unifying feature of past scholarship is that it places much of the explanatory burden for credibility on *who governs* and *in what context*. This book shifts the locus of explanation to *who is being governed*, thereby suggesting that the governors have less agency than previously theorized. Credible transnational governance can and does come from a variety of sources. However, it is largely contingent on the identities and interests of the community being governed. The implications of this argument for both the theory and practice of transnational governance are considerable and will be fully discussed in the book’s concluding chapter.

Outside of this book's relevance for eco-labeling, readers may rightly wonder what value a study of best practice adherence holds for scholars of international relations and global governance more broadly. The following sections build the case for both the empirical and theoretical relevance of eco-labeling. Eco-labels not only govern an ever-growing percentage of global economic activity, they are also an example of a broader transformation currently underway in global governance wherein rule-making authority is shifting from states and international organizations toward an array of non-state actors. Consequently, a study of best practice adherence in eco-labeling is directly relevant to the study of credibility in transnational governance more generally.

WHAT ARE ECO-LABELS AND WHY SHOULD WE CARE ABOUT THEM?

Eco-labels are a type of shorthand between buyers and sellers. Essentially, the presence of an eco-label on a product indicates that a company or service has followed a set of rules set out in a sustainability standard to reduce the product, service, or company's environmental footprint. In this way, eco-labels serve as marks of trust that reduce information asymmetries between producers and consumers. Eco-labels "go beyond merely ensuring that advertisers' claims are not misleading, to interpret a vast array of information on environmental impacts and present the conclusions to consumers in the form of a simple, credible label" (Harrison 1999, 113).

Eco-labels come in many forms. They can be awarded by neutral third parties or self-declared by companies. The focus of this book is on the former: voluntary, third-party eco-labels which are managed by organizations that are at least nominally independent from the businesses and producers seeking certification. The process through which third-party eco-labels govern is broken into several parts. ELOs (e.g., the Marine Stewardship Council) create and own sustainability standards. These standards outline the rules companies must follow if they want to display an eco-label. The targets of governance (e.g., McDonalds) are companies that voluntarily agree to abide by the sustainability standard's rules. In cases where the targets of governance rely on independent suppliers for goods, the targets of governance may pressure their suppliers into conforming with the rules of a sustainability standard. Auditors are often, though not always, independent bodies tasked with evaluating whether the targets of governance and their suppliers are in compliance with a sustainability standard and should be awarded an eco-label. Best practice guidelines exist as a form of

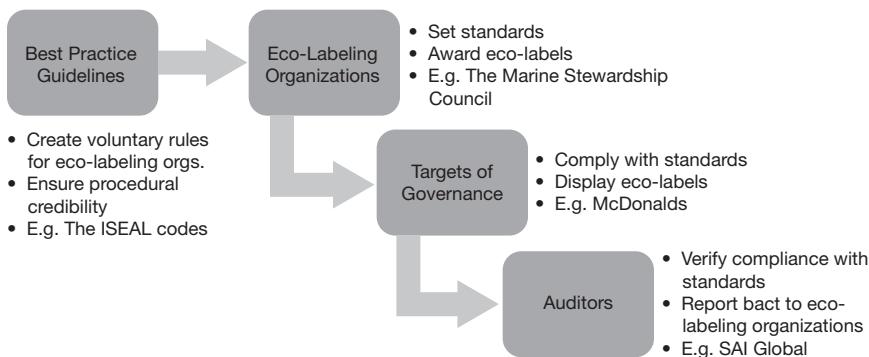


Figure 1.1 Key actors and their roles in third-party eco-labeling

meta-governance that establish voluntary rules for creating and managing credible eco-labels (Derkx and Glasbergen 2014; Fransen 2015). The rules in best practice guidelines apply to both ELOs and auditors. The relationship between these parties is diagrammed in figure 1.1.

The transnational growth of third-party eco-labeling activities has been nothing short of remarkable, from a single label developed in Germany in 1978 (the Blue Angel), to an estimated 463 eco-labels now operating in 199 countries worldwide (Ecolabel Index 2018). While this figure encompasses both domestic and international eco-labels, much of the growth in eco-labeling has been among labels that are transnational in presence. In this book, I define a transnational ELO as one that develops standards/eco-labels that are targeted at audiences in more than one country *and* that makes certification available to firms headquartered in a different country than the ELO. Consistent with the deepening integration of national economies, ELOs are increasingly trying to make their standards relevant to foreign markets. As figure 1.2 shows, the number of ELOs whose labels are present in more than one country has steadily increased since the inception of eco-labeling. A recent Government of Canada study estimates that one in five products traded globally are now certified to some kind of business- or civil society-led standard (Bowles 2011, 2).

