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# Setting the Standard



*Chris Tollefson, Fred Gale, and David Haley*

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**Setting the Standard**  
Certification, Governance, and  
the Forest Stewardship Council



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# Preface

Much has written about what are often termed “new” modes of governance and regulation. Within our respective disciplines of law, politics, and economics, and indeed far beyond, scholars have expounded at length upon the meaning and significance of these developments and their implications for government, business, and civil society. To date, however, detailed, case-based research aimed at illuminating, testing, and refining emerging governance and regulatory theory has been relatively rare.

In this book we seek to remedy this by embarking on an in-depth comparative study of an organizational icon of new governance and regulatory theory, the Forest Stewardship Council (FSC). In mounting this analysis, we take as our point of departure one that was defined by our shared interest in the future of forests and forestry in British Columbia. For much of our respective careers, this has been a topic of enduring personal and professional concern. British Columbia is endowed with tremendous forest wealth, and in recent years its conflict-ridden efforts to manage the transition to a more sustainable model of forestry – in particular, one that better balances social, environmental, economic, and First Nations values – have attracted international attention. The lengthy, complex, and difficult negotiations that ultimately culminated in the October 2005 approval of an FSC standard for sustainable forestry in British Columbia in many ways underscore the complexity of this task. Indeed, while the province has undoubtedly been a fertile ground for the ambitious vision of forestry the FSC represents, paradoxically it has also proven to be one of the most daunting venues for FSC standard development.

Drawing on dozens of interviews with many key players within the FSC and beyond, *Setting the Standard* delves into this apparent paradox by means of a detailed examination of FSC-BC standard-development negotiations. It also considers, against a comparative backdrop, the content and implications of the FSC-BC standard for the future of forestry in British Columbia.

In Parts 1 and 2 we examine voluntary forest standard-setting negotiations and outcomes in a range of jurisdictions both within the FSC umbrella and under the auspices of competing certification models. We then seek to integrate these research findings into a broader theoretical frame. To this end, Part 3 develops an extended exposition on regulation and governance within the FSC; we structure this presentation around three governance dimensions – political, regulatory, and institutional – that elucidate the pioneering nature of the FSC as a certification model. In Part 4, we ruminate on the nature and significance of the FSC as an experiment in governance and regulation – an exemplar of what we term “global democratic corporatism” – and on the broader lessons for certification and civil-society-led governance that flow from our research into the FSC-BC case.

Like the standard-setting process at the core of this case study, our project has evolved along a more complicated trajectory and over a longer time period than any of us could have predicted. It originated almost a decade ago as an inquiry into the prospects for reforming the forest tenure arrangements in British Columbia to improve forest practices, protect environmental values, and ensure a more sustainable utilization of the province’s abundant forest resources. Efforts to develop an FSC standard for British Columbia were launched during this time. As we tracked these efforts, we grew increasingly intrigued by the potential of forest certification to leverage these and other benefits through the market, even where momentum toward reform in the realm of hard law had stalled. Drawing upon our earlier research into the role of market-based instruments for sustainable forestry, we decided to reconfigure our project to focus on the unfolding FSC-BC standard-setting process as an example of the challenges and opportunities associated with translating the aspirations of a global certification scheme on the ground. The standard-setting process that we set out to chronicle laboured on for the next six years, and at critical points it appeared to be stalemated. Although it was immeasurably more daunting, complex, and time-intensive than anticipated, the FSC-BC process has also proven to be a richer source of empirical insights into civil-society-led governance and regulation than we could have hoped.

In undertaking this project, we have enjoyed support and advice from a remarkable variety of sources. Along the long route to publication, we benefited from academic collaborations with several key colleagues, including Denise Allen, George Hoberg, and Connie McDermott. We especially want to recognize the important research and conceptual contributions of Denise, who refined the discussion in Chapter 9 about the provisions of the FSC final standard with respect to environmental values and laid much of the groundwork for our account in Chapter 10 of indigenous and social networks. We are likewise grateful to friends and colleagues associated with the FSC at

all levels, including many who played key roles in the events chronicled in this book. We would especially like to thank Jessica Clogg, Jim McCarthy, and Matthew Wenban-Smith for their comments on an earlier draft. We owe thanks as well to the three anonymous UBC Press reviewers; we benefited enormously from their comments and made extensive changes to the manuscript in light of their observations and suggestions.

This book has been written collaboratively, although we have each taken the lead on particular chapters. Chris Tollefson took overall responsibility for Chapters 1, 3, 8, 11, 13, and 14; Fred Gale for Chapters 2, 4, 5, 9, 10, and 12; and David Haley for Chapters 6 and 7.

Completion of the manuscript would not have been possible without research support provided by students at the University of Victoria, Faculty of Law. Their industry and enthusiasm were an ongoing source of encouragement and helped to push the boundaries of our analysis in numerous ways. Particularly deserving of recognition are the tireless contributions, over several years, of Robert M. Scott. We are also grateful to Ryan Copeland, Devyn Cousineau, Cameron Elder, Keith Ferguson, James Kulla, Alison Luke, Cheyenne Reese, Barry Robinson, Airi Schroff, Hart Shouldice, Matt Synnott, and Tim Thielmann. Thanks are also due to Faculty of Law secretary Rosemary Garton.

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Finally, we wish to recognize and thank our families. Chris Tollefson is grateful to Hannah and Rory, who have grown up with this project and, at times, shown more patience for it than their father. He is also greatly indebted to his partner, Krista, and to his father, Edwin. Fred Gale expresses his deep appreciation to his wife, Beverly, and his son, Evan, for their love, patience, and understanding over the many years it has taken to bring this book to fruition. The exotic but comic relief provided by a family of pademelons bouncing daily around his Tasmanian garden as the book went to press is

also cheerfully acknowledged. David Haley would like to express his gratitude to his wife, Catherine, for her patience and support during the countless hours he devoted to this project over a lengthy period that extended many years into his retirement.

# Abbreviations

AAC	allowable annual cut
ABU	Accreditation Business Unit
AF&PA	American Forest and Paper Association
Al-Pac	Alberta-Pacific Forest Industries
ANSI	American National Standards Institute
ANT	actor-network theory
ASI	Accreditation Services International
BAT	best available technology
BATNA	best alternative to a negotiated settlement
BCC	Boreal Coordinating Committee
BEC	biogeoclimatic ecosystem classification
BMP	best management practice
Btk	Bacillus thuringiensis var. Kurstaki
CAR	corrective action requests
CB	certifying body
CCFM	Canadian Council of Forest Ministers
CFA	community forest agreement
CFPC	Certified Forest Products Council
CORE	Commission on Resources and Environment
CSA	Canadian Standards Association
CSFCC	Canadian Sustainable Forestry Certification Coalition
CSS	Canadian Standards System
CWG-DRC	FSC-Canada working group dispute resolution committee
D#-M	Maritimes standard drafts
DFA	defined forest area
DRAAC	Dispute Resolution and Accreditation Appeals Committee
DRC	Dispute Resolution Committee
EBM	ecosystem-based management
ECSO	environmental civil society organization
ED	executive director

EMS	environmental management system
FBC	Falls Brook Centre
FERN	Forests and the European Union Resource Network
FMU	forest management unit
FRA	Forest and Range Agreement
FRBC	Forest Renewal BC
FRO	Forest and Range Opportunity
FRP	Forest Revitalization Plan
FSC	Forest Stewardship Council
FSC-AC	FSC-Asociación Civil
FSC-BC	FSC-British Columbia
FSC-IC	FSC-International Center
FSC-M	FSC-Maritimes
FSC-PC	FSC-Pacific Coast
FSC-RM	FSC-Rocky Mountain
GDP	gross domestic product
HCVF	high conservation value forest
IAC	indigenous advisory council
ICANN	Internet Corporation of Assigned Names and Numbers
IDRP	Interim Dispute Resolution Protocol
IFOAM	International Federation of Organic Agriculture Movements
IFPA	innovative forestry practices agreements
IISD	International Institute for Sustainable Development
IP	indigenous peoples
IRA	integrated riparian assessment
ISC	interim steering committee
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organization for Standardization
ITTO	International Tropical Timber Organization
IUCN	International Union for the Conservation of Nature and Natural Resources (World Conservation Union)
IWA	Industrial, Wood, and Allied Workers
JMA	joint management agreement
LEEC	London Environmental Economics Centre
LRSY	long-run sustainable yield
MBI	market-based instrument
MCEP	Mining Certification Evaluation Project
MOF	Ministry of Forests (as of 2005, Ministry of Forests and Range)
MPB	mountain pine beetle
MRSC	Maritimes Regional Steering Committee
MSC	Marine Stewardship Council

NAFA	National Aboriginal Forestry Association
NDP	New Democratic Party
NDTs	natural disturbance types
NGO	non-governmental organization
NI	national initiative
NSAC	National Standards Advisory Committee
NWG	national working group
ODA	Overseas Development Administration
OMNR	Ontario Ministry of Natural Resources
P#	Principle # of FSC principles
PAS	protected areas strategy
PCC	Pacific Certification Council
PCWG	Pacific Coast Working Group
PEFC	Programme for the Endorsement of Forest Certification
PIC	pre-industrial condition
PNG	Papua New Guinea
PPM	process or production method
PPWG	Plantation Policy Working Group
RMZ	riparian management zone
RONV	range of natural variability
RPF	registered professional forester
RRZ	riparian reserve zone
RTRs	resources and tenure rights
SBFEP	Small Business Forest Enterprise Program
SC	steering committee
SCC	Standards Council of Canada
SCS	Scientific Certification Systems
SFB	Sustainable Forestry Board
SFI	Sustainable Forestry Initiative
SFIA	Swedish Forest Industry Association
SFM	sustainable forest management
SGS	Société Générale de Surveillance
SLA	Softwood Lumber Agreement
SLIMF	small and low-intensity managed forest
SSNC	Swedish Society for Nature Conservation
ST	standards team
STSC	Sustainable Tourism Stewardship Council
SYFM	sustained-yield forest management
TAB	technical advisory board
TAT	technical advisory team
TBT	Technical Barriers to Trade Agreement
TFAP	Tropical Forestry Action Plan
TFL	tree farm licence

THLB	timber-harvesting land base
TSA	timber supply area
TSL	timber sale licence
TSWC	Technical Standards Writing Committee
UKWAS	UK Woodland Assurance Scheme
UNCED	United Nations Conference on Environment and Development
UNCTD	United Nations Conference on Trade and Development
WARP	Woodworkers Alliance for Rainforest Protection
WCEL	West Coast Environmental Law
WFP	Western Forest Products
WTO	World Trade Organization
WWF	World Wide Fund for Nature (World Wildlife Fund, in North America)

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# Setting the Standard



# 1

## Introduction

The last two decades have witnessed a dramatic shift in the political economy of environmentalism. During this period, environmental civil society organizations (ECSOs) worldwide have invested heavily in a variety of new market-oriented strategies to leverage change both domestically and internationally. This turn to markets reflects at least two abiding realities. One is an emerging appreciation of the barriers to achieving “hard law” solutions posed by the complex, polycentric nature of global politics and the pervasiveness of neo-liberal policy prescriptions in the domestic realm. This disillusionment with hard law domestically and internationally has been accompanied, however, by a nascent appreciation of the potential to achieve change beyond the state and, indeed, beyond established venues for international cooperation by drawing on the respective resources of similarly motivated civil society and business actors and organizations through the vehicle of what is often characterized as “soft law.”<sup>1</sup>

Developments in the politics of global forestry provide a compelling case in point. By the early 1990s, a widespread pessimism about the prospect of securing effective international legal protection for the world’s forests had set in.<sup>2</sup> Paradoxically, as momentum waned on this front, worldwide concern about the future of global forests was reaching a crescendo orchestrated by highly effective market campaigns aimed at focusing attention on the unsustainable forest practices of some of the world’s largest forest products exporters. Buoyed by the success of these campaigns, and by a perception that a formidable coalition of interests could be brought together to promote a new vision of forestry that translated global concerns into market decisions, reformers turned their attention to developing the first international system of forest product certification.<sup>3</sup>

Thus, in 1993, the Forest Stewardship Council (FSC) was born. The FSC’s self-described mission is “to promote environmentally appropriate, socially beneficial and economically viable management of the world’s forests.” To this end, it provides standard setting, trademark assurance, and accreditation

services for companies and organizations interested in responsible forestry. To support its work, the FSC has developed a unique and highly participatory governance structure aimed at balancing the interests of its three constituent chambers (environmental, social, and economic), each of which is further divided into two institutionalized sub-chambers (North and South). It has also implemented special rules to ensure that the interests of indigenous peoples are effectively represented.<sup>4</sup> The FSC affiliates are responsible for developing national or regional forest management standards that are consistent with and facilitate implementation of the FSC's ten generic principles and fifty-six associated criteria.

Since its founding, the FSC has been a remarkable success story. Over 100 million hectares of forest in more than seventy-eight countries are now FSC certified,<sup>5</sup> and the distinctive FSC logo appears on thousands of forest products worldwide. A 2004 report that assessed eight competing forest-certification schemes concluded that the FSC is the "most independent, rigorous and credible" system of its kind in the world, a conclusion premised on the FSC's commitment to global democratic governance and the depth and breadth of its standards (FERN 2004). These same attributes, however, have also contributed to various ongoing tensions, challenges, and vulnerabilities. Whether FSC can continue to flourish in the emerging highly competitive certification environment will depend on its ability to continue to be effective and creative in the way it approaches its governance, regulatory (standard-setting), and service delivery responsibilities.

### **Theorizing the Evolving Nature of Governance and Regulation**

The ascendancy of the FSC as a transnational, civil society vehicle to promote sustainable resource management through the market is highly relevant to, and offers a variety of insights for, emerging scholarly reflections on the evolving nature of governance and regulation. Across a wide range of disciplines, there is a growing sense that we are witnessing fundamental change in the nature of governance and regulation and in the respective roles of government, business, and civil society.

