

Globalization and Governance Capacity: Explaining Divergence in National Forest Programs as Instances of “Next-Generation” Regulation in Canada and Europe

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New policy initiatives are increasingly embedded in novel governance strategies. These new modes of governance differ from existing policy mixes in that they are specifically designed to reduce the number of instances of counterproductive policy instrument use; to function effectively and meet public policy goals in an era of decreased national state capacity and autonomy; and rely much more heavily than existing instrument mixes have done on the involvement of private actors in both policy formulation and implementation. These instances of contemporary policy design require careful analysis in order to understand where and when such designs may be adopted and, more importantly, prove effective. This article examines efforts made in Europe and Canada to develop “next-generation” forest policy strategies and finds considerable divergence in the new regulatory processes put into place in different countries. Following Knill and Lehmkuhl, this divergence is attributed to changing patterns of domestic actor capacities in the face of weak international regimes.

Introduction: National Forest Programs as Next-Generation Governance Strategies

New policy initiatives dealing with a host of issues, from pollution control to international security and trade, are increasingly embedded in novel governance strategies (Eberlein and Kerwer 2004; Loughlin 2004; Rhodes 1996). These new modes of governance, sometimes called “next-generation” strategies, differ from existing policy mixes in three main ways. First, they are specifically designed to reduce the number of instances of counterproductive policy-instrument use often found in existing policy mixes (Grabosky 1995). Second, they are designed to function effectively and meet public policy goals in an era of decreased national state capacity and autonomy (Howlett 2000; Milward and Provan

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2000; Rhodes 1994). Finally, they rely much more heavily than existing instrument mixes have done on the involvement of private actors in both policy formulation and implementation. These instances of contemporary policy design require careful analysis in order to understand where and when such designs may be adopted and, more importantly, prove effective (Eliadis, Hill, and Howlett 2004; Salamon 2001).

European and North American efforts over the past 15 years to create National Forest Programs (NFPs) provide a useful set of comparative cases with which to assess the development and use of such contemporary sectoral governance strategies. Designed to address contemporary forest governance issues in the context of complex problems of international and intersectoral coordination, an increasingly sophisticated policy community, and a new role for government, NFPs combine a variety of "substantive" and "procedural" policy tools. This is done in the effort to produce a more optimal or "smart" instrument mix able to cope with the rapidly changing political, economic, social and environmental challenges to the management of traditional forest resource policy regimes (Gunningham, Grabosky, and Sinclair 1998; Gunningham and Young 1997).

As the following discussion will show, like most new governance strategies, NFPs are a response on the part of national governments to the twin issues of the increasing complexity of policymaking and the changing capacity of governments to use traditional interventionist policy instruments to achieve sectoral policy goals. In the forest policy case, as in many other sectors, such changes in government capacity have two distinct, and countervailing, sources.

One is globalization, where increasing economic interdependence has tended to reduce national governments' capacity to control forest policy issues that were once comfortably contained within their own jurisdictional boundaries. In response to globalization nation-states have lent their support to a variety of initiatives to institutionalize control at the regional and international levels. However, while typically the reduction of regulatory capacity associated with the globalization of economic markets is taken to result from the ability of economic actors to threaten to move elsewhere if states regulate them too hard, this is not the case in this sector. Because trees cannot be moved, state capacity to regulate forest resources is never really in question. Instead, "globalization" in this case refers to three other phenomena. First, states have undertaken a self-imposed limitation on sovereignty through free-market trade agreements, like the European Union (EU), the North American Free Trade Agreement (NAFTA), and the World Trade Organization (WTO). Second, social actors now act transnationally and can exercise a great deal of influence over, among other things, consumption patterns in export markets as well as production patterns in exporting countries. Finally, to the extent that the state has an interest in promoting the strength of its forestry sector (which varies with regard to both state ideology and strength of the sector), and to the extent that the forest sector is an export-dominated sector in the

country in question, the desirability of regulation will depend on how those regulations impact the value and cost of the product in export markets. In this regard, not only in the forest sector, but also in many other resource and nonresource areas, it is not so much state capacity to regulate as the acceptability of regulation by the state that is affected by globalization.

The other source of capacity change is a complex mix of domestic factors, of which the most important in the forestry case is the decline in most countries of the role played by primary resource industries in economic activity. In contrast to the effects of globalization, this decline has augmented the capacity of national governments to control the actions of private industry. Because the impact of these two countervailing processes has been felt unequally in different countries, this has resulted in a pattern of both significant convergence toward some national strategizing, but also significant divergences in terms of the content and effects of these plans (Howlett 2004; Pollitt 2001a, 2001b).

Much can be learned about the requisites and prerequisites of the design of new governance strategies from the comparative examination of instances of the development, adoption, and implementation of NFPs. Like many other such initiatives, the impetus for the development of NFPs originated in the international realm. But a key question surrounding their use centers on the role played by intermediate institutional arrangements in their formation and diffusion. The case of NFPs in Europe and North America in the 1990s provides an excellent comparative example of the attempt to develop such strategies in the context of changes and developments in complex multilevel systems featuring, on one hand, international-supraregional-national dynamics in Europe and on the other, significant capacity change in the Canadian case.¹ A comparative analysis of the experiences of several EU member countries and that of a non-EU historically forest-dependent country such as Canada reveals much about the institutional dynamics of NFPs, and more generally, of the factors that affect the initiation and adoption of all such new governance schemes.