Over the past decade, eco-labels have moved from the periphery of transnational environmental governance to the center of sweeping efforts to address the environmental impacts of GVCs. The growing importance of eco-labels is best evinced by their incorporation into the procurement policies of some of the world's largest companies. In 2013, McDonald's USA announced that 100% of the fish used in its signature Filet-O-Fish™ sandwiches would be certified to the Marine Stewardship Council (MSC) eco-label.⁴ For the MSC, this represents a considerable growth in market

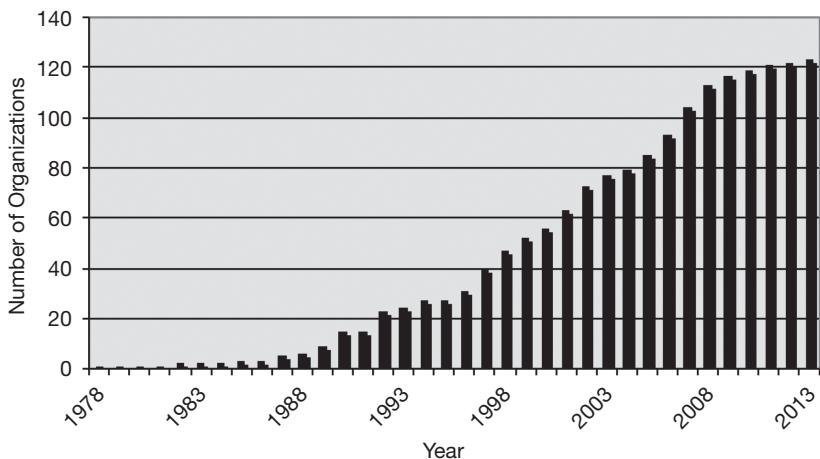


Figure 1.2 Eco-labeling organizations with transnational presence 1978–2013
The graph presents original data from the dataset used in this book. It shows the population of transnational ELOs in 2013 categorized by when they launched their first transnational eco-labeling standard.

uptake as McDonald's sold over 200 million Filet-O-Fish™ sandwiches in the United States in 2012 alone. Lipton Tea, the single largest purchaser of tea leaves in the world, currently sources 100% of the tea for its tea bags from Rainforest Alliance certified farmers (Rainforest Alliance 2014). Lipton's parent company, Unilever, aims to source 100% of its tea sustainably by 2020 (Rainforest Alliance 2014). This marks a massive change in the way tea will be grown and harvested throughout producing regions in Africa and Asia. Lastly, The Home Depot now sells more Forest Stewardship Council (FSC) certified lumber than any retailer in the world, having sold over 400 million FSC-certified wood products between 2006 and 2007 alone (The Home Depot 2015).

Eco-labeling's movement from the fringe to the mainstream of global business holds huge potential for efforts to address environmental problems. Not only is the volume of goods certified to sustainability standards increasing, but large retailers are increasingly demonstrating a willingness to use their size and purchasing power to create ripple effects throughout their value chains. Retailers buy in massive volumes and have the power to change suppliers whenever it suits them. Taken together, these two factors afford them enormous power over producers in their value chains (van der Ven 2018). Hence when McDonald's demands MSC certification for its seafood, its suppliers have little choice but to seek certification or risk losing their largest customer. Thus, in many ways, large multinational retailers now have a greater impact on global environmental

governance than many governments. As Dauvergne and Lister (2010, 147) put it: “a company like Wal-Mart now has more capacity to influence a logger’s on-the-ground actions in a place like Kalimantan than the government in Jakarta.”

In addition to the potential of eco-labels to reshape GVCs, there is increasing evidence that they are shaping public sector procurement and public policy as well. One notable example is the EPEAT (Electronic Product Environmental Assessment Tool) eco-label for sustainable computers and electronics. Despite being privately developed by the Green Electronics Council—a non-profit organization headquartered in Portland, Oregon—the EPEAT standard has worked its way into the procurement policies of some of the largest governments in the world.⁵ In 2008, the US Government included EPEAT certification in Federal Acquisition Regulation (FAR) requirements for computers and displays (EPEAT 2013b). This move toward purchasing products certified to a private standard was subsequently echoed in Australia, where the government ordered all national government agency purchasers to specify EPEAT Silver or equivalent in their IT procurement (EPEAT 2013b).

In other instances, sustainability standards have become the basis for public policy. In Canada, where the federal government had initially been critical of the MSC’s eco-label, the Department of Fisheries and Oceans in 2007 made certification and eco-labeling a cornerstone of its “Ocean to Plate” policy strategy. This strategy was later accompanied by presentations and government documents that more or less officially endorsed the MSC. The United Kingdom (UK), Norway, Denmark, Sweden, and the Netherlands have also all made certification part of their seafood policy strategies and have provided funding for pre-assessment or full assessment of fisheries to privately developed eco-labeling standards (Gulbrandsen 2014, 9).

In other cases, the relationship between private standards and public policy is even more direct. The UK’s Code for Sustainable Homes—a government-owned standard intended to encourage continuous improvement in sustainable home building—was based on the privately developed BRE Global EcoHomes scheme. In this way, private organizations that develop and manage eco-labels are exerting influence through state-sanctioned channels as well.

In sum, eco-labels are empirically relevant because they are ubiquitous, govern an ever-growing proportion of global economic activity, and shape public policy, both directly and indirectly. Measuring and explaining credibility in transnational eco-labeling is therefore vital to assessing the potential of eco-labeling to successfully address a range of urgent environmental problems associated with economic globalization. Beyond their empirical

relevance, however, eco-labels are also important for what they signify. Namely, they represent a broader transformation underway in global governance from a world in which states are the principal governors to one in which governance duties are divided among a broader array of actors.

ECO-LABELING AS TRANSNATIONAL NEW GOVERNANCE

Recent years have witnessed what Keohane and Victor (2011) describe as a “Cambrian explosion” of governance activities characterized by a proliferation of “organizations, rules, implementation mechanisms, financing arrangements, and operational activities” (Abbott 2012, 571). Here, I define governance broadly as: “systems of authoritative norms, rules, institutions, and practices by means of which any collectivity, from the local to the global, manages its common affairs” (Ruggie 2014, 5). A central feature of this explosion of governance is that: “private actors are increasingly engaged in authoritative decision-making that was previously the prerogative of sovereign states” (Cutler, Haufler, and Porter 1999, 16). Ruggie (2014) has labeled this constellation of activities “new governance” and Abbott and Snidal (2010) have termed it “transnational new governance (TNG).” Eco-labeling, inasmuch as it involves the creation of quasi-authoritative rules that transcend national borders by private actors, is a representative example of TNG, for which lessons gleaned from explaining procedural credibility in eco-labeling may hold broader relevance.

