

## 5 Business and global climate governance

### A neo-pluralist perspective

*Robert Falkner*

#### Introduction

Business plays a critical role in global climate politics; this is widely agreed upon in international relations and political economy. Whether we should view business primarily as blocking political progress or as providing necessary solutions remains a matter of debate and contention. Analysts also remain divided on how we should assess the power of business in climate politics. For some, corporations are just one type of interest group that competes with others for influence in the political process. Others see business actors as relying on structural power, which serves to constrain the options available to politicians and diplomats. This chapter puts forward a neo-pluralist perspective on business in global climate governance. It argues that business is in a powerful, even privileged, position internationally, but doesn't always get its way. The process of international climate politics is more fluid and open-ended than may seem at first sight, and while business interests can predominate they don't always pull in the same direction, nor do they control the global environmental agenda.

The notion that business is in a privileged position was most famously given expression by Charles Lindblom over two decades ago. In his seminal book *Politics and Markets*, Lindblom famously declared that "businessmen occupy a privileged position" (1977: 175) in liberal democracies. In doing so, he sought to correct a central weakness of the pluralist tradition in political science, which had treated business as just one among many interest groups that vied for influence in an open and pluralistic democratic process. Business was different from other interest groups, as critics of pluralism had argued, because the wellbeing of society and the economy depended on investment, technological innovation and economic growth. Business performance was central to the functioning of market economies and had to be "induced rather than commanded" (ibid.: 176). Governments, therefore, often had to defer to business leadership and share their authority with corporate actors. Lindblom thus laid the foundations of a neo-pluralist perspective that continues to reverberate in contemporary discussions of interest group politics and business power (for an overview, see McFarland 2004).

*Politics and Markets* did not address the international dimensions of business power or the rise of environmentalism as a counter-balance to business.

This chapter builds on Lindblom's insights and extends them to the international level and to global environmental politics. It is based on a book-length treatment of the neo-pluralist approach to studying business in global governance (Falkner 2008) and offers a corrective to statist and structuralist perspectives that have characterized much International Political Economy writing on international business in the past. This chapter advances two related arguments about the international role and power of business. It seeks to highlight the many ways in which corporate actors operate from a privileged position *vis-à-vis* states and NGOs when it comes to setting global environmental standards and implementing environmental agreements. Due to their central role in directing investment and technological innovation, companies can set the parameters of what is politically feasible in international environmental protection. Yet business actors do not always act in unison, and references to an underlying business or class interest fail to explain the competitive dynamics that characterize business involvement in international politics. Business conflict opens up political space for other actors – states, international organizations and social movements – to press for global change. The bond that holds these two arguments together is the neo-pluralist perspective on business power that is developed in more detail below.

The analysis is structured as follows. The next section gives an overview of the neo-pluralist perspective on business in global governance. This is then applied to the case of climate change politics by tracing in outline the evolution of the climate regime from the 1992 UN Framework Convention to the 1997 Kyoto Protocol and beyond. The concluding section summarizes the argument and highlights the implications for the study of business in global governance.

### **The neo-pluralist perspective on business in global governance**

One of the striking features of international environmental politics is the profound change in business involvement in the international process. In the early days of global environmentalism, during the 1960s and 1970s, the political role of corporations was limited to occasional, and largely reactive, interventions to prevent burdensome regulations. More recently, a growing number of corporations have begun to integrate environmental objectives into their business operations and have developed more proactive forms of corporate environmental strategy (Hoffman 1997). Some firms have actively sought to influence, and even support, the creation of international environmental regimes (e.g. the Montreal Protocol on ozone layer depletion) and are now actively engaged in the provision of environmental governance mechanisms outside the states system, so-called “private environmental governance” (Falkner 2003).

As a consequence of this evolution of business roles, a diverse set of business interests and approaches has emerged. Some corporations continue to oppose international environmental regulations as an unwarranted burden on their operations, while others now openly support higher international regulatory standards. Undoubtedly, some of the so-called “greening” of industry is little

more than empty rhetoric. But in many ways it signifies a more profound and potentially lasting trend with significant implications for global governance, and corporations can now be found on different sides of global debates, arguing against *and* for environmental regulation. How powerful are corporations in international environmental politics? To what extent are they able to shape the emerging global governance architecture for environment? And how does the divergence of business interests affect corporate influence overall?

### **The neo-pluralist perspective on business power**

Although business power has become a central concern in International Political Economy (IPE) (May 2006), it remains a contested concept. Economic globalization and the growth in transnational relations have underlined the fact that non-state actors such as corporations play a more visible role in international relations, but debate continues on whether they make a difference to outcomes of international processes, and, if so, in what ways. A standard approach to the study of business power has been to treat business actors as interest groups that seek to influence policy outcomes within the state. This pluralist perspective, originally developed in the context of domestic politics but applicable to international relations as well, was criticized for assuming naively that the international policy process offers a level playing field for all interest groups. As structuralists have pointed out, corporations play a critical role in the economy, as providers of employment and sources of growth and innovation, and their consent is needed if profound changes to the working of the global economy are to be achieved through international regulation.

Neo-pluralists are reflective of the structural power of business but emphasize the political agency of firms. They agree with structuralists that business is in a privileged position, but acknowledge the diversity of business interests and the potential for conflict within the business community over matters of political strategy. Neo-pluralism provides a perspective on business power as a multi-faceted and multi-dimensional phenomenon, and argues that it needs to be established in the context of specific issue areas and fields of activity. Countervailing forces, which are located in the international and transnational spheres, limit corporate influence, as do divisions within the business sector itself. Indeed, the potential for what has become known as “business conflict” (Nowell 1996), that is the cleavages between different firms and industrial sectors with regard to international politics, prevents an understanding of business actors as belonging to a monolithic block. Neo-pluralists hold that the unity of business interests and strategy is a matter of empirical study, not theoretical conjecture. Likewise, the existence of structural business power needs to be established empirically and cannot prejudice the question of how powerful business actors are in specific international contexts. In other words, not all business actors are engaged in international politics; not all of those that are share the same interest; and not all of those that seek to influence international politics succeed.