For some time now, there has been skepticism in the realm of political science about the notion of the state as the exclusive "sovereign decision-making unit" endowed with a natural monopoly on the regulation of socio-economic affairs (Mason 1999; Swan 2002; Cashore, Auld, and Newsom 2004). At the domestic level, this skepticism is closely related to the deliberate rolling back of the post-Second World War interventionist state occasioned by the dominance, in more recent decades, of neo-liberal ideology (Considine and Painter 1997; Howlett, Netherton, and Ramesh 1999). The state is also being de-centred by the emergence of growing internal pressures to recognize new interests, including those of local communities and governments, and

Aboriginal organizations. We are thus witnessing a multiplication or pluralization of sites of governance. This, it is said, demands a “reconceptualization of the political” from its traditional focus on the state to a broader frame of reference that analyzes the meaning of governance both in relation to the state and also in terms of the new actors and institutions that operate within civil society and the market at both the local and national levels (Swan 2002, 13; Cohen and Arato 1994; Rhodes 1996, 1997).

Analogous theories are being offered about developments in the realm of international relations. In this context, observers contend that conventional state-centric theories conceal historic transformations that are under way in the modalities of governance (Rosenau 1992; Gale 1998a; Wendt 1999; Cutler, Haufler, and Porter 1999; Meidinger, Elliott, and Oesten 2003). Central among these are, once again, a pluralization of the forms of governance and, closely allied to this, a distancing of governance arrangements from the state. For many international relations theorists, therefore, a key priority is to develop new ways of thinking about governance in the global arena that take into account the emerging role of transnational corporations and civil society organizations. To this end, “global civil society” has been identified as an arena of action beyond the state at the international level, populated by a range of civil society actors actively engaged in global politics (Lipschutz 1992; Shaw 1992). Significant progress has also been made toward elaborating the means and mechanisms – including transnational advocacy networks – by which global civil society has increasingly exerted its influence over domestic law and policy (Keck and Sikkink 1998) and epistemic communities of engaged scientists and policy entrepreneurs (Haas 1992). Likewise, there is a growing body of research into how intergovernmental actors like the World Bank, World Trade Organization, and International Monetary Fund are responding to challenges to their legitimacy by establishing formal consultative arrangements with international non-governmental organizations (O’Brien et al. 2000).

The implications of these trends in governance, both domestically and internationally, for law and regulation are also receiving attention. In this regard, soft law is often touted as an alternative or precursor to traditional hard-law solutions that typically rely on the sponsorship or support of national governments. As Kirton and Trebilcock underscore (2004, 5, 9), soft-law initiatives consisting of “informal institutions ... that depend on the voluntarily supplied participation, resources and consensual actions of their members” offer the potential for timely action when governments are stalemated. They can also lend additional legitimacy, expertise, and other resources for making and enforcing new norms and standards and serve as a vehicle for enhancing civil society participation in governance. At the same time, soft-law arrangements are vulnerable to the criticisms that they lack the

legitimacy and enforceability of their hard-law counterparts; that they may tend “to promote compromise, or even compromised” standards; and that competition between voluntary standards can create consumer uncertainty and fatigue (6).

In the realm of domestic law, a similar process of critique and re-evaluation of hard law – particularly command-and-control regulation – is under way. Here, often under the auspices of the “smart regulation” approach, scholars have contended that a more creative and context-specific deployment of legal and policy instruments can generate significantly improved environmental performance, particularly on the part of industry leaders as opposed to their laggard colleagues (Gunningham and Grabosky 1998; Gunningham and Sinclair 2002, 189; Fiorino 2006). This literature proceeds from a recognition that economic and political pressures over the last two decades have often precluded or limited deployment of traditional forms of government regulation, giving rise to the correlative need to get more “bang” for the environmental regulatory “buck.” A key objective for proponents of this approach is to explore opportunities for “reconfiguring environmental regulation,” including measures to enhance the involvement of non-state actors in regulatory affairs through voluntary environmental partnerships and codes of practice and the promotion of more participatory governance arrangements (including certification schemes such as the FSC).

The mantra of “smart regulation” has achieved remarkable currency in business and governmental circles.<sup>6</sup> Indeed, in some cases it has been championed as a justification for abandoning all forms of prescriptive government regulation (frequently, and, we will argue, erroneously, equated with command-and-control regulation) in favour of so-called performance-based regulation (also termed outcome- or results-based regulation). The originators of the smart regulation approach are quick to dissociate themselves from this approach by emphasizing “the residual but nevertheless important role that command and control regulation can and should play in environmental policy” (Gunningham and Sinclair 2002, 203). Moreover, they underscore that the tenets of smart regulation counsel modesty about divining policy prescriptions directly from theoretical ruminations. In their words, “much of our knowledge about policy instruments, and in particular about what works and when, is tentative, contingent and uncertain. This suggests the virtue of adaptive learning, and for treating policies as experiments from which we can learn and which in turn can help shape the next generation of instruments” (203).

Evolving debates about governance and regulatory reconfiguration have also spurred new thinking by economists and business theorists. Particularly robust is the literature focusing on business ethics and social licence. Firms, it is argued, do not and cannot operate within the purely theoretical space

of the “market.” Moreover, they must meet the rising market demand for ethical behaviour or put at risk their social licence (Gibson 1999). This is particularly true with respect to large transnational corporations that depend on a global division of labour in which goods are produced in one location (often a developing country) for consumption in another (often a developed country). Braithwaite and Drahos’s magisterial investigation (2000) into global business regulation underscores the institutional and strategic considerations that confront businesses as they seek to meet a broader array of investor and consumer requirements that go beyond conventional considerations of price, quality, and service to embrace such matters as employee health, environmental sustainability, and fair business practices.

As the research agendas of scholars from various disciplines converge on the task of understanding the implications of the evolving nature of governance and regulation in a globalizing world, the need for rigorous cross-disciplinary work grows in importance.<sup>7</sup> The continuing work of Gunningham et al. on smart regulation provides an encouraging illustration of the potential for synergy between law and political science. Two other volumes also tackle these issues from a cross-section of disciplinary perspectives. One of these, edited by Kernaghan Webb, explores the interrelationship of voluntary codes, private governance, the public interest, and innovation, drawing primarily on Canadian case studies (Webb 2004). Another important contribution is a volume co-edited by Kirton and Trebilcock (2004) that reflects on the complex and evolving relationship between hard and soft law, employing illustrations from various international case studies. The FSC experiment figures prominently throughout this body of work, with full chapters devoted to it in these latter two volumes.<sup>8</sup>

### **Concepts and Definitions**

We embark on this project mindful of the richness and complexity of the story of the FSC-BC final standard that we have set out to chronicle and of the diverse implications of that story (and the outcomes it has yielded) in terms of the converging literatures just addressed. Thus, at one level, this is a book about forest certification and, in particular, the challenges confronted by participants in the FSC-BC regional process to develop a standard that would define what the laudable but often abstract aspirations articulated in FSC’s ten principles and their accompanying criteria mean in British Columbia. In every sense, and at every step of the way, developing this standard was an unavoidably political process, from its rather modest origins in 1996, to the machinations surrounding its approval by the FSC as a preliminary standard in 2003, to its accreditation as a final standard in late 2005.<sup>9</sup>

As important and instructive as the process itself is the emerging final standard, which now guides FSC certifications across the province. The most

comprehensive and arguably one of the most “rigorous” forest-certification standards ever drafted, its meaning and implications have provoked considerable controversy both within and beyond the FSC system. One of our key goals in *Setting the Standard* is to offer a comparative assessment of the FSC-BC final standard. To this end we propose to evaluate the BC standard against those in place in Sweden, the United States, and elsewhere in Canada. We will address the rationales for these comparators and our comparative methodology shortly.

At another level, this is a book that aspires to contribute to the evolving debate over the future of governance and regulation. It is no coincidence that, as we have elaborated above, academic work in a range of disciplines is converging on these two closely related topics. In both the international and domestic realms, a confluence of developments create the need to re-think our understanding of “governance” and “regulation.” We argue that, as an experiment in global democracy and as an organization heavily and intimately engaged in the production of soft law, the Forest Stewardship Council provides a rich source of material for researchers interested in testing and refining these evolving concepts.

### Governance Theory

Until recently, in both academic and popular discourse the terms “government” and “governance” have tended to be used synonymously. Across a broad range of disciplines, however, there is an emerging consensus that these concepts should be treated as analytically distinct. Indeed, it has been argued that government and governance should be regarded as representing two poles on a continuum of governing types (Pierre and Peters 2000; Rhodes 2000). At the “government” end of this continuum, it is contended, are strong, highly centralized states of the type ascendant in the generation following the Second World War – states heavily reliant on command-and-control-style regulation. Positioned at the other pole are “pure” governance arrangements in which the “business of government” has effectively been assumed by self-organizing and coordinating networks of social actors. Such arrangements are characterized by more flexible and fluid forms of governance and regulation (Schout and Jordan 2005; Stoker 1998; Jordan, Wurzel, and Zito 2005). In this book, we propose to define “governance” as an umbrella term to denote arrangements for “steering and coordinating the affairs of interdependent social actors based on institutionalised rule systems” that depart from the traditional strong government paradigm posited above (Benz, quoted in Treib, Bähr, and Falkner 2005, 5).

Frequently, scholars seek to portray the magnitude of this departure by invoking the public-private distinction. Accordingly, “public governance” is envisioned as a much closer relative to “government” than “private governance.” Where new governance arrangements belong within this public-

private governance typology is often said to depend on the nature and extent of state involvement in such arrangements. Thus, private governance arrangements entail modest or non-existent state involvement, while public governance arrangements typically feature a much more active and engaged state presence (Abbott and Snidal 2001).

Of late, however, there is an emerging recognition of the need for more multi-dimensional and nuanced tools to analyze new forms of governance. An approach that has spawned a particularly robust literature is concerned with understanding the political dynamics inherent in such arrangements through an analysis of the social and organizational networks that are at play. Although there is a plethora of modes of network analysis, they share a common interest in the *political dimension* of governance: who wields the power to decide and why (Keck and Sikkink 1998; Dicken et al. 2001; Raustiala 2002; Slaughter 2004)? Another flourishing area of research into the new governance phenomenon addresses the *regulatory dimension* of such arrangements (Gunningham and Grabosky 1998; Gunningham and Sinclair 2002; Coglianese and Lazar 2003; Fiorino 2006; Meidinger 2006b). Key areas of research in this approach include questions of how and to what extent these arrangements can be regarded as or are analogous to law-making institutions: what is the nature of the regulation being generated (hard versus soft law; the forms of applicable standards, etc.); and what are the nature and range of values that are being regulated (Meidinger, 2000)? A third and as yet relatively undeveloped mode of analyzing emerging forms of governance is through attention to what might be termed the *institutional dimension*. Those using this approach seek to understand the institutional architecture that houses internal political networks and facilitates the generation of regulatory outputs. A particularly promising vehicle for pursuing such an analysis is comparative constitutionalism – a methodology that assesses the extent to which a prevailing institutional architecture emulates or departs from norms of liberal democratic practice (Dorsen et al. 2003).<sup>10</sup>

Employing the broad working definition of “governance” offered by Treib and set out above, in Part 3 of the book we undertake an in-depth analysis of FSC governance with a view to exploring the insights that derive from each of three dimensions: the political (Chapter 10); the regulatory (Chapter 11); and the institutional (Chapter 12). Drawing on these insights, in Part 4 (Chapters 13 and 14) we tackle the task of providing an affirmative description of the meaning and theoretical significance of the FSC in governance terms. We contend that the FSC represents, in many ways, a unique governance form that defies conceptual categorization based on orthodox state-market or private-public dichotomies. In this, we part company with other scholars of the FSC who have tended to portray this iconic illustration of new governance as a form of “private governance” or “non-state market-driven” regulation (Lipschutz 2000; Meidinger 2000; Cashore, Auld, and

Newsom 2004; Pattberg 2005; Rhone, Clarke, and Webb 2005). In contrast, we characterize the FSC model as an ambitious experiment in what we term *global democratic corporatism*: a governance regime that is at once global in scope, democratic in practice, and corporatist in design.<sup>11</sup>

### Regulatory Theory

Just as traditional theories of government must explain the process by which laws and regulations are negotiated, formulated, promulgated, and legitimated, understanding the nature of emerging forms of governance arrangements requires the development of an analogous analysis that de-centres prevailing notions of “regulation” as the exclusive function of the state (Swan 2002). Accordingly, flowing from our definition of “governance,” we define “regulation” in this broader context as referring to an *institutionalized rules system that sets and enforces standards aimed at influencing the behaviour of interdependent social actors in order to promote mutually agreed-upon values, principles, or objectives*. In this view, regulation serves as the vehicle through which the overarching shared values are translated into directives, procedures, and requirements that become the operating “code of practice” for parties to the governance arrangement.

As we shall see in the FSC-BC case, both the means by which this process of translation occurred and the content of the resulting standard were a source of considerable contention and debate. One of our key objectives in *Setting the Standard* is to understand why the province of British Columbia, seemingly such a receptive and fertile ground for FSC’s vision, proved to be such a challenging terrain for realizing its regulatory mission. To presage what follows, we will argue that in large measure this intractability was due to competing visions of the ultimate role and purpose of the FSC. This process was complicated further by the FSC’s relative youthfulness as an organization and by the absence of established rules to guide standard setting at the regional, national, and international levels. At the same time, we argue that the difficulties encountered in “setting the standard” in British Columbia reflect an ongoing organizational struggle to grapple with the meaning, implications, and respective merits of competing *forms of standard*.