TNG exists as a loosely defined subset of governance whose activities are united by the conviction that the “hierarchical old governance model has limited utility in dealing with many of today’s most significant global challenges” (Ruggie 2014, 8). In addition to this conviction, a number of characteristics are commonly associated with new governance. First, it encompasses a broad array of non-state actors. These include NGOs, corporations, industry associations, transnational standard setters, hybrid public-private partnerships, and multi-stakeholder groups. Second, it tends to operate in the absence of formal hierarchical arrangements. This means that new governance frequently occurs in the absence of coercive power and relies more heavily on non-compulsory “steering” to modify the behavior of its targets. Third, and related to the last point, the political authority of a governance arrangement depends upon perceptions of legitimacy among the governed and relevant communities of external stakeholders (Bernstein 2011, 2014). In essence, a new governance arrangement is only able to steer the members of a governance network toward some desired end goal once it is perceived as legitimate in the eyes

of key stakeholders. While legitimacy also forms a key component of political authority in conventional state-led governance, new governance arrangements must attain legitimacy without the benefit of elections or being associated with an elected actor. Eco-labeling, inasmuch as it shares many of these characteristics, constitutes an example of TNG.

Consistent with the notion that new governance often involves non-state actors, eco-labels are created and administered by a range of private organizations. The various types of organizations that manage eco-labels are documented in figure 1.3. Also consistent with other forms of new governance, ELOs govern in the absence of a formal hierarchy. The rules set out in sustainability standards are voluntary and ELOs have no coercive power to compel companies to abide by those rules, beyond social and market sanctions. Lastly, eco-labeling is deeply dependent on legitimacy. The political authority of transnational ELOs is not rooted in the law or coercive power, hence a willingness to comply with “the rules” is almost entirely contingent on the rules being perceived as appropriate and legitimate by relevant stakeholders.

There are a number of reasons why TNG has emerged as a means of regulating the social and environmental conduct of multinational corporations (MNCs) and their GVCs. First, as Ruggie (2014) astutely

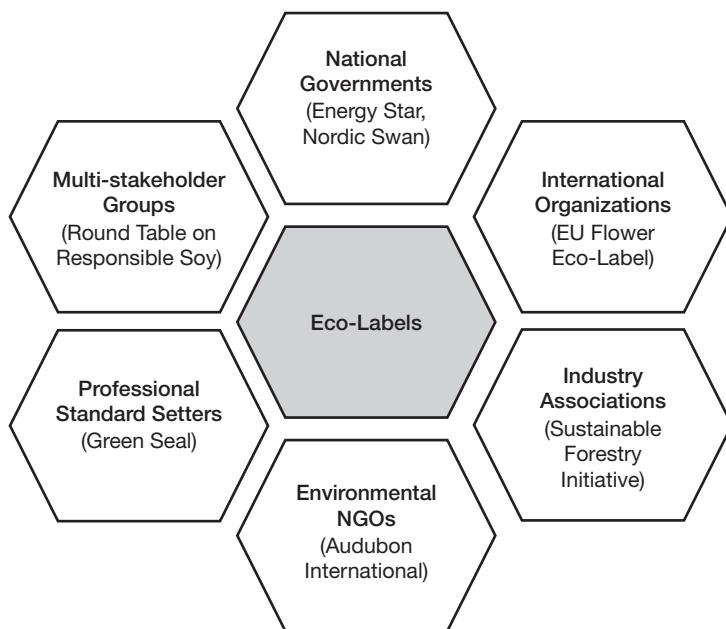


Figure 1.3 Types of organizations involved in eco-labeling

notes, most multinational corporations are not subject to international law. They are only subject to the domestic laws of the states in which they are incorporated and operate. This places them outside the boundaries of conventional, state-centric, and hierarchical forms of old governance. Yet, economic globalization and the concurrent growth of GVCs makes domestic governance impractical. The increasing deterritorialization of global production processes means that no single state has authority over a product from the beginning to the end of its lifecycle. Even if the country in which a MNC's parent company is incorporated would like to regulate the conduct of the company across its GVC, it is limited in its ability to do so since the law conceives of parent companies and their subsidiaries as separate legal entities. Hence, a parent company is rarely liable for the conduct of its overseas subsidiaries, even if it is the sole owner of these subsidiaries (Ruggie 2014).

Thus, while Canadians may express shock and outrage at the death of Bangladeshi textile workers in a sweatshop fire, the Government of Canada has little authority to change the conditions for workers on the ground, notwithstanding the fact that many of the companies purchasing textiles from the sweatshop are located on Canadian soil. The territorial limits of domestic law make managing GVCs one of the most vexing governance challenges of our time and one that has only recently received due attention from political scientists (Dauvergne and Lister 2010, 2011, 2013). Concerns about the negative impacts of GVCs range from the environmental degradation they create to the abuses of workers' health, safety, and dignity they obscure (Cutler, Haufler, and Porter 1999; Green 2013; Hall and Biersteker 2002).

