Shame Campaigns:
The Environmental Benefits of Branding

by

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Abstract

Changes in policy, technology, and organizational structures have led to a truly global economy, resulting in both new challenges and new opportunities for global environmental governance. The private sector has adapted well, reorganizing business activities into dense networks of global supply chains. These same forces have placed new constraints on the ability of states to govern global activities. Civil society is utilizing its network characteristics in an effort to fill these governance gaps. Activists have begun focusing on consumer and capital markets, targeting the retail and financial nodes of global supply chains, in an attempt to force corporations to the negotiating table.

This work provides new insights into the complex ways in which the characteristics of an industry shape the prospects for campaign success and the broader implications of market campaigns for the possibilities of environmental governance. To answer these questions, two original theoretical frameworks are developed utilizing existing literature and the experiences of environmental campaigns targeting the forestry sector. These frameworks are then applied to case studies taken from the mining industry, namely, the No Dirty Gold campaign and the Global Finance campaign.

Activists have been quite successful in their endeavors. The result has been the establishment of private certification institutions, which commit firms to abide by voluntary environmental codes. Continuing campaign pressure has been resulting in a ratcheting-up of these private initiatives. The wider implications discussed within this study revolve around questions of market campaigns' democratic implications, their effect on the regulatory capacity of the state, and their ability to tackle the core causes of environmental issues. The theoretical frameworks developed in this study render multifaceted results, but the implications drawn from them show market campaigns to be a productive, albeit partial, contributor to global environmental governance.

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Introduction

The world has undergone significant changes since environmental issues began to appear on the international agenda over three decades ago. While environmental concerns have continued to garner support, deregulating the economy has been the order of the day. Environmentalists have followed suit, increasingly relying on market mechanisms to achieve their goals. While activists continue to utilize traditional state instruments - lobbying, legal action, and formal complaints - they have supplemented these efforts with consumer and capital market campaigns that create market pressure for leverage. This project seeks to locate these campaigns within the global political economy of resource extraction and answer two fundamental questions: What are the prospects for these campaigns to render effective environmental regulation and what are the broader implications for global environmental governance?

The reorganization of nonstate activity has created both new constraints and new opportunities for the possibility of effective global environmental governance. Changes in policies, technologies, and organizational structures have led to increasing power and profits for the private sector. These changes have also resulted in new governance gaps at the global level as states face new material and ideological constraints on their ability to regulate. These same globalizing transformations have empowered internationally active civil society groups, which wield their newfound influence in an attempt to meet increasing demands for global governance. In response to the failures of the state, civil society groups have begun using market campaigns to gain political leverage hoping to persuade corporations to comply with their demands. Instead of the more traditional lobbying efforts of the past, activists are focusing on consumer and capital markets to apply pressure to extraction companies through their customers and financiers. Market campaigns usually lead to direct negotiations between the business community and civil society over appropriate social and environmental policies with the state relegated to a largely observational role. This, of course, has broad implications for global governance and raises the questions of where politics should take place and what constitutes legitimate governing authority.

We will find that these nonstate initiatives tend to result in voluntary certification. After briefly discussing the potential advantages and disadvantages of this type of private regulation, we then explore how the characteristics of the industry affect which type of campaign will be successful and which type of certification will result. In our preliminary analysis in chapter two, we will use the example of environmental campaigns targeting the forestry industry to draw out a framework that we can then use to study the campaigns targeting the mining industry.

The broader implications of these campaigns for global governance are discussed in chapter three. These implications are up for debate among scholars with views varying widely. We will capture the major issues of the debate by attempting to answer three overarching questions: What are the democratic implications of market campaigns? What are the effects of market campaigns on the possibilities for regulation through the state? How effective are market campaigns at tackling the root causes of environmental degradation? Informed by the arguments of scholars over the pros and cons of this type of private political activity, we will attempt to form a number of useful criteria to help answer these broad and difficult questions and, in so doing, attempt to assess the effects of market campaigns on global environmental governance.

When we place market campaigns in the historical context of globalization many outstanding queries can be resolved: Their emergence can be tracked. Their success can be explained. Their acceptance can be understood. Their efficacy can be appreciated. Their implications can be clarified.

Methodology

This study seeks to answer two questions:

1. How do industry characteristics shape the prospects for market campaigns?

We will utilize a combination of existing literature and the experiences of market campaigns targeting the forestry industry to develop a theoretical framework of how industry characteristics shape the prospects for market campaigns. This will then be applied to our case studies in the mining industry to assess which type of campaign will emerge, its likelihood of success, and what results we can expect.

2. What are the broader implications of market campaigns for the future of environmental governance?

This question will be answered by mobilizing the existing literature on global civil society and global environmental politics in order to build a theoretical framework containing workable criteria by which to judge the wider implications of market campaigns for the future of global environmental governance.

How one views these campaigns depends in large part on how one views the global transformations from which they have emerged. Recognizing that the criteria will render a necessarily normative account of events and will dictate our final assessments of the campaigns, their development will be undertaken in a transparent manner and will be based on my best representation of the relevant debates.

The data used to inform this study was gathered from a combination of existing scholarly works, mainstream media sources, websites of participating organizations, and personal interviews with relevant practitioners.

Case Selection

Market campaigns are advocacy campaigns waged by civil society that target markets for goods and services and use them as political levers to control corporate behaviour. Market campaigns' main strategic instrument is the shaming of branded firms within the supply chain of the targeted industry. They do not involve the direct use of state institutions to achieve their goals. By manipulating supply and demand these campaigns are utilizing the market mechanism to solve a problem allocating resources as an alternative to government regulation and are therefore often envisaged as a market-friendly approach to environmentalism.

This study identifies two types of market campaigns used by activists targeting the global mining industry, namely, consumer market campaigns and capital market campaigns. I have chosen one case study to represent each type of market campaign in an attempt increase my ability to generalize my findings.

Consumer market campaigns utilize consumer pressure through shame tactics and boycotts, targeting retailers of end-use products such as timber, diamonds, jewelry, and apparel. Consumer market campaigns are only effective when targeting certain industries and this study will address how the characteristics of an industry dictate when this type of campaign will be effective. Chapter 4 will focus on the No Dirty Gold campaign, an example of a consumer market campaign targeting retailers of gold jewelry.

Capital market campaigns, on the other hand, are generally used to target commodities in relation to which consumer market campaigns are ineffective. Capital market campaigns organize grassroots resistance and information sharing to create risk for project financiers. This risk includes stalled or cancelled projects, share price reductions, future liabilities, and law suits. The most prominent risk, however, seems to be the threat to a bank's reputation. The Global Finance campaign, waged by the Rainforest Action Network, will serve as our consumer market case in Chapter 5.

Chapter 1

The liberalization of capital flows and investment regimes along with advancements in technology have led to a drastic shift toward FDI driven expansion of resource extracting operations throughout the world. This has created problems for social and environmental governance as the state has shown itself to be ineffective at regulating this global space. While states have struggled to keep pace with the rate of change, non-state actors have expanded their scope and influence in an attempt to fill this regulatory vacuum. The private financial sector has expanded in breadth and depth, supplying the majority of capital used for large development projects worldwide. The result has been a drastic increase in much needed capital for developing countries, but a decrease in public accountability for these financial ventures as most of this money no longer originates from public coffers. In addition, the world has witnessed sweeping organizational changes as transnational actors, in both the business community and civil society, have quickly adapted to this new and ever-changing technological and institutional environment. This thriving reorganization of non-state activity offers a new set of opportunities and constraints for the possibilities of effective environmental regulation of the global mining industry.

Colonialism drove investment in extractive industries in much of the global periphery long before this current stage of globalization. In the post-colonial period, during which the developmental state found support throughout the Third World, the relationship changed between global investors and the developing world as FDI now flowed across sovereign borders and was subject to the policies of host governments.

With the loosening of capital and trade controls and the concomitant decline of the developmental state model in favour of a minimalist state, conditions have once again changed. Colin Leys argues that there has been an enormous expansion in locations that are both available and desirable for capital investment as unprecedented worldwide economic growth in output and trade, facilitated by the Bretton Woods system, has led to the opening of virtually the entire world to capital investment.[1] There is now more money available for investment in the developing world as well as more incentive to invest in the global periphery. Along with long-standing enticements, such as the location of natural resource deposits, cheap labour, and lax regulations, we can now add open economies and freer trade. This means that developing countries are increasingly able to acquire the initial capital needed to build the infrastructure necessary to attract further investment. The 1989 collapse of the communist regimes in the USSR and Eastern Europe, along with the economic reforms taking place in China, Latin America, and Africa meant that almost the entire world was open for business. In fact, according to UNCTAD's Global Investment Prospects Assessment (GIPA) report, half of the top ten most attractive investment locations ranked by experts and TNCs are in the developing world, with China, India, Russia, and Brazil joining the US to make up the top five.[2]

Leys notes that although trade liberalization has led to the highest level of international trade as a proportion of GDP ever, an arguably more significant aspect of today's global economy is the increased power of international financial markets due to the abandonment of fixed exchange rates and capital controls that began in the US and

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[1] The following description of the formation of a truly global capital market is based in large part on the observations of Colin Leys, which can be found in: Leys, Colin. *Market-Driven Politics: Neoliberal Democracy and the Public Interest*. London: Verso, 2001.

[2] UNCTAD. *Global Investment Prospects Assessment (GIPA) 2005-2008*. (January 12th, 2005). Available Online. Internet. http://www.unctad.org/fdiprospects.

spread across the globe in the 1970s.[3] As the Vietnam War dragged on and Japan and Europe recovered from the Second World War and became competitive, the US turned from the world's largest creditor into its largest debtor. Nixon abandoned the convertibility of the US dollar in 1971 and the fixed exchange rate in 1973. This led to an enormous increase in currency exchange activity spurred forward by both speculative trading and companies attempting to hedge against risks of future fluctuations in their foreign operations.

Leys also observes that with the rise of *Eurobanks*, the US was unable to control capital movements and opted to deregulate their domestic banking system forcing the rest of the world to follow suit.[4] Competitive deregulation led to the formation of a universal capital market largely free from state interference. Since then, private capital has far outstripped official flows as the main source of financing for developing countries. There are three major types of private capital flows: foreign direct investment (FDI), portfolio investment, and bank loans. The liberalization of capital markets has led to an enormous increase in FDI, both in absolute terms and relative to bank lending. Due to its long-term nature, FDI is generally hailed as the most desirable form of private capital inflows. Although portfolio investment constitutes a much smaller share of private capital inflows than FDI, it has increased at a much greater rate than the other two forms of private equity flows. Portfolio investment is considered less desirable for host countries than FDI due to its potential volatility as there is always a risk for the sudden divestment of portfolio funds. This is especially true of the short-term, speculative variety, the growth of which has also been facilitated by the deregulation of capital markets.

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[3] See: Leys, Colin. *Market-Driven Politics: Neoliberal Democracy and the Public Interest*. London: Verso, 2001: 8.

[4] *Ibid*. p. 10.

The deregulation of capital flows combined with technical advancements and organizational changes have led to an increased role for TNCs. The advancements in technology have decreased the costs of production and transportation while the large fixed costs associated with new technologies have led to increased international trade as firms attempt to achieve the economies of scale necessary to earn profits conducive to their initial investment. As argued by Stephen Kobrin, the scale of technology in terms of its cost, risk, and complexity requires markets larger than even the largest national markets.[5] These fixed costs are especially large when it comes to huge projects such as mine development. In addition, the fear of reviving protectionism, along with TNCs' engagement in regulatory arbitrage, has led to an increase in FDI and a proliferation of foreign subsidiaries.[6]

The world has also witnessed sweeping organizational restructuring accompanying these technical and institutional innovations. Industry is reorganizing itself into global commodity chains and deepening the transnationalization of production. According to Gary Gereffi, commodity chains are "sets of interorganizational networks clustered around one commodity or product."[7] These chains consist of various nodes, each node corresponding to a stage in production. For example, the commodity chain for any given mineral or metal would include various interconnected nodes representing finance, extraction, primary and sometimes secondary processing, manufacturing of

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[5] Kobrin, Stephen J. "Economic governance in an electronically networked global economy." Hall, Rodney Bruce and Thomas J. Biersteker. *The Emergence of Private Authority in Global Governance*. Cambridge: Cambridge University Press, 2002: 43.

[6] John Ruggie cites the United Nations Conference on Trade and Development reports (United Nations 2001) which states that there are approximately 63 000 firms with more than 800 000 subsidiaries and millions of suppliers and distributors worldwide: Ruggie, John G. "Reconstituting the Global Public Domain – Issues, Actors, and Practices." *European Journal of International Relations*. 10:4 (2004): 510.

[7] Gereffi, Gary, Miguel Korzeniewicz, and Roberto P. Korzeniewicz. "Introduction: Global Commodity Chains." *Commodity Chains and Global Capitalism*. Ed.s Gary Gereffi and Miguel Korzeniewicz. Westport, CT: Praeger, 1994: 2.

products, marketing, retailing, and advertising. In addition, the chain would include a multitude of related activities, such as transport and packaging, as well as legal and environmental services. Most nodes are part of multiple networks with trade and financing occurring at every stage of the production system. These nodes are increasingly widespread across the globe so that a commodity may cross many borders en route to final consumption and disposal. For the mining industry, this means that although the extraction phase must take place at a specific location, the entire production network can span the entire world. This paints a much more complex picture than simply an increase in international trade involving the simple import and export of finished products. As Manuel Castells argues, the global networks formed by major corporations seem to transcend national boundaries, identities, and interests as multinational enterprises become networks embedded in external networks and each component of these networks, both internal and external, is embedded in a specific cultural/institutional environment.[8]

The formation of global commodity chains in the mining industry is not merely due to the incentives for both firms and states to externalize costs by utilizing the jurisdictional discontinuity that allows them to treat other states, especially 'weak' states in the periphery of global capitalism, as mere frontiers.[9] It can also be seen as part of deeper societal transformations stemming from technological advancements and a new organizational logic driving the globalization of production. The work of Castells can further our understanding of these societal transformations as he argues that "the rise of

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[8] Castells, Manuel. The Information Age: Economy, Society and Culture, Vol. I: The Rise of the The Rise of the Network Society, Network Society. Oxford, UK: Blackwell Publishers, 1996: 208.

[9] Princen defines frontier economies as lacking jurisdictional authority, providing free resources and waste sinks, as well as having an ecologically infinite regenerative capacity or ability to be replaced or substituted via mobility and technology. Princen, Thomas. "Distancing: Consumption and the Severing of Feedback." *Confronting Consumption*. Ed.s Thomas Princen, Michael Maniates and Ken Conca. Cambridge, Mass: MIT Press, 2002: 104.

the informational economy is characterized by the development of a new organizational logic [the ideational bases for institutionalized authority relations] which is related to the current process of technological change, but not dependent upon it. It is the convergence and interaction between a new technological paradigm and a new organizational logic that constitutes the historical foundation of the informational economy."[10] According to Castells, organizational changes were a way to deal with the new uncertainties caused by the fast pace of change in the economic, institutional, and technological environment of the firm by enhancing flexibility in production, management, and marketing. The 'crisis' of the old organizational model, based on vertical integration and oligopolistic control over markets, ushered in a new era of the "horizontal corporation" which Castells describes as "a dynamic and strategically planned network of self-programmed, self-directed units based on decentralization, participation, and coordination."[11] Networks now form the foundation of organizations and they rely on the power of information in the new technological paradigm – the informational economy.[12] He argues that organizational change was not caused by technological change and in fact acted as an incentive to further develop information technologies. However, these network enterprises have come to depend on information technology as they become global and this technology actually enabled them to go global in the first place. So it is a symbiotic relationship of sorts, each pushing the other to expand in scope.

This relationship between pioneering organizational changes and innovative information technologies has led to the emergence of a new organizational form

[10] Castells, Manuel. *The Information Age: Economy, Society and Culture, Vol. I: The Rise of the Network Society, Network Society*. Oxford, UK: Blackwell Publishers, 1996: 164.
[11] *Ibid.* p. 178.
[12] *Ibid.* p. 163-166.

characteristic of the informational/global economy - the "network enterprise," which Castells defines as "that specific form of enterprise whose system of means is constituted by the intersection of segments of autonomous systems of goals."[13] Each component of a network is both autonomous from and dependent on the rest of the network. In addition, it can be a part of other networks with other systems of means and other goals. The success of a network depends on both the connectedness of its various nodes and its consistency of aims – successful organizations are those that are able to process and generate knowledge efficiently; able to adapt; flexible to change means as goals change under the impact of cultural, technological and institutional change; and to innovate as a competitive weapon.[14]

Ken Conca points out that these organizational changes have not been limited to new sectors heavily dependent on information technology and R&D, but restructuring has also occurred in more traditional sectors as well.[15] With the innumerable uses of the myriad minerals and metals mined, extraction becomes a node in the vast array of commodity chains spinning a complex web of industrial networks. The point is that when we cease to view resource extraction as a primitive industry and begin seeing it as both an input for and an intersection within a web of global commodity chains forming denationalized networks of production, we uncover a source of both new difficulties and also new opportunities for regulating the global mining industry.

Much of the difficulty in achieving sustainable use of resources can be attributed to a lack of information as spatial and social distance increases between economic actors

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[13] *Ibid.* p. 187.
[14] *Ibid.* p. 188.
[15] Conca, Ken. "Consumption and Environment in a Global Economy." *Confronting Consumption*. Ed.s Thomas Princen, Michael Maniates and Ken Conca. Cambridge, Mass: MIT Press, 2002: 143.

and the effects of their decisions, be they investors, traders, consumers, or governments. The increasingly complex, trans-border commodity chains amplify the distance between participants in the economy and the ecological and social feedback mechanisms that might otherwise limit socially and environmentally degrading activity. Thomas Princen defines distancing as the separation between resource extraction decisions and the final consumption choices that command them, hindering the flow of information and understanding.[16] Distancing can take many forms in a globalized economy. In Princen's conception, distancing occurs along four dimensions: geography, culture, bargaining power, and agency.[17] While geographic distance is often increased with globalization, this spatial distance also played a prominent role during the age of empire. Globalization has had a much greater effect on the social dimensions of distancing. Cultural distancing refers to cross-cultural barriers that inhibit information, understanding, or identification. Multiple agency distancing demarcates the additional intermediaries that accompany trans-border commodity chains. Power-based distancing is used to describe the power-shift from the production/extraction nodes to the financial and retail/marketing nodes in many commodity chains. The implications of the distancing effect are clear – the repercussions of economic decisions along the commodity chain must be better understood and shared among participants, and a one-dimensional focus on the site of extraction ignores the host of economic decisions and power relations that ultimately drive resource use and the environmental concerns that accompany it. We will now shift our focus and take a closer look at the global mining industry and its potential environmental and social impacts.

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[16] Princen, Thomas. "Distancing: Consumption and the Severing of Feedback." *Confronting Consumption*. Ed.s Thomas Princen, Michael Maniates and Ken Conca. Cambridge, Mass: MIT Press, 2002: 116.
[17] *Ibid.* p. 116.

Technological innovation and economic liberalization have driven the expansion in both range and scale of mining activities throughout the world. New technologies, such as satellite surveys and geochemistry, have increased the success rate in mineral exploration and improved efficiency in extraction. Despite parallel advancements in pollution control and pollution prevention technologies, the ecological cost of mining remains high. Mining results in numerous ecological impacts that are exacerbated as easily-accessible reserves are depleted and citizens in rich countries are increasingly intolerant of these projects being undertaken in their own backyard. Consequently, the majority of projects are located on extremely vulnerable environmental sites in countries with relatively low levels of regulation. The impacts are vast and variable, but the general picture can be understood by looking at three sources of ecological degradation, namely, soil displacement, contamination, and resource demands. In addition to these ecological impacts, the social impacts of poorly regulated mining can be equally devastating. These consequences will each be explained briefly to give a sense of the need for effective regulation.

