Chapter 2
Business Actors in Global Environmental Governance

Abstract The purpose of this chapter is twofold: to show where the book stands in the discipline of the political science, and to demonstrate how it would advance the study of business actors in global environmental governance. To begin with, this chapter firstly classifies existent literatures on business actors approach in the discipline of global environmental governance into following four categories: business self-regulations, public-private partnerships, non-state market driven governance and business conflict school. Second, based on the first point, a constructivist perspective on business actors and environmental governance is introduced. Finally, given the insights of the constructivist theory, it explains how the case of automobile industry would add new insights on extant approaches.

Keywords Business actors · Global environmental governance · Agency beyond the state · Agency with and beyond the state · Constructivism

2.1 Business Actors in Global Environmental Governance: A Classification of Business Involvement

As the name 'International Relations' suggests, the principal analytical units have been nation-states. There has been a significant amount of writing within the IR discipline on the international politics of the environment in recent years. In particular, much of the works are done in line with the regime theory[1] mostly outlined

[1]Liberal institutionalist position associates with so-called 'Neo-Liberal Institutionalism' in International Relations. The core assumption of the theory is placed on the role of international institutions in international politics. By drawing upon the Prisoner's Dilemma in game theory, it argues that the key to solve the Dilemma is to convince and shift the perception of the other parties that it

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by Keohane (Keohane 1988; Keohane and Axelrod 1985; Keohane and Levy 1996; Keohane and Nye 2000). This is not surprising, given that certain forms of environmental degradation, such as the issues of climate change and ozone depletion, cannot be solved purely at the local level, but their solution requires global cooperation since they affect the planet as a whole (Doyle and McEachern 1998; Connelly et al. 2002). With the strong emphasis on international regimes,[2] international cooperation, and the ordering and management of the interstate system, regime theory continues to enjoy a privileged status within the study of international politics of the environment (Newell 2005).

As applied to the study of global governance, Young (1999) has suggested that 'governance without government' is possible by international regimes. Young conceived global governance as consisting primarily of interstate cooperation or interdependence, and he therefore analysed as a collective actions problems. The regimes, or sets of roles, rules and relationships that focus on specific issue areas could provide governance under the condition of anarchy. The primary components of these regimes are nation-states, and therefore its focus was placed on international regimes. It follows that non-state actors are less important in the process of governance, and they are primary understood as a factor that enhances the effectiveness of interstate patterns of governance.

In the recent study associating with global governance suggests that global governance is about "regulatory mechanisms in a sphere of activity which function effectively even though they are not endowed with formal authority" (Rosenau 1995, p. 5). This means that not only nation-states, but also non-state actors are increasingly taking important roles in global governance. The section below discusses how various non-state actors are gaining importance in global environmental governance.

In the context of environmental politics, the identification of domestic factors that shape the interest of state actors is essential for a better understanding of the topic. Rather than structural constraints, domestic political pressures have large

(Footnote 1 continued)
is possible to gain mutual benefits achieved by long term cooperation, rather than the imaginary benefits that could be gained by the act of Defection. To put simply, it is needed that Prisoner's Dilemma to be played over time. To ensure the game to be played over time is to establish international regimes. Regimes facilitate cooperation because for example, they do change patterns of transaction costs and provide information to participants, so that uncertainty is reduced. Thus regimes facilitate cooperation because they disseminate information, monitor behaviour and therefore help to prevent cheating. Moreover, regimes facilitate cooperation among states because they: facilitate issue inter-linkage; increase number of interaction; help states to find partners to cooperate because regimes allow reputation to be developed and this influence states' future potential to do so (Keohane and Axelrod 1985).

[2]Regimes refers to a set of explicit of implicit "principles, norms, and decision making procedures around which actor expectations converge in a given issue-area" (Krasner 1983).

impacts over state positions and negotiation preferences in foreign climate change policies. For instance, business actors, the scientific community and environmental NGOs, are actors that shape the interest of state actors in the context of the international politics of the environment. Thus, the examination of the extent of their influence over climate change politics is crucial.