As is the case in regulatory reform exercises elsewhere, the FSC standard-setting process proceeded from an explicit desire to eschew *prescriptive* regulation, commonly associated with traditional state-centric command-and-control models, in favour of a performance-based approach that specified outcomes as opposed to prescribing the means (via approved management systems or technologies) for their achievement. The presumed superiority of performance-based over prescriptive regulation has become a staple of popular political wisdom, a phenomenon we explore in detail in Chapter 11 as part of a broader discussion that addresses the distinctions between

these forms of regulation and the contextual factors that determine their relative effectiveness and suitability.

In our view, the commonly espoused dichotomy between prescriptive and performance-based regulation is both misleading and false. *Prescriptive regulation*, as we propose to use this term, connotes regulation that constrains the actions of, or discretion exercised by, a party in relation to a regulated activity. In this sense, *all forms of regulation are prescriptive*. Indeed, if they did not impose such a constraint, they would not constitute “regulation.” Although regulations can be distinguished in terms of their relative prescriptiveness, we would argue that the key variable that elucidates their nature and impact is the stage of the production process at which the constraint is imposed. Thus, what we would term *management-based standards* impose constraints at the pre-production stage; *technology-based standards* constrain production methods and processes; and *performance-based standards* constrain production outputs (Coglianese and Lazar 2003; Chapter 11 in this volume).

### **Methodology and Structure**

This book takes as its point of departure the FSC-BC standard-development process and the draft, preliminary, and final standards that emerged from this process. Our decision to embark on a comprehensive exploration of the BC case is driven by several considerations. One of these is the province’s importance to the world economy as a forest products exporter. Canada is the world’s largest softwood exporter, accounting for a quarter of total global production. Over half of this production comes from British Columbia. Exports of BC forest products to major world markets – in the United States, Europe, and Japan – constitute a critical element in global timber flows. If FSC were to take root among major producers in British Columbia, it would have significant ramifications for the global timber market, much as the certification of forest companies in Sweden has had for the European market.

The province has also attracted world attention for the intensity of the debate surrounding, and the nature and implications of governmental responses to demands for fundamental changes to, the province’s long-standing forest management strategy of high-volume annual cuts and the liquidation of old-growth forests. Over the last decade, the province has been embroiled in a fractious debate on how to maintain and enhance its competitive position as a world producer while simultaneously making the transition to a more sustainable and equitable model of forest management. In grappling with this latter task, successive governments have struggled to respond to and appease growing demands for reform by a diverse range of interests including First Nations, environmentalists, communities, non-timber economic interests (i.e., tourism operators, outfitters), and small producers. The future of the industry is arguably now more uncertain than

it has ever been, due in large measure to questions surrounding the meaning and implications of seemingly never-ending legislative and policy experiments (see Chapter 3).

British Columbia is also broadly regarded as a critical testing ground for the viability of the FSC as both a “brand” and an institution. Since its establishment, the FSC has been closely connected to the unfolding debate within the province with respect to forest policy reform. Many of the FSC’s founding and most active members hail from the province and were energetically engaged in the development of the BC standard. As the FSC has grown and evolved, new and sometimes incongruous visions of the organization have emerged. A key institutional challenge for the FSC has been, and continues to be, how to reconcile these competing visions. The crucible within which this challenge has presented itself is the development of the BC standard (see Chapter 4). The controversy surrounding the BC standard-development process, and the apparent elusiveness of a resolution to these differences, raises serious institutional/governance issues for the FSC as a whole. Moreover, the lack of a final accredited BC standard until November 2005 has created a serious bottleneck in the province’s production of FSC-certified products.

Our book is doubly comparative. To provide context for our study, we examined the FSC standards currently in place in five comparable jurisdictions (see Chapter 5). We have selected one national standard (Sweden) and four regional standards (two each from the United States and Canada). The first Swedish standard is particularly instructive due to its status as a first-generation standard developed in 1996-97 during the early years of the FSC, prior to the finalization of FSC’s generic principles and criteria.<sup>12</sup> We also examine regional standards for two American jurisdictions contiguous to British Columbia. The standards for the Pacific Coast and the Rocky Mountain regions stand in sharp contrast to the BC standard in terms of both the process by which they were developed and their substantive content. The final comparators are the Canadian standards developed for the Maritimes and Boreal regions. Again, these reveal some fascinating parallels and differences in both the standard-development process and substantive outcomes. The Maritimes standard-development process concluded in 2000 and culminated, as the BC process did, in controversy, prompting a formal inquiry by FSC-AC. In some senses, the Boreal process, which began more recently, represents an attempt by the FSC to avoid some of the pitfalls associated with earlier standard-development initiatives, including those in British Columbia and the Maritimes.<sup>13</sup>

We have also undertaken a comparative analysis of the FSC relative to selected competitors and analogues in the broader certification world (see Chapters 2 and 13). In terms of competitor regimes, the global comparators we consider are the International Organization for Standardization’s (ISO’s)

14000 Environmental Management System (EMS) and the Programme for the Endorsement of Forest Certification (PEFC). Because the PEFC is an umbrella body for nationally based schemes, we also examine and discuss two PEFC member organizations: the Canadian Standards Association (CSA) and the American Forest and Paper Association's Sustainable Forestry Initiative (SFI). To round out our analysis, we also include a non-forestry comparator: the Marine Stewardship Council (MSC), an organization that is commonly considered the FSC's sister organization in the fisheries context.

*Setting the Standard* is organized in four parts. Part 1 provides a sense of the broad context within which the FSC-BC final standard was developed, exploring the dynamics and politics of the standard-development process. To this end, Chapter 2 explores the emergence of the FSC as a transnational organization and considers, both in the BC context and beyond, the challenges and issues facing the FSC as it seeks to secure its long-term viability as a brand and as an institution. This chapter also introduces our institutional comparators, the ISO and PEFC, as well as FSC's sister organization, the MSC. Chapter 3 provides an overview of the complex politics of forest policy in British Columbia since 1945 and identifies some of the key factors that have made the province both a fertile ground for the vision that the FSC represents and a challenging terrain for FSC standard development. Based on in-depth interviews with many of the key participants,<sup>14</sup> Chapter 4 chronicles the political dynamics surrounding the FSC-BC standard-development and approval process, providing a detailed history of the evolution of the final standard. And, in Chapter 5, we introduce readers to the five comparator jurisdictions we have chosen to employ in Part 3, offering a comparative analysis of the processes by which each of these jurisdictions negotiated and developed their respective FSC standards.

Part 2 considers, compares, and critiques the substantive content of the FSC-BC final standard. It comprises four chapters, each of which focuses on a key cluster of values that all FSC standards are mandated to address: tenure, harvesting, and customary rights (Chapter 6); community and workers' rights (Chapter 7); indigenous peoples' rights (Chapter 8); and environmental values (Chapter 9). Each chapter follows a common template that assesses the context of the debate with respect to the relevant issues, provides a substantive analysis of the FSC-BC final standard (on its own merits and in comparative context), and reflects on the implementation challenges that lie ahead.

Part 3 is an extended exposition and analysis of regulation and governance within the FSC system, drawing extensively on our research into the FSC-BC case. It is structured to highlight the three dimensions of governance (politics, regulation, and institutions) introduced above, which we contend reveal the unique nature of the FSC governance model. Chapter 10 explores the *political* dimension of governance within the FSC, employing a political "network

analysis.” Using this methodology, we consider how and to what extent six identifiable informal governance networks within the FSC (certifiers, donors, large producers, indigenous peoples, environmentalists, and social activists) are represented within and exercise influence over FSC decision-making processes. Chapter 11 investigates the *regulatory* dimension of governance within the FSC system, giving particular attention to the practical and conceptual challenges associated with crafting effective standards. To this end, it advocates a context-specific approach to standard setting that is closely attuned to the relative merits of, and conceptual distinctions between, management-, technology-, and performance-based standards. It also contains an analysis of the manner and extent to which the FSC-BC standard relies on these distinct forms of standards. Finally, Chapter 12 considers the *institutional* dimension of governance within the FSC regime, through an analysis of the FSC’s constitutional arrangements, including its membership and electoral arrangements; its federated political structure; and the manner in which its “legislative,” “executive,” and “judicial” arms operate and interact, we employ a comparative constitutional methodology that considers the extent to which FSC governance institutions and processes reflect liberal democratic norms and practices.

Part 4 integrates and elaborates on theoretical insights developed in Part 3 and reprises the analysis and conclusions offered elsewhere in the book. Chapter 13 is a theoretical rumination on the nature and significance of the FSC as a governance regime on its own merits and relative to analogous certification systems. The comparative analysis employed in this chapter is structured around the three key dimensions of governance (politics, regulation, and institutions) addressed in Chapters 10, 11, and 12. Such an approach, we contend, offers a more nuanced understanding of the FSC system than is found in the extant governance literature, which tends to be framed around more familiar private-public or state-market dichotomies. Based on this analysis, we argue that, in governance terms, the emerging FSC regime is *sui generis*: a first-instance illustration of what we term “global democratic corporatism.” Finally, in Chapter 14, we reprise the conclusions that flow from our research into the FSC-BC case (in terms of the standard-development process and of the final standard emerging from that process) and offer some observations on the broader lessons that can be drawn from our work with respect to the evolving art of governance and regulation in the burgeoning certification context.

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# Part 1

## Developing the FSC-BC Standard



## 2

# The Rise and Rise of Forest Certification

The forest-certification movement was born in the late 1980s out of a mounting frustration with the failure of national and intergovernmental processes to halt tropical deforestation and forest degradation. In its early days, the movement attracted a diverse range of allies, including academics supportive of an incentive-based approach to environmental regulation; an assortment of leading environmental civil society organizations (ECSOs) (including World Wide Fund for Nature, Greenpeace, and Friends of the Earth) that perceived the movement's potential as a means of protecting vulnerable forests, particularly those in the South; and an impressive array of donors, including prominent US-based charitable foundations (notably the Ford and MacArthur foundations) and even several European governments (UK, Dutch, Austrian, and the European Union).

Through the 1990s, as the certification movement grew and diversified, some curiosities emerged. Although certification was initially developed to improve tropical forest management in the developing world (where standards were, and are, woefully low), industry take-up has proven to be much more robust in the temperate and boreal forests of North America and northern Europe. Also, while many governments and industry associations vociferously opposed certification in the early days – claiming that it was unnecessary, costly, and impractical – by the mid- to late 1990s they were taking a different tack, in many cases developing their own national or industry-led certification schemes.

These curiosities arise in part from the practical implementation of forest certification in highly charged global, national, and local contexts. Indeed, the emerging experience with forest certification over the past decade has highlighted not only how politicized the process of standards development can become but also the immense technical and administrative challenges associated with this new form of governance and regulation. This chapter commences with a discussion of the economic rationales for certification and an overview of varying forms of certification and labelling. We then

chronicle the history of forest certification leading up to the establishment of the Forest Stewardship Council (FSC), providing a detailed account of the FSC's formation, organizational structure, and governing principles and criteria. Next, we provide an overview of the FSC's main competitors and analogues in the certification world. We conclude with a synopsis of the key issues that arise in the forest-certification context, many of which are addressed in greater detail later in the book.

### **The Economics of Certification and Labelling**

Forest management is typically pursued through a combination of regulatory, institutional, and market-based instruments (Tollefson 1998). Regulatory instruments are often regarded as being synonymous with the "command and control" mechanisms employed by governments to regulate forest industry practices (Stanbury and Vertinsky 1998). A good example of this regulatory approach to forest sector governance is British Columbia's former *Forest Practices Code*. Under this code, the province identified and defined appropriate forest practices, assigning a watchdog role to an independent Forest Practices Board.

Institutional instruments to achieve good forest management differ in that they seek to alter the inputs to, and/or structure of, decision-making processes. Inputs are altered, for example, when governments restructure forest ownership arrangements by increasing the number of smallholders and reducing the number of large companies or vice versa. Oligopolistic ownership and management operations generate a markedly different forest political economy than where ownership is dispersed among numerous smaller actors. The precise impact of such changes on forest management is much debated. Some argue that large, integrated companies have the resources and expertise to do a better job, while others contend that smaller tenures are inherently more sustainable because they operate locally and are more sensitive to community desires and public pressure. Another institutional mechanism involves the creation of forest-planning advisory bodies. In the 1990s, for example, the BC government launched the Commission on Resources and Environment (CORE), which was designed to be a more inclusive and transparent forum for the negotiation of forest and resource rights than the relatively closed "iron triangle" government-industry-union model that preceded it (see Chapter 3).

Market-based instruments (MBIs) also play a key role in the regulation of forest management. Market-based instruments alter producers' incentives, generating rewards for producers who engage in environmentally sustainable production. Such rewards can take the form of higher prices, lower taxes, preferential treatment in procurement contracts, increased market share, or some combination of these that directly benefit a company's bottom line. Examples of MBIs include green taxes, ecological subsidies, and consumption

charges for previously “free” goods (see Stanbury and Vertinsky 1998, 50-53).<sup>1</sup> Economists argue that MBIs should be preferred to regulatory instruments because desired objectives can be achieved more effectively and efficiently from the perspective of the firm, and at a lower cost to the public purse. In British Columbia, potential MBIs for environmentally sustainable forestry exist in stumpage rates, differential tax rates on managed and unmanaged forestland, and subsidies for silviculture activities, including replanting, thinning, and pruning.

When considering MBIs, economists focus much of their attention on “green” taxes and subsidies. Institutional economists, however, challenge a central assumption of mainstream economic theory – the concept of perfect information – arguing that imperfect information leads to suboptimal outcomes because consumers are misled in their purchases by a lack of (or distorted or incorrect) market signals (see Rametsteiner 2000, 18-19; see also Stiglitz 1997). Within this literature, certification is thus seen as a powerful vehicle to correct market failure.