It is estimated that mining worldwide displaces more soil annually than the erosion caused by all of the world's rivers combined.[18] Open pit mining creates a massive moonscape the width and depth of which can be measured in kilometers. The extracted ore is piled in heaps reaching the height of modern skyscrapers where they await the cyanide solution that will leach out the valuable minerals over a period of months. This process also produces tonnes of waste rock that does not contain sufficient quantities of ore for leaching, as well as tailings, which are the chemical-laden byproduct of the

[18] United Nations Environment Program. *Geo-2000*. Available Online. Internet. (October 2002). Available: www.unep.org/geo2000/english/0083.htm

leaching process. The waste rock and tailings possess toxic chemicals and waste metals. Even with the highest technology utilized in the US, the extraction of one kilogram of gold produces about three million kilograms of waste rock.[19] Although practices are changing, this solid waste is often dumped in open fields or used to dam rivers, further altering the landscape and contaminating the ecosystem.[20]

The mining industry is listed as the largest source of toxic pollutants in the United States by the US EPA's inventory for 2001, which is the latest recorded.[21] In 1999, the industry produced 3.98 billion pounds of toxic materials, more than half the US total.[22] When one considers that this is the situation in the US, with its long history of environmental activism, it is safe to assume that it can only be worse in less-regulated environments where environmental reporting is not always undertaken or the results are not readily available. Mining uses many chemical aids in the extraction and processing phases. Along with the cyanide leaching previously mentioned, a widely cited example is the use of mercury to amalgamate the fine gold particles during the extraction phase. It is estimated that about 250 tonnes of this extremely toxic element was dumped into Amazonian rivers between 1984 and 1988.[23] Although the majority of mining companies attempt to contain these chemicals, spills are commonplace in the industry.[24] The

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[19] French, Hilary. "Investing in the Future: Harnessing Private Capital Flows for Environmentally Sustainable Development." *Worldwatch Paper 139*. Washington, DC: Worldwatch Institute, 1998: 21.
[20] McMahon, Gary, Jose Luis Evia, Alberto Pasco-Font, and Jose Miguel Sanchez. "An Environmental Study of Artisinal, Small, and Medium Mining in Bolivia, Chile, and Peru." *World Bank Technical Paper 429*. Washington, DC: The World Bank, 1999: 50.
[21] U.S. Environmental Protection Agency. *Toxics Release Inventory*. Online. Internet. (October 2002). Available: www.epa.gov/
[22] Moran, Robert E. "An Alternative Look at a Proposed Mine in Tambogrande, Peru." *Commissioned by: Oxfam America, Mineral Policy Center, and Environmental Mining Council of British Columbia*. 15 August 2001: 14.
[23] Furley, Peter. "Environmental Issues and the Impact of Development." *Latin American Development: Geographical Perspectives*. Ed. David Preston. London: Longman, 1996: 106.
[24] One oft cited example is the collapse of the tailings dam at the Omai Gold Mine in Guyana by the Montreal based multinational, Cambior Inc. in August, 1995.

concentrations of the mined ores themselves also result in toxicities. When these sulfide materials (gold, copper, zinc, nickel, etc.) are exposed to air and water they produce acid mine drainage, which can contaminate soils, vegetation, air, and water sources in the surrounding vicinity.

The extraction and processing of mineral deposits places huge demands on natural resources, both sources and sinks. Besides affecting the quality of water, mining operations require tremendous quantities of water, leading to distribution conflicts in arid regions. As pits are dug deeper, water must be pumped from the site often lowering the water table. These operations also burn large quantities of fossil fuels during the extraction and processing phases. The Canadian minerals sector accounts for 13% of Canada's industrial energy demand and global mining accounts for an estimated 10% of energy use worldwide.[25] Needless to say, the emissions from this sector constitute a major source of greenhouse gases and atmospheric pollution.

Critics claim that the negative social effects of mining can be as dramatic as the ecological impacts.[26] They argue that while large-scale mining can bring short-term prosperity to a community, the boom and bust cycles associated with this industry can result in long-term poverty. Indigenous communities are often displaced from traditional lands while rural activities are replaced with a local dependence on the mine. Much of this work requires skilled workers that must be shipped in from surrounding areas leading to an influx of migrant workers. These workers are often subjected to poor working conditions and low safety standards while being refused the right to unionize. This is

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[25] Draper, Dianne. *Our Environment: A Canadian Perspective*. Scarborough: International Thomson Publishing, 1998.

[26] For an in depth, albeit one-sided, discussion of the social impacts of large-scale mining projects see: "Dirty Metals: Mining, Communities and the Environment." *A Report by Earthworks and Oxfam America.* Online. Internet. (2004). Available: www.nodirtygold.org

enforced through the militarization of large-scale mining in which armed forces are employed to guard the mine and intimidate union leaders and local opposition to these projects. Activists say that the result is often a blatant disregard for basic human rights. They also argue that when the mine inevitably becomes unprofitable and shuts down, it will frequently leave taxpayers with the costs of reclamation, not to mention a toxic legacy of lingering negative health effects.

It is important to note that despite these potential yet very significant downsides of mining projects, many marginalized groups genuinely support resource extraction as a basis for economic development. For example, developing countries' output of gold accounted for 72% of global output in 2004.[27] The poorest of these countries, known as highly indebted poor countries (HIPC), experienced an 84% increase in gold production between 1994 and 2004.[28] Transnational mining operations can bring in much needed foreign exchange in the form of FDI and export revenue. In addition, large mining projects can result in the transfer of technology and state of the art management techniques, including those aimed at pollution control and worker safety. The royalties and tax revenues for local government supply the means to build much needed infrastructure for developing economies as well as supplying the basis for legal and financial systems. Many projects take place in countries facing high rates of unemployment and bring with them jobs for local labourers as well as offering many skilled employment opportunities. The multiplier effect creates spin-off jobs for the local economy, increasing the demand for a wide range of locally produced goods and services.

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[27] www.ResponsibleGold.org
[28] www.ResponsibleGold.org

While mining brings with it a valuable source of foreign exchange, many prominent economists have noted "the resource curse" that besets many poor countries endowed with valuable commodities.[29] This curse refers to the resulting resource dependence, which is consistently linked to slow growth in per capita income, low employment rates, low levels of education, poor health care, high levels of corruption, increased risk of civil war, and low development of other economic sectors. One aspect of this resource curse can be seen as owing to "Dutch Disease", a term used to describe how the discovery of gas in the North Sea led to negative consequences for the economy of the Netherlands.[30] It is caused by a rapid inflow of dollar-denominated revenues leading to a drastic appreciation in domestic currency. This makes other sectors of the domestic economy less competitive on world markets and makes the country increasingly dependent on their windfall resource. This effect is amplified in the export-oriented economies of a globalizing world. Dependence on the apparent resource boon has the potential to hurt the poor the most as these industries tend to employ relatively few unskilled workers while the inherent volatility of commodity prices have the nastiest consequences for those least able to hedge risks.[31]

However, the negative consequences that fall under the "resource curse" heading can be more accurately attributed to governance failures than to an unavoidable fate that follows the discovery of large natural resource deposits. Governments can dampen the adverse effects of domestic currency appreciation by putting money in offshore savings,

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[29] One widely circulated study was conducted by Jeffrey D. Sachs and Andrew M. Warner entitled *Natural Resource Abundance and Economic Growth* (Cambridge, MA: Harvard, November 1997). As cited in "Dirty Metals: Mining, Communities and the Environment." *A Report by Earthworks and Oxfam America.* Online. Internet. (2004). Available: www.nodirtygold.org

[30] The following discussion on "Dutch Disease" is informed by its concise treatment in: *Economist* 377: 8458. "The Curse of Oil: The Paradox of Plenty." (24 December 2005): 46.

[31] *Ibid.* p. 46.

keeping the money available to ease the pain when prices fall.[32] Part of the problem is that governments do not have to rely on domestic tax revenue when they are resource rich and so are often less accountable to the people while there is also increased opportunity and incentive for corruption because the concentrated wealth of these resources need only pass through a few hands.[33] The intense global competition for investment dollars offers incentives to keep regulations, and thus costs, low. The importance for host countries to keep the costs of operating in their country low is especially high for companies extracting commodities. Since the price of the commodity fluctuates according to market forces, the lower the cost of production the larger and more stable the earnings of the company. Furthermore, with the integration of capital markets much of the profits are themselves extracted from the local economy by investors overseas, highlighting the often stark contrast between the largely subsistence economies in which these projects are located and the drive toward reorganizing society and environment around the industrial needs of a global economy.

Mining does indeed result in many benefits for cash-starved economies while the extent of the industry's impact depends heavily on the effectiveness of the social and environmental regulation that accompanies it. Disagreement between environmentalists and industry representatives on the costs and benefits of mining should come as no surprise. Views will certainly differ according to the lens through which one chooses to examine the data. The choice of lens corresponds to the underlying values and agenda of the observer. When sifting through these disparate claims and counter-claims the goal must be to reconcile the various and often variable impacts of the mining industry with

[32] *Ibid.* p. 46.
[33] *Ibid.* p. 46.

the public interest at large. Resource extraction will always involve the potential for environmental, social, and economic risks to become reality. Likewise, extractive industries can also lead to many social and economic benefits being realized. The difference can be found in the quality of governance. Negative environmental, social and economic consequences can be minimized through transparent regulatory mechanisms that promote best practices, monitoring, and enforcement. This necessary yet difficult task has traditionally fallen in the hands of government as the provider of legitimate political authority. However, the extensive changes in global production propelled by transformations in policy, technology, and organization have left the state somewhat wanting in its capacity to keep pace.

Wolfgang Reinicke argues that the geographic reach and complexity of public policy problems along with the speed at which they arise and propagate has led to a "governance gap" at the international level.[34] He argues that the spatial dispersion of global industries means many economic activities and their consequences have become out of the reach of the territorially trapped state. Not only do states often lack the necessary information to make informed policy decisions, but they are limited by their jurisdictional authority based on the principle of sovereignty. Inconveniently for policy-makers, the range of transnational economic activities and their negative spillover effects face no such limits. The global mining industry is a prime example of these cross-border economic activities while the industrial emissions of greenhouse gases and the related consequences of climate change that accompany the industry are prominent examples of public policy problems that have no regard for national borders. Reinicke argues that

[34] Reinicke, Wolfgang and Francis Deng with Jan Martin Witte, Thorsten Benner, Beth Whitaker, and John Gershman. *Critical Choices: The United Nations, Networks, and the Future of Global Governance*. Ottawa: IDRC Publishers, 2000: 9.

technological change has led to increasingly complex policy problems as issues become progressively more intertwined and new and multifaceted problems are not fully understood. Many emerging challenges, from negotiating trade policies to regulating minerals exploration, defy parcelization into bureaucratic departments as they have social, economic, environmental, and security ramifications.[35] Moreover, Reinicke contends that many emerging issues are not yet fully understood (e.g. climate change) and bureaucracies struggle to grasp the consequences of their decisions for issue areas outside of their immediate expertise.[36] He argues that time also poses serious problems for governments as technological change has necessitated split-second decisions often with long-term implications and hierarchical bureaucratic structures tend to lack the expertise and knowledge base available to the organizations they attempt to regulate while increased media attention puts a premium on the time available to make informed decisions.[37] Additionally, many of these issues, especially in the areas of environment and development, demand immediate attention while having inter-generational implications.[38]

In addition to the state facing the aforementioned material constraints when regulating the global mining industry, there are also ideological commitments that constrain global environmental regulation. The ideological imperatives of neoliberal economic policies, such as the free flow of capital, goods, and services curb the ability of governments to impose strong, binding regulation lest the regulation be considered a non-

[35] *Ibid.* p. 3.
[36] *Ibid.* p. 18.
[37] *Ibid.* p. 17.
[38] *Ibid.* p. 17.

tariff barrier or become a catalyst for capital flight. We will explore the demands of free-market ideology further in the coming chapters.

These material and ideological constraints on the state's ability to ensure effective environmental regulation of the global mining industry due to changes in policy, technology, and industrial organization have created a regulatory vacuum at the global level. Faced with these circumstances and empowered by the very same conditions that constrain state action, civil society has taken up the task of reconciling the industry with the public interest.

Chapter 2

Political liberalization, technological change, and organizational restructuring have also led to a proliferation of civil society organizations with transnational allies. This explosion of advocacy networks comprised of like-minded civil society groups both drives and is driven by a rising global consciousness surrounding social and environmental issues.[39] Moreover, information sharing and other cooperative efforts amongst advocacy groups have drawn new linkages between issue areas, for example, those linking indigenous and ecological rights. These alliances have allowed both local and global groups direct access to funding from individual, corporate, and civil society donors instead of having to rely solely on government agencies for distribution. In addition, as governments come to terms with their inadequacy meeting the challenges posed by the distance, speed, and complexity of their global commitments they continue to downsize by outsourcing many of their traditional services and funneling state revenues to semi-independent organizations.[40] As with the business community, the concomitant advancements in information technology and organizational restructuring seem to favour the horizontal organizational structures typical of global civil society networks over the hierarchically-organized state. In tandem with global civil society's use of grassroots campaigning, NGOs have empowered themselves by forming dense networks of support through their use of information technology. Their use of the media and the internet makes their grassroots campaigning efforts more efficient, effective, and

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[39] See for example: Keck, Margaret E. and Kathryn Sikkink. *Activists Beyond Borders: Advocacy Networks in International Politics.* Ithaca, NY, Cornell University Press, 1998.

[40] These semi-independent organizations that receive money from governments are usually of the service providing variety and not advocacy groups. See for example: Leys, Colin. *The Rise and Fall of Development Theory.* Bloomington, Indiana: Indiana University Press, 1996: 19.

truly global in scope. It is no wonder why so many have anticipated the ascent of a 'third force' in global politics, a counterweight to the power of government and business.[41]

Benjamin Cashore, Graeme Auld, and Deanna Newsom argue that there have been parallel processes at work in the interactions between globalization and environmentalism. They note that, on the one hand, there has been downward pressure applied to environmental regulatory standards due to constrained domestic policy from capital mobility, free trade, and foreign direct investment.[42] On the other hand, there has been upward pressure applied to environmental standards from the increased scrutiny by transnational advocacy networks, or what Cashore and Bernstein call *internationalization*.[43]

As argued in the previous chapter, civil society organizations have rushed to try to fill the regulatory vacuum left by the inability and unwillingness of states to effectively govern global environmental concerns. For an example of transnational activism as a direct response to the absence of inter-governmental regulation we turn to the failure of the International Tropical Timber Organization (ITTO) to regulate the environmental consequences of industrial forestry.[44] Friends of the Earth UK, the British affiliate of the international NGO of the same name, first proposed forest certification under the preexisting ITTO, which is a trade organization with states as members. They submitted

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[41] See for example: Florini, Ann, ed. *The Third Force: The Rise of Transnational Civil Society*. Washington, DC: Carnegie Endowment for International Peace and Japan Center for International Exchange, 2001.

[42] Cashore, Benjamin, Graeme Auld, and Deanna Newsom. *Governing Through Markets: Forest Certification and the Emergence of Non-state Authority*. New Haven: Yale University Press, 2004: 12.

[43] Bernstein, Steven and Benjamin Cashore. "Globalization, Four Paths of Internationalization and Domestic Policy Change: The Case of Ecoforestry in British Columbia, Canada." *Canadian Journal of Political Science* 33 (2000): 67-99.

[44] Tim Bartley uses this case as an example of the failure of inter-governmental organizations to effectively regulate the environmental impacts of the trade in tropical timber and its direct impact on the creation of the FSC: Bartley, Tim. "Certifying Forests and Factories: States, Social Movements, and the Rise of Private Regulation in the Apparel and Forest Products Fields." *Politics and Society* 31:3 (September 2003).

the proposal through the British delegation in 1989 and timber-exporting countries denounced it without delay. They argued that because it did not exist for non-tropical forests, it constituted a discriminatory trade barrier and a violation of sovereignty.[45] This struggle over the constraints of free trade and North-South politics was an early taste of what was to come for the environmental community. Tim Bartley argues that this was the main catalyst for the creation of the FSC in 1993, an argument echoed by one of the regime's employees: "FSC was a response to the failure of international organizations that ought to have had the remit to enforce, to implement, and develop good forestry standards – ITTO in particular…and FSC was set up to correct that failure."[46]

Frustrated by the institutional inertia of a liberalized economy activists began experimenting with alternatives to lobbying the state. The method of choice for these transnational activists has been the use of market-based campaigns. To some degree, the business community has acquiesced to these initiatives as a way to avoid state regulation, which they view as a consistently "heavy handed *command-and-control* approach that sets impossibly lofty environmental goals and requires needlessly expensive responses or rigid technological fixes."[47] On the other hand, the ability of NGO campaigns to harm firm reputations and undermine the value of their brand has forced many within the industry to grudgingly cooperate with these initiatives.

These campaigns seek to mitigate the negative effects of distancing by informing the public of destructive practices. These brand-based campaigns utilize the reputations of recognizable products as political levers to control their behaviour. This is what Naomi

[45] *Ibid.*, p. 452.
[46] *Ibid.*, p. 452.
[47] *Economist* 360: 8241. "Economic Man, Cleaner Planet." (29 September 2001): 73.

Klein refers to as the "branding boomerang."[48] By threatening the consumer good-will painstakingly built by these corporations, activists create a disincentive to engage in undesirable practices. This worked well for branded firms, but the environmental activists ran into some difficulty with unbranded firms.

With the notable exception of large oil and gas corporations, these direct consumer boycotts could not be used as effectively on most resource extraction firms as they do not sell directly to the public and whose names, therefore, remain relatively unknown. This left them largely immune to direct shame tactics. Activists were quick to realize this dilemma and switched to secondary boycotts.[49] These trace the commodity from its source to its retail destination and target the brand-name retailer to whom it is supplied. For an illustrative example of a secondary boycott campaign we return to the tropical timber industry.

The 1980s saw an influx of boycott campaigns aimed at the tropical timber industry. These campaigns quickly became the scourge of those involved in the tropical timber trade, from landowners to producers to retailers. Because most timber producers' names remain relatively unknown to the general public, these shame campaigns targeted the large retailers downstream whose business was based in large part on reputation. Gigantic home improvement chains, such as Home Depot in North America and B&Q in the UK, became primary recipients of this unwanted attention. Campaign pressure led these retailers to begin demanding sustainably harvested timber from their suppliers, creating the necessary economic incentive to implement best practices along the supply

[48] Klein, Naomi. *No Logo: Taking Aim at the Brand Bullies*. Toronto: Vintage Canada, 2000: 425.

[49] Klein uses the case of the Lubicon Cree using secondary boycott tactics to halt Daishowa Marubeni-International's logging and mill operations on their disputed land in Northern Alberta until the government recognized their land-claim: *Ibid.*, p. 425.

chain. Continuing to draw on the experiences of the forestry industry as a guide, we will attempt to create a framework for understanding how the characteristics of the mining industry affect the prospects for market campaigns. As previously mentioned, campaign pressure often results in private, voluntary regulation, otherwise known as certification. Before developing our framework we must first define what we mean by certification by differentiating between the many possible forms it can take.

Certification institutions can be broken-down into four types: first-party, second-party, third-party, and fourth-party certifications.[50] First-party certification is the most widespread as it is simply a single firm's internal code of conduct. In other words, a firm develops its own rules and monitors itself. For extractive industries, this often takes the form of sustainability or corporate social responsibility (CSR) commitments in annual reports and on the company's website. Second-party certification transpires through a separate group associated with the firm. This group is most commonly an industry association which develops an industry-wide code of conduct and either monitors or requires reports by member firms. This form is quite prevalent in extractive industries as the public does not always differentiate between companies and so reputation is shared. Third-party certification requires an independent group to set the rules and compliance methods. This external group, or third-party, is usually an NGO that has successfully pressured the firms to except this transparency mechanism. By offering this independent verification, corporations can be more easily held to their commitments. The FSC is a prominent example of third-party certification. Fourth-party certification involves

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[50] See for example: Gereffi, Gary, Ronie Garcia-Johnson and Erika Sasser. "The NGO-Industrial Complex." *Foreign Policy* (July/August 2001) and Sasser, Erika N. Gaining Leverage: NGO Influence on Certification Institutions in the Forest Products Sector. In *Forest Policy for Private Forestry*, edited by L. Teeter, B. Cashore and D. Zhang. Oxon, UK: CAB International, 2003.

government or intergovernmental organizations in rule-setting and sometimes monitoring and enforcement. If fourth-party certification were to be mandatory, it would lose its voluntary nature and simply be binding regulation. In practice, however, fourth-party certification usually falls short of binding regulation by offering somewhat vague prescriptions and self-reporting. Such is the case with the UN's Global Compact, to which many firms involved in the mining commodity chain subscribe.

First-party, second-party, and weaker forms of fourth-party certification constitute what is known generically as corporate social responsibility (CSR). Third-party certification embodies a more institutionalized form of private governance. Both CSR commitments and certification schemes are private, voluntary initiatives, but they will be treated separately as they hold quite different implications for our later analysis.