This demand of the further investigation on the role of the non-state actor in international environmental politics led to the new strand of research area in the discipline of IR, which is labelled as 'Agency beyond the State' (Biermann et al. 2009; Dellas et al. 2011). The concept of Agency and actor differs. Actor can refer to any party that takes action, whereas Agency can be conceptualized as any actor who possesses the ability to prescribe behaviour and to obtain the consent of the governed. In this context, they may not only "lobbying and advising national governments in the creation and implementation of rules", but also they "substantially participate in/or set their own rules related to the interactions between humans and their natural environment" (Biermann et al. 2009, pp. 37–43). The key focus is placed on the need of the further investigations on whether nation-states can fulfil their core functions under the pressure of earth system transformation,[3] and to what extent non-state actors are filling new governance demands. 'Agency' may include various non-state actors, such as scientific community or what Haas called the 'epistemic community' (Haas 1992), 'global civil society' (Wapner 1995; Lipschutz 2004) and business actors.

This book sheds light on the business actor in the context of environmental politics. The interests of business actors are directly affected by environmental regulation. Most notably, their activities contribute the global environment both *positively* and *negatively* (Rowlands 2001). Needless to say, they affect the global environment negatively as their economic activities inevitably pollute the environment and thus create various environmental degradations. At the same time, increasing investments on research and development on sustainable technologies could potentially contribute to the solution to environmental degradations.

The involvement of business actors in the international politics of environment is not new. The business involvements in the United Nations environmental governance system can be traced back to 1977 when business actors launched a global applicable voluntary code of conduct for themselves as the UN Centre on Transnational Corporations (UNCTC).[4] Another example can be drawn from the

[3]Earth system transformation is marked by "persistent uncertainty regarding the causes of global environmental change, its impacts, the interlinkage of various causes and response options, and the effects of possible response options….Uncertainty hence poses particular governance challenges. It requires governance to be stable over decades and centuries to withstand sudden changes of earth system parameters (or changes in out knowledge about these parameters), but also to be flexible enough to adapt to changes within the larger stable framework. Governance must be oriented towards the long term, but must also provide solutions for the near future" (Biermann 2007, pp. 329–330).

[4]The UNCTC was established in 1972 as the focal point, for all matters related to transnational corporations and foreign direct investment within the United Nations system. In 1993, the UNCTC was transferred to the Division on Investment, Technology and Enterprise Development of the

establishment of the World Business Council for Sustainable Development (WBCSD) in 1995[5] and Business Action for Sustainable Development (BASD) in 2002.[6] Further, the UN and the business actors made a pact called 'The Global Compact' in 2000 that set ten universally accepted principles for corporations, including environmental matters such as supporting a precautionary approach, promoting greater environmental responsibility and encourage the development of environmental friendly technologies. This pact primarily aimed for the business actors to behave in socially and environmentally sound ways (Clapp 2005).

Given the growing participation of business actors in making of global environmental governance, focus on the activities of business actors is increasingly important (Rowlands 2001; Jacobs 1991; Hurrell and Kingsbury 1992; Clapp 1998, 2003; Usui 2002; Desombre 2005; Levy and Newell 2005; Börzel and Risse 2005; Pattberg 2005, 2007; Chan and Pattberg 2008; Jagers and Stripple 2003; Pattberg and Stripple 2008; Cashore 2002; Bernstein and Cashore 2007; Cashore 2002; Falkner 2001, 2003, 2005, 2008; Bäckstrand 2008). Consequently, the concept of global environmental governance is changing from intergovernmental bargaining arrangements to a more dynamic, complex form of governance where business actors are actively involved.

Any theory of International Relations that focus is ultimately placed on the role of nation-states cannot account for these dynamics, as they treat the interest of states as 'given'. Therefore, the study of business and industry interests adds an important dimension to our understanding of international environmental agreements and helps to explain why some states are more active than other states in environmental policy makings. In particular, the fundamental question that lies in the growing scholarly attentions is, how industry can transform from the position of 'dragger' to that of 'pusher' in the area of global environment rule making and what could the driving force behind of such transformation.