Increasingly, civil society organizations have sought to shape consumer preferences through public demonstrations, corporate boycotts, media exposés, and scientific reports. According to institutional economists, consumer preferences are not exogenous to the market (as is assumed in much conventional economics). Instead, demand is seen as an endogenous function that is manipulated by actors through various non-price mechanisms, which depend in part on the amount and quality of the information consumers receive.

Information, therefore, is central to empowering consumers to act on their environmental and social preferences. Information is vital not only because it enables consumers to distinguish between otherwise “like” products, but also because it constructs the environmentally and socially aware consumer. Certification schemes enable consumers to act on their environmental and social preferences, which, in the absence of such schemes, remain latent. However, because information helps constitute consumer preferences, it has become highly politicized and contested. In large part, the “certification wars” of the past decade (Humphreys 2006) were contests over who should communicate what information and in what form; they often pitted government- and industry-supported schemes aimed at reassuring the public about the environmental and social sustainability of forest practices against competing information sources offered by environmentalists, indigenous peoples, and other activists.

### **Typologies of Certification and Labelling**

In the forest sector, environmental certification has been defined as “a process which results in a written certificate being issued by an independent third-party, attesting to the location and management status of a forest which is producing timber” (Baharuddin and Simula 1994, 9-10). This deceptively

simple definition raises a host of questions: Who should be accredited to assess whether a certification should be granted? What standards should govern the granting of certification? How should these standards be set? What kind of certification label should be used to communicate with consumers?

### **First-, Second-, and Third-Party Certification**

A threshold design question in the development of any certification scheme is: Who should be empowered to assess compliance with the relevant standard? The conventional answer distinguishes between first-, second-, and third-party certification schemes, defined in terms of the relationship between the developers and users of the scheme. In first-party schemes, forest companies are responsible for evaluating the consistency of their forest management practices against a given standard. Because companies have an economic stake in the result, however, first-party schemes are vulnerable to abuse. In particular, companies are likely to overstate their compliance with a given standard (Read 1991).

Credibility concerns associated with first-party schemes have triggered the development of second- and third-party certification schemes. Compliance oversight under second-party certification schemes rests with industry associations or forest product customers rather than with the individual firm. Although these schemes create stronger incentives for compliance, they suffer from many of the same deficiencies as first-party schemes. Industry associations are beholden to their members and tend to be reluctant to impose costs on them by developing onerous standards or curbing managerial discretion. These systems can be effective in weeding out unscrupulous operators, but it is difficult for them to promote substantive social and environmental practices. Also, compliance is often poorly monitored, resulting once again in exaggerated claims. These problematic features of second-party certification were evident in the early days of the American Forest and Paper Association's (AF&PA) Sustainable Forestry Initiative (SFI) (Gale 2002).

Increasingly, therefore, third-party certification schemes have grown in popularity. Here, the body empowered to conduct the certification audit (the certifying body) is independent from the company seeking certification. While this does not guarantee objectivity and independence – the Enron and WorldCom cases dramatically revealed the symbiotic relationship that can develop between large companies and their auditors – it does minimize the possibility of collusion. By the end of the 1990s, therefore, most actors involved in forest policy came to regard third-party certification as a key prerequisite of sustainable forest management.

### **Management-, Technology-, and Performance-Based Standards**

The certification literature distinguishes between management-, technology-, and performance-based standards (see Rametsteiner 2000, 84; see also

Chapter 11 in this book). Management-based standards are used extensively in conjunction with environmental management systems (EMS). In their purest form, management-based standards are not concerned with the outcome of the production process; instead, they seek to regulate a firm's activities during the pre-production or planning stage. Thus, for example, a company's EMS might specify that it conduct an environmental impact assessment before proceeding with a proposed project or activity. In this context, the certifier's task is to determine whether the assessment was done in conformity with company-established procedures. For the purposes of this audit, actual environmental impacts are, strictly speaking, irrelevant. In contrast, technology-based standards represent a regulatory intervention into the production process, typically by prescribing what technology should be employed. In relation to dioxin emissions, for example, a technology-based standard might prohibit the use of incinerators unless they have been fitted with scrubbers of a certain specification to remove toxic elements. Performance-based standards are concerned almost exclusively with outcomes and deliberately refrain from regulating how firms can or should seek to achieve this end – for example, a standard that required the company to ensure that its incinerators did not emit dioxins into the designated air shed. The certifier's task here would be to assess whether the company has complied with this performance-based prohibition.

Management-based approaches assume that by improving planning at the firm level, improved outcomes in terms of environmental sustainability will ensue. Technology-based standards specify the product or system to be used and are often pejoratively associated with inflexible “command and control” government regulation. Although this need not be the case, the general consensus in the certification literature is that technology-based standards should be avoided because they curb the firm's capacity to innovate by determining for itself how best to achieve desired outcomes. Performance-based approaches directly audit a company's practices against pre-established outcomes. All other things being equal, performance standards are generally preferred because they specify the outcome but leave the manner of its achievement to the firm. In practice, however, applicable regulatory standards often combine performance-based and management-based requirements and may even include – at least implicitly – some technology-based elements.

### **Negotiating Standards**

Whether management-, technology-, or performance-based standards are adopted, much turns on how they are developed. Standards that are developed by forest companies or industry associations often lack credibility because of a perception of bias. More credible certification schemes typically involve participation by a range of stakeholders, though there is considerable

diversity in how this is implemented. AF&PA consulted widely within the industry before adopting its SFI scheme; but at the outset there was little participation from other stakeholders, a problem which was recognized by its expert group in 2000 when it called for wider stakeholder consultation and representation (AF&PA 2000).

Likewise, when the Canadian Standards Association (CSA) developed its Sustainable Forest Management System, it recruited representatives from a range of interests, including the forest industry, indigenous peoples' organizations, and the environmental movement. Some observers contend, however, that despite these recruitment efforts, ECSO participation in the process was too limited (Elliott 1999, 305-6).

The Forest Stewardship Council seeks to ensure balanced decision making by involving relevant interests under a tripartite structure that represents economic, environmental, and social interests. However, it too has been criticized, particularly by government and industry, for under-representing certain political and economic interests.

### **Labelling**

A key question is whether and how a company that has secured certification should be able to communicate that achievement in the marketplace. One option is for companies to treat certification strictly as an internal benchmarking exercise. This is a logical approach when companies perceive that the costs of publicizing the results of their certification audits will exceed the benefits. Most companies, however, view certification as an important achievement that they should publicize. Such publicity allows them to obtain the intangible benefits of a green corporate image, even if more tangible benefits of a price premium and increased market share do not occur. Once achieved, therefore, certification leads logically to an interest in product labelling. Labelling involves placing a mark or logo on the product that signals to clients and consumers that the product meets one, several, or all of the criteria of a particular eco-label.

The FSC combines certification and labelling under a single scheme. FSC-certified companies are entitled to use the FSC logo (Figure 2.1) on their products to signal their achievement to clients and consumers. However, because a product can change hands several times as it is transformed from a raw log in the forest to a manufactured product in the marketplace, the introduction of a label requires that the wood from a certified forest be tracked through the product chain from forest to retail outlet. This tracking process is known as "chain of custody" auditing. A separate process exists to certify companies in the timber chain, ensuring that the mix of certified and uncertified timber either does not occur or only occurs in proportion to the percentage-based claims made on the label (i.e., 75 percent of the product is made from certified timber).

Figure 2.1

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**The Forest Stewardship Council's logo**



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Source: Forest Stewardship Council.

Logos, such as the one used by the FSC, are known as Type I eco-labels (IISD/UNEP 2000, 47). Their purpose is to communicate to consumers that a product is environmentally appropriate according to one or more criteria. A large number of Type I eco-labels exist today, many sponsored by national governments. One of the earliest, launched in 1977, is Germany's Blue Angel eco-label. This label is sponsored by the German government; companies that meet designated product criteria are authorized to place the Blue Angel logo on their products. Canada's Environmental Choice program operates in much the same manner. Type I labels signal that a product is "environmentally friendly," but in many schemes this simply means that the product is superior to others across a single dimension (such as energy efficiency, biodegradability, or toxicity). Only a small number of national schemes employ life-cycle assessments that take into account the net impact of all the materials and processes involved in the production process.

In contrast, Type II eco-labels communicate claims about the product that have been made by manufacturers, importers, and distributors but have not been independently verified. As such, Type II labels raise a variety of credibility-related concerns. Moreover, such labels usually relate to a single characteristic of the product; information about the "eco-footprint" associated with the production process and end use is almost always excluded.

Type III eco-labels typically provide a simple list of a product's ingredients or component elements. The value of Type III labels tends to be limited since consumers rarely possess the means necessary to assess one product against another. This is exacerbated by the fact that such labels provide little or no information on the production and processing methods used. Perhaps the most valuable function of such labels is consumer protection; for example, such labels enable purchasers with allergies to avoid consuming products that contain identifiable allergens.

### **The History of Certification and Labelling**

There is nothing particularly novel about labelling products so that consumers can discriminate between them. This is, after all, what marketing and branding are all about. Companies develop brand names and logos to foster consumer loyalty for otherwise “like” products. Such marketing schemes link the brand or logo with particular features of the product and/or the company (such as quality, value-for-money, service) in an effort to secure and protect the company’s market share.

Although motivated by different considerations, small-scale agricultural producers adopted a similar approach in the 1970s to market organic produce. Before long, a host of local and regional organic labels had emerged, generating disputes over what constituted proper organic production and who was entitled to use the organic logo (Guthman 1998). These disputes proved difficult to resolve due to the fragmented and dispersed nature of the organic agriculture movement and the absence of an oversight body to coordinate and harmonize standards.

As the organic movement grew in size and sophistication, so too did momentum to develop common standards and certification protocols. By the mid-1980s, standard-setting initiatives were underway in several different countries that were linked internationally through the International Federation of Organic Agriculture Movements (IFOAM). The federation has since developed a set of international standards for its accredited certifiers to use when auditing agricultural operations that are seeking organic certification. The organic agriculture movement grew relatively slowly until the 1990s, when it experienced a significant expansion as a result of several highly publicized food scares in the United States and Europe. While organic producers still, for the most part, do not compete head-to-head with industrial producers, there is growing evidence to suggest that industrial agriculture interests are taking competition from their organic counterparts more seriously by, among other things, launching their own certified organic product lines (Guthman 1998).

In the forestry context, the primary focus of activists during much of the 1980s and early 1990s was tropical deforestation. Among the activists’ concerns was the replacement of tropical forest with plantation agriculture (as a consequence of government-sponsored development programs), as well as reckless industrial logging leading to biodiversity loss, soil erosion, and riparian destruction. In 1983, a number of international ECSOs, including the World Wide Fund for Nature (WWF), Friends of the Earth, and Survival International, brought these issues to the attention of the newly established International Tropical Timber Organization (ITTO) (Gale 1998b). At around the same time, the UN’s Food and Agriculture Organization in conjunction with the World Bank, the World Resources Institute, and the United Nations

Development Programme launched a major new initiative, known as the Tropical Forestry Action Plan (TFAP), to promote sustainable forestry and curb tropical deforestation. At the outset, there was a great deal of hope that these two initiatives would be able to halt the destruction and degradation of tropical rainforests. By the late 1980s, this optimism had all but evaporated as it became increasingly clear that TFAP was faltering and that the ITTO, hamstrung by political compromise, was unable to take decisive action.

In response to these developments, a small group of British tropical timber activists began to explore the idea of using certification and labelling to improve tropical forest management. Leading members of this pioneering cohort of forest certification proponents included Koy Thompson, a forest campaigner with Friends of the Earth (UK), and Tim Synnott of the Oxford Forestry Institute. In 1988, Thompson and Synnott developed a feasibility proposal that was endorsed by the UK's Overseas Development Administration (ODA). ODA forwarded their proposal for funding to a 1989 meeting of the ITTO, where it ran into a storm of criticism from tropical-timber-producing countries and members of the timber industry who claimed that eco-labels would be a barrier to trade, encouraging consumers to substitute temperate for tropical timber (see Gale 1998b, 158-77). Thompson and Synnott's proposal was substantially "reformulated" at the 1989 ITTO meeting in a way that managed to address the concerns of producing-country members.

At this point, the evolution of forest certification begins to bifurcate. Along one path, the ITTO developed a strategy to fund a series of consultant reports on the potential of forest certification. One early report on "incentives" for sustainable forest management was prepared by the Oxford Forestry Institute, but it largely ignored the option of certification and labelling, focusing instead on the feasibility of imposing a national levy (Oxford Forestry Institute 1991). A second study, commissioned by the British government through the London Environmental Economics Centre (LEEC), was more holistic. Completed in 1993, the LEEC study concluded that certification and labelling could be a modest yet positive incentive for sustainable tropical forest management. LEEC proposed that governments consider sponsoring national certification schemes, but this suggestion once again met with strong opposition from developing countries and the forest industry assembled at the ITTO. As a group, the producing countries were so opposed to certification and labelling that they forced interested ITTO members to debate the matter in a special meeting organized outside of the ITTO's regular session. At this juncture, the most the ITTO could do was monitor the issue of certification and labelling, an activity it pursued by commissioning regular consultancy reports on the topic (Ghazali and Simula 1994, 1996, and 1998; Eba'a Atyi and Simula 2002; Pinto de Abreu and Simula 2004).

While these initiatives were unfolding at the ITTO, certification was also beginning to make headway in North America. In 1989, the Rainforest Alliance launched its SmartWood certification program and, two years later, a second US-based certifier came on the scene: Scientific Certification Systems (SCS). Not long after, both SmartWood and SCS were certifying forest operations using “in-house” standards. As the number of certifiers grew (the Soil Association and Société Générale de Surveillance (SGS) also began to certify operations in the early 1990s), so too did concerns over the proliferation of “sustainable forest management” standards.

