

# Business Strategy and International Environmental Governance: Toward a Neo-Gramscian Synthesis

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The centrality of business in negotiating, structuring, and implementing regimes of international environmental governance is all too obvious to negotiation participants. Dupont's influence over the US administration's position on ozone-depleting gasses and the fossil fuel industry's leverage over negotiations to limit greenhouse gas emissions have been well documented.<sup>1</sup> The trend toward privatization of governance, in the areas of environmental management systems, chemicals in foodstuffs, and related trade disputes, have also received some critical attention.<sup>2</sup> Nevertheless, theoretical tools for understanding the relationship of business to international environmental governance are underdeveloped. Despite considerable popular concern with the growing power of multinational corporations (MNCs) and the lack of democratic accountability in international governance, there has been little scholarly attention to the mechanisms and effectiveness of corporate political strategies directed toward international environmental regimes, nor to the underlying processes by which corporate perceptions of their interests develop.

A focus on the role of the private sector suggests the need for a political economy approach. The interdisciplinary framework developed here bridges macro and micro-levels of analysis by bringing together perspectives from International Relations (IR) with theories of management and organization. In broad terms, we view the uneven and fragmented nature of international governance as the outcome of a process of bargaining, compromise, and alliance formation at the level of specific regimes. These negotiations, which are constitutive of the broader structures of global governance, engage a range of actors including states and transnational organizations, businesses and industry associations, and social forces such as environmental and labor groups. Organizations such as the UN and the World Trade Organization serve in multiple capacities; as fora for bargaining, as targets of policy, and as semi-autonomous agents in their own right.

1. Levy 1997; Newell 2000; and Parson 1993

2. Clapp 1998; and Cutler et al. 1999.

Specific regimes are constitutive of global governance structures as well as a product of these wider configurations. The development of each environmental regime is shaped by micro-processes of bottom-up bargaining and constrained by existing macro-structures of production relations and ideological formations. These structures, which themselves are the outcome of historical conflicts and compromises, ensure that the bargaining process is not a pluralistic contest among equals, but rather is embedded within broader relations of power. Nevertheless, the complexity and dynamic nature of the bargaining process, within which alliances, interests, and capacities of actors can shift and mutate, lends a degree of indeterminacy to the compromises reached over the form and mechanisms of individual regimes. Sensitivity to a strategic dimension of power suggests that intelligent agency can sometimes outmaneuver resource-rich adversaries.

### **Beyond Regime Theory**

The basic concept of regimes in International Relations retains considerable value for analyzing international governance. Keohane defines regimes as “persistent and connected sets of rules and practices that prescribe behavioral roles, constrain activity, and shape expectations,”<sup>3</sup> while Krasner similarly refers to clusters of “norms, rules, principles and decision-making procedures.”<sup>4</sup> Notable in these definitions is the recognition of regimes as loci of governance, distinct from states or governments, whose cognitive and normative dimensions can structure social behavior.<sup>5</sup> Rules, norms, and practices generally operate in the context of specific organizations, “material entities possessing offices, personnel, budgets, equipment, and more often than not, legal personality,”<sup>6</sup> which typically have some capacity for monitoring and enforcement. Regimes thus comprise networks of actors, routines, principles, and rules, simultaneously constituting and disciplining their subjects, constraining and enabling patterns of behavior.

Despite the richness of the regime concept, the development of regime theory has been somewhat constricted. It has primarily been used to explain the existence of international institutions of governance as mechanisms for “resolving conflicts, facilitating cooperation, or more generally, alleviating collective-action problems in a world of interdependent actors.”<sup>7</sup> This functionalist orientation presumes that regimes are benign entities negotiated in a pluralistic context to provide public goods such as environmental protection. Moreover, regime theory has been much criticized for its state centrality<sup>8</sup> and neglect of non-

3. Keohane et al. 1993, 4.

4. Krasner 1983, 2.

5. Rosenau 1992; and Young 1994.

6. Young 1994, 15.

7. Young 1994, 3.

8. Strange 1996.

state actors, particularly NGOs and business.<sup>9</sup> By contrast, the Gramscian framework advanced in this paper points to the important role of business actors, while suggesting the importance of civil society as a field of political struggle. Regime theory also tends to neglect the embeddedness of particular regimes in broader economic and discursive structures of the global capitalist economy, the linkages between domestic and international politics,<sup>10</sup> and the dynamic processes within which interests are rearticulated and coalitions reconfigured across these levels.