While third-party certification schemes have enjoyed comparatively widespread support, CSR has increasingly come under attack by activists and academics alike.[51] Many argue that corporations self-regulate to avoid the more cumbersome legal restrictions imposed by states.[52] They view CSR as simply an effective business strategy. Ronnie Lipschutz and James Rowe argue that we have seen corporations use this strategy in the past "to stall the regulatory impulse integral to previous liberal societies" and that if these social investments were ever substantial, the legitimacy crises of corporations would not continue to occur.[53]

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[51] See for example: *Christian Aid*. "Behind the Mask: The Real Face of Corporate Social Responsibility." *Christian Aid Report* (January 2004). Available Online. Internet. http://www.christian-aid.org.uk/indepth/0401csr/index.htm.

[52] See for example: Lipschutz, Ronnie D. and James K. Rowe. *Regulation for the Rest of Us? Globalization, Governmentality, and Global Politics*. London: Routledge, 2005.

[53] Lipschutz, Ronnie D. and James K. Rowe. Regulation for the Rest of Us? Globalization, Governmentality, and Global Politics. London: Routledge, 2005: 124.

On the other hand, advocates of CSR claim that it is far more effective to condemn a company when they are not adhering to their own stated codes of conduct than to hold them to account for failing to follow some externally defined norm. Furthermore, activists hope these admittedly weaker forms of governance will eventually lead to binding regulation as information is disseminated and best practices are defined.[54]

John Ruggie contends that while effective government action may be desirable, voluntary initiates are not merely second best.[55] What he describes as a "learning network approach" to global governance allows for a consensus to be formed around environmental and social concepts, such as the precautionary principle or corporate complicity in human rights abuses, which is a necessary precursor to viable codes of conduct and the advent of legally binding rules.[56] With the astounding pace of change in the world, concurrently shifting norms of acceptable behaviour must be defined before regulation is devised.

We can observe a kind of evolution from weak forms of CSR to more institutionalized certification schemes in the battle to regulate the global forestry sector as activists and industry became more sophisticated in their approaches. Campaign pressure targeting large home improvement retailers as the end-users of forestry products succeeded in adding weight to their demands for better forestry practices.[57] When retailers began demanding sustainably harvested timber their suppliers responded with claims to this effect. Tim Bartley provides one example of a Malaysian timber company

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[54] Smith 2003 as cited in: Lipschutz, Ronnie D. and James K. Rowe. *Regulation for the Rest of Us? Globalization, Governmentality, and Global Politics*. London: Routledge, 2005: 123.
[55] Ruggie, John G. "The Theory and Practice of Learning Networks: Corporate Social Responsibility and the Global Compact." *The Journal of Corporate Citizenship* 5 (Spring 2002): 32.
[56] *Ibid.* p. 32.
[57] As discussed above in Chapter 1.

that created its own *Certificate of Products from Sustained Yield Management*, which states: "The hardwood rainforest products supplied come from well-managed production forests in accordance with the principle of sustained yield management thus safeguarding the environment and the ecological balance."[58] A claim such as this is impossible to verify because, quite obviously, it means very little. NGOs responded to these claims by attacking their credibility with the result being a proliferation of claims and counter-claims that left everybody confused and nobody pleased.

It was necessary to develop a means to organize the actors' response to these new incentives. There needed to be a mechanism in place that would verify and communicate that best practices were indeed being employed along the supply chain. Without such a mechanism, the activist demands were simply resulting in a cacophony of claims and counter-claims with no solid foundation upon which consumers could base their decisions in the marketplace. The eventual outcome was the creation of the Forest Stewardship Council's certification scheme. The FSC was officially launched in 1993, in large part the creation of the World Wide Fund for Nature (WWF). To be awarded the FSC stamp of approval, timber companies must abide by its ten principles and performance-based criteria.[59] They address wide-ranging issues, such as, tenure and resource use rights, community relations, workers' rights, environmental impact, management plans, monitoring and conservation of old growth forests, and plantation management.[60] The FSC is generally viewed as a resounding success. It is comprehensive

[58] Bartley, Tim. "Certifying Forests and Factories: States, Social Movements, and the Rise of Private Regulation in the Apparel and Forest Products Fields." *Politics and Society Vol. 31, No.3* (September 2003): 443.
[59] Cashore, Benjamin, Graeme Auld, and Deanna Newsom. *Governing Through Markets: Forest Certification and the Emergence of Non-state Authority*. New Haven: Yale University Press, 2004: 12.
[60] *Ibid.*, p. 12.

in its coverage of management practices and is widely accepted as a legitimate form of governance by both industry and environmental groups. It boasts a very powerful clientele, including Home Depot, Staples, Lowe's, and B&Q to name just a few of the companies that have pledged to buy and sell only products made from FSC certified fibres. By the end of 2005, the FSC certified 67 million hectares of forest as sustainably managed, about 10 percent of commercial forests worldwide, which translates into over $5 billion US dollars in raw, semi-finished, and finished wood and paper products.[61]

Another example of certification can be found in the mining industry as a result of the campaign targeting the trade in diamonds. In 1999, advocacy groups began their movement to eradicate 'conflict diamonds' from the global supply chain. The term 'conflict diamonds' demarcates those diamonds originating in war-torn countries, such as Angola and Sierra Leone, where the trade in diamonds is seen as fueling civil war by supplying money for arms and further incentive for bloodshed. Amnesty International led the campaign and, with the publicity they earned, the industry responded. In July 2000, the industry formed the World Diamond Council, with the goal of eliminating conflict diamonds from the global supply chain. Later that same year the United Nations responded with a resolution to establish a certification scheme for diamonds to enable them to be tracked back through the supply chain to their origin. By 2002, pressure from activist campaigns helped stimulate the formation of the Kimberley Process Certification Scheme, a joint government-industry program that places strict controls on the import and export of diamonds. Participants in the diamond industry are subject to audits and monitoring while diamonds are tracked via 'certificates of origin' that must accompany

[61] "Leading Our World Toward Responsible Forest Stewardship: A Progress Report." *Forest Stewardship Council General Assembly Brochure, 2005*. Online. Internet. Accessed 26 May 2006. Available: www.fsc.org/en/whats_new/news/ann_report

all diamond shipments. New legislation was also introduced for noncompliance. The campaign targeting 'conflict diamonds' is generally hailed as a success as it helped spark the Kimberley Process, which is said to account for 99.8% of all rough diamond production.[62]

The forestry and diamond industry have blazed a trail from government intransigence to corporate action in response to the market pressure exerted by activists. This has resulted in a search for a mechanism with which to identify, measure, and trace sustainable practices throughout the chain of custody. We will now draw upon the experiences of the forestry and diamond sectors along with the relevant literature on certification institutions to develop a framework through which we can assess the prospects for current market campaigns in the mining industry.

Structure of the Industry

By building an understanding of the structure of the forestry industry and its influence on campaign strategies and outcomes we can identify a number of variables that are potentially useful to our discussion as we strive to understand how the characteristics of the mining industry shape the prospects for market campaigns. In other words, what form the campaigns will take, how successful they will be, and what the final result will look like.

Benjamin Cashore and Steven Bernstein have identified three factors that determine the ability of international campaigns to influence domestic public policy. Their variables are reliance on foreign markets, the malleability of consumer behaviour,

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[62] Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).

and the likelihood pressure can be maintained. The more reliant on foreign markets, the more malleable consumer behaviour, and the more likely activist pressure can be maintained all improve the chances for campaign success. Their goals differ from ours in that these authors focus on international market campaigns that seek to influence domestic public policy while our study is concerned with which type of campaigns will be effective at targeting a global industry directly. Therefore, the "reliance on foreign markets" variable is of little use to our discussion while "the likelihood pressure can be maintained" is closer to a dependent variable as we are interested in how the characteristics of the industry affect the ability of campaigns to create this pressure, which is of course crucial to campaign success.[63] The malleability of consumer behaviour, however, does fit our needs and we will elaborate on Cashore and Bernstein's simple observation when we lay out our variables below.

In addition to expanding on the "malleability of consumer behaviour" variable noted by Cashore and Bernstein, I propose three further variables that will aid us in determining how the structure of the industry helps shape an effective campaign, specifically, the location of the most branded firms along the supply chain, the concentration and visibility of the end-use product, and the ability to trace the commodity through the supply chain. This last variable, the traceability of the commodity, will also

[63] The dependence on external markets is not a significant variable when predicting the success of a market campaign that targets a truly global industry as these campaigns simply require a market, domestic or otherwise. There are, however, significant ramifications of market-campaigns launched by global civil society groups that target external markets. When local firms and governments are not acquiescing to the demands of global activists, these activists have turned their attention to the external markets upon which these actors depend. This leads directly to one of the most contentious attributes of campaigns of this kind, that is, global market campaigns render domestic politics in the host country largely insignificant. The battle is waged in the external markets while the effects are felt locally. This will, of course, be discussed in more detail in the upcoming chapters. Bernstein, Steven and Benjamin Cashore. "Globalization, Four Paths of Internationalization and Domestic Policy Change: The Case of Ecoforestry in British Columbia, Canada." *Canadian Journal of Political Science* 33 (2000): 67-99. and Wilson, Jeremy. "Internationalization and the Conservation of Canada's Boreal Ecosystems." *Canadian American Public Policy* 56 (December 2003).

assist us in our pursuit to identify the likely result of these campaigns as it will help determine which type of certification is possible. The work of Erika Sasser will be used to supplement this next task.

Sasser has combined her studies on certification institutions with supply-chain analysis in an attempt to forecast ways in which certification institutions develop over time while also explaining NGO involvement in this process.[64] She posits that there are three major factors determining when certification is likely to emerge and what form it will take, namely, the concentration (i.e. size and market share) of firms, the extent to which their reputations are individual or shared throughout the industry, and the level of threat firms face from civil society groups that target them. Her analysis is based on how these factors influence a firm's response to civil society pressure or, in other words, how willing a firm will be to sacrifice some of its operational autonomy in order to protect its reputation. Sasser argues that the more concentrated an industry is the more likely firms are to believe they can protect their reputation through certification and the more able they will be to overcome collective action barriers. Her second variable, related to reputation, follows the argument that the more branded a firm is the more likely it will be to accept certification as it is more susceptible to shame tactics while being in a position to reap competitive benefits. Less branded firms are difficult to differentiate from one another so they require cooperative action if they are to collect the benefits from certification. Sasser's third variable is the level of threat posed by civil society as organized and mobilized support of a campaign will limit a firm's ability to resist certification. While this last variable remains important, our analysis will treat this as a

[64] Sasser, Erika N. Gaining Leverage: NGO Influence on Certification Institutions in the Forest Products Sector. In *Forest Policy for Private Forestry*, edited by L. Teeter, B. Cashore and D. Zhang. Oxon, UK: CAB International, 2003.

dependent variable as it, along with the targeted firm's response, will be used to inform us of whether or not the campaign is in fact achieving its goals. In other words, a crucial part of our analysis is identifying the independent variables that determine the level of threat these campaigns are able to muster.

So, the prospective determinants of campaign success are identified here as the malleability of consumer demand, the level of branding along the supply chain, the concentration and visibility of end-uses, and the traceability of the commodity. The potential determinants of which type of certification can be expected are the traceability of the commodity, the concentration of firms, and the extent to which reputations are individual or shared. We will now elaborate on this framework below.

Manipulability of Consumer Demand

Cashore and Bernstein also recognize that malleability of consumer behaviour affects the prospects for market campaigns. If consumers can be convinced to abstain from purchasing the targeted product then campaigns focused on markets for goods and services constitute a credible threat. We can deepen our understanding of this simple observation by employing some basic economic concepts. If the particular product is considered an essential item and substitutes are not readily available then market campaigns' potential power is greatly reduced. This substitutability can take two forms, either a substitute may be available in the form of a competing product that serves a like purpose or, alternatively, the same product or commodity may be supplied by a competing company using what would be considered better practices. For the latter substitution strategy to be effective the product must be branded and traceable, two prerequisites that warrant their own discussion below. In economic terms, this malleability can be calculated similar to the elasticity of demand; the less essential an item is and the more substitutes that are available for that item the more elastic is consumer demand.[65] This variable is especially relevant when we consider the trade in luxury goods, such as diamonds, which are nonessential by definition making demand very elastic.

Location of Branding Along Supply Chain

The location of branded firms along the supply chain determines the effectiveness of market campaigns as they are based in large part on creating a threat to a firm's reputation. Market campaigners working on the forestry industry recognized the importance of this variable and focused their attention on the most branded firms, DIY retailers, located downstream from extraction and production. For a market campaign to be successful it must target firms at a branded node of the supply chain.

Homogeneity and Visibility of End-Use Products

Related to branding is the homogeneity of products or, in other words, the concentration of end-uses. In the forestry sector it proved to be very efficient to target DIY retailers who account for a huge portion of the retail node in the supply chain.[66] The visibility of the wood fibres in the products they sell explains why campaigners are more

[65] Elasticity of Demand is calculated by considering how quantity demanded changes with price fluctuations and not ethical pressures, however, much of the same factors determine the malleability of consumer demand.

[66] The other major players occupying the retail node of the forestry supply chain include bookshops, newspapers, office supply store, builders, and general merchandisers like WalMart as discussed in: Sasser, Erika N. Gaining Leverage: NGO Influence on Certification Institutions in the Forest Products Sector. In *Forest Policy for Private Forestry*, edited by L. Teeter, B. Cashore and D. Zhang. Oxon, UK: CAB International, 2003: 241.

effective when targeting the DIY retailers than if they targeted the heavily branded general merchandisers such as WalMart and K-mart as the forestry products they sell are derived from pulp and hidden from the consumer in the form of cosmetics, clothing, toiletries, paint, ink, adhesives, and food.[67] The more concentrated the product market and the more visible the commodity is in the end-use product, the more efficient and effective a market campaign will be.

Traceability of Commodity

This variable is crucial to the viability of market campaigns as activists need to be able to link identifiable units of the commodity to the targeted node of the supply chain. In other words, market campaigns depend on a verifiable chain of custody for the commodity in order to direct blame at the offending firms.

The main material determinant to establishing a chain of custody for a product is the ability to trace the commodity through its various production processes and intermediaries from the initial investment dollars for extraction to the end-use consumer. The traceability of the commodity affects the ability to track and manage the practices involved in production. When a commodity maintains a distinct form as in the case of diamonds, it becomes possible to follow its trail from mine to end-user and back again. The more processing and mixing with other sources that takes place, the more difficult it is to trace the commodity. For example, timber is fairly easy to trace as it is cut from one tree that can be traced back to its forest of origin and the forestry practices used to harvest it. By the time it reaches the end-user it may have been altered in shape, yet it maintains

[67] Industry information from: Sasser, Erika N. 2003. Gaining Leverage: NGO Influence on Certification Institutions in the Forest Products Sector. In *Forest Policy for Private Forestry*, edited by L. Teeter, B. Cashore and D. Zhang. Oxon, UK: CAB International: 242.

its identity as a discrete unit from a particular location. In comparison, paper is a forest product that travels through supplementary processing stages at different locations where it is mixed with pulp from different sources and is therefore much more difficult to trace back to its origin. In addition to amalgamation with supplementary materials, the number of intermediaries a commodity must pass through complicates the traceability of the commodity. This is exacerbated when these intermediaries are located in different geographical areas falling under different political jurisdictions. As discussed earlier in the section on distancing, when a product crosses multiple cultural and institutional environments, the cumulative social and environmental costs of production become obscured. The addition of transnational intermediaries also increases the need for cooperation between communities and harmonization of their governance mechanisms.

So for a market campaign to render effective results, it must be able to trace identifiable units of the commodity through the various processes and intermediaries dictated by the structure of the industry targeted. The less mixing during processing and the fewer intermediaries, the easier this task we be.

Concentration of Firms

Sasser argues that the more concentrated an industry is the more likely it is that certification will emerge. If there are a small number of large firms that dominate the industry they are likely to push for certification in order to protect their reputation, market share, and autonomy from would be outside regulators. They will also have less of a collective-action problem if cooperation becomes necessary. This helps explain the effectiveness of targeting the largest DIY retailers such as Home Depot and Lowe's who together account for 71% market share of the DIY retail business.[68] One additional factor we can add to strengthen Sasser's argument is that firms operating in an oligopolistic market will have an easier time passing the costs of certification on to the consumer in the form of higher prices. So, certification is most likely in an industry in which the targeted node is dominated by a few large firms.

Reputation Sharing

Sasser continues by arguing that the extent to which firms within the industry can be differentiated has an effect on which type of certification is likely. When firms can be easily differentiated, individual (i.e. firm-specific) certification is likely as companies tend to want to keep their autonomy whenever possible and branded firms may receive competitive benefits from individual certification as their product can be differentiated from potential substitutes. When firms are difficult to differentiate and therefore share a reputation, then an industry-wide certification scheme or some other form of cooperative action seems to be likely. In the forestry sector this initially translated into first-party certification for the highly branded retail node and second-party certification (in the form of the SFI) for the less branded and, therefore, less differentiable companies involved in production and primary processing. Eventually these were eclipsed by third-party certification once the FSC achieved widespread acceptance. We can expand Sasser's convincing argument about the emergence of second-party certification by adding that firms may also opt for industry-wide certification to share the costs of auditing and monitoring while also ensuring that no competitors will gain an advantage by free-riding off the efforts of others.

[68] *Ibid.* p. 241.

Framework Summary

So it seems that the prospects for a market campaign to be successful depend on its ability to focus on a product that is non-essential or readily substituted, pressure the most branded nodes along the supply-chain, target commodities with a small number of visible end-uses and, finally, trace the commodity through its various processes, intermediaries, and cultural/institutional environments. As argued above, a campaign's ability to meet these criteria for success depends in large part on the characteristics of the industry itself. In addition, the structure of the industry can point toward which type of certification will emerge. As argued by Erika Sasser, the concentration of the industry and the extent to which reputation is shared will each play a part in which certification institution firms will choose to support and how much choice they will have. The impact of industry characteristics on the prospects for market-based campaigns will be evaluated using the case studies in Chapters 4 and 5.

Chapter 3

There is much disagreement over the possible repercussions of market campaigns and the private regulation they represent. The key issues of the debate seem to revolve around three inter-related questions: What are the democratic implications of market campaigns in terms of addressing issues of equity and local autonomy? What are the effects of market campaigns on the development of the regulatory capacity of the state? How effective are market campaigns at addressing the structural causes of environmental problems? Because this is a synthetic separation of the issues addressed within the debate, we will discover significant overlap in the matters discussed while attempting to answer each question. The common ideational thread weaving through the debate is the notion that to truly understand the significance of market campaigns they must be taken in their historical context. The historic backdrop is globalizing political and economic liberalism while the main issue is how best to govern social and environmental issues in this new global space. How one views market campaigns largely reflects how one views the historic period from whence they were born.

A) What are the democratic implications of market campaigns in terms of addressing issues of equity and local autonomy?

Market campaigns and the activists that wage them can be seen as addressing a democratic deficit as they respond to conditions created by an unresponsive state. In other words, if state institutions were functioning effectively there would be no need for the campaigns in the first place.[69] On the other hand, market campaigns can be seen as producing a democratic deficit if they are subverting democratic processes. This viewpoint envisages unelected and unaccountable NGOs rivaling the public policy-making functions usually reserved for state institutions as the sole representative of legitimate political authority. Democracy suffers a blow as public policy-making power shifts from states to nonstate actors who do not work within a democratic framework. With the goal of assessing the democratic implications of our market-based campaigns, we must begin by developing a framework that allows us to isolate the potential positive and negative consequences of global civil society actions on democratic governance.

Jan Aart Scholte offers such a framework for civil society's ability to enhance democracy, which includes: giving voice to stakeholders, providing public education activities, fueling and facilitating debate, increasing public transparency of global governance, increasing public accountability of regulatory agencies, and by providing these aforementioned services, enhancing the legitimacy of global governance.[70] By giving voice to stakeholders, civil society can provide an additional platform for those involved with and those affected by particular projects to express their interests and concerns. This is particularly important when we consider that many mining projects take place on the land of indigenous and other marginalized communities who tend to be under-represented at the national level. Providing public education activities allows for the dissemination of information that otherwise might be unavailable to those directly affected and the public at large. Fueling and facilitating debate is a direct result of these

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[69] Price, Richard. "Transnational Civil Society and Advocacy in World Politics." *World Politics* 55 (July 2003): 591.
[70] Scholte, Jan Aart. "Civil Society and Democracy in Global Governance." *Global Governance* 8 (2002): 281-304.

two previous exercises, allowing representatives from both sides to state their case and supplying the groundwork for understanding and compromise. Increasing the transparency of global governance and increasing the accountability of regulatory agencies goes hand in hand. With the huge and concentrated capital expenditures of large mining projects there are incentives to push ahead with controversial projects as well as the potential for corrupt practices at every stage of development. There is very little reason why payments and processes should not be part of the public record so all parties can be held accountable for the various transactions and decisions involved.[71] Furthermore, appropriate governance requires mechanisms to be in place that allow for a consensus to be reached regarding which projects will or will not be approved. In addition to these functions, civil society can place issues on the agenda of governing agencies that might otherwise be swept aside due to a lack of expertise and resources necessary to respond to the multitude of concerns large mining projects provoke. In many cases civil society action is able to create markets for products and projects that best address these concerns, adding an additional mechanism for stakeholders to let their preferences be known. These types of bottom-up democracy promotion, if performed in an open and honest manner, can in fact enhance the legitimacy of global governance.