Meanwhile, Herman Kwisthout, a bagpipe maker in Britain and founder of the Ecological Trading Company, was raising questions about the sustainability of the tropical timber he was importing from developing countries for his business. After pursuing his concerns with the Rainforest Foundation and the WWF-UK, Kwisthout began to promote the idea of an international forest monitoring agency in 1990. His concept, the earliest precursor of what was later to become the FSC, proved both prescient and catalytic (Synnott 2005). By this juncture, the ITTO consultancies were beginning to provide a theoretical rationale for forest certification, and the SmartWood Program, SCS, and other certifiers were demonstrating its practical feasibility. What remained to be achieved was integration of the separate certifier-based programs into a more coherent, global forest-certification system.

The spark for this global initiative came from a little-known California-based organization called the Woodworkers Alliance for Rainforest Protection (WARP): a group concerned about tropical deforestation and determined to purchase forest products from sustainable sources. WARP endorsed Kwisthout’s idea for an international monitoring agency and established a working group to develop an implementation strategy.<sup>2</sup> During 1991 and 1992, this working group convened a series of meetings during which it was proposed that this new global organization be named the Forest Stewardship Council (Synnott 2005, 13). By late 1992, the FSC was provisionally established with an interim board, funding from the WWF, and logistical support donated by the Rainforest Alliance’s SmartWood Program.<sup>3</sup>

The challenge confronting the FSC interim board was daunting: to create a global certification network linking interests in North and South America, Europe, Asia, and Africa. To this end, in 1992 and 1993, it embarked on negotiations with a range of stakeholders and certifying bodies that culminated in the founding of the Forest Stewardship Council at a stormy meeting in Toronto, Ontario, in October 1993. Some environmental and indigenous groups were angry that industry representatives had been invited to attend and were eligible to vote (Hammond 1993). They worried that industry would take control of the FSC and dilute its standards and perpetuate business-as-usual forestry. This concern extended to the draft FSC Principles and

Criteria document, which was viewed by some environmental and indigenous leaders as being too industry-friendly. While at times it appeared the meeting would end in deadlock, eventually a compromise was reached: an organizational structure designed to preclude industry dominance was approved, and a draft set of governing principles and criteria was accepted on the basis that they would be subject to ongoing revision and review.

These developments were closely monitored by the mainstream forest industry. By the late 1980s, the industry had become concerned about the competitive implications of forest certification, and in the early 1990s, many industry leaders were convinced of the strategic necessity to spearhead development of alternative, industry-friendly certification schemes. In North America, the Canadian Pulp and Paper Association donated a million dollars to the CSA to develop a Canadian scheme based on an environmental management standards approach adapted from the International Organization for Standardization (ISO). At about the same time, the American Forest and Paper Association launched what is now the Sustainable Forestry Initiative (SFI). In Indonesia, efforts were underway to reinvigorate the development of a national eco-label, culminating in the establishment of Lembaga Ekolabel Indonesia. And, in the United Kingdom, the Forestry Commission (the governmental agency responsible for UK forests) was under pressure to develop a British standard. After FSC-UK developed a draft standard in 1998, and as a consequence of the policy entrepreneurship of a small number of key individuals acting within the peculiar structural features of Britain's forest sector, stakeholders translated the FSC-UK standard into a British national standard – the UK Woodland Assurance Scheme (UKWAS) – in 1999, making the UKWAS both the prevailing national FSC *and* a British government forest management standard.

Today there is a plethora of forest-certification schemes worldwide. Before discussing the FSC's major competitors, we will turn our attention to the FSC's structure and operation.

### **Forest Stewardship Council**

The FSC's founding assembly created an institution with several unique attributes. One was its organizational structure, which allocated members to different chambers depending on their predominant interests. On its establishment in 1993, two chambers were created, one for environmental and social interests and the other for economic interests. Initially, environmental and social interests were allocated 75 percent of the voting rights, with the remainder assigned to economic interests. This organizational structure was revised at the first General Assembly meeting in 1996, when the environmental and social chambers were separated. Today, the governing body of the FSC (FSC-AC) is composed of three chambers representing environmental,

economic, and social interests. Each chamber holds one-third of the total vote, with a super-majority of 66 percent required to pass General Assembly resolutions. The official name of the FSC network is FSC-Asociación Civil (FSC-AC). In the balance of the book, we will use FSC-AC to refer to the network, its board of directors, and its international secretariat in Bonn, Germany (FSC-International Center), which is responsible for policy and standards, and network and stakeholder relations. FSC-AC also encompasses FSC's certifier accreditation arm, Accreditation Services International (ASI), and its branding and trademark arm, FSC-Global Development Company.

### Membership

A defining characteristic of the FSC is that it is a membership organization. Any non-governmental group or individual may join, providing they agree with its mission and its principles and criteria. As of December 2006, the FSC had 643 members. Table 2.1 provides a general overview of FSC membership; however, several general points deserve to be highlighted.

First, while in the past northern members have tended numerically to dominate the FSC, of late that gap has closed. As of 2006, 330 (51 percent) of the FSC's total membership (643) were from the northern, industrialized countries, while the remainder were from the South. Another feature highlighted in Table 2.1 is the under-representation of social interests relative to their economic or environmental counterparts. As of 2006, only 17 percent of FSC members belonged to the social chamber, compared to 40 percent for the environmental chamber and 43 percent for the economic chamber. Social chamber members include indigenous peoples' groups, unions, welfare organizations, development agencies, and so forth. To date, it has proven difficult for the FSC to recruit participants to the social chamber. Notwithstanding these difficulties, there are some powerful organizations included in the current membership, including, from Canada, the Shuswap Nation Tribal Council; the Pulp, Paper and Woodworkers of Canada; the Industrial, Wood, and Allied Workers of Canada; and the United Fishermen and Allied

*Table 2.1*

#### Breakdown of FSC membership (as of December 2006)

	Northern members		Southern members		Total	
		(% total)		(% total)		(%)
Economic chamber	161	(25%)	117	(18%)	278	(43%)
Environmental chamber	113	(18%)	141	(22%)	254	(40%)
Social chamber	56	(9%)	55	(9%)	111	(17%)
Totals	330	(51%)	313	(49%)	643	(100%)

*Source:* FSC 2006.

Workers Union. Third, while the FSC is often perceived as being dominated by environmental interests, it is interesting to note that economic interests are strongly represented, constituting 43 percent of the total membership, with a dominant position in the North. Finally, the relative power of the North and the economic chamber may be somewhat understated by these raw membership numbers. Given that the FSC is now located in Bonn, Germany, as well as the relative disparity in wealth between northern and southern members, the former tend to be over-represented at FSC General Assembly meetings and the latter are under-represented. Although the FSC does endeavour to subsidize the attendance of southern members, its ability to do so is constrained by somewhat limited finances.

### **Governance**

The governing body of the FSC is its General Assembly, which has met at approximately two-year intervals since 1995. These meetings provide members with the opportunity to influence the organization's policy direction through the development of resolutions for debate and adoption. In addition to influencing the FSC's overall policy direction, members also elect its nine-member board of directors. The board serves as the FSC's executive committee, convening regularly between General Assembly meetings to interpret resolutions, decide policy, approve national and regional standards, and ensure effective organizational implementation. At the outset, in order to prevent industry domination, only two positions on the board were reserved for representatives from the economic chamber, with the balance to be drawn from the environmental and social chambers. A few years after the FSC was founded, however, a motion to permit all three chambers equal participation on the board was passed overwhelmingly at the 2002 General Assembly. In addition to chamber representation, the board must also ensure equal North/South representation over time. As of 2005, five board members were from the South (Argentina, Bolivia, Colombia, Ecuador, and South Africa) and four from the North (Germany, New Zealand, Sweden, and the United Kingdom).

From 1995 to 2003, the FSC was headquartered in Oaxaca, Mexico, where it established a small secretariat to manage the organization's business. In February 2003, the FSC moved to Bonn, Germany, as a consequence of recommendations made in a 2001 Change Management Team report that argued in favour of greater organizational devolution and a more substantial presence in the North. Although the original idea of locating in a country in the South was admirable, the operational consequences were that the organization became marginalized by virtue of its location. In pursuit of devolution, the FSC has continued to establish "national working groups" (NWGs) in different countries, including Canada, Chile, Germany, Ghana, the United States, and Vietnam. Guidelines for the establishment of NWGs

were developed in 1996, the same year the Canadian working group (FSC-Canada) was formed. FSC-Canada consists of a small secretariat in Ottawa, managed by an executive director who reports to an eight-member FSC-Canada Board. The board is made up of two members from each of FSC-Canada's four chambers, which include a First Nations indigenous peoples' chamber in addition to the regular environmental, economic, and social chambers. FSC-Canada is formally responsible to FSC-AC for the promotion and development of the FSC in Canada, including the development of regional standards, such as those now in place in the Maritimes, Great Lakes-St. Lawrence, British Columbia, and Boreal regions.

### Finance

Prior to 1990, donors to sustainable development and environmental causes focused on national efforts by NGOs to protect and conserve wilderness areas. In the 1990s, donors shifted their focus from national to global approaches and from community- and government- to market-based strategies. To a considerable extent, FSC-IC was "founded" by donors to test the viability of this new approach, and without such financial and strategic support third-party forest certification would never have evolved beyond a fringe concept (see Chapter 10).

While the FSC is working to reduce its reliance on support from charitable foundations, the majority of which are based in the United States, foundation funding remains a key and, at this point, indispensable revenue source. Foundation funding has likewise played a crucial role in establishing and running FSC-Canada. Table 2.2 outlines FSC-Canada's revenues from all sources since 2001. On average, foundation grants constituted more than 90 percent of FSC-Canada's total annual revenues from 2001 to 2004, when a substantial drop in revenues necessitated significant restructuring and downsizing.

*Table 2.2*

#### Breakdown of FSC-Canada revenues 2001-6

Year	Total revenue (C\$)	Foundation grants	Donations	Other
2001-2	707,258	93%	6%	1%
2002-3	909,893	92%	5%	3%
2003-4	1,191,855	94%	5%	1%
2004-5	341,496	84%	15%	1%
2005-6*	468,976	67%	23%	3%

Source: FSC-CAN, Annual reports, various years.

\* 2005-6 year as reported, although does not add up to 100 percent.

Figure 2.2

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**The FSC's principles, with criteria for Principle 1**

- Principle 1: Compliance with laws and FSC principles
- 1.1 Forest management shall respect all national and local laws and administrative requirements.
  - 1.2 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.
  - 1.3 In signatory countries, the provisions of all binding international agreements such as CITES, ILO Conventions, ITTA, and Convention on Biological Diversity, shall be respected.
  - 1.4 Conflicts between laws, regulations and the FSC Principles and Criteria shall be evaluated for the purposes of certification, on a case-by-case basis, by the certifiers and the involved or affected parties.
  - 1.5 Forest management areas should be protected from illegal harvesting, settlement and other unauthorized activities.
  - 1.6 Forest managers shall demonstrate a long-term commitment to adhere to the FSC Principles and Criteria.
- Principle 2: Tenure and use rights and responsibilities
- Principle 3: Indigenous people's rights
- Principle 4: Community relations and workers' rights
- Principle 5: Benefits from the forest
- Principle 6: Environmental impact
- Principle 7: Management plan
- Principle 8: Monitoring and assessment
- Principle 9: Maintenance of high conservation value forests
- Principle 10: Plantations
- 

*Source:* FSC Principles and Criteria for Forest Stewardship, FSC-STD-01-001 (Version 4-0) EN, approved 1993, amended 1996, 1999, 2002. [http://www.fsc.org/fileadmin/web-data/public/document\\_center/international\\_FSC\\_policies/standards/FSC\\_STD\\_01\\_001\\_V4\\_0\\_EN\\_FSC\\_Principles\\_and\\_Criteria.pdf](http://www.fsc.org/fileadmin/web-data/public/document_center/international_FSC_policies/standards/FSC_STD_01_001_V4_0_EN_FSC_Principles_and_Criteria.pdf).

### Principles and Criteria

In drafting its guiding principles and criteria, FSC representatives drew on the experience of the organic movement and state-sponsored eco-labelling schemes, as well as on intergovernmental efforts to develop guidelines for sustainable forest management, such as those produced in 1990 by the ITTO (ITTO 1992) and the Helsinki and Montreal processes that commenced in 1990 and 1993, respectively. The result was agreement on ten principles and fifty-six criteria that were designed to ensure “environmentally appropriate, socially beneficial and economically viable” forest management. The FSC’s ten principles are set out in Figure 2.2, together with the criteria for Principle 1 to illustrate how the system works. (The Appendix presents FSC’s complete Principles and Criteria document.)

Like other certification systems, FSC’s is hierarchical (see the next section), so its principles and criteria apply to all FSC-certified forest management

operations. However, because they are often phrased in general language, their meaning in particular contexts must be elaborated through the drafting of indicators and, sometimes, verifiers. These will normally be spelled out in the relevant FSC national or regional standard; where such a standard has yet to be approved, certifying bodies are free to develop and employ their own.