Beyond eco-labeling, TNG has emerged in a number of other settings. For example, non-state actors play a growing role in setting quasi-authoritative rules in areas ranging from transnational carbon markets (Hoffmann 2011), to food safety and quality (Fuchs and Kalfagianni 2010), to securities markets (Cutler, Haufler, and Porter 1999, 16) and standards for electronic products (Büthe 2010). Thus, as Pattberg and Stripple (2008, 369) note: "the establishment of norms and rules and their subsequent implementation are only to a limited extent the result of public agency in the formal sense, but often the outcome of agency beyond the state."

It is for these reasons that a study of best practice adherence in eco-labeling holds broader significance. As the preceding discussion suggests, TNG plays a growing role in addressing many contemporary global challenges. Eco-labeling, as a typical example of TNG, is populated by an ever-expanding range of non-state actors who create and enforce quasi-authoritative rules. The diversity of actors involved in eco-labeling has

led skeptics to raise legitimate questions about the rigor and credibility of their governance activities. As Büthe and Mattli (2011) observe, standard setting is a profoundly political process capable of generating both winners and losers. Many of the organizations involved in eco-labeling may be driven by political motives more than by a desire to generate desirable governance outcomes. These political motives are as diverse as the organizations involved in eco-labeling. Corporations and industry associations may create eco-labels with the sole purpose of generating reputational benefits, appealing to green consumers, or staving off more coercive command-and-control regulation. States may create eco-labels out of a desire to place foreign goods at a disadvantage in domestic markets. NGOs may create eco-labels to give an appearance of progress and influence to their donors. For-profit certification bodies may create superficial eco-labels with the sole objective of accruing royalties through logo licensing. The absence of hierarchical authority, oversight, and strong accountability mechanisms creates an environment where there are ample incentives to pursue political motives to the detriment of environmental benefits. Consequently, the credibility of ELOs is highly variable. What is needed, first, is a means of separating credible from non-credible ELOs and, second, further insight into what leads some ELOs to be more credible than others. A focus on adherence to best practices in eco-labeling is helpful for both purposes.

USING BEST PRACTICES TO IMPROVE THE PROCEDURAL CREDIBILITY OF ECO-LABELING

To date, ten best practice guidelines for eco-labeling have been published by a range of global authorities, including international organizations like the World Trade Organization (WTO) and the Food and Agriculture Organization of the United Nations (FAO), associations of ELOs like the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, and international standard-setting bodies like the International Organization for Standardization (ISO).⁶ These guidelines serve as steering devices intended to increase “the likelihood that a standards system will achieve its intended positive impacts” (ISEAL Alliance 2013, 4).

The term best practice is contentious, and rightfully so. Best practices are neither as apolitical nor as universally accepted as their benign terminology and public representation suggests (Bernstein and van der Ven 2017). Scholars are correct to point out that the organizations who create best practice guidelines often have political motivations (Loconto and Fouilleux 2014). While it may be tempting to view best practice guidelines

as benign exercises in regulatory optimization, in fact they advance unique agendas ranging from global trade liberalization to the normalization of a market-driven and procedural vision of sustainability (Bernstein 2011; Bernstein and van der Ven 2017; Loconto and Fouilleux 2014). In the case of eco-labeling, however, these concerns can be somewhat moderated by the multi-stakeholder procedures through which individual best practice guidelines are constructed and by the presence of multiple sets of guidelines that allow researchers to triangulate the practices with the greatest amount of consensus.⁷ Best practices remain inherently political, but the level of consensus that exists around these particular best practices suggest that they are relevant to achieving desirable governance outcomes.

The rules and recommendations contained in best practice guidelines focus on general, organization-level policies and procedures related to crafting credible eco-labels and sustainability standards. While the ten existing best practice guidelines for eco-labeling cover different areas of standard setting, compliance monitoring, and impact evaluation, there is considerable overlap between them. First, in nearly all cases, they suggest that ELOs set clear and measurable environmental goals and employ robust monitoring and evaluation systems to track progress toward their objectives. Second, they suggest that ELOs strive for continuous improvement by routinely reviewing their standards and modifying them in a way that supports their environmental objectives. Third, they suggest that ELOs work with scientists and experts to ensure the relevance of their standards and monitor risks associated with their implementation. Fourth, they suggest that firms certified to a standard undergo rigorous and routine audits and face sanctions if they fail to maintain compliance. Fifth, they recommend that ELOs possess robust stakeholder engagement mechanisms that help interested parties participate in standard development and governance. Sixth, they agree that ELOs should guard their impartiality and have firm policies in place to prevent conflicts of interest. Seventh, they stress the importance of transparency across all aspects of eco-labeling and specifically require that standard documents and auditing procedures be available to the public. Eighth, they suggest that ELOs provide meaningful opportunities for vulnerable stakeholders to participate in standard development and governance and that ELOs work to reduce barriers to certification for small firms. Ninth, they recommend that ELOs maintain a high level of precision and accuracy in environmental claims associated with their labels. And lastly, they implore ELOs to collaborate with other relevant standard-setting bodies to reduce duplication and regulatory overlap.

Best practice guidelines cover broad operating principles and not standard content. However, there is compelling evidence to suggest that adherence to best practices is a reasonable proxy for the overall sincerity of an ELO's governance efforts. For one, adherence to best practices involves relinquishing a considerable amount of control over the content of an eco-labeling standard and its ongoing administration. ELOs that follow best practices allow balanced groups of stakeholders to participate in standard development and decision-making, construct clear definitions of consensus and make decisions according to these definitions, cede control over auditing to third-party entities, and are fully independent from their funding sources. These factors make it nearly impossible for an ELO in full compliance with best practices to create a standard that serves only a narrow constituency or completely ignores environmental goals. As noted in past studies, incorporating a balance of diverse interests in rule setting is crucial for the credibility of an ELO (Gulbrandsen 2005, 352).