Civil society actions also have the potential to subvert democratic practices if any of the above functions are not performed in a transparent and sincere manner. In cases such as these, civil society groups become simply another special interest group with a private agenda. This possibility looms large when civil society actors employ coercive methods and take on regulatory functions designed to meet their desired goals. This role has usually been reserved for the state, but in the absence of state regulation global civil

[71] *Economist* 377: 8458. "The Curse of Oil: The Paradox of Plenty." (20 December 2005): 47.

society actors have increasingly taken it upon themselves to regulate global industries. Mustapha Kamal Pasha and David L. Blaney offer an engaging critique of the global civil society literature and its proponents' claims of its unprecedented emancipatory possibilities as a source of democratic energies.[72] They warn that we cannot assume the democratic merits of global civil society based solely on the failures of the state. While global civil society holds some democratic potential, it also holds many contradictions "as a site of both inequality and movements to redress inequality, of seemingly incommensurable identities and values and the negotiation of commonalities, of imposition and domination and the possibility of conversation and democracy."[73]

At the heart of Pasha and Blaney's argument is a concern that much of the work of these global activists has the potential to compromise local autonomy and local control of development policies, especially in developing countries. They argue that global civil society has risen from and is intertwined with global capitalism and the liberal state. They say that when viewed in this context of mutual facilitation, global civil society can be seen as having the potential to reproduce the inequalities inherent in this political economic arrangement while obscuring these inequalities by advocating a Western vision of "global" values. It will be advantageous to look at their critique in a little more detail.

Pasha and Blaney argue that we must pay attention to the mutually constitutive relationship between civil society, the state, and capitalism if we are to accurately assess its democratic possibilities. When civil society is viewed as embedded in its political economic context, its democratic possibilities become much more ambiguous. Civil society comprises the sphere of individual freedom that is demarcated and sustained by

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[72] Pasha, Mustapha Kamal and David L. Blaney. "Elusive Paradise: The Promise and Peril of Global Civil Society." *Alternatives* 23:4 (1998): 417-451.
[73] *Ibid.*, p. 11.

the normative framework of capitalism, which civil society reproduces. These individual rights and freedoms are secured by both the liberal state and by civil society's efforts to limit the sphere of activities of the state. Therefore, civil society, the liberal state, and capitalism are intertwined. As such, civil society is proficient at imposing the values of capitalism and the liberal state, which undermines the Third World/developmental state model. The depoliticization of the economy, they argue, means the dismantling of state structures and the further subordination of Third World economies to external forces and management. The economy slides further from the regulatory capacity of institutions that are accountable to Third World citizens or, as the authors describe them, "those that were excluded from the advantages of the market mechanism."[74] Furthermore, global civil society activists often re-enact the disproportionate control of decision-makers located in North America and Europe compared to the decision-takers in the developing world, reinforcing the power discrepancies between the rich and the poor.

If due care is not taken, global activist groups can obscure the inequalities inherent in the political economic context in which they are implicated. By advocating a Western vision of "global" values, civil society actors may find themselves denying the true plurality of views on global values and democracy. As Pasha and Blaney point out, it is this plurality of views that make democracy necessary: "What need is global democracy if a few transnationally active NGOs intrinsically possess the vision of the world common good?"[75] When civil society actors bring liberal capitalist values to developing countries they may further obscure global inequalities by relegating the economy to a non-political, private sphere. Pasha and Blaney feel this is a reflection of

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[74] *Ibid.*, p. 9.
[75] *Ibid.*, p. 11.

the content and, therefore, passivity of the middle class from which global civil society arose. Without "romanticizing the state", the authors argue that "[i]n the absence of an effective and democratic state, the citizens of the Third World have little capacity to control their own destiny."[76]

The implications of our discussion will be helpful when evaluating the democratic potential of our case studies and must focus on the campaigns' ability to provide transparency, education, inclusive debate, and local autonomy. We must judge the market campaigns based on their ability to increase transparency of the mining industry and its governing structures, including the transparency of the campaigns themselves. We must look at the campaigns' efforts to educate the public and assess the integrity of the information disseminated. And lastly, we must review the campaigns' commitment to encouraging a diversity of voices to sound-off on the issues. This entails facilitating debate between all stakeholders, including local communities, local business, and local institutions in the countries where the projects are located. It is when these aforementioned criteria are ignored that global civil society actors stumble, almost blindly, into the fulfillment of Pasha and Blaney's admonitions.

B) What are the effects of market campaigns on the development of the regulatory capacity of the state?

As these campaigns are waged outside of the legalistic institutions of the state, they are usually associated with weaker, voluntary regulation. I would argue that how one views this private, voluntary regulation depends in part on whether one believes market

[76] *Ibid.*, p. 11.

campaigns are supplementing or supplanting traditional, top-down regulation by the state. This, in turn, seems to correspond to whether private regulation is seen as a response to an inability of the state and international organizations to regulate contemporary environmental problems or if it is seen as a shift from public to private authority in accordance with the free-market discipline of the neoliberal creed and the further dismantling of the welfare/developmental state.

Market campaigns can be seen as a positive addition to the regulatory capacity of the state if they are addressing issues that the state has been unable to deal with. As was argued in the first chapter, many global environmental issues seem to be beyond state capacity to regulate due to an apparent governance gap at the international level. This has resulted in a demand for complementary governance, which has been supplied by civil society groups. Many believe that these non-state initiatives do not usurp binding regulation, but simply fill the global governance gaps.[77] Virginia Haufler argues that there is a mismatch between markets and politics practiced through state governance.[78] While markets have been largely freed from the shackles of territoriality, governing authority remains bounded by the borders of an interstate system. As Stephen Kobrin notes, diffuse networks are replacing hierarchies in the emerging global economy and this has proven problematic for authority exercised through spatially defined national markets.[79] This fits nicely with the literature that sees a concurrent shift from hierarchical organization to the diffuse, network organization of governance and the creation of a

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[77] Gulbrandsen, Lars H. "Overlapping Public and Private Governance: Can Forest Certification Fill the Gaps in the Global Forest Regime?" *Global Environmental Politics* 4:2 (May 2004): 75-99.

[78] Haufler, Virginia. "Private Sector International Regimes." Non-State Actors and Authority in the Global System. Ed. Richard A. Higgott, Geoffrey R.D. Underhill, and Andreas Bieler. New York: Routledge, 2000: 121-137.

[79] Kobrin, Stephen J. "Economic governance in an electronically networked global economy." Hall, Rodney Bruce and Thomas J. Biersteker. *The Emergence of Private Authority in Global Governance.* Cambridge: Cambridge University Press, 2002: 43.

"new public space."[80] In other words, the rise of global civil society is one aspect of globalization, which Scholte considers the "deterritorialization" of political authority.[81] In this conception, market campaigns are an instance of civic activism indicative of post-sovereign governance as politics disentangles itself from territorial ties to the state.[82] Paul Wapner does not see this as taking environmental concerns off the political agenda, but rather "deliberately politicizing social, economic, and cultural spheres of transnational life" as global civil society becomes an explicit arena of political activity.[83]

In addition to the material constraints on the state's ability to regulate the global environment mentioned above and in the first chapter, there are ideological constraints on the state's regulatory capacities as well. There have been many compelling studies examining the movement of public governing authority from state institutions to private actors.[84] Much of this literature stems from a critical political economy perspective, which views the increasing public policy-making role taken on by private actors as both a consequence and a driver of the neoliberal global economy.[85] This can be seen as a continuation of the neoliberal deregulatory agenda. Instead of fostering meaningful

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[80] See for example: Ruggie, John G. "Reconstituting the Global Public Domain – Issues, Actors, and Practices." *European Journal of International Relations*. 10:4 (2004): 499-531; Ruggie, John G. "The Theory and Practice of Learning Networks: Corporate Social Responsibility and the Global Compact." *The Journal of Corporate Citizenship* 5 (Spring 2002); Wapner, Paul. "Politics Beyond the State: Environmental Activism and World Civic Politics." *World Politics* 47:3 (April 1995): 311-340.

[81] Scholte, Jan Aart. "Global Civil Society." *The Political Economy of Globalization*. Ed. N Woods. New York: St. Martin's Press, 2000: 179.

[82] For a discussion of "post-sovereign governance" see, for example: Karkkainen, Bradley C. "Post-Sovereign Environmental Governance." *Global Environmental Politics* 4:1 (February 2004): 72-96.

[83] Wapner, Paul. *Environmental Activism and World Civic Politics*. New York: Albany, State University of New York Press, 1996: 159.

[84] See for example: Cutler, A. Claire, Virginia Haufler, and Tony Porter. Eds. *Private Authority and International Affairs*. Albany: SUNY Press, 1999; Hall, Rodney Bruce and Thomas J. Biersteker. *The Emergence of Private Authority in Global Governance*. Cambridge: Cambridge University Press, 2002.

[85] See for example: Ford, Lucy. "Challenging Global Environmental Governance: Social Movement Agency and Global Civil Society." *Global Environmental Politics* 3:2 (May 2003): 120-134; Lipschutz, Ronnie D. and James K. Rowe. *Regulation for the Rest of Us? Globalization, Governmentality, and Global Politics*. London: Routledge, 2005.

change, market campaigns act to reinforce the status quo and further entrench the hegemonic neoliberal political economy. This harkens back to the perception of Pasha and Blaney as they envision global civil society to be an intertwined part of the neoliberal globalizing project that may serve more to support and reproduce existing systems of governance than it eclipses them.[86]

The implicit assumption is that the efforts of environmentalists would be better directed at tightening regulation through state institutions and the current extra-institutional focus actually hampers meaningful governance by taking environmental issues off the state agenda. This argument is taken up by Gary Gereffi, Ronie Garcia-Johnson, and Erika Sasser as they discuss the implications of the new "NGO-Industrial Complex."[87] They acknowledge the fear that this trend toward activist and industry driven certification could weaken local governments, preempting and maybe even supplanting state and intergovernmental action to mitigate social and environmental effects of globally active corporations as free-trade extends across the globe. They argue that industries may use these voluntary initiatives to forestall international laws from being devised while also protecting them from onerous and often contradictory regulations when operating in multiple countries. They conclude by suggesting that in an era where the state seems incapable of meeting all of the regulatory demands placed upon it, the rise in private regulation may pose problems for the 20th century idea of a strong interventionist state to tackle social and environmental dilemmas.[88]

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[86] Pasha, Mustapha Kamal and David L. Blaney. "Elusive Paradise: The Promise and Peril of Global Civil Society." *Alternatives* 23:4 (1998): 7.
[87] Gereffi, Gary, Ronie Garcia-Johnson and Erika Sasser. "The NGO-Industrial Complex." *Foreign Policy* (July/August 2001).
[88] *Ibid.*, p. 64.

When it comes time to evaluate the effect of market campaigns on the regulatory capacity of the state we will need specific criteria by which to judge the pros and cons of these endeavors. For the material constraints to global regulation faced by states, the market campaigns can be viewed as complementary to state regulation if they are able to bridge the governance gaps resulting from state deficiencies at the global level. Conversely, market campaigns can be viewed as detrimental to the development of the regulatory capacity of the state if they exacerbate any of the material sources of state difficulties. Toward this end, we will simply identify the regulatory gaps at the global level and then evaluate how the market campaigns deal with these, taking careful note of how this might affect the ability of states to impose their own regulation. Likewise, we must assess the campaigns' effect on the ideological constraints faced by states. Neoliberal reforms have certainly empowered global nonstate actors. However, when dealing with the ideological constraints faced by the state and imposed by the neoliberal doctrine we must first elucidate the campaigns' contribution. When we question whether market campaigns reinforce the neoliberal agenda of unfettered markets at the expense of governments' ability to regulate the global environment, we are in effect asking whether or not these campaigns legitimize state nonintervention in the global economy by exonerating the state from its social obligation to protect its citizens from the negative spillover effects of the global market, including, environmental degradation. In other words, do market campaigns facilitate state inaction when it comes to environmental issues? What we need to look for is evidence of whether these campaigns take environmental issues off of the state agenda or if they in fact place these issues more prominently on the state agenda. Put simply, we must decipher whether market campaigns raise or lower the material and ideological costs to states of protecting the global environment.

C) How effective are market campaigns at addressing the structural causes of environmental problems?

Proponents of market campaigns could argue that by allowing environmentally conscious consumers to choose more environmentally-friendly products, they are changing incentives within the market and compelling industry to produce more efficiently. They might make the claim that private sector innovation is better suited than state planning to confront the immediate environmental issues facing the world today. In this model, business and environmentalism are compatible as market campaigns encourage better practices with minimal market distortion, inefficiency, and impediments to trade. Furthermore, while not a panacea, it acknowledges the problem of environmental degradation and allows for positive action within the given political-economic framework.

Others might suggest that market campaigns and the voluntary initiatives they spawn are so widely embraced for the very reason that they change so little. They could argue that environmentalism has lost its teeth by achieving these modest gains at the expense of the widespread complacency they breed. Market-based schemes do not challenge the structure of the hegemonic order or the underlying forces driving environmental degradation, namely, overconsumption and rampant inequality.

Admittedly, the ideological ground separating these hypothetical viewpoints is overemphasized to lay bare the disagreements over the long-term effectiveness of market-based campaigns. While the perspectives are somewhat radical, they capture many of the arguments made by academics, activists, and policy-makers alike. So, how are we to make sense of these opposing perspectives? The first step is to revisit the political economic context within which environmental practitioners must operate. The work of Stephen Gill on "market civilization" along with Steven Bernstein's "liberal environmentalism" will inform our discussion. Once we have further developed our understanding of the historical backdrop explaining the popularity and seemingly effective use of market-based environmentalism, we will turn our attention to the task of untangling the myriad views on these campaigns' prospects for tackling the structural causes of environmental degradation. Immediately we run into a problem: What are the structural causes of environmental degradation? There is a complex array of ideas as to what constitutes the root of environmental problems and untangling these contested perspectives is beyond the scope of this paper. Luckily, it has been done for us already in a recent book written by Jennifer Clapp and Peter Dauvergne. Using this resource, we will attempt to isolate what each salient view sees as the structural causes of environmental degradation and then identify market campaigns' implications for each. We begin by furthering our understanding of the characteristics of the political economy that make market campaigns such a well-received instrument of the environmental movement.

Conca, Maniates, and Princen explain that "economistic reasoning" and "a politics of growth" are so prevalent in contemporary politics that "[e]conomic growth, facilitated at every turn by public policy, becomes the lubricant for civic processes of democratic planning and compromise."[89] Therefore, policies that do not threaten these fundamental beliefs and structures carry "a much lower political price tag."[90]

Stephen Gill's concept of *market civilization* is helpful in explaining the popularity of market-based approaches to environmental protection that seemingly cuts across the political spectrum. Gill suggests that we are living in a market civilization, which he defines as a "cultural transformation toward a structure and language of social relations which is more marketized, individualized, and linked to commodity logic."[91] In other words, every facet of life is pervaded by capitalist norms and practices, resulting in a shared vision of the world that is cast by the commodity logic of capital. This has extended the reach and intensity of the commodification of social relations and the biosphere as labour and nature are transformed into exchangeable commodities. Furthermore, Gill argues that we are experiencing a spatial expansion and social deepening of economic liberal ideas of social purpose leading to individualist patterns of action and politics. New technologies and information flows have succeeded in commercializing all aspects of social life in the developed world and capital mobility should ensure its spread to those places not yet encompassed.

Steven Bernstein's work on *liberal environmentalism* becomes very relevant to this discussion.[92] The "compromise of liberal environmentalism," as he calls it, refers to the legacy of decisions taken at the 1992 Earth Summit in Rio de Janeiro introducing the

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[89] Maniates, Michael, Ken Conca, and Thomas Princen. "Confronting Consumption." *Confronting Consumption*. Ed.s Thomas Princen, Michael Maniates and Ken Conca. Cambridge, Mass: MIT Press, 2002: 5.
[90] *Ibid*., p. 5.
[91] Gill, Stephen. *Power and Resistance in a New World Order*. New York: Palgrave MacMillan, 2004: 117.
[92] Bernstein, Steven. "Liberal Environmentalism and Global Environmental Governance." *Global Environmental Politics* 2:3 (August 2002).

concept of *sustainable development* and forming the normative basis for environmental governance. He argues that the norms of liberal environmentalism are an attempt to reconcile global environmental protection and the promotion of the liberal economic order and its tenets of economic growth, efficiency, and corporate freedom. While the acceptance of neoliberalism has been one of the causes of this transformation in the goals of environmentalism, he argues, it has not consumed them. In fact, liberal environmentalism has allowed environmental policies to gain widespread acceptance through its ability to fit with existing norms at the policy-making level. The conclusions he draws from this are equally pertinent to our discussion. What constitutes appropriate behaviour toward environmental issues in global environmental governance dialogue is based on these norms; therefore, when problems can be solved within a liberal environmentalism framework, there are possibilities for progress. However, when solutions to problems do not fit this framework, progress shall prove evasive. Liberal environmentalism enables responses to environmental issues that fit its normative basis, but it makes any trade-offs between economic and environmental goals more difficult because it denies that trade-offs are necessary. In the words of Steven Bernstein: "Liberal environmentalism risks justifying inaction if tough regulatory choices, which imply trade-offs with market values, are necessary to get the desired ecological effects."[93]

Naturally, the structural causes of environmental degradation are in dispute even amongst environmentalists. In *Paths to a Green World*, a recent and highly informative study of the political economy of the global environment by Jennifer Clapp and Peter Dauvergne, the authors have created a typology of environmental worldviews dividing perspectives of environmentalists into four categories: Market Liberals, Institutionalists,

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[93] *Ibid.* p.14.

Bioenvironmentalists, and Social Greens.[94] The authors qualify their categories as "ideal" and "exaggerated to help differentiate between them" in an attempt to capture the breadth of debates within the environmental movement, which leaves much room for disagreement within each category as well as some overlap between them.[95] The categories created are indeed useful for developing a nuanced understanding of the often contending worldviews and an appreciation for the arguments made by proponents of each. For our purposes here, I will draw on this important work while reducing these four categories to an even broader contrast of two: those in favour of economic growth through globalization as a path to a more environmentally sustainable economy, and those who call for limits to economic growth and a fundamentally new political economy based on the principles of ecological and social sustainability. Although this broad juxtaposition sacrifices some of the finer distinctions available in Clapp and Dauvergne's study, it captures the foundation of the disagreements between environmentalists over what constitutes the structural causes of environmental degradation and, thus, how effective market campaigns are at addressing them.

The first category of environmentalists believes that the economic growth and development that accompanies globalization is necessary to pay for environmental improvements. This increasing affluence helps to create the willingness and ability to tackle environmental problems. Globalization, and in particular economic liberalization, translates into less harmful market distorting government policies such as subsidies that undervalue natural resources and trade barriers that limit corporate investment in developing countries. Besides the most extreme free market advocates, the vast majority

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[94] Clapp, Jennifer and Peter Dauvergne. Paths to a Green World: The Political Economy of the Global Environment. Cambridge, MA: MIT Press, 2005.
[95] *Ibid.* p. 3.

of environmentalists that fall into this camp see an important role for states and institutions in channeling globalizing forces toward social and ecological sustainability, but contend that it should be minimal and market-friendly. This camp argues that when we view globalization and its social and ecological effects within an historical perspective, things appear to be improving. As per capita incomes rise around the world so to does education, which will eventually lead to a reduction in birth rates and the pollution of poverty.[96] This camp believes that we can improve environmental quality with technology, education, and increased wealth. Globalization is positive as it creates the wealth, willingness, innovation, and cooperation necessary for environmental improvements.