### **Organizational Structure**

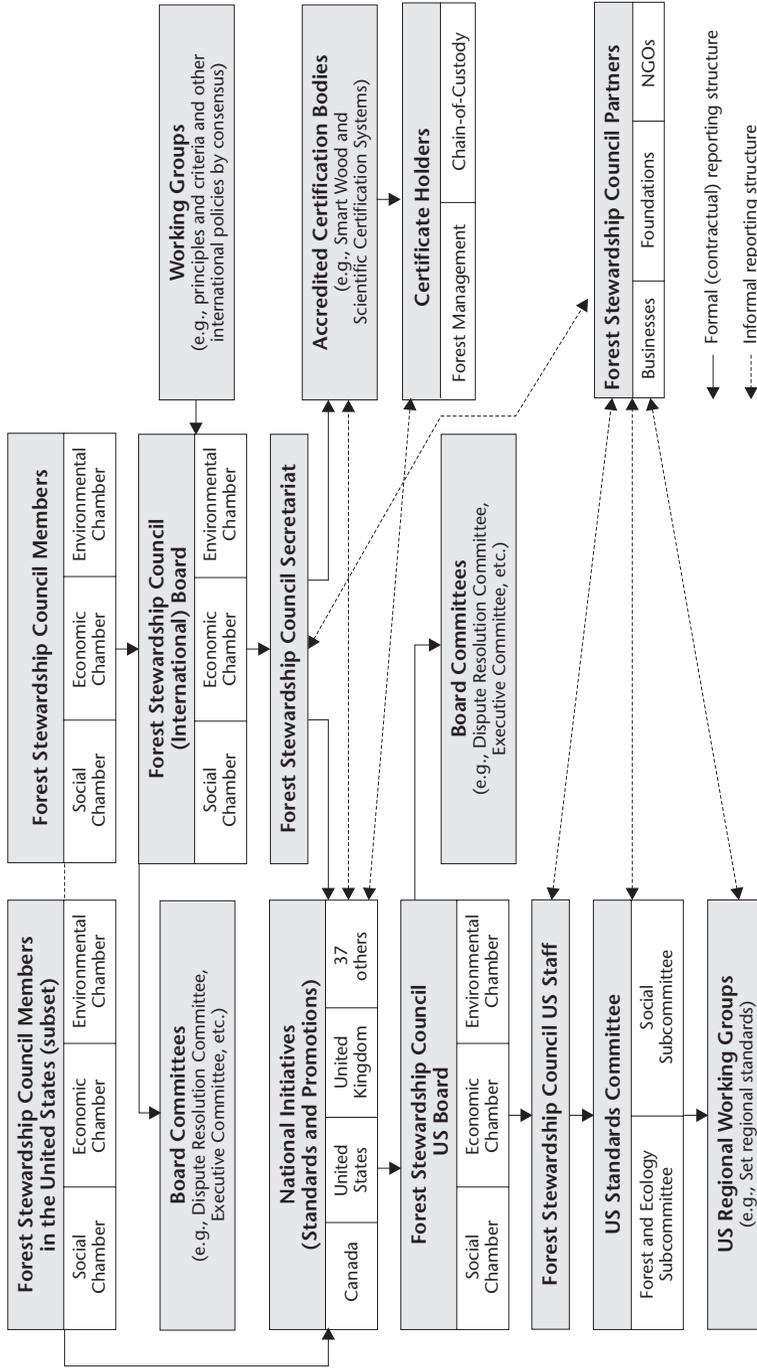
The structure adopted by the FSC to manage its certification system is outlined schematically in Figure 2.3, which highlights several important features about the organization. First, the FSC is an accreditation body and, as such, does not certify forest operations itself. Private companies with expertise in forest certification and labelling become accredited to FSC's accreditation arm, Accreditation Services International (ASI); in turn, these companies develop their own proprietary certification procedures and processes, which can vary widely. Some certifiers use pre-assessments and check lists; others prefer a more qualitative approach. As of 2007, fifteen certification organizations are accredited to ASI, with all but two offering both forest management and chain-of-custody certification. Moreover, all but two have their headquarters in the North, with only VIBO and SGS QUALIFOR operating from the South, from Mexico and South Africa respectively (see Table 2.3).

Second, as noted in the previous section, forests are certified to an FSC standard in two different ways. If a forest operation wishes to become FSC certified and there is no national- or regional-level standard, the operation is certified under FSC's generic principles and criteria as interpreted by the certifying body the company manager selects. In Australia, for example, Hancock Forest Plantations was certified by SmartWood, which used FSC's generic principles and criteria, but interpreted them within the Australian context. This form of FSC certification is not uncommon. There are many jurisdictions where there are no national or regional FSC standards, either because the FSC has a marginal presence in the country or because there have been difficulties and delays in negotiating the final national standard. In Papua New Guinea, for example, even though a national working group was established in 1996 and a draft standard was agreed upon in 1999, no final national standard has been approved (Bun and Bewang 2006).

Where a national or regional standard has been developed, there is a second route to certification. National and regional standards elaborate FSC's generic principles and criteria in the form of indicators and, sometimes, verifiers. Indicators are designed to spell out performance outcomes as precisely as possible. Verifiers let the certifying body know what information to collect to determine whether the indicator has been achieved. There are usually several indicators for each criterion and, as we have seen, several criteria for each FSC principle. This hierarchical approach is used in most approaches to standards development – as one descends the hierarchy, the actions that

Figure 2.3

The organizational structure of the FSC



Source: Meridian Institute 2001.

Table 2.3

**FSC-accredited companies offering certification and chain-of-custody auditing**

Name of organization	Country of headquarters	Scope of accreditation
BM Trada Certification	United Kingdom	Chain of custody
Centre technique du bois de l'ameublement (CTBA)*	France	Chain of custody
Certiquality	Italy	Chain of custody
Control Union Certification BV (formerly SKAL)	The Netherlands	Management and chain of custody
Det Norske Veritas Certification AB	Sweden	Chain of custody
Eurocertifor – Bureau Veritas Certification (BV) (formerly BVQI)	France	Management and chain of custody
EuroPartner	Russia	Management and chain of custody
Fundación Vida para el Bosque AC (VIBO)	Mexico	Management and chain of custody
GFA Consulting Group GmbH	Germany	Management and chain of custody
Instituto per la Certificazione ed i Servizi per Imprese dell'Arrendamento e del legno (ICILA)	Italy	Management and chain of custody
Institut für Markökologie (IMO)	Switzerland	Management and chain of custody
KPMG Forest Certification Services Inc.	Canada	Management and chain of custody
Scientific Certification Systems (SCS)	United States	Management and chain of custody
QUALIFOR, SGS South Africa	South Africa	Management and chain of custody
SmartWood, Rainforest Alliance (SW)	United States	Management and chain of custody
Woodmark, Soil Association	United Kingdom	Management and chain of custody
Swiss Association for Quality and Management Systems (SQS)	Switzerland	Management and chain of custody

Source: FSC 2007.

\* CBTA merged with Association Forêt Cellulose (AFOCEL) in June 2007. The new company is now named Institut Technologique Forêt, Cellulose, Bois-construction, Ameublement (FCBA).

are to be performed are described more and more precisely. The assumption is that if a company is meeting all the specified indicators, it is probably also meeting all the criteria and principles and, therefore, will qualify for certification. However, in many instances certifiers discover that a company's performance varies widely across indicators, so the certifier must judge whether, on balance, the operation is certifiable or not. Where a company is doing many things well, but some things poorly, the certifier can issue corrective action requests (CARs) to the applicant, indicating what changes it expects the company to make. Certifying bodies can certify operations in the expectation that such changes will be made over the coming years, or, if the certifier believes the changes are critical, it can make certification conditional on the completion of the CARs.

It is important to bear in mind that the FSC does not directly certify forest operations; rather, certifying bodies accredited to ASI are licensed to interpret applicable FSC certification requirements. This devolution of responsibility has been a source of controversy among some environmental groups, who claim that the system creates a conflict of interest (Counsell and Lorass 2002). These groups argue that certifying bodies have a vested interest in promoting lowest-common-denominator standards because the less demanding a standard, the easier it will be for a forest operation to become certified, enhancing market demand for certifier services. They also argue that, because certifying bodies are paid by the company, they have a vested interest in helping their clients become certified and, hence, in overlooking or downplaying non-compliance. These criticisms are familiar, because they also apply to most auditing arrangements in which companies pay accountants to audit their financial performance during the year and provide a signed statement that the accounts are a true and accurate representation of the company's finances. Although high-profile cases such as Enron and WorldCom can undermine popular confidence in the audit function, the system operates adequately much of the time. The consequences of poor performance, for example, can have significant consequences on auditors, as the demise of the multinational accounting firm Arthur Andersen attests.<sup>4</sup>

Under the FSC model, the performance of certifying bodies is monitored in two ways. First, any certified operation is under the constant scrutiny of local stakeholders; dissatisfaction at the local level can be relayed to the national and/or international bodies for redress. They are also reported on the FSC-Watch website. Certifying bodies are aware of this fact and, in difficult cases, will usually require operations to meet a significant number of CARs before being certified. Second, certifying bodies are accredited to the FSC, which is a valuable part of their company's good will. They are unlikely to recklessly certify a single operation in order to profit in the short term if this puts at risk their FSC accreditation and business over the long term. Thus, even though there have been a number of questionable certifications over

the past ten years, for the most part the system appears to have operated effectively and efficiently.<sup>5</sup>

### **Other Certification Schemes**

To provide a general context for our consideration of the FSC case and, more specifically, to preface our contention, elaborated in Chapter 13, that both within the forest-certification context and beyond the FSC represents a *sui generis* governance form, we now turn our attention to the origins and institutional arrangements of the FSC's main competitors in the forest-certification sector, as well as those of its sister "stewardship model" organization, the Marine Stewardship Council (MSC). In the section that follows we discuss forest certification under the ISO, PEFC, SFI, and CSA regimes before reviewing arrangements under the MSC.

### **Competing Forest-Certification Schemes**

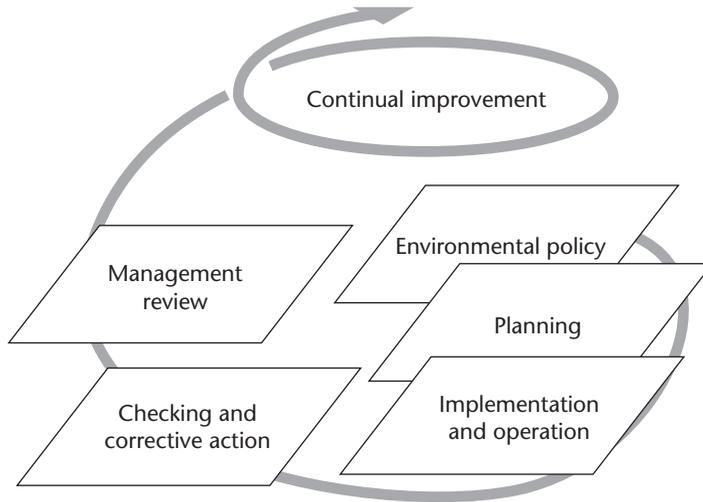
During the 1990s, in large measure as a strategic response by forest industry interests to the emergence of the FSC, a variety of competing forest-certification regimes were born. In the North American context, these included AF&PA's Sustainable Forestry Initiative, a CSA scheme sponsored by the Canadian Pulp and Paper Association, and the ISO 14001 system. In recent years, as we discuss below, SFI and CSA have associated themselves with what has become FSC's principal global competitor, the Programme for the Endorsement of Forest Certification (PEFC).

#### *International Organization for Standardization (ISO)*

ISO is a global organization composed of the national standards-setting bodies of member countries. Thus, for example, the Standards Council of Canada (SCC), the body responsible for accrediting Canada's national standards-setting bodies including the CSA, is a member of ISO. So too are its Australian (Standards Australia), American (American National Standards Institute), British (British Standards Institute), and Japanese (Japanese Industrial Standards Committee) equivalents. The structure of these national bodies varies enormously, from governmental to statutory and associational arrangements. One important distinction is between organizations that accredit standards (such as the SCC) and those that develop standards (such as the CSA). The SCC is a member of ISO; the CSA is not. The latter provides standards development and related services to its members and at the request of the SCC.

Historically, business has tended to dominate ISO standard-setting processes due to the incentives associated with having proprietary product-related features or specifications embedded in national or global standards.<sup>6</sup> For most of the twentieth century, the principal focus of the SCC and other standards-setting bodies was the development of technical standards to

Figure 2.4

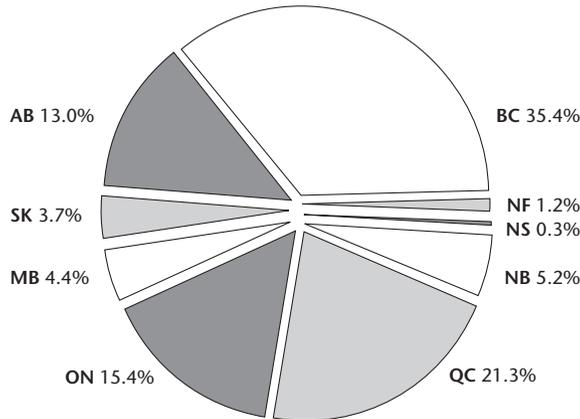
**Environmental management system model**

Source: ISO 1996, vi.

facilitate trade and commerce. In the last thirty years, however, issues of safety came to the fore, requiring broader stakeholder consultations. Thus, starting in the 1980s, ISO moved into the field of “management standards,” establishing its popular ISO 9000 quality management standards. To secure ISO 9000 certification, companies were required to demonstrate that they had instituted an ISO-approved management system.

Subsequently, building on its 9000 series, ISO pioneered the development of an environmental management system (EMS) approach to standard setting in its ISO 14001 series, placing it squarely at the management end of the management-performance continuum. The cyclical “feedback” nature of the EMS model is set out in Figure 2.4. Under this approach, a company must formulate a comprehensive environmental policy that serves as a benchmark and driver for implementing and enhancing its EMS (ISO 1996, 6). A company must also develop an EMS implementation plan, which includes a review of current operations that covers legislative and regulatory requirements, identifies significant environmental aspects of the company’s operation, examines existing environmental management practices and procedures, and incorporates feedback from investigations of previous incidents (ISO 1996, 7). The output of the planning process is a program to implement an EMS that designates line responsibility for implementation, trains staff, documents program operations and consequences, and ensures emergency preparedness.

Figure 2.5

**ISO-certified forests in Canada, 2006**

Source: CSA International.