A Gramscian framework promises considerable value in understanding the processes of contestation, resistance, and accommodation at the regime level, as well as the relationship between regimes and broader relations of power. Gramsci's work, which has been applied by a number of IR scholars in recent years, also has value in analyzing the strategies pursued by MNCs as they engage with environmental regimes. Gramsci's work combined abstract conceptual development with detailed, bottom-up analysis of particular social situations. By extending this work to examine corporate engagement with environmental regimes, we highlight the political nature of strategies to protect market position, legitimacy, and autonomy in the face of environmental issues; technological innovation, partnerships with NGOs, and the development of private standards are all "political" in this broader sense.

Gramscian ideas provide a conceptual linkage between corporate strategy and international relations in constructing a political economy of international environmental governance. We use the term "neo-Gramscian" in acknowledgment that our conceptual framework does not rely on Gramsci's writing in any doctrinaire sense and that it also owes intellectual debts elsewhere. Our framework offers a number of unique insights. It addresses relationships between national and international levels of analysis, between states and non-state actors, and between agency and structural relations of power. It points to particular patterns of strategies likely to be adopted in bargaining over complex regimes, and highlights the dynamic, and somewhat indeterminate path of regime evolution. Finally, it suggests a strategic concept of power that presents opportunities for resource-poor groups to outmaneuver rivals.

## Gramsci's Politics

Perhaps Gramsci's most significant contribution to political thought is the concept of hegemony, referring to the persistence of specific social and economic structures that systematically advantage certain groups. Hegemony is not dependent on coercive control by a small elite, but rather rests on coalitions and compromises that provide a measure of political and material accommodation with other groups, and on ideologies that convey a mutuality of interests. Hege-

9. Haas et al. 1993; and Haufler 1998.

10. DeSombre 2000; and Schreurs 1997.

monic stability is rooted in the institutions of civil society, such as the church, the academy, and the media, which play a central role in ideological reproduction, providing legitimacy through the assertion of moral and intellectual leadership and the projection of a particular set of interests as the general interest. Civil society, in Gramsci's view, has a dual existence. As the ideological arena in which hegemony is secured, it represents part of the "extended state," complementing the coercive potential of state agencies. However, the relative autonomy of civil society from economic structures and from state authority turns the ideological realm into a key site of political contestation.

A hegemonic social structure, or an "historical bloc" in Gramscian terms, exercises hegemony through the coercive and bureaucratic authority of the state, dominance in the economic realm, and the consensual legitimacy of civil society. Gramsci used the term historical bloc to refer to the alliances among various social groupings and also to the specific alignment of material, organizational, and discursive formations which stabilize and reproduce relations of production and meaning. These two meanings of "historical bloc" are closely related, for the ability to mobilize an effective alliance requires not just economic side-payments but also discursive frameworks that actively constitute perceptions of interests. For Gramsci, hegemony entails:

not only a unison of economic and political aims, but also intellectual and moral unity . . . the development and expansion of the [dominant] group are conceived of, and presented, as being the motor force of a universal expansion . . . In other words, the dominant group is coordinated concretely with the general interests of the subordinate groups.<sup>11</sup>

Hegemony is also contingent and unstable. The economic and ideational realms evolve in dialectical tension, generating underlying fault-lines and contradictions. Gramsci was acutely sensitive to the resulting dynamics: "What is this effective reality? Is it something static and immobile, or is it not rather a relation of forces in continuous motion and shift of equilibrium?"<sup>12</sup> This understanding of the complex dynamic nature of social systems, suggestive of contemporary complexity theory,<sup>13</sup> led Gramsci to emphasize the importance of agency and strategy in challenging groups with superior resources. Drawing from Machiavelli, Gramsci posited that the political party could serve as the "Modern Prince," who could analyze the "relations of forces" to reveal weaknesses and points of leverage, and possess the organizational capacity to intervene during critical windows of opportunity. Gramsci warned against fatalism that stems from overly deterministic, structural accounts of history, and also against utopianism that results from excessive faith in unconstrained agency.