The second camp of environmentalists agrees that globalization has led to increased aggregate wealth, but disagrees fundamentally about the implications drawn from this. They argue that there are ecological limits to economic growth. Increased wealth and unfettered economic growth lead to overconsumption and the filling of waste sinks. They argue that globalizing forces increase inequality. The "sustainable middle" of society is eroded by these forces as those achieving greater affluence join the consumer class while those most affected by environmental degradation are the poorest that rely heavily on natural resources.[97] Thus, inequality increases as the poor become poorer and are driven further toward eking out an unsustainable livelihood. They agree that we must understand our present situation in an historical context, but argue that when we broaden this time horizon we discover that humans have become a threat to the earth as we are

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[96] The pollution of poverty refers to the negative ecological ramifications that result from the "dirty" industries, low technology, and all around reliance on natural resource extraction common to the poorest strata of society.

[97] Conca, Ken. "Consumption and Environment in a Global Economy." *Confronting Consumption.* Ed.s Thomas Princen, Michael Maniates and Ken Conca. Cambridge, Mass: MIT Press, 2002: 149.

reaching the ecological carrying capacity of the planet. They point to mass extinctions, deforestation, overfishing, and exhaustive energy use as proof that we are overusing the planet's resources. In this worldview, the major causes of environmental degradation are overconsumption and inequality. Globalization is a negative force as the planet cannot sustain the spread of industrial capitalism, consumerism, and western consumption patterns. They feel we must fundamentally alter the political economy so it is based on the principles of ecological and social sustainability, which entails limits to economic growth. There is, of course, much disagreement within this camp as to what form possible solutions might take. They range from a world government utilizing coercion to reign in the forces of globalization to localizing social organization and finding local solutions wherever possible.

The first camp, which we will call Liberal Environmentalists, see the structural problems leading to environmental degradation as poverty, market failures, a lack of technological fixes, and weak global institutions to facilitate cooperation. The second camp, which can be labeled Green Environmentalists, see the problems as stemming from industrial capitalism with its unfettered economic growth and overconsumption along with persistent inequality. The Liberal Environmentalists suggest that solutions will come from economic growth and increased cooperation springing from globalization. The Green Environmentalists argue that answers must begin with a fundamental shift in human values leading to a reversal of economic globalization and industrial capitalism. When evaluating the implications of market campaigns for each camp's respective causes of environmental problems we must appraise the campaigns' effect on each of these perceived roots, which will be undertaken in the case studies to follow.

Chapter 4

Our consumer market campaign case study is the No Dirty Gold campaign, which targets retailers of gold jewelry. This chapter begins with a general overview of the campaign before moving on to discuss its use of market pressure in response to ineffective state regulation of the global gold mining sector. We will find that the campaign has resulted in a movement toward certification as a way to mitigate the effects of distancing. We will apply our theoretical framework developed in Chapter 2 to clarify how the characteristics of the gold industry play a role in determining which type of campaign will be effective and what the result might look like. We then mobilize our framework from Chapter 3, which will seek to illuminate the No Dirty Gold campaign's democratic implications, its effect on the possibility of regulation through the state, and its ability to tackle the root causes of environmental degradation. Because this campaign is very new, its results – and, therefore, the results of our analysis – are preliminary. The assessment may border on speculation at times, but this is a necessary consequence of studying the campaign at such an early stage of its development.

4.1.1 What makes No Dirty Gold a consumer campaign?

The No Dirty Gold campaign seeks to inform the public of destructive practices in the gold mining industry and use consumer buying power to pressure for reform. Because gold mining companies do not sell directly to the public, the campaign targets the large jewelry retailers downstream from production. "Jewelry CEOs may not be driving the bulldozers at mines but, as the leading end-users of gold, they're in a unique position to help clean up irresponsible mining practices," said Payal Sampat, No Dirty Gold campaign director.[98] The retail firms that are targeted directly are induced to pressure their suppliers to implement sustainable practices. They are made responsible for the practices utilized throughout the entire chain of custody. "In that way," explains Clifford Jackson, spokesperson for Jewelers of America, an industry organization representing 11,000 independent jewelry stores in the US, "the issues facing a mining company can also affect a retailer."[99] As is made clear in campaign material, this is not a boycott on gold, but rather, the campaign's focus is "working to end destructive mining practices, educate consumers about gold mining's impacts, and build consumer support for industry reform."[100]

4.1.2 Who started it? When? Why?

The No Dirty Gold campaign was started in 2004 and is run by two large American NGOs: Earthworks and Oxfam America.

Earthworks, which began in 1988 as the Mineral Policy Center, was co-founded by a former Executive Director of the Sierra Club along with a former Secretary of the Interior. This non-profit organization focuses on the social and environmental impacts of mineral development in the US and internationally. They are based in Washington DC and maintain six offices in five states.

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[98] Draper, Heather. "Activists Attack 'Dirty' Gold Practices." *The Wall Street Journal* (19 October 2005).
[99] Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).
[100] www.nodirtygold.org

Oxfam America is a non-profit organization that focuses on alleviating poverty, hunger, and social injustice. It is an affiliate of Oxfam International, which maintains organizations in twelve countries. Oxfam began in 1942 as the Oxford Committee for Famine Relief while Oxfam America itself was founded in 1970. It is headquartered in Boston MA and runs a policy and advocacy office in Washington DC. Oxfam International is a huge organization operating in 26 countries with a 2005 annual budget of $79 million made up entirely of private funds, although this figure is a full $39 million dollars more than 2004 due largely to the giant outpouring of donations for tsunami relief. In 2004, Oxfam funded 244 'partner organizations' working on issues relating to poverty, natural resources, peace and security, equality for women, indigenous and minority rights, and global trade. Their current campaigns, in addition to No Dirty Gold, include the ONE Campaign to make poverty history, Control Arms Campaign in partnership with Amnesty International to reduce small arms trafficking, Make Trade Fair campaign to improve returns for developing world farmers, and Fast for a World Harvest to raise awareness and funds to alleviate hunger.

4.1.3 What are its goals?

The goals of the No Dirty Gold campaign as stated on the website are both long-term and immediate. The long-term focus is to reform the metals economy, including cleaning up how metals are produced, using them more efficiently, and continuing to use those already in circulation.[101] Once more, it is significant to note that they explicitly

[101] www.nodirtygold.org

state that ending metals production is not on their agenda, they are focused solely on reform.

The campaign's immediate goals[102] are more specific:

- Respect basic human rights outlined in international declarations and conventions[103]
- Provide safe working conditions and respect workers' rights to collective bargaining in accordance with the International Labour Organization's core conventions
- Refrain from projects that have not secured the free, prior, and informed consent of the community concerned
- Fully disclose information about the social and environmental effects of its projects
- Allow independent reviews of social and environmental management practices
- Stay out of protected areas
- Stop dumping mine waste into natural bodies of water
- Refrain from projects that are expected to cause acid drainage
- Provide guaranteed funding, before beginning a project, that will fully cover reclamation and closure costs

4.1.4 What Methods Are Used?

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[102] www.nodirtygold.org

[103] The website lists these declarations and conventions as the UN Universal Declaration of Human Rights, the International Covenant on Social, Economic, and Cultural Rights, the draft Declaration on the Rights of Indigenous Peoples, the Racial Discrimination Convention, the Convention on the Elimination of Discrimination Against Women, and the Convention on the rights of the Child. See: www.nodirtygold.org

No Dirty Gold utilizes a variety of tactics to inform consumers and build consumer pressure for reform. While maintaining a network of offices and allies around the world, the campaign also demonstrates its successful adaptation to the requisites of globalization through its use of information technology, which Castells argues is key to the environmental movement's evident success in the information age.[104] The array of approaches can be organized using three broad and sometimes overlapping categories: Grassroots Activism, Use of the Media, and Use of the Internet. This somewhat artificial separation is used for the sake of clarity, but I will attempt to connect the activities where appropriate.

Grassroots Activism

The No Dirty Gold campaign supports public demonstrations to voice dissent and shame those retailers who they feel ignore the issues. One example was their use of a 15-foot puppet with a skeletal face symbolizing the destructive impacts of gold mining. "Goldzilla", as the puppet is named, paraded up and down 5th Avenue in Manhattan, peering into the flagship stores of prominent jewelry retailers, shaming the companies and raising awareness of the campaign issues during the lead-up to Valentine's Day.

They engage in letter writing campaigns, encouraging and facilitating concerned citizens to voice their dissent through letters to jewelry retailers, gold mining companies, the World Bank, and even celebrities who endorse gold products. The letter writing campaigns are facilitated by the internet and are indeed often email campaigns as well.

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[104] Castells, Manuel. *The Information Age: Economy, Society and Culture Vol. II: The Power of Identity.* Oxford, UK: Blackwell Publishers, 1997: 129.

They are personalized, addressed to the CEO of the company, president of the institution, or the celebrity themselves.

They have tapped into one of their most abundant sources of support with their 'Class Ring Campaign,' which encourages student groups to ensure that the firms supplying their class rings can verify best practices along the supply chain.

All of these individual demonstrations are organized using the internet and directly connected to the activists' use of the media to reach a wider audience and sway public opinion to back their campaign.

Use of the Media

The demonstrations are based around memorable imagery and creative slogans that are reproduced by the mainstream media. They are aimed at generating a newsworthy event, one that lends itself to headlines and interests both journalists and their audience.[105] The targeting of singer Alicia Keyes for her endorsement of gold jewelry is a prime example. They target this high profile media darling, setting the table for a photo-op, press release, and perhaps even a defection to the campaign itself as there is nothing more important to a celebrity's career than her/his image.

One of their most visible and, therefore, effective uses of the media is their purchase of advertisements. They have published ads in prominent newspapers, such as the New York Times, that inform the public of their concerns while congratulating those companies that are working with them and shaming those that have so far refused. Again, these ads are specific and make a point of naming names. Their first ad was published on

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[105] Manuel Castells notes this as an aim and partial reason for the success of the environmental movement: Castells, Manuel. *The Information Age: Economy, Society and Culture Vol. II: The Power of Identity.* Oxford, UK: Blackwell Publishers, 1997: 128.

16 October 2005 in National Jeweler, a trade journal, and reads: "Love. Romance. Commitment. Destruction." This is followed by a warning shot: "We need to clean up the gold mining industry before it tarnishes the jewelry business." While this ad would have gained some jewelry executives' attention, it is the use of the mainstream media that is probably the most effective. For example, the 19 October 2005 edition of the Wall Street Journal followed-up on this ad and discussed the campaign issues at length within a few days of its initial publication.[106] Also during the fall of 2005, the New York Times launched a 5-part investigative report exposing the underbelly of the gold mining industry, giving extensive airtime to No Dirty Gold campaigners. With the media amplifying the activist concerns, major jewelers have scrambled onside.

Use of the Internet

The internet is used to connect and coordinate the actions of individual cells of activists, from student groups conducting the Class Ring Campaign to indigenous communities opposing specific projects. The internet is an effective way to disseminate information to campaign allies, the gold industry, journalists, and the general public. They publish a wide array of campaign materials on their website, such as, brochures, reports, e-cards, gold mining and US jewelry market fact sheets, newsletters, postcards, and media kits containing photos and press releases. The media kits provide 'cut-and-paste' materials for stories that practically write themselves. They also provide links to partners' web sites as well as relevant articles, both those produced by activists and those by the mainstream media. In this manner, they are able to connect individuals and groups

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[106] Draper, Heather. "Activists Attack 'Dirty' Gold Practices." *The Wall Street Journal* (19 October 2005).

from different regions, cultures, and issue areas, and in so doing, create a campaign that is truly global in scope and action.

4.2 What are the immediate results as far as reform of the metals sector and its effects on environmental and human rights?

As with our forestry example, states and intergovernmental organizations have failed to regulate the global mining industry to the satisfaction of civil society activists. Critics say we need look no further than the Canadian government's response to calls for Canada to develop clear legal norms for Canadian companies working abroad. The government is quick to defer responsibility, placing the onus on the host country to pass domestic legislation ensuring environmental and human rights protection.[107] The negligence involved becomes apparent when one considers some of the countries in which Canadian companies operate, such as Congo and Myanmar, where environmentalism and human rights rank very low on the list of these host-government's priorities. The No Dirty Gold campaign has responded to this governance gap by pressuring the consumer market for gold jewelry to force gold mining companies to employ more sustainable practices. This has stimulated the industry to form the Council for Responsible Jewelry Practices, whose stated purpose is to develop ethical codes for the entire gold and diamond supply chain. Not unlike the case with forestry, this has stirred both industry and activists to explore their options for stronger, excludable certification schemes.

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[107] See Drohan, Madelaine. "Plugging the Gaping Mining Hole." The Globe and Mail A21 (20 October 2005).

According to Jewelers of America, they actually began pushing a policy of supporting "responsible mining of minerals and metals" a few years prior to the launch of the No Dirty Gold campaign and played a leading role in reducing the sale of 'conflict diamonds' (or as activists named them 'blood diamonds').[108] By all accounts, the campaign targeting 'dirty gold' is a new battleground for those pushing responsible corporate behaviour internationally. The difference is that industry will not be caught off-guard again. The focus on 'dirty' gold motivated Jewelers of America to join 12 other industry players to establish the Council for Responsible Jewelry Practices in May of 2005. This London-based, not-for-profit organization now boasts over 30 members representing the entire jewelry supply-chain from mining companies to jewelry retailers and includes banks, wholesale refiners, and traders. The president is the former policy director of WWF Australia, Michael Rae, who was appointed in February 2006.

The goal of the council is to develop codes for the entire diamond and gold supply chain. This will cover the industry-wide issues of business ethics, social, human rights, and environmental principles as well as many codes tailored to members at every stage of processing and selling from extraction to refining, manufacturing, stone-cutting and polishing, and wholesale/retail.[109] The council is focusing solely on diamonds and gold initially, but plans to eventually expand its focus. There is a consultation process in progress over its draft principles with input welcomed from all stakeholders, including NGOs. Michael Rae says the council hopes to have a set of processes and standards with independent third-party verification at every step of the jewelry creation and selling

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[108] "Dirty Gold? Jewelers Urge Miners to Clean Up." *The Associated Press* (27 April 2004).
[109] Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).

process by 2008.[110] It has not been decided whether the results of these audits will be made publicly available or be restricted to the council.[111]

Although the formation and response of the council is much more sophisticated than some of the examples in forestry, similar issues have arisen and a move toward third-party certification seems likely. The main issue of contention for activists is that formal membership to the council is limited to firms working within the industry and excludes outside organizations, such as NGOs. Stephen D'Esposito of Earthworks is one of those critics: "If the Council decides to go it alone as just companies, the only way to have legitimacy from our perspective is if they do everything right. And that's a difficult needle to thread."[112]

The main industry concern is making a distinction between the leaders and the laggards within the industry. "They want to be able to credibly say, 'I am not with stupid,'' explains Michael Rae of the Council, "To avoid being judged by the lowest common denominator of the industry, [Council members] need a means by which they can differentiate their practices."[113] The council is considering a certification system whereby the gold produced by its members will be labeled as such, similar to forest products and diamonds.

Using the framework developed in Chapter 2, we can take a closer look at the characteristics of the gold mining industry to deepen our understanding of the form the No Dirty Gold campaign has taken, its prospects for success, and what the final result might look like.

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[110] Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).
[111] Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).
[112] *Ibid.*
[113] Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).

Structure of Industry

In this section we will apply the framework developed in Chapter 2 to test its ability to forecast how the characteristics of the gold mining industry will shape the prospects for the No Dirty Gold campaign's success and what the results might look like. The theoretical framework states that the more malleable consumer preferences, the targeting of the most branded firms, the existence of a small variety of visible consumer products, and the ability to trace the commodity through the supply chain will together improve the likelihood of success for the No Dirty Gold campaign. The market dominance of a few, large firms and the extent to which reputation is shared will decide what type of certification will emerge.

Manipulability of Consumer Demand

This variable will help us determine the ability of the No Dirty Gold campaign to constitute a credible threat to the interests of the gold mining industry. As outlined in Chapter 2, a prerequisite to altering consumer demand is the availability of substitutes. Gold is a popular investment commodity and its status as a safe financial asset can be expected to prop up its value to investors regardless of its image. It is, therefore, much more fruitful to target the retail end of the gold supply chain. There are competing products in the form of other precious metals, platinum for example, which some environmentally conscious consumers have opted for.[114] However, gold maintains a fairly solid foundation as a cultural item in many parts of the world so we can expect its market to be stronger than many other luxury items, such as fur and even diamonds. Having said

[114] See for example: Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).

this, the luxury goods market for gold jewelry seems to be the most susceptible to activist pressure as substitutes to 'dirty gold' become available in the form of gold supplied by competing companies that can guarantee better practices along the supply chain.

As stated in the second chapter, the malleability of consumer demand plays an especially prominent role when we consider demand for luxury goods, which are very elastic. Luxury goods, by definition, are non-essential items. Their value to consumers is based on wants, not needs. Therefore, when we consider the market for gold jewelry image is everything, leaving jewelers very susceptible to campaigns that focus on the public's perception of their product. They have only to think back to the activist mobilization against fur products to remind themselves of the precarious position of luxury items. "We wanted to confront issues in a proactive way," explains Matthew Runci, president of Jewelers of America and chairman of the Council for Responsible Jewelers board, "We in the luxury goods sector have to work very hard at holding the public's trust because even though the things we sell are very desirable, they are, after all, not essential commodities for life… So we said, 'Listen, before we've got fires burning all around us, let's sit down and try to sort this thing out.'"[115]

To recap, it seems that gold as a commodity will be less susceptible to activist pressure than the luxury goods produced from it. While there are substitutes available in the form of other precious metals, the allure of gold as a cultural icon remains strong. A more effective campaign strategy is to push consumers away from retail jewelers dealing in 'dirty gold' and toward jewelers that sell gold extracted in a more sustainable fashion. This substitution strategy relies on both an ability to differentiate between sellers and an

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[115] Patterson, Kelly. "Pure Gold? Precious Metal a Potent Symbol in the Battle Over Corporate Social Responsibility." *The Ottawa Citizen* (12 February 2006).

ability to substantiate their claims, which depends on branding and traceability, respectively. These factors are considered below.

Location of Branding Along Supply Chain

This variable is fairly self-explanatory. To achieve optimum results, market campaigns need to focus on the most branded firms within the industry. The location of these highly branded firms is unique to each industry. The level of branding along most of the gold supply chain is not high; consumers cannot distinguish between products. Gold is judged by purity and not by the brand name of its supplier. Although companies engaged in the extraction of gold are of a formidable size, they do not sell directly to the public and so do not have recognizable brands for their product. Therefore, they need not be as concerned about their public image. However, they must still be concerned about the consumption choices of their clients downstream. End-use consumers may not be able to distinguish between products, but they can distinguish between sellers. Therefore, the level of branding at the retail end of the supply chain is in fact very high. As we saw in the forestry case, campaigns will be most effective if they target the retail end of the supply chain and convince these highly branded firms to source their products only from suppliers utilizing best practices. By targeting jewelers, the No Dirty Gold campaign fits this model well.

Homogeneity and Visibility of End-Use Product

Another variable of interest is the concentration and visibility of end-uses. We deduced from the forestry case that the chances of campaign success increase dramatically if it is able to target the major users and most visible products at the retail node of the supply chain. The unique characteristics of each industry will dictate whether this is a possibility. The more concentrated the product market, the easier it is to focus scarce campaign resources. The more visible a product, the more susceptible it will be to negative marketing.

Gold jewelry fits both of these criteria very well. Approximately 80% of newly mined gold is transformed into gold jewelry. This makes it very efficient to target gold jewelers as they maintain an abundance of leverage within the supply chain. In addition, the gold in gold jewelry is quite obviously a highly visible input. In comparison, the gold employed in the circuits used in electronic equipment constitutes a much smaller share of the market and is much less visible to consumers. Thus, it would be far less efficient to expend scarce campaign resources targeting the electronics industry than it is to target jewelry retailers.

The No Dirty Gold campaign should be successful by targeting jewelry retailers as they are by far the major users of newly mined gold and deal in a highly visible product. The campaign can focus the lion's share of its resources targeting these firms and its negative marketing of jewelry made from 'dirty' gold will encounter a highly visible and, therefore, highly susceptible mark.

Traceability of Commodity

Our framework states that the ability to identify and track discrete units of the commodity through its various stages of processing and assorted intermediaries the more effective the results of the campaign will be.