In implementing an EMS program, companies are obliged to monitor their performance to identify areas of non-compliance and take appropriate corrective and preventive action. To this end, they must undertake regular EMS audits. The EMS cycle also entails regular management reviews. Unlike EMS audits, these are designed to assess environmental outcomes against EMS objectives through a rolling process of review that considers audit results, the suitability of objectives and targets in light of changing circumstances, and the concerns of relevant interested parties (ISO 1996, 10).

The ISO 14001 system differs substantially from the other approaches discussed below in that it is purely a management system approach that deliberately eschews use of performance standards. This allows companies to establish their own performance measures and targets. In the forestry context, for example, some companies will identify clear cutting as a major environmental challenge to be addressed, while others will identify it as an acceptable forest management tool. The only “absolute requirement for environmental performance” under the ISO 14001 approach is a commitment “to compliance with applicable legislation and regulations and to continual improvement.” Thus, firms carrying out similar if not identical activities but achieving markedly different environmental performance can both be in full compliance with ISO 14001 requirements (ISO 1996, vi). Because of its lack of performance requirements, ISO certification is generally regarded as one of the most straightforward and least costly certification models for most operators. In Canada, as Figure 2.5 depicts, over 132 million hectares of forest were slated to be ISO certified by the end of 2006, considerably more than is certified by any other competitor system.

*Programme for the Endorsement of Forest Certification (PEFC)*

The Pan-European Forest Certification Council was formed in 1999 as a consequence of Scandinavian – notably Finnish – resistance to the development of FSC national standards. Following a meeting of representatives of eleven mainly northern countries in Paris, it became an umbrella organization for European certification schemes.<sup>7</sup> Since then the organization has expanded rapidly, renaming itself the Programme for the Endorsement of Forest Certification in 2003 and attracting national certification members from around the world. During this period, the magnitude of PEFC-certified forests has grown exponentially: currently it certifies over 187 million hectares of forest worldwide (PEFC 2006b). A majority of the national schemes currently participating in the PEFC are from northern countries, including the Finnish Forest Certification Council, PEFC-Norway, PEFC-Germany e.V., and the PEFC Council of Ireland. North American representatives include the CSA and the SFI. However, the PEFC is working hard to increase its representation in the developing world, where associated schemes include Chile's CertForChile and Cerflor in Brazil (PEFC 2006c).

Currently, the PEFC operates primarily as an accreditation body, endorsing schemes that are developed nationally through various stakeholder processes and deploying principles drawn from various "inter-governmental processes for the promotion of sustainable forest management," including the Helsinki Process in Europe and the Montreal Process in North America (PEFC 2006d).

*Sustainable Forestry Initiative (SFI)*

One of the earliest competing schemes to emerge following the founding of the FSC was the Sustainable Forestry Initiative. Spearheaded by a variety of AF&PA member organizations, the SFI was launched in 1995. The SFI model is structured around thirteen objectives that are akin to the FSC's ten principles. These objectives range from broadening "the implementation of sustainable forestry by ensuring long-term harvest levels based on the use of the best scientific information available" (Objective 1), through protecting "the water quality in streams, lakes, and other water bodies" (Objective 3) and managing "the visual impact of harvesting and other forest operations" (Objective 5), to promoting "continual improvement in the practice of sustainable forestry" and monitoring, measuring, and reporting "performance in achieving the commitment to sustainable forestry" (Objective 11) (AF&PA 2002).

These objectives are elaborated through performance measures and indicators. The former are "a means of judging whether an objective has been fulfilled"; the latter are "those indicators integral to conformance with the SFIS [Sustainable Forestry Initiative standard]." A typical form of performance measure is compliance with applicable laws (SFB 2004, 5). Associated

with each performance measure are a number of indicators. For Performance Measure 3.1, which requires members to “meet or exceed all applicable federal, provincial, state, and local water quality laws,” indicators include requirements that the company have in place “(i) [a] program to implement state or provincial BMPs [best management practices] during all phases of management activities; (ii) contract provisions that specify BMP compliance; (iii) plans that address wet-weather events ... ; (iv) monitoring of overall BMP implementation” (6).

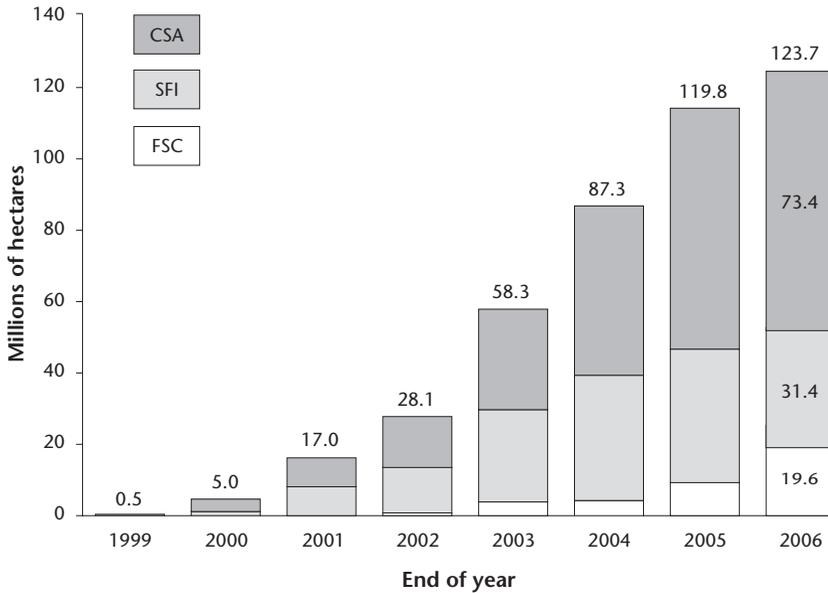
Although the terminology is different, the hierarchical approach adopted in the SFI standard is similar to the approach adopted by the FSC. And though it does not actually accredit audit companies itself, the SFI does require its certifying bodies to be “environmental management system (EMS) registrars and accredited by the American National Standards Institute or the Standards Council of Canada” (SFB 2004, 24), leading to some overlap between SFI- and FSC-accredited companies (KPMG can audit a firm to either standard, for example).

The SFI’s scheme also departs from the FSC model in several respects. First, the SFI permits its members to obtain first- and second-party certification (which it terms “verification”), in addition to third-party certification. Second, SFI’s standards have been developed largely by the US forest industry, with environmental and social interests being under-represented (Gale 2002). Third, although the Sustainable Forestry Board (SFB), the entity that manages the SFI, claims that it now represents a “balanced array of interests,” the organization has, in the past, been dominated by industrial forestry interests. In recognition of this, the SFI has embarked on various initiatives to create a more independent governance structure, including establishment of the SFB.

In its early days, the SFI’s institutional structure was relatively simple: in effect, the organization was run as a committee of the AF&PA. In the face of continued criticism that the organization was compromised by its close association with the forest industry, an independent board (the SFB) was established in July 2000 with a mandate to “oversee development and continuous improvement of the Sustainable Forestry Initiative (SFI) Program Standard, associated certification processes and procedures, and program quality control mechanisms” (AF&PA 2006). The SFB is constituted as a fifteen-member board, ostensibly equally balanced between “5 environmental non-profit CEO’s, 5 forest industry CEO’s and, and 5 members of the broader forestry community” (SFB 2006a). Of those listed as board members in 2006, however, only two appear to be representatives of the environmental community.<sup>8</sup> Notably, none of the broader-based environmental membership organizations, such as the WWF, Friends of the Earth, Sierra Club, or Greenpeace, are represented on the SFB board. Moreover, the SFB has been deliberately structured as a foundation rather than a membership-based association, which raises issues of accountability for users of the SFI scheme.

Figure 2.6

## The growth of forest certification in Canada, by scheme, 1999-2006



Source: CSFCC (Canadian Sustainable Forestry Certification Coalition) 2007.

At the outset, only AF&PA members were eligible to join the SFI. In 2000, however, eligibility was extended to Canadian companies as well. Following this change, the SFI has seen significant growth in Canadian certifications, which now cover more than 31 million hectares (see Figure 2.6).

#### Canadian Standards Association (CSA)

Another forest-certification scheme that has seen significant growth in recent years is the CSA's Sustainable Forest Management System. The origins of this scheme date back to 1993, when the Canadian Pulp and Paper Association, in conjunction with forest groups across Canada, formed the Canadian Sustainable Forestry Certification Coalition (CSFCC) and hired the Canadian Standards Association to consult with stakeholders to develop a certification scheme in the forest sector (Cashore, Auld, and Newsom 2004).<sup>9</sup> The CSFCC hired the CSA because it is one of the few civil society organizations accredited by the Standards Council of Canada (SCC) to develop standards for the Canadian Standards System (CSS). Established in 1919, the CSA develops standards that are intended to "reflect a national consensus of producers and users – including manufacturers, consumers, retailers, unions and professional organisations, and governmental agencies" (CSA 2003).

The CSA's forest standard builds on the EMS approach pioneered by the ISO (outlined above) and also contains performance components. These include an obligation that forest managers meet the Canadian Council of Forest Ministers' (CCFM) sustainable forest management (SFM) criteria and the CSA's associated SFM elements for a defined forest area (DFA).<sup>10</sup> For example, Criterion 1 concerns the conservation of biological diversity and requires that this be achieved "by maintaining integrity, function, and diversity of living organisms and the complexes of which they are part" (CSA 2003, 44). The CSA identifies four elements related to this criterion, with Element 1.1, Ecosystem Diversity, stating that the forest manager must "conserve ecosystem diversity at the landscape level by maintaining the variety of communities and ecosystems that naturally occur in the DFA" (44).

Both FSC and CSA systems incorporate management and performance standards and require third-party certification by an independent auditor. The most notable differences between them are in their level of specificity and in the arrangements made to ensure interested parties are represented when the standard is developed and implemented. In terms of specificity, the FSC's standard contains ten principles and fifty-six criteria that set out the broad requirements to be certified, which are then elaborated in specific national or regional indicators that allow auditors to assess field-based performance. In contrast, the principal forest management obligations under the CSA standard are more structurally fragmented and diffusely expressed.<sup>11</sup> Steps have been taken to make the CSA standard clearer and more user-friendly, but efforts to integrate management, performance, and participatory components into the standard have created a rather unwieldy document that lacks the overriding hierarchical architecture evident in both the SFI and the FSC. Moreover, although performance obligations are clearly identified and expressed, the terminology employed is often vague and discretionary.

The first version of the CSA standard, produced in 1996, was criticized by observers who felt the process was dominated by industry and lacked the participation of major environmental groups (Elliott 1999).<sup>12</sup> When it revised the standard between 2000 and 2002, the CSA made efforts to overcome this deficiency by using a "matrix" approach to representation. This provided for four categories of participation within the CSA's SFM Technical Committee, with members coming from industry; the professions, academia, and practitioners; environmental and general interest groups; and government/regulatory categories. Several environmental groups participated, including the Canadian Wildlife Federation, but most major environmental organizations did not.

Some groups remain skeptical about the organization's inclusivity. In 2002, Pollution Probe reported that, despite the CSA's efforts to engage ECSOs throughout the 1990s, their participation has lagged because of a number of

factors. These included a lack of funding support for such groups, the ECSOs' lack of faith that voluntary regulatory initiatives were valid or effective, and the persisting perception that the CSA emphasized the international trade dimensions of standardization at the expense of environmental and social factors.<sup>13</sup> Many ECSOs alleged that their input on CSA committees was ignored, despite the matrix system (Pollution Probe 2002, 32).

Despite these criticisms, the CSA scheme has expanded across Canada quickly, growing from about 3.5 million hectares certified in 2000 to more than 73 million hectares in 2006 (Figure 2.6, p. 41). A recent report places the total amount of CSA-certified forest in British Columbia at almost 33 million hectares, with several major corporations listed as certified, including Abitibi-Consolidated, Ainsworth Lumber, Canfor, Tolko Industries, and Western Forest Products (Abusow International 2007). These certifications have occurred on both tree farm licences and forest licences, the latter requiring the collaboration of a large number of partners, including the BC Ministry of Forests.<sup>14</sup>

A core feature of the CSA standard, especially the revised version, is an extensive public consultation requirement. In contrast to the FSC process, in which national and regional indicators are negotiated via an interest-balancing process, the CSA standard effectively devolves the development of indicators to the local, DFA, level. In Clause 5, "Public Participation Requirements," it specifies that the company seeking certification will "openly seek representation from a broad range of interested parties," provide them with "relevant background information," demonstrate that "efforts were made to contact Aboriginal forest users and communities," and ensure that the consultation process follows a set of "Basic Operating Rules" (CSA 2003, 12-13). The overall goal of this consultation is to give the public "an opportunity to be involved proactively in the management of the DFA" (12).

Because negotiations within the DFA play such a crucial role in the CSA approach, the potential exists for managerial fragmentation across the landscape as differently structured negotiation processes result in different visions and values becoming embedded in forest management plans. Such fragmentation could occur within a single forest company operating in several different DFAs, as well as across forest companies. It is not possible to say whether such variation is, in fact, occurring, as no published studies are yet available comparing the visions, plans, and indicators for CSA-certified DFAs. If there is considerable local variation in forest management objectives and practices between adjacent DFAs, this would raise questions about whether the CSA standard is achieving its "standardization" objectives. Conversely, a lack of variation could undermine the claim that the CSA is responsive to community differences. The tension is similar to the one the FSC faces with respect to harmonizing regional and national standards.

### **Marine Stewardship Council (MSC)**

The final institutional comparator to be considered originated in 1996 as an attempt to translate the FSC “stewardship model” into the marine fisheries context. This initiative was championed by way of a strategic partnership between the WWF and Unilever. Although the FSC and the MSC share somewhat analogous visions, the MSC has adopted a distinct approach to governance.