11. Gramsci 1971, 181.

12. Gramsci 1971, 172.

13. Stacey 1995.

Gramsci outlined two particular forms of strategy commonly evinced in social conflicts. The term “passive revolution” was used to describe a process of reformist change from above, which entailed extensive concessions by relatively weak hegemonic groups, often in the guise of populist or nationalist programs, in an effort to preserve the essential aspects of social structure. The concept of “war of position” employed a military metaphor to suggest how subordinate groups might avoid a futile frontal assault against entrenched adversaries; rather, the war of position constitutes a longer term strategy, coordinated across multiple bases of power, to gain influence in the cultural institutions of civil society, develop organizational capacity, and to win new allies.

### Gramsci and International Relations

If the role of business has been somewhat neglected in regime theory, it has taken center stage in the work of a number of scholars who have applied Gramsci to questions of international relations. Cox argues that this approach “regards class formation and the formation of historic blocs as the crucial factor in the transformation of global political and social order,”<sup>14</sup> generating a bottom-up understanding of the world economy and state system that avoids the economic determinism of world systems theory. Cox and others describe the ascendancy of a transnational historical bloc comprising a managerial elite from MNCs, professionals from NGOs and academia, and governmental agencies.<sup>15</sup> Cox contends that we are witnessing the growth and coordination at a global level of economic structures, neoliberal and consumerist ideologies, and a set of economic/political institutions such as the World Trade Organization and International Monetary Fund. Sklair points to the strategic function of transnational industry groupings such as the Trans-Atlantic Business Dialogue and the European Roundtable of Industrialists in creating the infrastructure of the emerging bloc.<sup>16</sup> At the center of this bloc, Cox argues, is a transnational managerial class, which, despite internal rivalries, displays an “awareness of a common concern to maintain the system.”<sup>17</sup>

Gill refers to the dominant ideology of the transnational elite as “disciplinary neo-liberalism,” which incorporates a faith in market forces, privatization, unfettered international trade and investment, and minimal provision of social services.<sup>18</sup> He describes the surveillance mechanisms that impose discipline on states, companies, and individuals in the new order, from the monitoring of inflation rates and budget deficits to corporate and personal credit ratings. The result of this restructuring is a “new constitutionalism” in which the rights of capital over states are enshrined in global accords.

14. Cox 1987, 357.

15. Murphy 1998; and Robinson 1996b.

16. Sklair 1997; and Sklair 1998.

17. Cox 1987, 359.

18. Gill 1995a, 1995b.

The application of Gramscian thought to current trends in the international political economy has not been without critique. Germain and Kenny have questioned whether Gramsci indeed offers a coherent perspective on the relationship between economic structure, ideology, and agency.<sup>19</sup> As Rupert acknowledges in a response, "Gramsci's legacy is fragmentary, fraught with analytical and political tensions, and eminently contestable."<sup>20</sup> This is hardly surprising, given the unfinished nature of Gramsci's notes and the complexity of the theoretical challenge. Gramsci's value lies, rather, in the inspiration he has given to contemporary theorists in their sophisticated treatments of these issues.<sup>21</sup>

Germain and Kenny's critique of neo-Gramscian IR for neglecting processes of resistance is pertinent for some IR scholars who provide a rather deterministic reading of Gramsci. The writings of Cox, Robinson, and van der Pijl, for example, appear in places to reflect an overly economic depiction of the development of structures of governance, while lacking a sophisticated theory of ideology. Cox, for example, defines the internationalization of the state thus:

*First*, there is a process of interstate consensus formation regarding the needs or requirements of the world economy that takes place within a common ideological framework. . . . *Second*, participation in this consensus formation is hierarchically structured. *Third*, the internal structures of states are adjusted so that each can best transform the global consensus into national policy and practice.<sup>22</sup>

This rather top-down rendition positions the national state as a servant of international capital. Robinson likewise argues that national states are converted into "transmission belts and filtering devices for the imposition of the transnational agenda."<sup>23</sup> Van der Pijl paints an abstract picture of conflict between fractions of capital based in the Anglo-US "Lockean heartland" and more protectionist and interventionist "Hobbesian" states.<sup>24</sup> The writing of these neo-Gramscians is similar in spirit to the business conflict model, which attempts to explain foreign policy of states in terms of competition among industrial blocs.<sup>25</sup> The work of Gill and Sassoon, by contrast, is more attuned to the significance of discursive formations and the opportunities for contestation.<sup>26</sup>

Germain and Kenny also question the relevance of Gramsci's analysis of the state-civil society relationship to contemporary international relations, particularly the meaning of international civil society and hegemony in the absence of a supra-national state, or a "corresponding structure of concrete political authority."<sup>27</sup> As Rupert and Murphy emphasize in their responses, the problem

19. Germain and Kenny 1998.

20. Rupert 1998, 427.

21. Giddens 1984; Hall 1986; and Laclau and Mouffe 1985.

22. Cox 1987, 254.

23. Robinson 1996a, 19.

24. van der Pijl 1998.

25. Cox 1996; Ferguson 1995; and Skidmore-Hess 1996.

26. Gill 1995a; and Sassoon 2001.

27. Germain and Kenny 1998, 17.

is not one of trying to discern the intent or truth of Gramsci's original text, but rather whether the core concepts retain value.<sup>28</sup> We argue that hegemony retains validity in describing the stabilization of a specific ensemble of economic and discursive relations that bind a network of actors within a framework of international institutions. This framework includes international agencies that exercise normative and disciplinary sanctions, if not sovereign powers. Similarly, Gramsci's concept of civil society has application if emergent international NGOs play the same dual role envisaged by Gramsci; as semi-autonomous arenas of cultural and ideological struggle, and also as key allies in securing hegemonic stability. In securing support for market-based approaches to environmental problems, environmental NGOs such as World Resources Institute and Environmental Defense have become major advocates for market solutions and private partnerships.<sup>29</sup> Boehmer-Christensen's work also shows that international scientific groups such as the IPCC are more embedded in the political process than suggested by conventional accounts of epistemic communities.<sup>30</sup> At the very least, a Gramscian perspective should provoke a more critical engagement with pluralist accounts of global civil society that champion NGOs as the autonomous social groups balancing the power of states and capital.<sup>31</sup>

While Germain and Kenny are correct in arguing that much of Gramsci's work focused on hegemony in the national context, Gramsci did recognize that capitalism and class consciousness traversed national boundaries.<sup>32</sup> Some of his work was comparative, examining the specific historical configurations of economic, ideological, and political forces in different countries, but he also addressed the shifting relationships among major states, such as the growth of regionalism.<sup>33</sup> He also noted the emergence of "international public and private organizations that might be the shapeless and chaotic civil society of a larger, economically concrete social order, and that certainly promoted such an order—the League of Nation's economic agencies, the International Chamber of Commerce, the World Council of Churches, the ILO, and various international fraternal orders."<sup>34</sup>

Gramsci's analysis was acutely sensitive to the interplay of forces operating at multiple and intersecting levels; regional, national, and international. Gramsci's contribution to international relations, and to our understanding of environmental regimes in particular, therefore, lies less in his scattered notes on international politics and economics, and more in the concept of hegemonic formations as complex dynamic systems comprising overlapping and interpenetrating subsystems:

28. Murphy 1998; and Rupert 1998.

29. Helvarg 1994; and Rowell 1996.

30. Boehmer-Christiansen 1996; and Haas 1992.

31. Lipschutz 1992; Mathews 1997; and Wapner 1995.

32. Gramsci 1971, 240–241.

33. See, for example, Gramsci 1995, 191–269, especially 232–233.

34. Murphy 1998, 423.

international relations intertwine with these internal relations of nation-states, creating new, unique and historically concrete combinations. A particular ideology, for instance, born in a highly developed country, is disseminated in less developed countries, impinging on the local interplay of combinations. This relation between international forces and national forces is further complicated by the existence within every State of several structurally diverse territorial sectors, with diverse relations of force at all levels.<sup>35</sup>

## Gramsci, Organization Theory, and Corporate Strategy

We have noted how the IR literature tends to treat corporate interests at an abstract, aggregate level; capital rather than corporations. A political economy approach, while recognizing the embeddedness of regimes in broader structures, needs to address the specific conditions under which firms engage with particular issue arenas; a theory of the firm as a political actor is needed.<sup>36</sup> Management and organization theory offers several perspectives on corporate political strategy that provide insight into the relationship between business and governance at the national level. Much of this literature, however, is concerned with empirical investigation and categorization of the drivers and forms of corporate political strategy (CPS), rather than posing larger questions concerning the extent and significance of corporate power.<sup>37</sup> Early writing in the field emphasized corporate dependence on government policy and characterized strategies along a continuum, from reactive to more effective, proactive approaches.<sup>38</sup> This range of responses has also been associated empirically with corporate reactions at different stages of an issue's life cycle.<sup>39</sup> While much of the literature has viewed CPS as a set of non-market activities quite distinct from market-oriented strategies, Baron has argued for their integration and Schuler has noted that political strategies frequently serve as a substitute for failing competitive strategies.<sup>40</sup>

The CPS literature draws from a disparate set of conceptual frameworks. Political strategy at the industry level has been viewed as a form of collective action; the question is then one of the costs and benefits of participation. This perspective suggests that industries are more likely to undertake coordinated action when firms face a common threat, when large economies of scale from cooperation are available, and when industry concentration enables a few large firms to bear the costs.<sup>41</sup> Another stream of research examines the strategic use of regulation by firms to increase costs for competitors or reduce the threat of competitive market entry. The differential cost of meeting regulation frequently leads to the creation of "winners versus losers."<sup>42</sup> Oster has argued that industries form

35. Gramsci 1971, 182.

36. Amoore 2000.

37. Getz 1997; and Shaffer 1995.

38. Mahon 1983; and Weidenbaum 1981.

39. Clarkson 1995.

40. Baron 1997; and Schuler 1996.

41. Lehne 1993; and Yoffie 1987.

42. Leone 1986.



“strategic groups” clustered around common market and non-market strategies, and found that firms pursue political strategies that hurt rivals even when the outcome was detrimental to the industry as a whole.<sup>43</sup> Shaffer’s study of the US automobile industry’s response to CAFE standards points to the dynamic evolution of political strategies as regulations and compliance costs evolve.<sup>44</sup>

Several contributions have examined firm-level and institutional variables that affect the political strategy formulation process.<sup>45</sup> Boddewyn and Brewer have asserted that the intensity of political behavior is likely to be greater when the stakes are higher, opportunities for leverage are greater, and firms’ political competencies are more developed. Moreover, this political behavior is likely to be conflictual rather than accommodating when potential policies have a high strategic salience, when the situation is perceived as zero sum, and firms have sufficient power to affect the outcome.<sup>46</sup> Writing a decade before climate change became an issue for the fossil fuel industry, Gladwin and Walter, argued that secure supplies and stable demand are the “jugular veins” of MNCs in the oil industry, such that any threat would likely provoke an assertive and uncooperative corporate response.<sup>47</sup>