Various theories challenge the question of changing business behaviours towards sustainability from different angles. It is important to briefly review these theoretical developments. To begin with, scholars who are labelled as the 'Neo-Gramscian strand' argue that since corporations are central to capital accumulation in each state, they possess structural influences over the state's environmental decision making (Levy and Newell 2002, 2005; Newell and Paterson 1998). The starting point of this argument is that the role of the states is to maintain and advance the general interest

(Footnote 4 continued)
United Nations Conference on Trade and Development United Nations Conference on Trade and Development (UNCTAD) (UNCTAD) in Geneva.

[5]WBCSD was originally established in 1990 as Business Council for Sustainable Development among 48 business leaders to represent the voice of business at the 1992 Earth Summit in Rio. The WBCSD was formed in 1995 in order to "galvanize the global business community to create a sustainable future for business, society and the environment" (WBCSD n.d.).

[6]BASD is a joint initiative between WBCSD and International Chamber of Commerce in order to form a "comprehensive network of business organizations that have come together under one banner in the interests of sustainable development" (BASD n.d).

of the capital, which would in turn maintain the legitimacy of the state. Consequently, those who organize the process of capital accumulation would gain great structural power over state decision-making. With regard to the politics of climate change, Newell and Paterson (1998) argue that since technologies associating with the use of oil and coal has been central to the ninetieth and twentieth century capital accumulation, fossil fuel companies were conferred a great structural power over state decision-making. The changes to this structure would be trigged by a counter-hegemony, which is defined as "a creation of an alternative hegemony on the terrain of civil society in preparation for political change" (Pratt 2004, p. 332). The force of counter-hegemonic movement often rises from civil society. Drawing upon case studies from the NGO campaign for democratisation in Egypt's during 1970s, for example, Pratt (2004) claims that the NGO campaign represented part of a counter-hegemonic movement that gained wider public support led the Egyptian government to promulgate a more democratic NGO law. So too, in the area of environmental issues, the role of civil society is also gaining importance as a source of counter-hegemony that could gravitate corporate behaviour from the dragger to the pusher (Bendell 2000; Newell 2001a, b; Carroll 2007; Pearse 2010).

Second, scholars who emphasise the importance of business 'self-regulation' (Webb 2002) and 'private governance' (Pattberg 2007; Pattberg and Stripple 2008) argue for the new form of environmental governance, as opposed to the 'public governance' provided by states.[7] This private form of environmental governance can be summarised as the business efforts to create environmental and socially sound institutional arrangements, where the business actors voluntarily structure and direct their behaviours in an issue-specific area (Clapp 2005, p. 24; Falkner

[7]As applied in the case of climate change politics, there are several evidences that support business self-regulations. These supports are driven by the perceptions that "over the long term the world will have to deal with climate change, so their climate-friendly investments will pay off" (Bang et al. 2005, p. 292). Firstly, the Global Climate Coalition (GCC), which exercised strong anti-active lobbying efforts to block any international regulations of GHGs emissions during 1990s, was dismissed in early 2002. By 1997, with the growing scientific and public consensus regarding the high risks of climate change issue, a number of GCC supporters reconsidered the negative PR implications of their involvement in the group. Consequently, with the withdrawn by the BP, a numbers of major companies abandoned GCC such as American Electric Power, Dupont, Shell, Ford, Daimler Chrysler, Texaco and General Mortars (Source Watch n.d.). Secondly, instead of abandoning the GCC, some of these business actors such as BP and Shell, formed a pro-active environmental coalition called the 'Partnership for Climate Action', which aims to reduce their aggregate emissions by 15 percent from 1990 levels by 2010 using market-based mechanisms, such as by developing an internal carbon trading scheme (Bang et al. 2005, pp. 291–292). Thirdly, the 'Chicago Climate Exchange Chicago Climate Exchange' (CCX, for short) is established in June 2001. The CCX is a 'greenhouse gas emission registry, reduction and trading system for all six greenhouse gasses' where 'members make voluntary but legally binding commitment to reduce greenhouse gas emissions'. The member of CCX includes such as Ford, DuPont, and American Electric Power. It sets the goal for all members to reduce direct emissions of 4 % below a baseline period of 1998–2001, by the end of December 2006 (CCX n.d.). Fourthly, some oil companies such as BP and Shell have begun to invest in solar energy. In the case of Shell, it established the Shell International Renewables in 1998, and invested $500 million over five years in renewable energy (Levy 2005, p. 84).