With the results achieved in certifying diamonds and forestry products it is no surprise that industry and activists alike are considering a similar certification scheme for gold. The main material hurdle facing efforts to certify gold is the relative difficulty in tracing it back to its exact origin as compared to diamonds or timber. Diamonds and timber maintain an approximation of their original form and so preserve their individual identity throughout processing, which allows them to be tracked by a paper trail as they travel from extraction site to end-user.[116] Unlike these certified commodities, gold "must be purified and smelted, amalgamated and combined into forms that jewelry makers can then use."[117] In addition, gold can be, and often is, melted-down and resold.[118] Certification that is based on environmental and social criteria can also be difficult due to the variations in mines based on differences in geography, type and size of deposits, local communities, and environmental sensitivities.[119] However, it must be noted that the forestry industry certification has had some success by including mechanisms to tailor its requirements to fit different regions, products, and stakeholder needs. Obviously, these added steps in processing and concerns during extraction make gold much more difficult to certify. In fact, Michael Rae contends that certified gold requires an entirely different strategy: "Instead of a chain of custody, we have gone instead to a chain of confidence."[120] The CRJP's chain of confidence means that the organization will work with each link of the supply chain to improve standards across the board.[121] They admit that it will be very difficult, at least initially, to certify that a product that is sold at a

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[116] Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).
[117] *Ibid.*
[118] Patterson, Kelly. "Pure Gold? Precious Metal a Potent Symbol in the Battle Over Corporate Social Responsibility." *The Ottawa Citizen* (12 February 2006).
[119] Stueck, Wendy. "Activists Attempt to Strip Gold of Its Lustre." *The Globe and Mail* (23 November 2004).
[120] Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).
[121] Personal Communication. (October 26, 2006).

given shop has met all the standards along the supply chain, but feel that they can offer reasonable assurance by working with the individual stages.[122] Gereffi, Garcia-Johnson, and Sasser point out that chain of custody accounting is particularly difficult for products such as paper that come from multiple sources[123], however, it is significant to note that the FSC has overcome many of these obstacles and devised methods that allow them to certify paper. In fact, there are no differences in the FSC chain of custody requirements for mixed products and non-mixed products.[124] The so-called "chain of confidence" seems to point to a desire by industry for more flexibility on this issue, which could spark a competition between industry-led and activist-led certification schemes.

While Michael Rae hopes this "chain of confidence" will constitute a set of processes and standards with independent third-party verification by 2008, the NGOs involved in the No Dirty Gold campaign are looking at a similar timeframe to complete the development of a certification scheme for mining operations.[125] Could the result be two separate certification schemes competing for legitimacy, one initiated by industry and the other by activists? The FSC, created by a coalition of NGOs, faced a similar challenge by an alternative certification scheme crafted by an industry group in the US.

The work of Cashore, Auld, and Newsom on forest certification is once again instructive. [126] These scholars found US industrial forestry companies to be very inhospitable to the notion of FSC certified forest products despite pressures exerted by the large retailers downstream to resolve the conflict. Their response was to create their

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[122] Personal Communication. (October 26, 2006).
[123] Gereffi, Gary, Ronie Garcia-Johnson and Erika Sasser. "The NGO-Industrial Complex." *Foreign Policy* (July/August 2001): 60.
[124] Personal Communication. (October 25, 2006).
[125] Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).
[126] For a detailed discussion of this competition for legitimacy see: Cashore, Benjamin. "Legitimacy and the Privatization of Environmental Governance: How Non State Market-Driven (NSMD) Governance Systems Gain Rule Making Authority." *Governance*. 15:4 (2002):503-529.

own certification scheme and then attempt to win over legitimacy in the marketplace for their version. The American Forest and Paper Association's Sustainable Forestry Initiative (SFI), introduced the year after the FSC was devised, allowed industry more flexibility on many issues.

The study conducted by Gereffi, Garcia-Johnson, and Sasser is useful to our analysis. They compared the two certifications and found the industry initiated version to be substantially weaker. It required firms to simply develop their own internal mechanisms to meet their broad goals of ensuring long-term forest productivity and conservation of forest resources. Firms were free to employ their own management specifications, so different firms had different standards. There was no chain of custody accounting and firms did their own monitoring and enforcement. They would report on their compliance privately to the industry association so there was very little transparency and accountability to the public. Gereffi *et al.* have noted that these standards have been ratcheted-up somewhat in the face of activist pressure. The SFI suffered a blow when Home Depot declared its preference for FSC certification August 1999 and Lowe's did the same August 2000.[127] They conclude by proposing that the lesson to be learnt from this competition is that activists and consumers have the ability to quickly delegitimize what they perceive to be weak standards and inadequate enforcement mechanisms.[128] This is certainly a case to be considered if the gold industry decides to go it alone and develop a second-party certification scheme.

Gold will certainly prove more difficult to trace through its chain of custody than diamonds and timber as it undergoes significant mixing during its processing phases.

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[127] Gereffi, Gary, Ronie Garcia-Johnson and Erika Sasser. "The NGO-Industrial Complex." *Foreign Policy* (July/August 2001): 61.
[128] *Ibid.*, p. 64.

However, as the forestry industry has found a way to certify paper, it appears as though the certification of gold is well within the realm of possibility.

Concentration of Firms

Sasser's used the forestry industry to test her theory that an industry containing a small number of large firms is more likely to accept certification as large companies have more at stake and the smaller the number of firms means cooperation should be easier. We have added to this hypothesis by noting that not only are these factors important, but large firms in an oligopolistic market will find it easier to initially bear the costs of certification while also being in a better position to pass these costs on to consumers in the form of higher prices.

The gold mining sector includes firms of all sizes. The Council for Responsible Jewelry Practices is made up of the industry's biggest players representing all levels of the supply chain. This group has begun the industry-side push for certification to protect their business interests. As predicted, this initiative comes from the largest firms that are the most targeted, have the most to lose, and are most capable of assuming the costs of certification.

Some critics have expressed concern that the bar may be set so high as to push small firms with fewer resources out of the market.[129] However, members of the council point to the prolonged consultation period during which all stakeholders may have their say as to where the bar is set and contend that the set of ready-made principles should

[129] Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).

benefit small firms that lack the resources to develop their own compliance system.[130] This debate aside, the point is that certification seems likely as the big players are onside.

Reputation Sharing

As argued in Chapter 2, the most branded firms have an individual reputation to protect and should opt for some form of first-party certification toward this end. In the gold mining industry the most branded firms are the jewelers at the retail end of the supply chain. Instead of coercing each firm into developing its own first-party certification, the No Dirty Gold campaign has developed a standard certification for individual jewelers to sign. The campaign requires jewelers to sign a pledge which amounts to an agreement to work toward a resolution to the outstanding issues identified by the activists as outlined in their 'Golden Rules' of social, ethical, and human rights criteria.[131] In 2005, Tiffany & Co. became the first signatory and, according to Oxfam, by February 2006 they had added 7 more companies representing $6.3 billion dollars in retail jewelry sales or 14% of total US jewelry sales.[132] In May of 2006, No Dirty Gold announced that they now have 11 signatories. These companies are: Tiffany & Co., Helzberg Diamonds, the Signet Group (Sterling and Kay Jewelers), Fortunoff, Cartier, Piaget, Van Cleef & Arpels, Zale Corp., TurningPoint, Fred Meyer Jewelers, and Michaels Jewelers.

We also saw in Chapter 2 that it is quite common to develop industry-wide certification schemes for resource extraction companies as consumers don't always

[130] As argued by ABM Amro's Loet Knphorst and quoted in: Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).
[131] www.nodirtygold.org
[132] Johnson, Kirk. "With This Ethical Ring I Thee Wed." *New York Times* (6 April 2006).

distinguish between these individual companies, leading to a shared reputation problem for the entire industry.[133] Additional incentives to support second-party certification are to reduce auditing costs while ensuring no competing firm has an advantage. Because the reputation of the entire industry is at stake, industry groups such as Jewelers of America and the Council for Responsible Jewelry Practices are working toward an umbrella certification scheme.

An additional financial enticement for the industry to support such a scheme is that while protecting the industry's image, harmonizing a common supply chain management scheme can also reduce existing auditing and monitoring costs.[134] "Because every company currently operates different supplier schemes, there was a concern that people within the value chain could spend the majority of their time simply being audited," explains Simon Gilbert, external affairs manager at Diamond Trading Company, "By providing a base standard that everyone in the supply chain can work off, these different approaches can be amalgamated and the potential costs of auditing reduced."[135]

While the results have taken a slightly different form than those we saw in the forestry example, the main arguments hold true. The most branded firms have opted for a form of first-party certification as they have individual reputations to protect while the less branded firms along the supply chain have joined forces, along with these branded retailers, to implement second-party certification to protect the shared reputation of the

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[133] Gereffi, Gary, Ronie Garcia-Johnson and Erika Sasser. "The NGO-Industrial Complex." *Foreign Policy* (July/August 2001): 61.
[134] Balch, Oliver. "Jewellery: Industry Fights to Polish a Flawed Image." *Financial Times* (25 November 2005).
[135] *Ibid.*

industry as a whole, reduce costs of certification, and ensure no competition has an advantage.

Framework Evaluation

By meeting the criteria for success outlined in our framework the No Dirty Gold campaign has shown and should continue to show positive results by extracting voluntary environmental commitments from individual firms and the industry as a whole. By focusing on jewelry, a luxury item, consumer demand should be quite elastic. There are substitutes available to 'dirty gold' in the form of jewelry made from sustainably harvested gold. While mining companies and gold as a commodity are not highly branded, the sellers downstream are. The end-use product market is very homogenous and visible in the form of jewelry, which should also contribute to the campaign's success. While it is difficult to establish a certifiable chain of custody for gold, it is notable that the FSC has been able to institute one for similarly mixed products. We have seen movement toward certification from the largest firms in the supply chain with the most branded retailers signing individual pledges alongside an industry-wide push to protect the industry as a whole as well as to share costs and ensure a level playing field. Overall, according to our theoretical framework, the prospects for campaign success look positive.

4.3 What are its effects on the possibilities for global governance?

The next section will utilize the framework we developed in Chapter 3 as we consider the No Dirty Gold campaign's consequences for global environmental governance. We will evaluate its democratic implications, its influence on the development of regulation through the state, and its ability to tackle the root causes of environmental problems.

4.3.1 What are the democratic implications of the No Dirty Gold Campaign?

As argued in chapter 3, if we are to adequately assess the democratic implications of the No Dirty Gold campaign we must look for its ability to improve transparency in industry, government structures, and the campaign itself. It must provide public education and offer quality information with integrity. It must encourage and facilitate inclusive debate with a special focus on local voices and the maintenance of local autonomy. We will evaluate the No Dirty Gold campaign according to these criteria in that order.

Transparency is a major concern of the No Dirty Gold campaign. The campaign's listed goals include demands for full disclosure of the social and environmental effects of all projects and independent reviews of the social and environmental management practices of firms. In addition, campaign leaders have called for the inclusion of outside organizations in the Council for Responsible Jewelry Practices so membership is more representative of all stakeholders. The potentially promising result of the campaign is independently verifiable certification with auditing, monitoring, and reporting at every stage of production. This would certainly increase the transparency of the industry.

Education in the form of information dissemination is one of the key elements in the campaign's program. The campaign's website is a major source for information on the effects of gold mining, the leaders and laggards in the industry, and the campaign itself. It provides summaries of many controversial projects and testimonies from local activists working against each individual project. The press releases, interviews, advertising, and links to documentary movies and panel discussions all can be considered educational services. The "Class Ring Campaign" recruits students across North America to spread the word on campuses and their advertisements in major newspapers focus on informing the public of which firms are cooperating and which are not.

While the integrity of the information is not in doubt, it could be considered incomplete. The group has a stated agenda and the information provided is meant to elicit a specific response from the audience. It is a call to arms and not a dispassionate assessment of the situation consisting of the pros and cons of gold mining. One need only glance at ResponsibleGold.org, an industry-run website, to see that there is another interpretation of the situation offered by people with their own agenda that tells a much different story. The fact that the campaign's agenda isn't hidden means that none of this should undermine public confidence in the information that is provided, it simply points to the continued need for a public forum in which all viewpoints can be heard.

No Dirty Gold's ability to provide inclusive debate and local autonomy is hampered by a few fundamental characteristics of this type of campaign. First, by focusing on external markets for jewelry the campaign is in effect putting the onus on foreign consumers to decide the fate of local projects. Much of the information these consumers are basing their marketplace decisions on is provided by the campaign itself.

This makes it imperative that the campaign provides a true and nuanced portrait of local events and debates. Second, the campaign encourages consumers to vote with their dollars. If you do not agree with the policies of a particular firm, do not support them with your patronage. This leads us to one of the most obvious and interesting side-effects of consumer campaigns, namely, who gets to vote. Voting with dollars means that the more money you have, and can potentially withhold, the louder your voice will be. So consumers in Western countries are playing a role in deciding the fate of mining projects in developing countries. It is important to note, however, that these consumers were always driving these decisions by contributing to the aggregate demand for gold. The campaign simply attempts to leverage these votes toward firms and projects it deems sustainable. So, once again, it seems that it is the integrity of the information and inclusiveness of stakeholder voices that ultimately determines the democratic implications of this campaign.

By neglecting the state apparatus and attempting to manage the metals economy from a distance, the campaign makes itself susceptible to charges that its methods are undemocratic. On the surface, it is difficult to argue with the goals and values of the campaign. However, the effects of these values have a very real impact on where companies decide to dig. If the campaign helps to shut-down a proposed or operating mine that enjoys widespread support from the local community for its promise of jobs and development dollars, then the democratic deficit becomes more visible and more troubling. It is difficult to find clear-cut examples of this happening as there are always plenty of dissenting voices surrounding any large and potentially destructive project. There is, however, always a risk of this coming to pass and the only safeguard is the vigilance of activists in their research into and respect for the preferences of the local population.

4.3.2 What are the effects of the No Dirty Gold campaign on the development of the regulatory capacity of the state?

It is perhaps sensible to begin this portion of the analysis with the simple empirical observation that there is no overarching international mining law. In fact, from what we have seen in Chapter 1 we can conclude that competitive deregulation constitutes a crucial problem. With the apparent need for improved regulation of the industry on a global scale, this can be considered a governance gap that the campaign seeks to redress. The No Dirty Gold campaign has coped with the problems of geography, complexity, and time by exploiting characteristics of the network society. It is a definitive product of a globalized world with its global scope, influence, and acceptance of liberal economic values. The campaign thrives on using symbolic politics in the space of the media and its use of the internet demonstrates its affinity to the requisites of the new informational economy. It successfully targets the decentralized nodes of business networks and is in fact a node in a decentralized network itself. No Dirty Gold's ability to utilize these network mechanisms and, as Castells has argued, the ability for the environmental movement as a whole to adapt to the new technological paradigm is what has allowed it to be such an effective movement.[136] However, the achievements of the No Dirty Gold campaign do not negate the desirability of strong, binding regulation by

[136] Castells, Manuel. The Information Age: Economy, Society and Culture Vol. II: The Power of Identity. Oxford, UK: Blackwell Publishers, 1997: 111-132.

government institutions. Even the *Economist*, that purveyor of free-market values, agrees that "private enterprise serves the public good only if certain stringent conditions are met. As a result, getting the most out of capitalism requires public intervention of various kinds, and a lot of it: taxes, public spending, and regulation in many different areas of business activity."[137] So the question remaining is whether or not the No Dirty Gold campaign exonerates the state from its social obligations by taking environmental issues off of the state agenda.

An interesting byproduct of the No Dirty Gold campaign has been the initiative taken by jewelers to lobby for more government regulation, independently in the case of Tiffany & Co. and in conjunction with environmental groups in the case of Jewelers of America.

On 24 March 2004, Tiffany & Co. surprised the industry and activists alike by placing a full page ad in The Washington Post lobbying against a proposed mine in Montana. The ad was signed by Michael Kowalski, Tiffany & Co. chairman and chief executive. This move quite naturally triggered divergent responses from environmentalists and representatives from the extraction sector. "Given the impact of mining for gold, silver and platinum," explains Steve D'Esposito, president of Earthworks, "they are a company who cared about how they were viewed and what their customers think."[138] Laura Skaer, head of the Northwest Mining Association in Spokane, had a different take: "I was stunned that a person of Mr. Kowalski's stature and obvious business acumen would write a letter like that."[139]

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[137] Crook, Clive. "The Good Company." Economist (20 January 2005).
[138] "Dirty Gold? Jewelers Urge Miners to Clean Up." *The Associated Press* (27 April 2004).
[139] *Ibid.*

In November of 2005, Jewelers of America joined forces with environmental NGOs to successfully lobby against a proposed opening of more government land to mining in the US arguing that "strict environmental regulations" need to be in place first.[140] The plan was eventually dropped. Fred Michmershuizen, director of marketing for Jewelers of America, said the organization began pushing a policy of supporting "responsible mining of minerals and metals" when the NGO community set its sites on the issue of 'blood' diamonds, in which Jewelers of America played a lead role in reducing their sale.

In the case of Tiffany & Co., it would seem that this is an attempt to force competitors to face the same conditions, thereby leveling the playing field even if the level of the field is now higher. Tiffany & Co. sources the vast majority of its gold and silver from mines in North America, with most gold being extracted from a large mine in Utah. Faced with activist scrutiny and bearing the burden of an extremely recognizable brand name, it only seems natural for the company to push for best practices along its supply chain while forcing their competitors to contend with these increased costs as well. In the case of Jewelers of America, forming a coalition with environmental groups to oppose the controversial plans to open more government land to mining meets the need to maintain the reputation of the industry as a whole. Regardless of the reasons behind the decisions, these industry actions are actually placing environmental issues more firmly on the agenda of the US government. This, of course, strengthens the arguments of those who support such private initiatives with the hope they will eventually lead to the

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[140] Patterson, Kelly. "Pure Gold? Precious Metal a Potent Symbol in the Battle Over Corporate Social Responsibility." *The Ottawa Citizen* (12 February 2006).

implementation of new binding regulation or a ratcheting-up of existing government regulation.

4.3.3 How effective is the No Dirty Gold Campaign at addressing the structural causes of environmental problems?

The No Dirty Gold campaign is still in its infancy and so the results remain somewhat undecided. Thus, the following assessment is based on a combination of results already achieved as well as the official goals of the campaign. The analysis of the No Dirty Gold campaign's potential to address the root causes of environmental degradation must begin with an understanding of what those root causes may be. As discussed in our framework, the underlying issues differ according to which perspective one subscribes to: Liberal Environmentalist or Green Environmentalist.

Liberal Environmentalists see the root causes of environmental problems as poverty, market failures, a lack of technology, and weak institutions. The No Dirty Gold campaign addresses many of these issues quite effectively. The campaign's use of the market mechanism to promote its goals maintains and promotes free trade and free market values. Increasingly strict adherence to these economic principles has been one of the main catalysts for the unprecedented economic growth of recent times. This, in turn, reduces the 'pollution of poverty' and creates the will and ability to tackle environmental issues. Market failures are most commonly the result of incomplete information. By informing the public of the hidden environmental costs of gold production and encouraging consumers all along the supply-chain to choose less destructive options they are creating demand for an environmentally sound alternative. Activists and industry are now working towards institutionalizing this market mechanism in the form of certified gold products. Certified gold producers will be rewarded with access to this niche market and should be able to charge a premium price for their product. This will create price signals along the chain of custody and enable firms to share any additional financial burden that may result from certification with consumers. The campaign encourages ingenuity through its use of market instruments. By succeeding in raising the costs of degrading the environment, activists create monetary incentives to develop and implement innovative technological and managerial fixes for environmental problems. And finally, by engaging with industry actors directly and negotiating compromises that allow for reasonable reforms of the gold mining sector, the No Dirty Gold campaign promotes cooperation between industry and activists. This should lead to the development of more effective institutions such as third-party certification. In these ways, the No Dirty Gold campaign is a fit with the norms of Liberal Environmentalism and is an effective tool with which to repair the Earth's ecological problems as seen from this worldview.

Green Environmentalists have a much different view of what constitutes the structural causes of environmental degradation, namely, industrial capitalism, economic growth, overconsumption, and inequality. The No Dirty Gold campaign is not nearly as effective as judged from this vantage point. The campaign represents a movement to reform the metals industry and does not advocate for decreased production. By adhering to the economic tenets of free trade and free markets, the campaign does not attempt to reign in economic growth and so falls short of the goals of those who call for limits to growth. Likewise, there is no attempt by the campaign to address problems of overconsumption and inequality, both of which are seen as fundamental sources of environmental destruction.