Second, best practice adherence exposes ELOs to a higher-than-normal degree of public scrutiny. To operate in line with best practices, an ELO must specify a clear environmental objective, outline a plan to reach that objective, and risk the public opprobrium that would result from failing on either account. Best practice adherent ELOs must be fully transparent at every level of the standard-setting process, from development through compliance assurance, monitoring, and impact evaluation. The content of their standards must be made public such that any interested stakeholder can gauge the caliber of the criteria required to win an eco-label and offer critical feedback if the bar is set too low. Many standard-setting bodies, particularly those seeking to advance a self-interested agenda, are simply unwilling to submit to this level of public scrutiny and therefore forgo voluntary best practice adherence.

Third, best practice adherence involves hard costs. Fully adherent ELOs must incur considerable expenses in seeking the input of marginalized stakeholders and often forego certification revenues in order to make their standards more inclusive. Stakeholder involvement, one of the key tenets of best practice, "often prolongs the amount of time required to complete decision-making processes, particularly when divergent views produce controversies that take time to address or require that stakeholders acquire new knowledge" (Carmin, Darnall, and Mil-Homens 2003, 529). The founders of the Aquaculture Stewardship Council (ASC), for example, followed best practices in developing an eco-labeling standard for farmed salmon. In keeping with the requisites of balanced stakeholder involvement, public consultation, and complete transparency, they held the inaugural meeting of the Salmon Aquaculture Dialogue in February 2004 and

did not release the first version of their farmed salmon standard until June 2012 (Aquaculture Stewardship Council 2012). In the intervening time, several competing standards were released and were able to gain market-share. The ASC serves as an example of how best practice adherence can involve sacrificing competitive advantage and incurring real costs in service of making sure an eco-label is built right.

The costs, critical scrutiny, and loss of control that accompany best practice adherence tend to repel ELOs looking to make a quick profit, green-wash a particular product/industry, or construct a superficial regulatory scheme. Or, in the words of one expert with over a decade of experience in the field, best practices have become “a sort of coarse filter for whether a labeling organization is serious or not.”⁸ To be clear, adherence to best practices is by no means a sufficient condition for achieving environmental outcomes. Best practice adherence does not guarantee stringent standards or environmental outcomes. Rather, the relationship is better construed as probabilistic. An ELO that is fully adherent to best practices stands a better chance of creating a stringent sustainability standard that sets levels of achievement appropriately, is clear and enforceable, remains current, and encompasses the perspectives of the most relevant stakeholders. While the relationship between best practice adherence and substantive content is far from linear (a point I return to later and discuss in other work⁹), best practices provide a strong indication of whether a standard system is likely to set a high level of achievement and deliver on its environmental goals (ISEAL Alliance 2016). Hence, there are good reasons to believe that a focus on best practice adherence can help separate sincere transnational governance efforts from superficial ones.¹⁰

MEASURING BEST PRACTICE ADHERENCE

Notwithstanding the merit of a focus on best practices, finding a reliable way to measure adherence is challenging because there is no single authoritative statement of what constitutes best practice. Nascent efforts to compare standard systems, like the International Trade Centre’s Standards Map, allow users to select which practices are most relevant to them but eschew defining best practices in a unitary, coherent way.¹¹ This neutral approach reflects the fact that each of the ten existing guidelines for best practice in eco-labeling contain somewhat different recommendations and cover different areas of standard setting, compliance monitoring, and impact evaluation. Thus, to create a singular measure of best practice adherence I have constructed the IBP, a unique eco-labeling index comprising

thirty-eight widely agreed upon recommendations for best practice drawn from the ten guidelines outlined earlier.

Developing the IBP involved detailed primary document analysis and key informant interviews with experts in the field. I began by reviewing the ten existing best practice guidelines and identifying practices that were suggested in two or more guidelines from different sources (e.g., the ISEAL and ISO guidelines). In taking this approach, I aimed to avoid biasing the IBP toward any one organization's definition of best practice and to narrow the IBP down to only the most relevant practices. To preserve analytic focus, I limited my analysis to only those guidelines directly relevant to eco-labeling. I excluded general guidelines for standard-setting bodies (e.g., ISO/IEC Guide 65) since many of their recommendations are captured in eco-labeling-specific guidelines. I then conducted interviews with six eco-labeling experts (including consultants, auditors, staff of accreditation bodies, and policymakers) to gain a better idea of which practices are most relevant to building and maintaining rigorous and credible standards. I ended the process with an index comprising thirty-eight specific recommendations for best practice in eco-labeling that can be loosely grouped into ten thematic categories. Each of the thirty-eight criteria can be scored on the basis of full, partial, or non-adherence, yielding an adherence score across each thematic category and across the IBP as a whole.