While the corporate political strategy literature suggests a general antagonism toward environmental regulation, there is a rapidly growing stream of writing on corporate environmental management, whose central theme is an exploration of the economic benefits of pursuing “green” strategies. Various sources of economic gain are posited. The application of total quality and lean production management techniques to the environment offers the potential for redesigning products and production processes to reduce pollution while simultaneously reducing fuel and material expenses and the costs of waste disposal, insurance, legal fees, and liability.<sup>48</sup> In addition, skillful marketing of green products can generate positive publicity and create attractive new market segments with premium prices.<sup>49</sup> Despite the attractions of “win-win” rhetoric, however, the theoretical case is more complex and empirical evidence is mixed.<sup>50</sup>

The question of whether businesses have truly “changed course” regarding the natural environment, as alleged in the title of Schmidheiny’s influential book, has generated a critical, populist literature.<sup>51</sup> The way in which firms have sought to deal with environmental challenges needs to be understood in a political context. Environmental management can be understood in Gramscian terms as a strategy of accommodation, combining material and discursive efforts to preserve corporate legitimacy and autonomy in the face of growing pub-

43. Oster 1982.

44. Shaffer 1992.

45. Hillman and Hitt 1999; and Hillman and Keim 1995.

46. Boddewyn and Brewer 1994.

47. Gladwin and Walter 1980.

48. Fischer and Schot 1993; and Smart 1992.

49. Coddington and Florain 1993.

50. Cairncross 1991.

51. Beder 1997; and Rowell 1996.

lic environmental concern; it is thus more about political and economic than environmental sustainability. The growth of systems of private regulation and environmental standard-setting through stewardship and certification schemes, for example, have provided a key route for firms to project their legitimacy as responsible environmental actors.<sup>52</sup>

Some contributions attempt to examine critically the significance of these trends as patterns of business regulation in a context of globalization.<sup>53</sup> While connections to the construction of international regimes are few, this literature provides evidence of the plurality of roles played by firms in creating and enforcing diverse structures of governance. That these are emerging alongside and partly in place of inter-state initiatives suggests the shifting nature of alliances between actors and provides further insight into the emergence of private regimes and the privatization of regulation.<sup>54</sup>

While managerial and organizational approaches enrich our understanding of corporate environmental strategies, they tend to be decontextualized from the wider relations of power in capitalist society. There is also too little attention to contestation from social groups, to the significance of ideology, and to the process of corporate adaptation and accommodation. Here we use Gramsci's multi-level analysis of social systems to build a coherent framework that can link the macro world of international governance structures with the micro level of specific issue arenas such as environmental regimes. According to Aronowitz, Gramsci's theory of the historical bloc can be applied to contemporary politics by "building from a micropolitics of autonomous opposition movements, whether derived from production relations or not."<sup>55</sup>

Gramsci's conception of hegemony provides a basis for a critical approach to corporate political strategy that emphasizes the interaction of material and discursive practices, structures, and strategems in sustaining corporate dominance and legitimacy in the face of challenges from social actors and economic rivals. Corporations practice strategy to improve their market and technological positioning, sustain social legitimacy, discipline labor, and influence government policy. The interrelationships among these actors and among market and non-market goals leads to the conclusion that, in a broad sense, all strategy is political. As a result, the traditional distinction between conventional (market) and political (non-market) strategy is untenable.<sup>56</sup> It is not just that firms need to coordinate market and non-market strategies to achieve economic goals; Shrivastava describes the "continuing political battles that proactively shape the structure of competition," and emphasizes the need to analyze "the social and material conditions within which industry production is organized, the linkages of economic production with the social and cultural elements of life, the

52. Murphy and Bendell 1997.

53. Newell 2001.

54. Cutler et al. 1999.

55. Aronowitz 1981.

56. Callon 1998; and Granovetter 1985.

political and regulatory context of economic production, and the influence of production and firm strategies on the industry's economic, ecological, and social environments.<sup>57</sup> Strategies to engage with these complex, interconnected economic and political structures affect the relative position and privilege of actors, and are thus inherently political. This insight suggests a *strategic* concept of power.