2003, p. 72). This differs from the intergovernmental negotiation-based regimes in the sense that it is driven by the commercial gains to be made from product endorsement, reduced transaction costs, and access to markets. Consequently, actors are able to make faster-track decisions as well as having equal rights to representation and transparency of proceedings. Although business actors strongly resisted international environmental agreements when they were not in their interest, we have witnessed numbers of business endeavours to 'green' themselves in recent years. Recently, there are growing initiatives in business to voluntary reduce greenhouse gas emissions. For instance, in the steel industry, companies such as Alcoa, Nippon Steele Corporation and Norsk Hydro set their own emission reduction targets; and this is also evident in the cement and petroleum industries. This shift in business actors' behaviour emerged due to the huge societal and political pressures on their environmentally negative images. In reaction, business actors chose to voluntarily support pollution prevention in order to prevent damage to their corporate images (Porter and Brown 1996, pp. 64–65), which "provided a key route for firms to project their legitimacy as responsible environmental actors" (Levy and Newell 2002, p. 93).

Based on existing literatures that deal with business actors and international environmental politics, I classify four types of business involvement in global environmental governance: voluntary regulation, public-private partnerships (PPPs) , non-state market driven (NSMD) governance, and business conflict based governance or internationalization of domestic politics. Figure 2.1 shows the classification of private environmental governance.

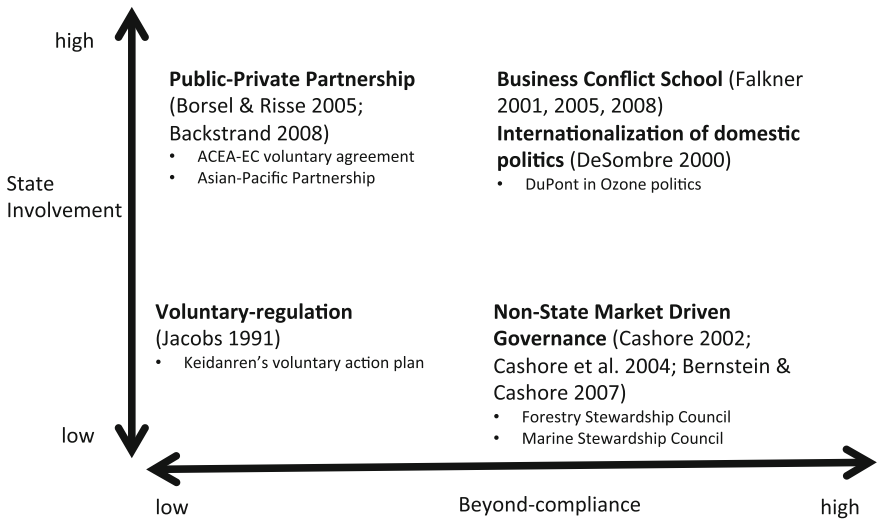


Fig. 2.1 Classification of business involvement in environmental governance. *Source* Created by author

Voluntary regulation may be defined as action that is "not forced by law not persuaded by financial incentives" (Jacobs 1991, p. 134). The Japanese Federation of Economic Organizations' (Keidanren) 'voluntary action plan', which aimed to stabilize CO_2 emissions from fuel combustion and industrial processes at 1990 level by 2010 falls into this category (Keidanren 1997). Keidanren has strongly opposed government interventions, including the use of economic instruments such as carbon taxes and emission trading. Thus, their voluntary action plan is set in order to safeguard against any governmental regulations.

The strength of PPPs in sustainable development is to enhance implementation in governance (Bäckstrand 2008; Börzel and Risse 2005). The good example of PPPs in climate change issue is Asian-Pacific Partnership on clean development and climate (APP). The APP was formed by the United States, Japan, Australia, China, India, and Korea in July 2005. In 2007, Canada joined the APP, and consequently there were seven member countries in this partnership. The aim of the APP was to pursue climate mitigation through a voluntary, non–legally binding, technology-oriented approach. Although the founder of the APP stressed that it was intended as a 'complementary' institution to the Kyoto Protocol, it has been argued that the APP was actually intended as an 'alternative' institution to the legally binding protocol (Van Asselt 2007; Christoff and Ekersley 2007; Lawrence 2007; McGee and Taplin 2006). This form of governance perhaps complements the state-based international regimes; however, given its voluntary nature, industry does not have any incentives to commit any reduction targets that are beyond the compliance.