Not only do the goals of the No Dirty Gold campaign fail to address the structural causes of environmental degradation as seen from the Green Environmentalist perspective, they could actually be viewed as a step backward by facilitating the continuation of a fundamentally unsustainable economy. By making the industry and its products more palatable to socially and environmentally conscientious consumers, the campaign is simply forwarding the myth of Liberal Environmentalism.

So while the No Dirty Gold campaign excels at every aspect of addressing the structural causes of environmental degradation as envisaged by the Liberal Environmentalists, it falls short on all counts as judged by the Green Environmentalists based on the same campaign characteristics compared to a different set of criteria.

Chapter 5

The Global Finance campaign will serve as our case study for capital market campaigns and this chapter will follow the same template as the previous case. It begins with a general overview of the Global Finance campaign before outlining how the campaign makes use of its network characteristics to mitigate the negative environmental implications of distancing. We will find that the initial results indicate a potential movement toward certification and we will apply our framework from Chapter 2 to discover the process by which the characteristics of the industry affect the prospects for campaign success and the shape of the result. Finally, we will mobilize our criteria from Chapter 3 to discuss the Global Finance campaign's democratic credentials, its effect on the development of the regulatory functions of the state, and its capacity to take on the root causes of environmental problems. As with our consumer market case study, this campaign is very new and the results are preliminary; therefore, our analysis will seem somewhat speculative at times.

5.1.1 What makes the Rainforest Action Network's Global Finance campaign a capital market campaign?

The Global Finance campaign was a result of the realization by RAN's campaigners that they could obtain some powerful leverage if they could convince the financiers of large extraction projects to only finance those utilizing what RAN considers acceptable practices. As with consumer market campaigns, instead of trying to directly pressure the extraction companies – who do not sell directly to the public and so do not have reputations to protect – the Global Finance campaign targets the more susceptible firms along the commodity chain. In the case of capital market campaigns, the focus is upstream where the large financiers are banks and funds, both of which can succumb to consumer and investor pressure.

The Rainforest Action Network was an instrumental player in the consumer market campaign targeting the forestry sector and is an ideal example of this new form of market-driven environmentalism. Jim Gollin, chair of the group, offers a to-the-point summary of the group's approach to environmental advocacy: "Most environmental groups try to get the government to enforce changes of behavior on people and corporations. Thirty years ago, that was the cutting edge, but I feel there's very little cheese down that path now. At RAN, we essentially ignore Washington, ignore politics, ignore regulations and regulatory structures, and focus instead on making deals with corporations."[141]

5.1.2 Who started it? When? Why?

The Global Finance campaign was started by the Rainforest Action Network in 2000 and began by targeting Citibank, the largest lender to extractive industries. RAN itself was formed in 1985. Based in San Francisco and Tokyo, this non-profit organization operates in 60 countries and has 35 staff members, thousands of volunteers, and a $3 million dollar annual budget. The group began running market campaigns some

[141] Thornton, James S. *Tricycle: The Buddhist Review.* "Corporate Takeover: An Interview with Environmental Rainmaker Jim Gollin." (May 23, 2005) Available Online. Internet. www.ran.org.

8-10 years ago to, as executive director Michael Brune puts it, "bypass the middle man," by which he means not focusing on government.[142]

The RAN Global Finance campaign is an unadulterated capital market campaign, but it is also part of a large network of NGOs focused on greening the financial sector. It is important to understand this network, called Bank Track, if we are to have a clear grasp of the landscape in which the Global Finance campaign operates.

Bank Track is a not-for-profit network of civil society organizations that tracks the operations of the private financial sector (commercial banks, investors, insurance companies, pension funds) and monitors the effects on people and the environment. This network of independent organizations was launched in 2004 by 12 NGOs and has since expanded to 14 members with its secretariat located in Utrecht, the Netherlands. It does not accept funding from the private financial sector, but instead relies on private foundations and government agencies to fund its operations. In 2005 its annual budget was 114.000 euro and its anticipated 2006 budget should be around 240.000 euro, most of which originated from private foundations.[143] The groundwork for this new network was laid during a 2002 meeting of NGOs in the Italian village of Collevecchio where they drafted a Declaration under the same name. This constituted the first statement from civil society on the role of the financial sector in achieving sustainability. Over 200 organizations signed on to the Collevecchio Declaration, which was officially released in 2003 at the World Economic Forum in Davos.[144]

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[142] Leone, Maire "How Green Activists Zero in on Finance: A Q&A with environmental rainmaker Michael Brune." Available Online. Internet. www.ran.org

[143] The lone funding from government has come from the Dutch Ministry for the Environment to develop their website as well as an agreement to fund a future project. See: www.banktrack.org

[144] The six commitments laid out in the Collevecchio Declaration are commitments to sustainability, to 'do no harm', to responsibility, to accountability, to transparency, and to sustainable markets and governance. These are followed by guidelines for private financial institutions on implementing these expectations.

5.1.3 What are its goals?

The Global Finance campaign believes banks should take responsibility for the social and environmental impacts of their investments and should develop policy safe-guards to ensure they are not financing projects that are needlessly destructive. The specific goals of the campaign as listed on their website are to pressure investors and lending institutions to:

- Stop lending for industrial development in endangered ecosystems
- Phase out of investments in climate disrupting fossil fuels
- Respect the rights of indigenous peoples to free, prior informed consent over development activities in their traditional territories
- Quickly transition financing to support sustainable alternatives such as renewable energies and FSC certified good forest management

Through its membership, the Global Finance campaign also pursues the goals of the Bank Track network. Bank Track lists its priorities in a fourfold approach:

- To educate civil society on the activities and effects of the private financial sector on people and the environment
- To organize NGOs into a network capable of influencing the activities of the private financial sector
- To research the projects and policy developments of the private financial sector

- To inform the private financial sector on the expectations of civil society as to environmentally sound and socially just business practices

5.1.4 What methods are used?

At the heart of the Global Finance campaign is an effort to inform investors and bank customers of the destructive practices they may be inadvertently funding through their financial institutions. As with the treatment of our consumer market campaign, we can organize the methods of this capital market campaign using the three broad and related categories of Grassroots Activism, Use of the Media, and Use of the Internet.

Grassroots Activism

The Global Finance campaign coordinates a multitude of grassroots actions to get the attention of these large financial institutions. These include letter writing, in-person demonstrations at bank branches and annual general meetings, organizing boycotts of financial institutions, and inducing shareholder advocacy directly and indirectly.

The Global Finance campaign coordinates letter writing campaigns to the CEOs of those banks under fire. Their website contains these executives' mailing addresses, links to their emails, and even their office phone numbers.

The Global Finance campaign coordinates demonstrations internationally. The demonstrations include "credit card cut-ups" by celebrity customers, spring break "Spank the Bank" camp in which budding activists learn grassroots organizing techniques, physical blockades of bank branches, and the unfurling of enormous banners in financial districts. The campaign also organizes 'Day of Action' rallies in which they coordinate simultaneous demonstrations. For example, the first 'Day of Action' targeting Citigroup consisted of 50 actions across the US. All of these tactics aim to create a newsworthy event and shame the bank being targeted while creating awareness of the issues and support of the campaign.

One additional tactic utilized by the Global Finance campaign that we did not encounter with the No Dirty Gold campaign is the use of secondary boycotts, as described in Chapter 1. While the No Dirty Gold campaign aims to shame those jewelers that have not yet responded to their concerns, the Global Finance campaign actually calls for customers to divest their interests in the banks being targeted, as the cutting-up of Citigroup credit cards symbolized. Secondary boycotts were also used by RAN during the campaign against the Home Depot and Lowe's. For the most part, this variation really just amounts to a more antagonistic approach by the campaigners themselves, representing a slight divergence in philosophies between the organizations. The result seems to be the same, the public shaming of the targeted firm as an incentive to get them to the negotiating table. These tactics do in fact seem to work. According to RAN, it was only hours before a planned demonstration at Citigroup's annual shareholder meeting in April 2003 when Citigroup executives approached campaign leaders to ask for a ceasefire in exchange for negotiations leading toward a permanent environmental policy.[145] They offered to pull their funding of a controversial oil and gas project in Peru in return for a three month reprieve from campaign actions.[146]

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[145] www.ran.org

[146] www.ran.org

Use of the Media

The campaign runs its own newsroom, publishing articles that cover their concerns and actions. These articles are readily available to all interested parties on their website, which also includes media contacts and links to past articles in which they have appeared in the news. Similar to the No Dirty Gold campaign, the goal is to make their actions, experts, and issue areas as easily accessible to the public as possible, facilitating their exposure in the mainstream media.

Global Finance has also employed the power of advertising throughout the campaign with "[y]ears filled with advertisements on CNN and the New York Times," explains Michael Brune, "When Sandy Weil (former chairman of Citibank) was vacationing in Europe, we took out an ad in the International Herald Tribune. We create pressure by raising awareness, and then investors, employees, and customers usually ask how they can help. Executives get it from all sides."[147] As we can see, these tactics are very personal. The ads will often include names and even pictures of the CEOs being targeted. Attaching personal responsibility for the actions of a bank's clients and then running this information through media outlets with vast circulation has proven to be a very effective means of getting the attention of financial executives.

Use of the Internet

The World Wide Web is used to disseminate information, link to related issues, and connect with partner organizations within their network. It also provides a venue to raise funds as the organization is able to sell itself and its goals along with supplying an effortless way for supporters to make donations. The campaign website contains

[147] www.ran.org

information and links to 'socially responsible investment' (SRI) alternatives. These include screened funds, banks with environmental policies, community investing, and information on how to engage in shareholder activism. In order to trace a project's investment dollars back to the financiers the activists at Global Finance use "several databases, project software, even Google" as well as the occasional leaked information from employees.[148]

Bank Track coordinates its activities through the internet at www.banktrack.org. Here member organizations can directly contribute to the site by posting their own press releases, upload documents, news and agenda items, expand the database, and use the email and discussion lists.[149] There is also an internal website for campaigners to communicate privately with one another, sharing information and improving their effectiveness.[150] External information is disseminated through the main website and also through the previously mentioned email and discussion lists, which are separated into unique broadcasts for individuals, NGOs, banks, and the press.[151]

5.2 What are the immediate results as far as reform of the minerals sector and its effects on environmental and human rights?

With the increased power and profits of the financial sector resulting from the loosening of capital controls and the further integration of national capital markets, financial institutions are being pressured to take on increasing responsibility for the social

[148] www.ran.org
[149] www.banktrack.org
[150] www.banktrack.org
[151] www.banktrack.org

and environmental effects of their investment decisions. As with consumer market campaigns, activist pressures have resulted in voluntary CSR initiatives. On the international level this has translated into a mixture of fourth-party, second-party, and first-party certification schemes. It is again difficult to demonstrate a direct correlation between campaign pressure and the creation of these certification schemes, but what is quite clear is that the pressure continuously exerted by campaigners is slowly ratcheting-up the standards of these voluntary agreements.

The fourth-party certification has been the longest running and was initiated by the United Nations Environment Program (UNEP). The UNEP-Finance Initiative (UNEP-FI) was created in 1991 as a venue for private financial institutions to learn about and share techniques on developing environmental policies. The UNEP-FI coordinates workshops, writes reports, hosts conferences, and publishes a newsletter on these issues. Its member financiers sign on to the 'UNEP Statement by Financial Institutions on the Environment and Sustainable Development.' The group takes policy positions on many issues, including pledging the support of its members for the Kyoto Protocol.[152]

The UNEP-FI, in partnership with the UN's Global Compact, initiated the Principles of Responsible Investment (PRI), which is a voluntary code aimed at institutional investors. While campaigners have applauded these initiatives as a step in the right direction, they find them inadequate without more transparency, reporting, and a governance process that is more inclusive of governmental and civil society voices.[153] Toward this end, campaigners from Global Finance, through their participation in Bank

[152] www.banktrack.org
[153] www.banktrack.org

Track, have joined forces with other members of global civil society to monitor financial actors' compliance to these governmental initiatives.

In addition to their work on monitoring and reforming this fourth-party certification, campaigners are currently focused on monitoring, increasing the transparency of, and introducing a complaint mechanism to the Equator Principles (more on the EPs below).[154] Once again we observe civil society working to ratchet-up existing voluntary initiatives. We will now bring in our framework from Chapter 2 to assess the prospects of the Global Finance campaign and its results.

Structure of Industry

We will again mobilize our theoretical framework to establish how the variables fare against our second case study. Manipulability of consumer demand, location of branding along the supply chain, homogeneity and visibility of products, and traceability of the commodity will establish if the Global Finance campaign will be successful while the concentration of firms and whether reputation is individual or shared amongst firms will determine the end result of this campaign.

Manipulability of Consumer Demand

In order for the Global Finance campaign to constitute a credible threat to the interests of the minerals mining sector it must be able to manipulate consumer or investor preferences. This, in turn, depends on the availability of substitutes, whether it be in the form of a competing product or a competing firm.

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[154] Personal Communication. (October 26, 2006).

Mineral commodities are often concealed within goods and dispersed amongst innumerable different products. Consumers can no more differentiate between goods that contain these hidden minerals then they can between the unbranded mining companies. The task seems especially futile when we consider that mining any mineral requires large and potentially destructive projects; it is not a simple task to find preferable substitutes. Therefore, it is nearly impossible to manipulate consumer demand by pushing substitution strategies on consumers. It seems that for mineral commodities, targeting consumer choices downstream would not produce significant results. The campaign instead focuses its resources upstream in an attempt to influence the consumers of financial products and services offered by firms at the investment node of the minerals supply chain.

Targeting banks is a seemingly more effective route to ensuring sustainable practices in the mining industry as the products offered by these financial institutions are substitutable in a couple of ways. First, there are competing products to traditional financial services, such as, socially screened investments as an alternative to unscreened portfolios. Second, there are substitutes available for the personal financial services offered by banks that fund harmful projects in the form of credit unions and banks with established social policies that offer similar services.

So by swaying the preferences of consumers of investment assets and personal financial services the Global Finance campaign should be able to garner a credible threat to the business interests of large banks – and thus the entire mining sector – as there are substitutes readily available.

Location of Branding Along Supply Chain

Another variable determining the ability of the Global Finance campaign to successfully pressure the minerals mining sector to improve their environmental practices is its ability to target the most branded firms along the supply chain. With few exceptions in the industry, minerals mining companies are not deeply branded. In contrast, finance companies are heavily branded as they rely on their reputation to market many of their financial services, such as credit cards, loans, and other personal banking options. In fact, a recent survey of over 250 senior executives in global financial institutions conducted by PricewaterhouseCoopers and the Economist Intelligence Unit found that, on a scale of 1 to 5, 43% ranked "underlying brand strength and awareness" as critical (a ranking of 1) while another 36% considered it just below critical (a ranking of 2). The only concern that these executives scored as more critical to attracting customers to their company than branding was the "quality of service and staff" with other factors such as "financial performance" ranking far down the list.[155] Obviously, brand image is considered a vital concern when attracting customers to banks. Therefore, the Global Finance shame campaigns aimed at these branded banks should amount to a formidable threat.

Homogeneity and Visibility of End-Use Products

How concentrated the variety of products and how visible these products are will affect the ability for the Global Finance campaign to focus its resources and improve the effectiveness of its negative marketing campaigns.

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[155] "A Hard Sell." Bank Marketing International 190. (June 2006). Online. Internet. Available: http://www.experian.com/whitepapers/bank_marketing_international.pdf

Minerals, such as copper, zinc, and sulfur are so widely dispersed throughout various industries after extraction that targeting their end-users becomes very difficult. With some notable exceptions such as oil and aluminum that are vertically integrated (think Shell and Alcan), most mineral commodities are not associated with their ultimate end-use goods. This has led to activist actions focused on linking the financial services of these large banks with the social and environmental effects of the projects they fund.

Targeting banks continues to make sense from an activist point of view when we consider the criteria of concentrated and visible end-uses. The end-use products of banks are the financial services they offer. Because banks occupy the farthest upstream node of the supply chain it is necessary to flip our thinking from inputs into this node to the outputs it provides. In the context of the banks' role in the minerals mining commodity chain, we are speaking of the loans and investment dollars that fund these large development projects. When we assess the concentration of end-uses from this perspective we see that they are indeed very concentrated. For example, the 31 banks that supported the Equator Principles as of June 2005 account for about 80% of all project loans by market volume.[156] We can also see how targeting Citigroup first, as the largest financier of these development projects, was the most efficient use of campaign resources.

The visibility variable does not bode as well for the prospects of the Global Finance campaign to pose a credible threat. The investment dollars are not as visible to bank customers as a gold ring is to jewelry consumers. This is why one of the major tasks of the Global Finance campaign and its allies at Bank Track is to make these transactions more apparent to the public eye. The second part of this mission is to then link the bank's

[156] www.banktrack.org

investment decisions to its more visible banking products, such as their branded branches, credit cards, debit cards, and other personal financial services.

To sum up, when the variables of the concentration and visibility of products are considered, it makes the most sense for activists to target the financial node of the minerals commodity chain. Banks account for the vast majority of project loans by market volume. While these investment dollars are not highly visible, by making investment decisions public knowledge and linking them to the banks' more visible personal financial services, the Global Finance campaign can expect to be taken seriously by banks.

Traceability of Commodity

As previously discussed, the ability to track discreet units of the commodity through its chain of custody is vital to the success of market campaigns. While tracking many of these minerals from mine to consumer remains next to impossible, it is a relatively simple task to track financing from the investor to the mine. This is why campaigners are preaching the old adage "follow the money" when attempting to assign blame and thereby inject accountability into the supply chain.

There is of course no commodity to be certified in the case of regulating global financing of mining projects, but we can treat both SRI and other voluntary environmental policies and agreements in a somewhat similar fashion. By creating awareness of some of the destructive practices funded by financial institutions, campaigners are attempting to establish demand, and thus a market, for banks and funds that screen their investments or otherwise pressure firms they finance to clean-up their practices. According to the Social Investment Forum, in 2002 there were 230 socially screened mutual funds representing about $2 trillion or 12% of managed funds.[157]

Although many SRI funds seemed to outperform traditional funds for the last decade or so, this was probably linked to the strong performance of high-tech sectors, which account for a disproportionately high percentage of SRI portfolios. Now that commodity prices have skyrocketed due to increased demand from China and other developing countries with high rates of growth it seems unlikely that SRI funds, which tend to screen out these environmentally destructive industries, will be able to sustain their high returns. Regardless, there is a pricing mechanism at work that demands certification. If SRI funds perform better than regular funds, they will demand an instrument that will allow them to differentiate themselves in order to market their premium services. If SRI firms perform poorly as compared to traditional funds, the investors are actually bearing the cost of a public good (a sustainable environment) and will demand confirmation as to the social benefits being purchased. This means there should be a market for establishing recognizable criteria, monitoring, and enforcement mechanisms – in other words certification – for SRI. There are certainly many options available – ISO 14001, the Principles for Responsible Investment, the Equator Principles, the Colleveccio Declaration, or the Global Reporting Initiative – but none of these has yet proven itself acceptable to the critical mass of backers from industry, government, and civil society that would be necessary to obtain the degree of support and status enjoyed by the FSC in the forestry sector. These certification candidates will be revisited throughout the remainder of this chapter.

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[157] Brysk, Alison. *Human Rights and Private Wrongs: Constructing Global Civil Society*. New York: Routledge, 2005: 73.

Campaigners at Bank Track feel that while third-party certification may have the charm of clarity, there are numerous practical problems that make its emergence highly unlikely.[158] These problems include tracking the sheer number of transactions, deciding who would be the third-party, how to incorporate very real conflicts between stakeholder interests, what standard to use, at which stage of the project to verify (at the due diligence phase things are still unclear – when the project is up and running it is of little practical interest), who would bear the costs, and so on.[159] They feel that a better way, and one that Bank Track has advocated for a long time, is a robust accountability mechanism that can deal with problems when they arise and can be invoked by stakeholders.[160] Despite these justifiable reservations, when we consider the economic incentives to create such a certification (argued above) and the fact that the FSC has overcome similarly difficult obstacles to certifying forest products, it seems too soon to rule out the development of a third-party certification scheme for SRI.

While minerals are probably too difficult to trace through their supply chain, the dollars that finance the project are a likely candidate for certification. This assessment is based on the observations that a market for SRI already exists, there seems to be a pricing mechanism that demands certification of these funds, and financial accounting practices are already a crucial and required aspect of any financial institution.

Concentration of Firms

Our framework states that the more concentrated the industry is in terms of the number of firms and their market share the more likely it is that certification will emerge.

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[158] Personal Communication (October 27th, 2006).
[159] Personal Communication (October 27th, 2006).
[160] Personal Communication (October 27th, 2006).