The networks of actors and concomitant material and discursive structures related to specific issue arenas closely resemble the "organizational fields" discussed in institutional theory,<sup>58</sup> particularly those renditions that attempt to integrate aspects of the "old" institutional theory, which pays more attention to power and alliances,<sup>59</sup> with the new emphasis on legitimacy and norms.<sup>60</sup> According to Hoffman's analysis of environmental management in the US chemical industry, organizational "fields become centers of debates in which competing interests negotiate over issue interpretation."<sup>61</sup> Fligstein explicitly uses the "markets as politics" metaphor as a conceptual tool for analyzing internal battles for corporate control and external competition for market domination.<sup>62</sup> In Gramscian terms, field-level politics can fruitfully be viewed as a "war of position," a contested process of assembling and stabilizing an historical bloc. Similarly, the establishment of hegemony is equivalent to the process of field stabilization. Actors seek to build coalitions of firms, governmental agencies, NGOs, and intellectuals who can establish policies, norms, and institutions that structure the field in particular ways. Industry, unable to rely on economic power or governmental connections alone, needs support from a broader group of actors. The Global Climate Coalition, for example, the leading industry association opposing the Kyoto Protocol, invested considerable efforts to frame public debates of the science and economics of climate change in a way that would build alliances with groups concerned about energy costs, such as farmers and retirees, as well as other industry sectors. Where institutional theory emphasizes pressures for convergence and stability, however, a Gramscian framework highlights disequilibrium and change. Contradictions, competing ideologies, and active agents ensure that the terrain of economic and political contestation is forever unfolding.

## **Conclusion: Toward a neo-Gramscian Synthesis on Business and International Environmental Governance**

A synthesis of the macro-level International Relations perspective with the more micro-level approaches from organization theory provides the basis for a frame-

57. Shrivastava 1986, 371–374.

58. DiMaggio and Powell 1991; and Scott and Meyer 1994.

59. Pfeffer and Salancik 1978.

60. Brint and Karabel 1991; and Fligstein 1991.

61. Hoffman 1999, 351.

62. Fligstein 1996.

work for understanding the role of business in international environmental governance. The development of individual regimes is constitutive of the broader system of governance, yet simultaneously constrained by it. The terrain of bargaining among MNCs, states, and NGOs over each regime has unique features associated with the particular environmental issue in question; for example, climate change and genetically modified organisms involve different sets of actors and institutions, scientific understandings, public perceptions of risks, and corporate interests. Nevertheless, both regimes are developing in a broader system of environmental governance with some overlap in actors and institutions, and a common set of norms and expectations regarding, for example, the role of market instruments and private initiative.

The process of regime formation described here resembles, in some respects, the bargaining theory of MNC-host country relations developed in the 1970s.<sup>63</sup> According to the bargaining model, the distribution of benefits from foreign direct investment was contingent on relative bargaining power, which in turn was a function of the specific assets and capabilities held by each side. In our framework, actors are bargaining over the very structures and processes of international governance. Regime structures and processes thus reflect the power, resources, preferences, and strategies of the various actors in these contests. The uneven outcomes of these negotiations among national states, business, and civil society, over a series of specific issue arenas, account for the fragmented and untidy form of global governance. For example, the difficulties in concluding the Cartagena Protocol on Biosafety and the ambiguous compromises that remain in the text of the agreement reflect the differences in approach to the regulation of genetically modified organisms between Europe and North America. These, in turn, are underpinned by the shifting nature of relations between biotech firms, government regulators and environmental pressure groups, which determine what sort of deal is possible in light of the need to accommodate commercial concerns regarding market access and public concerns about the environmental and human health implications of the technology.

Our framework differs from the traditional investment bargaining approach in several key respects. First, where the traditional model assumed that only MNCs and states participate in negotiations, a model of bargaining in international governance needs to take account of multiple actors. Second, the traditional model emphasized the economic dimension of bargaining power arising from access to unique resources, while the new model points to the importance of discursive and cultural power to frame debates in specific ways, and the significance of organizational capacity and alliances. These sources of power are not simply additive; the interplay of material, discursive, and organizational resources in a "war of position" is critical to success.