NSMD governance is a market-driven governance that is "designed to embed social and environmental norms in the global marketplace that derive authority directly from interested audiences, including those they seek to regulate, not from sovereign states" (Bernstein and Cashore 2007, p. 347). Examples of this type of governance are the Forest Stewardship Council (FSC) and the Marine Stewardship Council (MSC). Both aim to promote responsible management of natural resources through standard setting, certification and labelling of products. For instance, the FSC had certified 116 million hectares (2.9 per cent) of forest up to 2009, by applying its principles to certify sustainable forest management (European Commission 2011), and the MSC had certified more than 100 fisheries (equal to the supply over 7 % of all the seafood we eat) around the world (WWF n.d.). In contrast to the voluntary regulation, NSMD is designed to create binding enforceable rules where the compliance mechanisms are developed over years accompanying with the market demands (Cashore 2002).

Finally, the 'business conflict school' or scholars who advocate 'internationalization of domestic politics' argues that it is the competition among corporations based on sustainable technological innovation that encourages the home state to push for more stringent international environmental regulations (Falkner 2001, 2003, 2005, 2008; Desombre 2005). In this theory, 'business competition' over the sustainable technological innovation is the fundamental driving force that changes the business behaviour. The good example would be Dupont's support for Montreal Protocol in Ozone Protection regime. As this theory has a close relevance to the argumentation of the book, detailed discussions are provided in the next section.

Having said the four typologies of business involvements in international environmental politics, this book aims to advance the study of business actor approach in this field by studying the regulatory convergence of fuel economy regulation by drawing insights from 'business conflict school' and 'internationalisation of domestic politics' approaches. It reveals that automobile industry could transform from the position of 'dragger' to 'pusher' towards solution of climate change issue through business competitions over stringent fuel economy regulations. Business competitions are motivated to create a global or regional level playing field in order to have competitive advantage over competitor firms. This, in turn, leads each government to promote higher fuel economy regulations. I argue that regulatory convergence of fuel economy regulations is born out from regulatory competition among the major automobile manufacturing nations with the rationale to enhance its competitiveness of the auto industry. Thus, this book contributes to the study of involvements of business actors in international environmental politics by revealing that business conflicts motivated by enhancing the industry competitiveness have been the central determining factors behind such transformation.

2.2 Existing Studies: Varieties of Capitalism and Environmental Policy-Making

Previous literature in this field suggests that business strategies are deeply rooted in a country's historical context as well as its institutional environment, and this is particularly the case for the automobile industry (Levy 2005; Mikler 2009). Existing research that compares fuel economy regulations between Europe (with main focus on Germany), Japan, and the US was conducted by Mikler (2006, 2007, 2008, 2009, 2010) by examining varieties of capitalism (VOC). The VOC approach assumes different institutional structures according to different countries, especially the relationships between government and industry and how they influence different patterns of institutional structure in each country (Hall and Soskice 2001).

Mikler has attempted to address the differences in state-automobile industry relationships in these nations, by classifying Japan and Europe as the Coordinated Market Economy (CME) and the US as the Liberal Market Economy (LME). Mikler argued that the CME countries are likely to have higher standards of fuel economy regulation because of the closer (cooperative) the relationship between state and industry, while, he explained, US fuel economy regulation has been stagnant because of its LME tradition.

While VOC approach has greatly advanced our understandings on the relationships between different types of Capitalist system and environmental standards, however, since its focus is placed on the *institutional arrangements* of each country, it fails to account dynamics of actor relationships that actually triggered the convergence of fuel economy regulations. Focusing solely on the domestic arrangements in each country could not adequately reveal the dynamics of automobile environmental politics.