As argued by Sasser, larger firms have more at stake, will find cooperation easier, and will be more willing to accept the costs of certification. In addition, firms operating in an oligopolistic market can pass costs on to the consumer in the form of higher prices with less risk of losing market share to competition.

The financial sector certainly meets this criterion as it is dominated by relatively few, very large firms. Banks continue to grow due to relaxed regulation, increasing profits, and the accompanying increase in mergers and acquisitions. In 2006, the ten largest commercial banks in the US controlled 49% of American banking assets, which has increased from the 29% share they held in 1996.[161] In Europe the numbers show an even greater concentration. According to Boston Consulting Group, from 1990 to 2004 the market share of the five largest banks rose from 35% to 46% in Spain; from 26% to 54% in Italy; from 52% to 66% in France; from 66% to 82% in Britain; and from 78% to 89% in the Netherlands.[162]

According to our framework, the high concentration of the financial sector makes certification very likely.

Reputation Sharing

This part of our framework posits that highly branded firms will opt for first-party certification to protect their reputations while second-party certification will emerge to protect the reputation of the industry as a whole, reduce the costs of certification for each individual firm, and assure these firms that competitors will not gain an advantage.

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[161] *Economist* 379: 8478. "Thinking Big: A Survey of International Banking." (20 May 2006): 3.
[162] *Economist* 379: 8478. "What Single Market?" (20 May 2006): 13.

This seems to be the case as targeted banks have begun developing first-party codes. Campaigners are working with the three largest US banks – Citigroup, Bank of America and JPMorgan Chase, as well as the gargantuan global investment bank Goldman Sachs – to implement corporate environmental policies.

Citigroup, as the largest financial institution in the world, was the first target of the Global Finance campaign beginning in April 2000. The maiden voyage of this flagship campaign was a long and difficult journey. After four years of campaign pressure Citigroup released *New Environmental Initiatives* in January of 2004. These wide-ranging environmental commitments were then used by RAN to challenge other large banks to follow suit.

The campaign then focused on the second largest bank in the US, Bank of America, beginning in April 2004. Under increasing pressure from activists, Bank of America released its own environmental policies later that year, establishing new "best practices" in climate and forest protection.

In November 2004, the campaign took aim at JPMorgan Chase, which seemed to be reneging on its commitment to draft its own environmental policies. Finally, in April of 2005, JPMorgan Chase responded to the activists' demands with an environmental policy that set new benchmarks in many areas of ecological and human rights.

One year later, Goldman Sachs became the first global investment bank to adopt environmental policies and went even further by calling for increased state regulation to reduce greenhouse gas emissions, which will be elaborated on later in the chapter.

The financial sector has also developed second-party certification in the form of the Equator Principles to complement these first-party codes. The Equator Principles are an industry-led initiative launched in June 2003 by 10 leading international banks, but are designed to include other financial investors, such as insurance companies. The program commits firms that adopt the principles (they do not have to sign them) to abide by the social and environmental criteria of the International Finance Corporation, which is an arm of the World Bank Group. They represent the first social and environmental codes for the financial sector.

Once again our case study seems to confirm our theoretical framework as the most branded firms have initiated first-party certification to secure their established individual reputations. We have also witnessed the implementation of industry-wide commitments suggesting that the financial community also feels that there is a threat to the entire sector. Second-party certification will help protect against the threat to the shared reputation of institutional investors as a whole while sharing costs with the competition so all are operating on a level, albeit higher, playing field.

Framework Evaluation

The nature of the minerals mining industry complicates the options available for market campaigns focused on this sector and the preliminary results of the Global Finance campaign reflect this. While minerals are very difficult to target, the focus on banks has rendered some impressive results. There are substitutes available to 'dirty money' in the form of competing products and firms at the investment node of the minerals supply chain. The highly branded banks working upstream from production make a very susceptible target for activists. The market for project loans is very concentrated, but campaigners must continue to work toward making these loans visible to the public and linking them to the banks' consumer products. While minerals are difficult to trace, the investment dollars are not. It remains to be seen if a certification institution covering investments will emerge that is acceptable to all parties. Banks are very large businesses and the largest control a gigantic share of the market so certification does seem likely. As our framework suggests, the highly branded banks have signed first-party certification initiatives while the industry as a whole, which includes smaller and lesser known financial institutions, has developed second-party certification to complement these individual commitments. Thus, although the campaign has taken on a slightly different shape than consumer market campaigns due to the unique challenges posed by the minerals sector, the prospects also look good for the Global Finance campaign to render effective results based on our criteria.

5.3 What are the Global Finance campaign's effects on the possibilities for global governance?

We will now evaluate the broader political implications of the Global Finance campaign based on the criteria developed in Chapter 3. This section considers the campaign's democratic implications, its effect on the regulatory capacity of the state, and its competence in addressing the root causes of environmental degradation.

5.3.1 What are the democratic implications of the Global Finance campaign?

In this section we will again base our assessment on the criteria of transparency, education, and inclusive stakeholder debate.

The Global Finance campaign seeks to increase the transparency of the mining industry through project and policy monitoring. They have been successful at tracking money from controversial projects back to the financiers as well as keeping an eye on individual banks' investment portfolios. In addition, they trace financial institutions' codes of conduct while monitoring and reporting on their compliance to these. The Global Finance campaign also monitors the development of and compliance with various governing structures through their involvement with Bank Track. One of the six core commitments laid out in the Collevecchio Declaration is in fact a "Commitment to Transparency." There are two main programs focused on achieving this result: the Global Reporting Initiative (GRI) and SPI Finance. The GRI exists as an independent institution utilizing a multi-stakeholder process with a mission to develop and disseminate globally applicable Sustainability Reporting Guidelines. In 2003 NGOs teamed up with the UNEP-FI to draft a supplement focused on financial institutions. SPI Finance was developed in 2002 to create social performance and reporting indicators for ISO 14001-certified banks. These indicators are the same as those found in the GRI financial services sector supplement. The campaigners at Bank Track have found these lacking as they are not focused enough on the social performance of financial portfolios.[163]

The Global Finance campaign educates the public through its website and through the media. The website has information available about the campaign itself, the role of financial institutions, the individual projects of concern, and links to alternative financial services for customers of offending banks. In addition, it supplies the media with

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[163] www.banktrack.org

information through its online newsroom and contacts. Many more of its educational efforts seem to be organized through Bank Track.

Bank Track hopes to coordinate and support international campaigns aimed at preventing the harmful impacts of the financial sector. It also aims to strengthen civil society's capacity to monitor and influence the sector by providing policy analysis and research for NGOs, conducting training for campaigners, and supplying direct support for project affected communities. The organization would like to function as an international clearinghouse for NGOs to obtain information and develop strategies focused on the financial sector as well as act as a news source for the financial press. Additionally, it aspires to be the one stop entry for banks to contact environmental, social, and human rights NGOs engaged in project and policy monitoring.

One of the main aspirations of both the Global Finance campaign and Bank Track is to include local voices in development decisions. Toward this end, they call for banks to "respect the rights of indigenous peoples to free, prior informed consent" while offering direct support for project affected communities.[164] The campaign does not discourage investment in all large development projects; they recognize local development needs and only target those projects that take place in protected forests, take no consideration of greenhouse gas emissions, or are undertaken without the prior consent of the community.[165] In fact, they do not choose projects to target and instead treat complaints initiated and then forwarded to them by the affected communities themselves as a precondition to any response from the campaign.[166]

[164] www.banktrack.org
[165] Personal Communication (Oct. 25 2006).
[166] Personal Communication (Oct. 25 2006).

5.3.2 What are the effects of the Global Finance campaign on the development of the regulatory capacity of the state?

As discussed in previous chapters, deregulating and integrating global capital markets has led to increased capital mobility and profits for the financial sector. The global scope, complexity, and speed of financial transactions are such that individual states seem inept at regulating them. There are some international environmental regulatory initiatives, but the agreements reached through these remain quite vague and voluntary. Once again, civil society seems to be in the most advantageous position to temper the power of global capital by utilizing its network characteristics to couple profits with social and environmental responsibilities.

The Global Finance campaign and Bank Track display the network characteristics that allow for them to rein-in these corporate networks. In addition to their use of Information Technology (IT) to target banks and disseminate information, they are also nodes in a larger network of NGOs targeting banks in their respective regions. Bank Track is a "flat membership based network with only a minimum of organizational structure" and mainly consists of a steering committee made up of representatives from its main organizational members.[167] This steering committee oversees the development of the network in line with the strategic work plan adopted at annual meetings and decides on statements issued by Bank Track following consultations with members. This loose, horizontal structure allows for the sharing of expertise and resources amongst globally dispersed activists. Through Bank Track, member organizations are able to minimize

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their overhead costs while maximizing their ability to tackle the governance gaps left by the hierarchically-organized and territorially-bounded state.

Generally, the result has been voluntary initiatives, but these have been followed in some cases with calls by both activists and investing institutions for more government-led environmental regulation of the financial sector. Through this network, activists explicitly press for both private and public regulation as written in the Colleveccio Declaration: "As major actors in the global economy, [financial institutions] should embrace a commitment to sustainability that reflects best practice from the corporate social responsibility movement, while recognizing that voluntary measures alone are not sufficient, and that they must support regulations that will help the sector advance sustainability."[168]

When Goldman Sachs adopted its comprehensive environmental policy in late 2005, it included calls for US federal regulation to help curb climate change. The global investment bank worked with the Global Finance campaign to develop the internal policy, but went even further by acknowledging the scientific consensus around climate change and asking for increased public regulation to reduce greenhouse gas emissions. This approach recognizes a need for governments to help steer the economy toward sustainability with strong regulations and incentives so forward-looking companies do not lose market share due to a competitive disadvantage while also reducing the uncertainty and risk that the bank must face without such regulatory controls. The implications are the same as those of the No Dirty Gold campaign, namely, one of the effects of market campaigns can be pressure from industry for increased government regulation as firms attempt to protect themselves from activists while ensuring that their

[168] www.banktrack.org

competitors play by the same rules. In other words, it seems that sometimes market campaigns place issues more firmly on the state's agenda as opposed to exonerating public policy-makers from their social obligations. However, it must be noted that once again this has been a case of pressure exerted by industry on a developed country government; we have yet to see an example of a parallel process at work in any developing countries.

5.3.3 How effective is the Global Finance campaign at addressing the structural causes of environmental problems?

As with our previous case study, we will assess the Global Finance campaign's effects on the root causes of environmental degradation as seen by Liberal Environmentalists and Green Environmentalists respectively. This entails judging its effect on poverty, market-failures, lack of technological fixes, weak institutions and cooperation followed by a look at its effect on industrial capitalism, economic growth, overconsumption, and inequality. Due to the youthfulness of the campaign and the preliminary nature of the results, this analysis will consider the stated goals of the campaign in addition to those results already realized.

The effects of the campaign on the ability to alleviate poverty are debatable. The campaign does not attempt to halt the free flow of capital that has helped increase rates of economic growth in both the developed and the developing world. Liberal Environmentalists would see this as a positive characteristic. However, developing countries tend to rely on primary resources for a large portion of their development dollars and so a perverse effect could eventually be the channeling of much needed funds away from developing nations toward more developed economies. To date, this remains purely hypothetical as there is no evidence of any such trend and halting development is not a goal of the campaign. Alternatively, one could argue that the campaign focuses on those projects that are unnecessarily destructive to and uninvited by local communities and so reduces the burden of poverty. The aggregate effects – direct and indirect – are therefore ambiguous at this point.

Market failure occurs when the price of a good, which is dictated by supply and demand, does not reflect the full costs or benefits to society and so results in an inefficient allocation of resources. The campaign can be seen as tackling market failures in several ways. By nurturing a market for SRI through improved information, activists help industry realize the potential societal gains that had previously not been captured. They focus on projects with negative externalities with the hopes that the financial backing will be reallocated for less harmful projects. By increasing demand for socially responsible investing, they create a supply of SRI dollars that are available only to projects that meet the investment criteria.

The Global Finance campaign encourages technological innovation in the mining industry by directing funds away from projects utilizing older, dirtier technologies. The campaign pressures banks to invest in cleaner, more sustainable industries and this may translate into resources being channeled away from the more primitive extractive sector in favour of high technology and knowledge-based industries. In addition, SRI usually favours high technology over more primitive industries with greater environmental impacts.

By working directly with industry, the Global Finance campaign creates the basis for cooperation toward a greener path for the mining industry. Through their involvement in Back Track, the campaign also works with intergovernmental institutions, specifically the UN, and helps to lay the foundation for tripartite cooperation and the building of more effective institutions focusing on environmental issues.

We must now evaluate the goals of the Global Finance campaign from the Green Environmentalist perspective. The campaign scores points with this position by advocating for investment to be channeled away from fossil fuels and toward renewable energy. With the focus on connecting the right to profit with the responsibility of sustainability, the campaign seems to encourage a new type of economy more interested in social and environmental health. The Colleveccio Declaration is based on the principle that there is an historic detachment between the world's natural resource base, production, and consumption and as we reach the ecological limits, financial institutions must take their share of responsibility to reverse the effects of this detachment. They must incorporate environmental protection and social justice goals into their ambitions of maximizing financial return. The Green Environmentalists would certainly agree that with the vast majority of development dollars being supplied through private channels, there needs to be increased accountability within the financial sector. This seems to be a step toward fostering an economy based upon sustainability and ecological rights.

The campaign also tackles some of the most visible examples of overconsumption and inequality by attempting to repel capital from investing in environmentally irresponsible resource extraction projects. This may not have much of an effect on the rich, but by protecting the natural environment the campaigners could argue that the poorest are much better off. The poorest strata of society relies the most heavily on natural resources for their well-being and large development projects that do not have proper environmental controls in place can actually reduce their well-being. However, it is again worth noting that the Global Finance campaign does not advocate for an end to industrial development and will therefore find itself at odds with the Green Environmentalist position.

A certain amount of ambiguity exists when attempting to reconcile Green Environmentalist values with the methods utilized by the Global Finance campaign. Green Environmentalists call for a reversal of globalization while the campaigners actually rely on the drivers of globalization to achieve their goals. The campaigners depend on IT to gather and disseminate information, they demonstrate the network characteristics synonymous with organizational restructuring, and they use the power of private finance as a vehicle to reach their social and ecological goals. They not only fail to rein-in globalization, but in fact further the trend by participating in the process. By working within the global capitalist system this reformist movement does not imply that there should be limits to economic growth but, rather, economic growth simply needs to be steered in a more sustainable direction.

Conclusion

The impacts of the global mining industry, both positive and negative, are multifaceted and depend largely on the quality of governance. Once we begin to view the site of resource extraction as a node in a global commodity chain we reveal new difficulties and opportunities for regulating industry practices. The difficulties stem from the effects of distancing along with the material and ideological constraints on the governing capacity of states in a globalizing world. The opportunities can be found in the networks of autonomous advocacy groups relying on their ability to disseminate information and target the most vulnerable nodes of global commodity chains to press for change.

This study has sought to determine the effects of market campaigns on the prospects for global environmental governance through the No Dirty Gold and Global Finance campaigns' attempts to reform the international mining industry. It has endeavored to discover how these campaigns operate, what the immediate results of these campaigns are, what the broader implications for democratic decision-making are, how they affect regulation through the state, and how well they tackle the root causes of environmental degradation.

By utilizing grassroots demonstrations, the media, and the internet, these campaigns have harnessed the forces of globalization and have used them to influence markets. What we have found at this early stage in the life of these campaigns is that they have proven to be quite effective at gaining the attention of their corporate targets. The immediate result has been the certification of firms with the type of campaign and resulting certification based largely on industry characteristics. We have seen initial CSR commitments being ratcheted-up through continuing campaign pressure, resulting in movements toward independently verifiable, third-party certification in the case of gold mining and the potential for a similar push in the finance sector.

The democratic implications of these campaigns are many-sided. They have been assessed on the basis of their efforts to promote transparency, supply educational information, and facilitate inclusive debate amongst all stakeholders. Both campaigns score quite well on all counts. They push for transparent business transactions, they go to great lengths to disseminate information to all parties and the public at large, and they give voice to concerned citizens and community stakeholders at the project site and around the world. However, these campaigns do not represent all stakeholders and only supply one side of the debate. The information provided is presented to gain support for the campaign and does not reflect the opinions of industry and those in favour of the projects being scrutinized. This is not so much a criticism of the campaigns themselves but, rather, it is a recognition that for democratic decision-making to take place there is still a need for a public forum in which all stakeholder voices can be heard.

When assessing the campaigns' effect on the development of the regulatory capacity of the state, this study has uncovered some surprising results. There has been much concern surrounding how these campaigns circumvent governments and deal directly with corporations. Besides the democratic implications of sidestepping governments mentioned above, the fear is that market campaigns might lead to strong binding regulation being replaced with the weaker, voluntary type by taking environmental concerns off of the state regulatory agenda. However, what this study has found is that instead of exonerating the state from its regulatory obligations, it appears that in both cases these campaigns have actually indirectly pressured governments to pass new social and environmental regulations. As targeted firms are forced to acquiesce to campaign demands, these industry actors have begun lobbying governments to pass stricter regulation lest they lose market share due to a competitive disadvantage. On the other hand, it is important to note that thus far these actions have been limited to a couple of individual acts aimed at the US government. This process has not been widely repeated and we have yet to observe any parallel events in the developing world. Therefore, it is much too early to formulate any extensive generalizations.

When it comes time to judge these campaigns' ability to attack the root causes of environmental degradation we must first decide what these root causes might be. Opinions differ according to one's worldview and this study has drawn on the work of Dauvergne and Clapp to divide environmentalists into two camps, Liberal Environmentalists and Green Environmentalists. The market campaigns studied do an excellent job at addressing the root causes of environmental degradation as seen from the Liberal Environmentalist perspective. Market campaigns do not unduly impede economic growth, they help to correct market failures, and they encourage technological fixes, ingenuity, and cooperation amongst stakeholders. The market campaigns would not be as celebrated by Green Environmentalists. While the green environmentalists might applaud the efforts of these campaigns to connect companies' right to profit with social and environmental responsibilities, they would probably suggest that these endeavors ignore the structural causes of environmental destruction and are even perhaps reinforcing this system by furthering the myth of Liberal Environmentalism. The campaigns do nothing to tackle overconsumption and very little work has been done to reduce inequality. The Global Finance campaign should fare slightly better in the Green Environmentalists' eyes as it not only explicitly calls for rethinking our economic priorities, but also actually works toward steering global capital away from the most destructive industries, thereby contributing to a push toward an economy based on social and ecological sustainability.

It has been argued throughout this paper that market campaigns are a product of the historical period from whence they emerged. Therefore, it should come as no surprise that these activist instruments fit the requirements of the Liberal Environmentalist paradigm, which is itself the present stage in the evolution of mainstream environmental thought and practice. It is precisely the ability of market campaigns to make use of the forces of globalization through their network characteristics as well as their ability to conform to the requisites of free-market economics that allow for them to achieve their goals. The Liberal Environmentalist position sees the problems as absolute poverty, market failures, lack of technology, and poor institutions – all of which find feasible, albeit partial, solutions through globalization and economic growth. This perspective sees market campaigns as achieving incremental reform in the right direction – market campaigns are a progressive force.

Gaining ground once again in mainstream circles, Green Environmentalism has many adherents worldwide that see largely unfettered economic growth, the spread of industrial capitalism and overconsumption, and rising inequality as the root causes of environmental destruction. According to this perspective, market campaigns may not simply fall short of achieving environmental sanity, they may in fact further entrench these destructive forces – market campaigns are a conservative force.

The Green Environmentalist perspective calls for a radical overhaul of the global political economy while the Liberal Environmentalist position appears content with incremental reform. The question is whether or not the use of market campaigns to achieve immediate environmental results hampers the possibilities for deeper and more fundamental modifications of the global political economy of resource extraction, consumption, and distribution. The jury is still out. What we do know is that how one views these campaigns depends in large part on how one views these fundamental issues.

Even if we agree that the Green Environmentalist position may be correct and is certainly indispensable in reminding us that isolated acts of environmental improvement alone are not enough, it seems that the Liberal Environmentalist position – mobilized in the form of market campaigns – remains productive. This paper argues that globalization offers both new challenges and new possibilities for global environmental governance. Part of the challenge is to locate these possibilities and implement serviceable solutions to issues that demand immediate attention. Although reconciliation of these two worldviews is effectively unworkable, both perspectives – along with complementary action – have important roles to play if we are to collectively improve our environmental condition.

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