The FSC is committed to a democratic, membership-based model, an approach the MSC has deliberately eschewed in favour of a more “insulated,” foundation-style structure. This decision was significantly influenced by advice from its consultants, Coopers and Lybrand, who were reputedly “horrified” by the “chaotic” nature of the 1996 FSC General Assembly they attended as observers (Synnott 2005, 25).<sup>15</sup> Since 1999, the MSC has operated as a not-for-profit, international organization fully independent of the WWF and Unilever, with the majority of its funding coming from a range of charitable foundations and private organizations

Much as the FSC does in the forestry sector, the MSC certifies the sustainable performance of fisheries on a global scale. To this end, it has developed principles and criteria for the promotion of sustainable fisheries and has applied these to certify several operations, including the western Australian rock lobster fishery (Australia’s most valuable fishery), the New Zealand hoki fishery, and the Alaskan salmon fishery.<sup>16</sup>

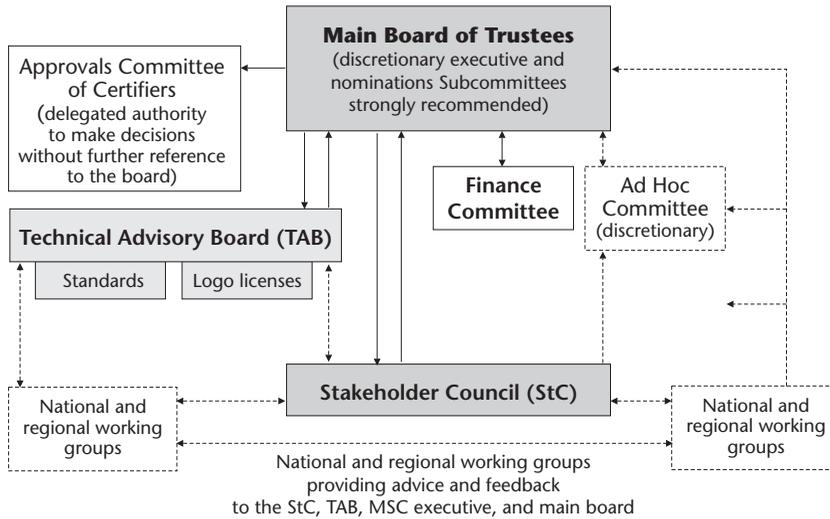
When it was first created, the MSC encountered widespread skepticism from many quarters, including fisheries managers, industry representatives, and several environmental organizations (Potts and Haward 2001). In particular, critics raised concerns about the degree and nature of consultation over the MSC’s founding principles and criteria. In response to these concerns, the MSC reviewed its governance arrangements in June 2001 and made a series of organizational changes. The current structure of the MSC is set out in Figure 2.7.

The board of trustees is the executive decision-making body within the MSC. It consists of up to fifteen members and is the final decision-making authority. It works in close association with the technical advisory board (TAB) and the stakeholder council. The TAB has fifteen members and advises the board on such matters as setting and review of the MSC standard, logo licences, and chain-of-custody certification. The board appoints members to the TAB who, in turn, appoint their own chair. The council consists of between thirty and fifty members representing diverse interests within the organization, including conservation, industry, academia, and developing nations. It fulfils the role of a participatory forum and representative authority and submits its views directly to the board (Gale and Haward 2004).

From this description, it is clear that the MSC’s structure has a very different organizational logic than that of the FSC. Indeed, its organizational arrangements more closely resemble those of the SFI than the FSC. Both the

Figure 2.7

**Marine Stewardship Council governance**



Source: Potts and Howard 2001.

MSC and the SFI are governed by boards that have been subject to criticism on the grounds that they are not representative (Constance and Bonanno 2000; Ponte 2006, 15-17). The SFB appears to have made some headway toward addressing these concerns, but the MSC remains vulnerable to criticism. Accordingly, even as the MSC ostensibly embraces the values of fairness, inclusiveness, impartiality, independence, reliability, professionalism, openness, and accountability, the composition of its board suggests it remains dominated by business. Of the ten board members in 2007, seven hail from the corporate sector and only one has strong environmental credentials (MSC 2006). Moreover, because the MSC is a foundation and not a membership-based association, its board is insulated from the wider concerns of the global fisheries “polity,” whose ability to influence board decisions is restricted to making submissions to the stakeholder council, which, in turn, is responsible for representing these views to the board. The MSC is more responsive and accountable than it was before its recent restructuring, but it remains to be seen whether the new arrangements will be adequate to counter ongoing criticisms of industry dominance.

**Issues in Forest Certification**

In this section, we offer some introductory observations on a range of key issues in forest certification – summarized in Table 2.4 – that we revisit at various points in subsequent chapters.

Table 2.4

**Issues in forest certification**

Issue	Key questions raised
Vision of the standard	How high a bar should the standard set? Should the standard align itself with other existing certification models or should it seek to recognize only “gold standard” performance? Or, to use the terminology preferred by industry, should this be a “boutique” or a “general store” standard?
Standards and smallholders	Whatever the vision, should a single standard be developed for all operators or should special arrangements apply to small operations, where management may be less intensive and more integrated into other activities such as farming?
Standards and plantations	What exactly is a “plantation”? Should plantations be certified? If they are certified, should it occur under a separate plantation standard?
Financing standards development	Should standards development be largely voluntary? How should standards development be financed? How can standards development be insulated from the influences of funders?
Negotiating standards development	Who should negotiate the standards? How should standards be negotiated (i.e., via stakeholder bargaining or through facilitated mediation)?
Form of the standard	Should standards be management-, technology-, or performance-based? What are the differences between and relative merits of these various forms of standards? What is the relationship between the form of a standard and its prescriptiveness?
Harmonization of standards	What does “harmonization” mean? Should it be procedural or substantive? What process should be used to ensure that standards in one jurisdiction equate to standards in a neighbouring jurisdiction?
Mutual recognition of standards	Under what circumstances should mutual recognition occur? What are the dangers inherent in adopting this principle?
Auditing of standards	Who should be entitled to audit a standard for compliance? Should certification schemes directly audit companies for compliance or can this function be contracted out under licence? Is there a conflict of interest between private auditors and their clients in relation to forest certification? What can be done to minimize any such conflict of interest?

◀ Table 2.4

Issue	Key questions raised
Single versus step-wise standards	Should the standard specify only a single threshold to be reached by a forest operation? Or should a “stepwise” approach be adopted – bronze, silver, gold – to encourage poor performers to engage in the process?
Standards and international trade law	Are voluntary standards subject to emerging trade-law disciplines under the World Trade Organization’s Agreement on Technical Barriers to Trade? If so, what should voluntary standards organizations such as the FSC do to ensure compliance?
Standards, legitimacy, and democracy	If standards are developed without government participation, can they be deemed “legitimate” and “democratic”? Does the fact that standards are “voluntary” render these concerns moot or should even “voluntary” standards be subject to a democratic test?

### Vision

A key issue in FSC standard setting is how and where to set the performance bar. Large-industry interests frequently argue that it is important to avoid developing a “niche” or “boutique” standard: in other words, one that imposes performance requirements that are feasible for small-scale or community forestry operations but too costly for larger operators to adopt. Such interests, typically, advocate for a “mainstream” or “general store” standard that will maximize the potential for take-up across the forest industry. Many environmental and social justice representatives reject the boutique-general store analogy as a false and self-serving dichotomy. They contend that only a rigorous, credible standard backed up by market pressure will succeed in securing the transformative benefits that the FSC’s vision of “environmentally appropriate, socially beneficial and economically viable management of the world’s forests” exists to promote (see Counsell and Lorass [2004, 25-26] for a discussion of these issues in the context of the debate over the FSC’s fast-growth strategy).

### Smallholders

Another key issue is how the standard should treat different types of forest operators. Small, part-time, poorly capitalized operations that are integrated into other activities such as farming are clearly different from large, full-time, highly capitalized, expert-driven forestry. How should a standard treat smallholders? One approach is to develop a single standard that treats everyone equally on the basis that all operators, regardless of size, should meet the same

requirements. Another approach is to adopt a single standard and include clauses that modify the application of the standard “subject to scale and intensity” or other similar wording. A third approach is to develop separate standards for smallholders and large-scale forestry. The approach adopted can have significant implications not only for standards development but also for the relative take-up of certification by different operators.

### **Plantations**

Many environmentalists and eco-foresters believe that plantations are not forests and should not be certified. Plantations are, however, “sources of wood,” and they obviously compete directly with other sources of wood in the form of semi-natural and natural forests. Defining the term “plantation” is difficult because some plantations display almost all the characteristics of a regrown natural forest. In other cases, however, the distinction is clear. Even when plantations are clearly identified, questions arise as to whether they should be certified at all, especially if they have been created recently by clearing naturally forested land. If they are to be certified, should they be subject to special conditions and, if so, which conditions? The issue of plantations threatened to derail the formation of the FSC before it was established. It has recently resurfaced for further debate within the FSC via the establishment of a Plantations Advisory Group. In the BC context, as we shall see in Chapter 9, the issue of plantations also became contested, despite the fact that there are, in fact, not many straightforward examples of plantation forestry in the province.

### **Financing Standards Development**

Developing regional or national standards can be a resource-intensive proposition requiring substantial inputs, including technical reports and advice, high-level stakeholder consultations, and significant public feedback. Frequently, however, standard-development processes are under-resourced, especially within the FSC system, which relies heavily on volunteer labour. When industry and government have chosen to invest in standards development, this funding has typically been channelled to industry-dominated national standards, leaving the FSC to fall back on grants from foundations and charities. These organizations have supported the FSC significantly during its first decade, but such funding cannot continue forever, which raises difficult questions about financing standards development, renewal, and harmonization over the long term.

### **Standards Negotiation**

The negotiating arrangements adopted to develop a standard clearly influence its final outcome. There are numerous negotiation models to choose from, ranging from direct, relatively unmediated, stakeholder bargaining to

indirect, centralized, mediated and facilitated standards development, where stakeholders participate at arm's length from each other. Should one model automatically be preferred over another or are different models appropriate in different contexts? Once a model is chosen, who should be invited to participate at the negotiating table? Of the huge number of potential stakeholders, should all, some, or only a select few be allowed to participate? If all stakeholders are not involved, what criteria should be used to select the participants, and who should do the selecting? And when a group has been formed, how should its members relate back to their constituencies? Should there be a formal reporting relationship, or should representatives take responsibility for their own reporting arrangements? In Chapter 4 we discuss in detail how these issues were addressed during the development of the FSC standard for British Columbia.

### Forms of Standard

It is often contended that the optimal standard is one that minimizes "prescriptiveness" and, therefore, that performance-based standards should be preferred. We argue that when assessed against the definition of "prescriptive" we employ in this book, all standards are inherently prescriptive in that they constrain decision making at the firm level. In this sense, management-, technology-, and performance-based standards can all be seen as prescriptive regulatory constraints, albeit arising at different stages of the production process.

As we shall see, forest-certification schemes adopt differing approaches to standard setting. For example, most commentators would agree that the ISO tends toward the management side of the continuum, whereas FSC standards tend to be more performance-based. Moreover, even within the FSC, regional and national standards can and do differ significantly in terms of the form of standard they adopt. Another emerging trend is hybrid standards that seek to integrate the respective benefits of management- and performance-based approaches. The complex art of crafting standards in the forest context and beyond is covered in detail in Chapter 11.

### Harmonization

Standards typically evolve out of national and regional negotiations, with the result that the applicable standard in one jurisdiction will vary, sometimes significantly, from its counterpart in a neighbouring jurisdiction. In terms of relative production costs, this can create competitive advantages and disadvantages for firms that are competing in the same markets. Standards, therefore, need to be harmonized across regions, yet it is not clear how harmonization should be defined and how it should be achieved. Harmonization can be viewed either as a process or as a substantive achievement. Viewing it as a process involves establishing a set of consultative arrangements whereby

input is obtained from stakeholders in neighbouring jurisdictions, with their comments taken into consideration as the standard is developed. However, unless such stakeholders are sitting at the negotiating table, their views are liable to be sidelined by those actually engaged in the negotiations. Another approach is to conduct an independent evaluation of a draft standard with respect to neighbouring jurisdictions to ensure it does not impose unnecessary requirements on firms falling within its jurisdiction. The problem here is that any standard reflects a delicate balance among local stakeholders, and altering any single component after the fact risks undoing the entire package. Harmonization, then, is fraught with difficulties, creating significant dilemmas for those engaged in standards negotiation.

### **Mutual Recognition**

The idea of mutual recognition is that national standards developed through national processes should be deemed as equivalent to each other, enabling purchasers in one country to have confidence that certified timber from another country has been produced according to reasonable standards of “sustainable forest management.” Industry and governments have been the main drivers of mutual recognition of forestry standards. There are significant dangers inherent in mutual recognition given that many national standard-development processes have been flawed in terms of stakeholder consultation and in terms of the comprehensiveness and rigour of the emerging standard. Unless there is an independent body that can assess standards and ensure that only those that meet minimal standards are, in fact, mutually recognized, the process of mutual recognition will quickly lead to a race to the bottom, where the lowest of the available standards will establish the context for all others. The Programme for the Endorsement of Forest Certification (PEFC) has become the de facto organization for carrying out such assessments. Should the FSC entertain the notion of mutual recognition – implicit, for example, in the relationship between the FSC-UK standard and the UK Woodland Assurance Scheme (UKWAS) – or should it maintain its commitment to a uniform FSC standard in an effort to prevent a race to the bottom?

### **Auditing Standards**

A substantial industry has developed over the past several decades to audit compliance with mandatory requirements and voluntary standards. Large companies, such as Société Générale de Surveillance (SGS), have specialized in providing auditing services to large multinational corporations in forestry and other sectors. The emergence of this new service industry has raised questions about whether determining compliance to a standard should be contracted out to independent auditing companies, or whether it should remain an in-house responsibility of the certifying body. Each