This book, however, argues that the 'Agency with and beyond state model' can explain these trends better than the VOC approach. Drawing upon holistic constructivist approach, the model enables to broaden the scope of analysis to analyse how different interests regarding fuel economy regulations and state-automobile industry relationships have developed, how they have interacted, and how these interactions have resulted in converging fuel economy standards (more discussions in next section about holistic constructivist approach).

Furthermore, based on existing literatures that stress the close correlation between business competition and environmental policy, the book argues business competitiveness concern is the fundamental factor that have been constructing fuel economy regulations in each country. In other words, countries have constantly tried to introduce stringent fuel economy regulations in order to enhance the competitiveness of the automobile industry, to succeed in the global market, and to survive in the global market. As a result, what has emerged is a trend towards converging fuel economy standards worldwide.

2.3 A Constructivist Perspective on Business Actors and Environmental Governance

This section introduces constructivist theory of IR, explaining how it offers better explanation than other theories, and further navigates us to deeper understanding associating with regulatory convergence of fuel economy standards. There are three ontological propositions of Constructivist theory in general (Reus-Smit 2005): emphasis on the importance of normative and ideational structures; identities construct interests; and, agents and structures are mutually constituted.

On the first point, as Berger and Luckmann (1967) emphasised the importance of normative and ideational structures rather than material structures like rationalists,[8] because normative structures are thought to shape the identities and interests of actors through imagination, communication and constraint. The central claim of constructivists lies in its focus on the role of ideas as structures that constrain and shape actors' behaviour, and therefore there is an emphasis on the role of ideas and shared knowledge in the social world. The ideational structure not only has regulative effects on actors (Wendt 1987, 1992, 1999), but also has constitutive effects on actors, as structures leads actors to redefine their interests and identities in the process of interacting.

The second point, constructivists assume that identities constitute interests, in contrast to rationalists, who emphasise relative gain in world politics. Constructivists see 'identities are the basis of interests' (Wendt 1992), and focus on how

[8]'Rationalists' refers to those who adopted so-called neo-realism and/or neo-liberalism, those of which emphasize the importance of international system and treat the interest of states as given.

normative structures shape and (re)constitute the behaviours of actors. Therefore, according to constructivists, the system of state is a result of a process of internationalisation of new identities and interests.

The third point, with an influence from 'structurationism' by Giddens (1986), emphasises that ideational structures and actors co-constitute and co-determine each other's identities. Structures constitute actors in terms of their interests and identities, but structures are also produced, reproduced and altered by the discursive practices of actors. This suggests that actors can change structures through acts of social will.

Although constructivists commonly agree about these ontological assumptions in general, they emerge out of critiques of 'positivism' and neo-utilitarian IR theory, often labelled as the 'middle way' or 'new orthodoxy'[9] (Keohane 1988). Nevertheless, there are different strands of constructivism on epistemological and methodological grounds. This variation needs to be explained before we move on to introduce the explanatory variable of the theory. One way to classify such differences is between reflectivist and positivist constructivism. Reflectivists such as Adler (1997), Kratochwil (1989) and Onuf (1989) refused to adopt methods or devise frameworks for analysis, arguing that social objects are simply not describable in terms of categories of pure observation or measurement procedures. On the contrary, positivist Constructivists emphasised that systems and agents are mutually constitutive and that any divide between them is ahistorical.

To put more simply, Constructivist theory can be divided into the 'thick' and 'thin' Constructivism (Smith 1999): while the former tends to adopt normative analysis (e.g. discourse analysis) in order to observe how norms and discourses shape international society and behaviour of actors; the latter tend to focus on empirical research to explain how norms that generated through interactions among various actors shape the formations of state interests (Finnemore 1996). This book adapts to the latter approach, and focuses on the involvement of business actors in international environmental politics.