The ten thematic categories in the IBP are based on the ISEAL Credibility Principles, which were designed with the goal of increasing the "likelihood that a standards system will achieve its intended positive impacts" (ISEAL Alliance 2013, 4). The decision to categorize the IBP according to the ISEAL principles reflects the broad consensus that exists around them: they were developed through a comprehensive consultative process entailing over four hundred contributors in workshops online and around the world (ISEAL Alliance 2013, 2). The decision to limit the number of recommendations in each category reflects the practical necessity of developing and coding a complicated index variable. There are simply too many best practice recommendations to be able code each one. However, the thirty-eight recommendations I include reflect a high degree of consensus between the existing guidelines on certain practices. They also take into account the frank recommendations made by eco-labeling experts about which practices warrant inclusion in the IBP and which do not. I outline the ten categories of best practice and their specific recommendations in table 1.1. A full summary of what constitutes full, partial, and non-adherence for each best practice recommendation is provided in Appendix B.

Each category of the IBP ultimately relates to an ELO's procedural credibility and its potential to achieve desirable governance outcomes in

Table 1.1 IBP CATEGORIES AND RECOMMENDATIONS IN EACH CATEGORY

| | |
|-----------------------|---|
| <i>Sustainability</i> | ELO ensures that the environmental objectives of its standards are clearly stated ELO ensures that any claims made by standard users can be fully substantiated ELO clearly defines its strategy for achieving its environmental objectives ELO possesses a monitoring and evaluation program that tracks progress toward its environmental objectives |
| <i>Improvement</i> | ELO ensures that standards are reviewed at regular intervals ELO specifies that certified entities must remain compliant with the most recent version of its standards ELO integrates the results of monitoring and impact evaluations into proposed improvements to its standards |
| <i>Relevance</i> | ELO allows standards to be adapted for relevant regional, national, or local conditions ELO expresses standard criteria in terms of performance rather than design characteristics ELO involves persons with expertise or first-hand experience in standard development ELO identifies and addresses potential risks inherent in the implementation of its standards |
| <i>Rigor</i> | ELO ensures standards are clearly written and specific and provides guidance and interpretation documents where appropriate ELO clearly specifies the duration of the certification periods for its standards ELO establishes quantifiable indicators and verifiers that can be used in assessing whether the criteria in its standards are being met ELO specifies that audits are routinely conducted following certification ELO ensures persons evaluating compliance with standards have been well-trained and remain current on standard requirements ELO has a well-documented system of remediation and sanctions if compliance with its standards is not maintained |
| <i>Engagement</i> | ELO mandates that auditors conduct field site visits where appropriate ELO implements a formal consultation mechanism that facilitates participation of interested parties in standard setting and governance ELO publishes a “work program” for each standard under development and outlines timeframes for stakeholder involvement ELO ensures that standards under development include a public review period ELO presents evidence that stakeholder comments were taken into account in standard development ELO has a dispute resolution, complaint, or appeals process in place for certification decisions and standard-setting matters |

Table 1.1 CONTINUED

| | |
|----------------------|--|
| <i>Impartiality</i> | ELO is transparent about governance procedures, including how decisions are made and decision-makers are elected ELO clearly defines “consensus” and ensures that decisions on standards are, where appropriate, consensus-based ELO ensures that it is legally and financially independent from its compliance auditors ELO ensures that financial models and governance decisions are structured to mitigate biases and potential conflicts of interest |
| <i>Transparency</i> | ELO ensures that all active standards are accessible to the public through its website or otherwise ELO ensures that the names of both certified enterprises and those whose certificates have been withdrawn are publicly available |
| <i>Accessibility</i> | ELO makes the results of audit/assessment reports available to the public ELO provides meaningful opportunities for disadvantaged stakeholders to participate in standard development and governance ELO bases costs and fees for a standard on program costs and keeps such costs as low as possible to maximize accessibility ELO offers translation services for standard criteria and important documents where appropriate |
| <i>Truthfulness</i> | ELO legally protects its standards in order to prevent unauthorized use and takes proactive action against fraudulent use ELO ensures that all claims associated with its standards use accurate and precise language ELO takes a holistic view of environmental impact in setting criteria for certification |
| <i>Efficiency</i> | ELO standards avoid duplicating existing national or international standards in the same issue-area ELO collaborates with other ELOs on standard development where appropriate |

specific ways. *Sustainability* criteria are important for gauging the degree to which ELOs are genuinely motivated by environmental objectives, have clear strategies in place to achieve those objectives, and possess robust monitoring and evaluation systems to track their impacts “on the ground.” *Improvement* criteria guard against complacency and ensure that ELOs strive for continuous improvement while keeping abreast of developments in science and technology that affect their environmental objectives. *Relevance* criteria ensure that ELOs create standards that are fit for purpose in the regions they are deployed and target the most significant environmental impacts in sectors they seek to govern. *Rigor* criteria make sure that ELOs

set the bar for awarding an eco-label appropriately high and vigorously enforce compliance with their standards. *Engagement* criteria specify that ELOs develop their standards in an inclusive and representative way that is accountable to key stakeholders. *Impartiality* criteria are vital for mitigating conflicts of interest within ELOs and avoiding bias toward particular interest groups. *Transparency* criteria subject both standard-setting and certification procedures to public scrutiny, thereby allowing critical feedback and guarding against fraudulent environmental claims. *Accessibility* criteria ensure equity in standard-setting and certification procedures and can help increase the uptake of standards in developing markets and augment the scale of environmental impacts associated with an eco-label. *Truthfulness* criteria support the veracity and accuracy of environmental claims made by ELOs, thereby preventing false or misleading claims. Lastly, *efficiency* criteria are important for ensuring that ELOs collaborate where appropriate to avoid duplicating existing standards or labels and creating market confusion.