It is useful to highlight some distinctive contributions that a neo-Gramscian perspective brings to regime analysis. First, we might expect to ob-

63. Fagre and Wells 1982; and Vernon 1971.

serve specific strategies as actors engage in a “war of position” across the three pillars of hegemony. On the material level, companies develop product and technology strategies to secure existing and future market positions. On the discursive level, companies attempt to challenge the scientific and economic basis for regulation and use public relations to portray themselves and their products as “green,” adopting the language of sustainability, stewardship, and corporate citizenship. On the organizational level, companies build issue-specific coalitions that cross sectoral and geographic boundaries and reach into civil society to include labor and other groups. Where partners in civil society cannot be located, one industry tactic has been to establish organizations ostensibly representing private citizens in order to give the impression of grass roots lobbying, an activity termed “astroturf organizing.”<sup>64</sup> A Gramscian analysis suggests, however, that without real roots in civil society, historical blocs are likely to be weak; the ultimate failure of the Global Climate Coalition’s challenge to climate science can be understood in these terms.

The framework is encouraging for environmental NGOs because it points to the potential for outmaneuvering rivals through the use of sophisticated analysis, clever strategy, good timing, and some luck. NGOs are sometimes able to compensate for their lack of resources by coordinating their efforts, appealing to moral principles, and exploiting tensions among states and industry sectors with various interests. Such strategic opportunities are likely to be more prevalent when issues are highly complex, with multiple actors, contingencies, and issue linkages, because it becomes more difficult to foresee consequences of actions and to exercise power in conventional ways. Paterson, for example, describes the way in which environmental groups have sought to mobilize the insurance industry to speak in favor of action on climate change, thereby fracturing industry opposition to controls.<sup>65</sup> Green groups have also been successful in the UK in encouraging retailers to reject GM ingredients in their foods in response to consumer concerns with a direct impact on the market share of biotech companies.<sup>66</sup> Despite these limited achievements, hegemony, by its nature, is resilient. As Gramsci acknowledged, dominant actors often attempt to absorb social pressures and protect their position through an accommodationist strategy of “passive revolution.” For example, European defiance in the face of strong pressure from the United States to open markets to GMOs may be worn down by the credible threat of a case being brought before the WTO and US concessions on labeling of exported GMOs.

The neo-Gramscian framework suggests that stable and effective international regimes require the formation of an historical bloc in both senses of the term: first, an alliance among states, leading business sectors, NGOs, and assorted professionals; second, an alignment of economic, organizational, and ideological forces that coordinate the interests of the members of the bloc. New-

64. Stauber and Rampton 1995.

65. Paterson 1999.

66. Levy and Newell 2000.

ell shows how, in the case of climate change, the boundaries of acceptable action are configured through a mutually reinforcing relationship between ideas, material capabilities and institutions. The debate concerning the legitimacy and economic viability of various courses of action is framed by an ensemble of institutions and actors that transcend national boundaries and whose position is bolstered by their embeddedness within a particular structure of production that relies heavily on the use of fossil fuels.<sup>67</sup>

The contested and contingent nature of Gramsci's notion of hegemony finds a path between state-centered accounts of traditional regime theory and overly instrumental accounts of corporate power. The *process* of forming an historical bloc also accounts well for the dynamics of issue development. Even in the absence of external shocks, a series of minor developments in the economic, discursive, and organizational realms can lead to a period of instability and change. The rapid movement of companies in fossil-fuel related industries toward a more accommodating stance after 1997 cannot simply be explained in terms of new scientific discoveries or technological changes, but flowed from a cascading sequence of events endogenous to the issue arena, in which actors' interests evolved along with their strategies.<sup>68</sup> While the indeterminacy of complex negotiations makes it impossible to predict the precise form of an environmental regime, a detailed analysis of actors' strategies and the shifting balance of forces can help to provide insight into the reasons why specific mechanisms and structures evolve in the context of a particular environmental issue.

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