Another way of categorizing Constructivist theory is differing viewpoint on the question of 'Agent-Structure' problem, namely, whether the emphasis is placed on (1) how international structure shape and limit the behaviour of actors, or (2) how international structures are constructed as a result of interactions among actors. Reus-Smit (2005) categorizes into following three constructivists—systemic, unit-level, and holistic. Systemic constructivists, such as Wendt (1999), follow neo-realism in adopting the 'third image' perspective (Waltz 1959). The third image perspective focuses solely on interactions between unitary state actors and advocates pure systemic theorising, drawing distinctions between the domestic and international systems and ignoring the former. The limitation of this approach lies

[9]The rise of Constructivism is sometimes referred as 'the middle way' between Rationalism (a theory of International Relations that adopted positivist epistemology) and Reflectivism (other theories that reject positivism, including critical theory and postmodernism). Constructivism is also labeled as 'new orthodoxy', as it offers new ontological perspective that is different from Neo-Realism and Neo-Liberal Institutionalism.

in its narrow realm, and its inability to explain how fundamental change occurs, since it leaves out domestic factors.

Unit-level constructivism, characterized by Katzenstein (1996), focuses on the relationship between domestic social and legal norms and identities, interests, and actions of states. It draws attention to the domestic determinants of national policies, which enables it to explain variations of identity, interests and actions across states. However, on the other hand, "this form of constructivist has difficulty accounting for similarities between states, for patterns of convergence in state identity and interest" (Reus-Smit 2005, p. 200).

This book takes the third type of constructivism, often labelled as 'Holistic constructivism', characterized by Ruggie (1998) and Hall (1999). It challenges the dichotomy between international and domestic politics, and seeks to bring them together into a unified analytical perspective, focusing on a mutually constitutive relationship. Drawing upon insights of Holistic constructivism, this book sheds a light on the 'blackbox' of interest formation process of state decision-makings on car fuel economy regulations.

How domestic politics, such as institutions, the preference of societal actors, and domestic political commitments determine the expected political, economic and legal impact of international commitments have been drawing scholarly attention since 1990s (Weaver and Rockman 1993; Goldstein 1996; Gourevitch 1996; Raustiala 1997). Domestic politics matter to a great extent in international environmental politics (De Sombre 2000; Vogel 2003; Bramble and Porter 1992; Paarlberg 1996; Schreurs and Economy 1997; Sussman 2004; Underdal and Hanf 2000). International environmental agreements are commonly aims to transform domestic rules or standards, and hence influence behaviours of private actors towards sustainability. Since the fundamental objective of international environmental agreements is to regulate the activities of private actors in each country, they lobby governments accordingly. The degree of the success of international environmental agreements is largely affected by domestic contexts, because domestic institutions and political structures shape the position of each government.

What is also important is the notion of 'internationalization of domestic environmental regulations' (De Sombre 2000). It is an endeavour of states to convince other states to adopt similar regulatory standards for following two reasons. First and foremost, states acting alone cannot solve the environmental degradations such as climate change issue, and there are simply no incentives for any states to act alone. Therefore states push other states to engage into effective agreements. The second reason relates to enhancing the competitiveness of the private actors. The case from ozone depletion[10] illustrates the most prominent example. The United States was very active in pushing for Chlorofluorocarbon (CFC) reductions, both domestically and internationally. Domestically, it introduced the legislation in 1978, which banned CFCs in 'non-essential' aerosols. Internationally, it proposed

[10]Ozone depletion is an issue that the total volume of the ozone layer is destroyed by man-made ozone-depleting substances (ODS), such as halocarbon Chlorofluorocarbon (CFC).

for the global reduction of ozone-depleting substances (ODS) at the Montreal Protocol negotiation. This US leadership led the revision process of the Montreal Protocol faster and stronger (Rowlands 1995, pp. 102–122). Behind of this US leadership, there were corporate and government interests to take the 'first mover's advantage'.[11] The corporate interests appeared when the Dupont and the Alliance announced their support for international controls on CFCs in August 1986. In doing so, DuPont had decided to spend great deal of money on finding CFC alternatives in 1986 onwards. By establishing two industry programs to assess the environmental accessibility[12] and toxicity,[13] DuPont announced it will stop producing CFCs as substitute—hydrochlorofluorocarbon (HCFC, for short) and hydrofluorocarbons (HFC, for short)—became available in 1988 (Falkner 2005, pp. 108–111). Levy (1997, p. 63) argues, "with the support from the industry, the US position largely followed the stance of Dupont and the Alliance for Responsible CFC Policy". Namely, the US proposed an almost phase out of CFC consumption at the global level. The rational for this proposal is that, since without broad international compliance, foreign companies, especially European companies would be free to producing CFCs.[14] Consequently, the US chemical firms feared potential export markets for substitutes chemicals would fail.