ELOs can be evaluated against the IBP using a simple scoring system. On each of the thirty-eight criteria (table 1.1), an ELO can score zero, one, or two points: zero for non-adherence, one for partial adherence, and two for full adherence. I calculate an ELO's score across each relevant IBP criterion and then sum the total score across all criteria.¹² I then divide an ELO's total score by the maximum possible score to arrive at a number between one and zero (see fig. 1.4). The final IBP score is a proportion and not a simple count because not every criterion in the IBP is universally relevant to each ELO in my dataset.¹³ Thus, an ELO that is fully adherent to relevant best practices would score a one on the IBP, whereas one that disregards them entirely would score a zero. Importantly, no one dimension of best practice is weighted more heavily than another. This reflects the consensus of my expert interviewees that all aspects of best practice are important, and it would be misleading to suggest that some dimensions are more closely associated with the credible achievement of governance outcomes. The IBP therefore provides a broad picture of an ELO's overall adherence to best practices and forms the dependent variable (DV) for this study.

While the IBP is a useful tool for measuring and comparing ELOs, it is not a perfect proxy for credibility. Thus, a few caveats should be applied at the outset of this book. First, while a focus on best practice can help us

$$\frac{\text{Total best practice compliance score}}{\text{Maximum possible best practice compliance score}} = \text{IBP Score}$$

Figure 1.4 Calculating IBP score

separate genuine from immaterial environmental claims, it cannot tell us whether a particular class of product is sustainable (e.g., palm oil). None of the existing guidelines for best practice preclude the certification of certain types of products or services that may be inherently harmful to the environment. Second, and most importantly, best practices are not a perfect proxy for the content of eco-labeling standards. It is possible that two ELOs that are equally adherent to best practices could create very different eco-labeling standards, one much less substantively rigorous than the other. This risk is significantly lessened by the inclusiveness, transparency, and accountability that accompanies best practice adherence. For this reason, best practice adherence holds a probabilistic relationship to rigorous and credible eco-labels.

RESEARCH DESIGN AND METHODOLOGY

Using the IBP as my DV, I investigate a number of hypotheses considering what drives ELOs to follow best practices and pay close attention to their procedural credibility. Put differently, what conditions, both internal and external, motivate the creation of credible eco-labels? I address this question using a two-staged, mixed-method research design. In the first stage, I use large-N statistical analysis to test a number of deductively derived hypotheses about the correlates of best practice adherence in eco-labeling. This phase is meant to serve as a “plausibility probe” (Eckstein 1975). I derive hypotheses from the existing literature on rigor and credibility in transnational governance and probe them using an original dataset. In the second stage, I test both promising, deductively derived hypotheses identified in my statistical analysis and inductively derived new hypotheses through a combination of small-N comparative case studies and within-case process tracing. The book’s approach to theory building is therefore deliberately abductive. The theory of credible eco-labeling presented in chapter 3 is a product of moving back and forth between deductive reasoning and inductive insight.

The statistical component of this book draws on an original dataset of 123 ELOs comprising, to the best of my knowledge, the full population of transnational ELOs in 2013 (see Appendix A).¹⁴ This is one of the first datasets to combine information on best practice adherence alongside data on organizational, contextual, and sector-specific attributes across a large number of cases. The transnational ELOs included in the dataset cover a broad cross section of regions, commercial sectors, and environmental issues. The dataset thereby provides unprecedented empirical leverage to

explore hypotheses related to procedural credibility in eco-labeling. The dataset was built over five months from August to December 2013 and represents a cross-sectional snapshot of ELO policies and practices during this period. Scope conditions for the dataset are reviewed in Appendix A and a complete overview of data sources and coding rules is provided in Appendix B. I discuss the variables included in my regressions and modeling techniques in the next chapter.

The comparative case studies and within-case process tracing presented in chapters 4 and 5 are designed to provide further analytic leverage on puzzles unexplained by the statistical results and to further test promising findings identified in my regression analyses. I focus my analysis on eight ELOs across two sectors, sustainable aquaculture and carbon labeling. These sectors are at once very different, but also largely representative of the broader population of ELOs. Following Bennett and Checkel (2015, 29), I use a combination of within-case process tracing and cross-case comparison to affirm that a particular independent variable (IV) is present in best practice adherent ELOs in both sectors, accounts for the similarity in their outcomes, and clearly outweighs other potential causal factors. Within-case process tracing is particularly useful for ascertaining the direction of the causal arrow, establishing timing and sequencing, and identifying causal mechanisms connecting my IVs and DVs. Across my qualitative chapters, I draw upon extensive primary document research of ELO standards, media releases, policy and procedure manuals, annual reports, previously taped interviews, and web-based archival materials. Where applicable, I use secondary sources, including newspaper articles, academic journal articles, and NGO reports. I also draw upon interviews with twenty-five key figures in the fields of sustainable aquaculture and carbon labeling.

The decision to focus on sustainable aquaculture and carbon labeling is guided by a number of methodological considerations related to case selection. First, I focus on these two sectors out of a concern for maximizing variation on both the DVs and IVs of interest (Bennett 2004, 27). Both aquaculture and carbon labeling include ELOs that are alternately highly best practice adherent and not best practice adherent at all. Moreover, both sectors encompass a range of values on my IVs of interest. The ELOs in these sectors vary from small to extremely large operations and from industry- to NGO-led groups. They originate from all over the world, began eco-labeling activities at very different times, and target different audiences. Hence the internal variety within these two sectors is conducive to hypothesis building since they resemble a most different systems design.

Yet, both aquaculture and carbon labeling are also broadly representative of the population of transnational ELOs as a whole. Thus, these two sectors represent “typical” cases suitable for testing different hypotheses and demonstrating the generalizability of the theory presented in chapter 3. Following Seawright and Gerring’s (2008, 296) approach to identifying typical cases, I looked for the sectors that had the smallest possible residual—the distance between the predicted value and the actual value—for all cases in my multivariate regression analysis. The ELOs in aquaculture and carbon labeling meet this criterion and have residual values that are well below the mean for the entire population. This suggests that we can be confident that none of the organizations in these sectors are total outliers and that trends identified within these sectors are likely to be generalizable to other sectors as well. Hence, they constitute fertile ground for hypothesis testing.

Outside of methodological reasons, aquaculture and carbon labeling are empirically interesting because they have not received extensive scholarly treatment to date. Unlike forestry and wild-catch fisheries, relatively little has been written about ELOs in aquaculture and carbon management and virtually nothing has been written from a political science perspective. These fields are therefore ripe for further analysis and may yield insights that are not captured in the extensive literatures on forestry and fisheries certification.

ROADMAP FOR THE BOOK

The organization of the book is true to the research process. Chapter 2 begins by using an original dataset of 123 transnational ELOs to probe the plausibility of several deductively derived hypotheses on the conditions for procedurally credible eco-labeling. I divide these hypotheses into three categories, depending on where they place the majority of their analytical emphasis: who governs, where they govern, and what they govern. Hypotheses in the “who governs” category explore the role of funding and ownership in conditioning best practice adherence. I specifically test whether industry sponsorship or partnership with an existing ENGO affects an ELO’s level of adherence to best practices. Hypotheses in the “where they govern” category examine the effect of domestic conditions on ELOs. I test whether supportive domestic institutions or proximity to other ELOs affects best practice adherence. Lastly, hypotheses in the “what they govern” category explore sector-specific dynamics like the effect of competition between ELOs on best practice adherence. The results of my statistical analysis cast doubt on neo-Gramscian and rational choice

arguments that ownership or sectoral competition are the primary determinant of credibility. Instead, my regression analyses show that industry-sponsored eco-labels or ones that operate in highly competitive sectors are just as likely to craft credible eco-labels as their independently owned or less competitive counterparts. The statistical results also present a new puzzle, namely, that an ELO's presence in multiple markets is strongly and positively correlated with procedural credibility.

Chapter 3 draws on inductive observation from the preceding statistical analysis and deductive reasoning to present a new theory of procedural credibility in transnational eco-labeling. I argue that the targets of governance—meaning the companies and markets who are intended to comply with a given sustainability standard—determine the level of best practice adherence in an eco-labeling organization. The argument, briefly, is that ELOs that target large firms and seek global market presence are more likely to adhere to best practices than those with narrower ambitions. The chapter details three causal mechanisms through which this relationship occurs. First, the heightened critical scrutiny that accompanies targeting large firms or broad markets leads ELOs to demonstrate concern for procedural credibility out of a fear of material and reputational damages from negative media or NGO attention. Second, as an eco-labeling organization expands its market presence, it seeks legitimacy by including a growing community of stakeholders in decision-making. This heightened inclusiveness builds community and socializes key decision-makers in a way that reinforces a commitment to procedural credibility. Third, the increased revenues derived from targeting large firms help ELOs competently perform the various dimensions of best practice.

Chapters 4 and 5 test this theory in the context of two sectors that are statistically representative of the broader population of transnational ELOs examined in chapter 2. Chapter 4 traces the origin and evolution of four ELOs in sustainable aquaculture: Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (BAP), Friend of the Sea (FOS), and Naturland. I argue that the demonstrably stronger adherence to best practices in the ASC and BAP programs is a result of these ELOs' decision to target large multinational retailers for certification. Conversely, the comparatively poor performance of the other two ELOs can be traced to their decisions to target smaller firms in domestic markets. Drawing on primary document analysis and key informant interviews, I use systematic process tracing to reveal how decisions about who to target for certification impacted best practice adherence through the causal mechanisms outlined in chapter 3. Importantly, the four cases used in this chapter cast further doubt on alternate theories of credibility. Ownership emerges as indeterminate since

the two more credible ELOs are operated by an industry association and an ENGO respectively. Similarly, the different locations of these organizations (Europe and North America) appear to hold no relationship to their commitment to procedural credibility.

Chapter 5 shifts the focus to carbon neutral/reduction labeling. Here again, the book traces the evolution of four organizations that certify carbon neutrality or carbon reduction efforts: The Carbon Trust, The CarbonNeutral Company, Enviro-Mark Solutions, and Carbonfund.org. Through careful process tracing illuminated by both interviews and primary document research, the chapter demonstrates that the decision to target large firms in global markets explains superior adherence to best practices in The CarbonNeutral Company and Enviro-Mark Solutions. In this chapter, the blend of cases proves that a focus on the targets of governance offers more explanatory leverage than a focus on public versus private ownership or for-profit versus not-for-profit structure.

Chapter 6 synthesizes key findings from the empirical chapters and reflects on the book's theoretical and practical implications. I highlight the generalizability of the book's measure of procedural credibility (the IBP) for other areas of transnational governance, including social and labor standards. The concluding chapter also traces the broader theoretical implications of the book for debates about agency and structure in international relations and transnational governance, suggesting that a focus on the targets of governance places renewed emphasis on agency. Lastly, the book presents practical implications for sustainability practitioners and offers a frank assessment of the limitations of eco-labeling as a means of addressing global environmental challenges.