The lesson from the corporate interest in ozone politics leads us to assume that the motivation to enhancing competitiveness through the business conflict influence state incentives for internationalization (Falkner 2008). De Sombre (2000) claims that corporate interest to enhance its competitiveness pushes for domestic internationalization. She claims:

> The international competitiveness effects of domestic environmental regulations are thus the necessary push, giving the regulated industries incentives to work for internationalization. In cases in which there is a cost to a given industry from the regulation, the industry should want its international competitors to bear the same cost. In the cases in which technology has been produced that responds to the regulation, industry also should want internationalization of the regulation in question to provide further markets for its products. In economic terms these are similar. In both cases there are competitive advantages for domestic industries if industries in other states are subject to similar regulations (De Sombre 2000, p. 45).

By drawing upon insights from the holistic constructivist approach and business conflict approach, this book proposes the new analytical framework of 'Agency with and beyond the State model' by combining the effects of domestic politics and international regulatory competition in order analyse the convergence of fuel economy regulations.

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[11]The first mover's advantage or, Porter's hypothesis, claims that any companies would gain the advantage by occupying market segment.

[12]Alternative Fluorocarbons Environmental Acceptability Study in 1987.

[13]Program for Alternative Fluorocarbon Toxicology Testing in 1988.

[14]European companies were the biggest producer of CFC in 1986, that produced 48 % of the world share compare to the US which produced 28 %.

2.4 Automobile Industry in Global Climate Governance: 'Agency with and Beyond the States'

As mentioned, the 'Agency with and beyond the State model' is based on the 'Agency beyond the State model'. Agency here refers to an actor who possesses the ability to prescribe behaviour and to obtain the consent of the governed (Biermann et al. 2009, pp. 37–43). The key focus is placed on the need of the further investigations on whether nation-states can fulfil their core functions under the pressure of various environmental degradations, and to what extent non-state actors are filling new governance demands. More importantly, both approach enables us not only to look at the activities of non-state actors in earth system governance confined to "lobbying and advising national governments in the creation and implementation of rules", but also their roles as agency where they "substantially participate in/or set their own rules related to the interactions between humans and their natural environment" (Biermann et al. 2009, pp. 37–43).

However, what differentiates between the two approaches is while the latter tends to focus on private environmental governance (e.g. certification), the focus of the former is placed on how the industry that operates globally but very much engaged with their national governments, is operating a role as 'Agency' in international environmental politics.

The case of car industry fits well in the latter model, given that much of the climate policies relating to the automobile industry have been made at either a national (Japan and the US) or regional level (the EU), and making their approach one of 'Agency *with* and beyond the States' rather than 'Agency *beyond* the States'.

By using the Agency with and beyond the State model, this book contributes to bridge the enduring gap between the disciplines of IR and environmental studies by challenging the existing studies in this field. It adds new insight to the role of non-state actors in international environmental politics by showing how the automobile industry which operates globally but its strategy is strongly attached to national governments, can be Agency to bring about changes towards low-carbon society.

For this purpose, data used for analysis was collected through several research visits to relevant countries between 2007 and 2012, and includes primary documents with limited access, or those that have not been officially published. The main method of gathering data was semi-structured interviews conducted with relevant policy makers, directors and managers of automobile industries and its industry network, environmental NGOs and scientists and academics. Each interview lasted from one to three hours, with topics based on the fuel economy regulation of passenger cars, providing different perspectives on the development of actors, networks and institutions relating to the regulation. Informants were selected based on the following criteria: the person should have or at least have had definitive role in the development of fuel economy regulation. The careful selection of very central informants and generous time for each interview contributed to the quality. Furthermore, excerpts from each interview were submitted to the informants for review and approval. In addition, during the process of the interviews,

several unpublished documents of great relevance for the study were obtained from the informants. Official government reports, media articles, policy papers by NGOs and research institutes, and other related materials were used to supplement the analysis.

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