New Governance Strategies in Theoretical Perspective

Many existing policy regimes in forestry and other areas developed incrementally in an ad hoc fashion over relatively long periods of time (Eisner 1994; Esping-Andersen 1985; Orren and Skowronek 1999). These regimes sometimes contained a unifying overall "governance strategy" or logic, but more often contained instances of policy-instrument use and programs layered on top of each other in a process of "policy drift" (Beland and Hacker 2004; Hacker 2002). Drift usually resulted in the development of a regime that was costly to administer and often contained counterproductive instrument mixes,² but was very difficult to change. However, as the situation and capacities of national governments have been altered

over the past several decades, the desire to develop less contradictory and more carefully designed governance arrangements has come to the fore. As Gunningham and his colleagues have pointed out, the development of “smart” regulatory frameworks involves the adoption of a specific set of principles toward policy design. These include:

1. The importance of designing policies employing a mix of policy instruments carefully chosen to create positive interactions with each other and to respond to particular, context-dependent features of the policy sector.
2. The importance of considering the full range of policy instruments when designing the mix rather than assuming that a choice must be made between regulation and markets.
3. In the context of continuing pressures on governments to do more with less and to use incentive-based instruments, various forms of self-regulation by industry, and policies that can employ commercial and noncommercial third parties to achieve compliance, such as suppliers, customers, and the growing cast of auditors and certifiers, will be favored.
4. Whatever mix of instruments is chosen, it must be embedded in a larger governance strategy and include attention to procedural instruments that can meet the challenges of new governance, such as information instruments, public participation, and various techniques of network management (Gunningham and Sinclair 2002).

In general terms, the development of new governance strategies can be placed within the logic of the model of different types of regulatory regimes put forward by Knill and Lehmkuhl (2002).³ In their model (see Table 1), different regulatory arrangements are associated with higher and lower levels of public and private-sector capacity.

Noting the link between the development of extensive transnational markets and public sector capacity loss, Coleman and Perl have observed

TABLE 1
Configurations of Regulatory Activity Following Knill and Lehmkuhl

Private Sector Capacity vis-à-vis State Actors	State Capacity vis-à-vis Social Actors	
	High	Low
High	Regulated self-regulation	Private self-regulation
Low	Traditional “command and control” regulation	Ineffective regulation

Source: Adapted from (Knill and Lehmkuhl 2002, 49).

that governments are increasingly experimenting with new forms of governance involving partnerships with private actors operating in these markets as producers, retailers, or even consumers (Coleman and Perl 1999). As Table 1 shows, trends in the international arena that negatively affect state capacity, for example, can have contradictory consequences. While they always result in a movement away from more traditional "command-and-control" regulation, whether the effect is a new governance strategy based on "private self-regulation" (such as various forms of certification, labeling, and other voluntary or business-led efforts) or toward a more ineffective form of traditional business regulation will depend on the ability of social or third-sector actors to compensate for the loss of state capacity (Cutler, Haufler, and Porter 1999; Haufler 2000, 2001). The critical role of social actors in affecting regulatory outcomes, which will be evident in the NFP examples, is hardly surprising given the reliance of new governance strategies on information and participatory instruments, but has received little critical attention.

Because the outcomes of these processes are so distinct, and the potential development of a more ineffective form of regulation so unpalatable, understanding the conditions under which "next-generation" strategies develop is a significant question for governance researchers. The use of new governance strategies in this view, represents an attempt by governments negatively affected by globalization to shift regulation and regulatory activity from an undermined traditional command-and-control orientation toward "private self regulation" while avoiding its ineffective alternate. In states less devastatingly undermined by globalization, an effort has been made to restructure regulation to take the form of a shift toward "regulated self-regulation." In what follows, the case of the development of National Forest Policies in Europe and North America illustrates these divergent responses to globalization and the role played by different national policy capacities in affecting policy outcomes.

The International Imperative: The Origin of NFPs

In their present form, NFPs are a relatively recent innovation. They owe their origin to the idea of developing Tropical Forest Action Plans (TFAPs) that donor nations and international organizations proposed to improve forest management in developing countries in the 1980s (Liss 1999). While TFAPs rapidly fell out of favor with international organizations when evaluations drew attention to their lack of impact on the ground, the larger concept of developing coordinated national forest sector strategies found its way into the deliberations of the United Nations Conference on Environment and Development (UNCED) in 1992 in Rio de Janeiro, Brazil, and into the forests chapter of Agenda 21 (Liss 1999). The recommendation that emerged from Rio—that all countries use an internationally agreed-upon form of strategic coordination to promote sustainable forest management—proved to be a useful point of agreement between all par-

ties involved in the subsequent attempt to negotiate an international forest convention or treaty. It implied an acknowledgment that improvements in forest management need to be made in the developed world as much as in the tropics.

The development of NFPs was pushed forward as negotiations toward an international convention on forest conservation and management stalled. The Intergovernmental Panel on Forests (IPF) which emerged from Rio was succeeded by the International Forum on Forests (IFF) and, at length, by the United Nations Forum on Forests (UNFF) without agreement on a legally binding convention. However, the IPF/IFF process produced an "Action Plan" which, although nonbinding, was particularly influential. It contained, among other items, a section on attaining "progress through national forest and land-use programs" where countries were exhorted to "(d)evelop and implement a holistic national forest programme which integrates the conservation and sustainable use of forest resources and benefits in a way that is consistent with national, sub-national and local policies and strategies" (IPF proposal for Action 17). National NFPs are the result.

In one sense, then, the story of NFPs is a familiar one: NFPs are another example of convergence on a common solution to government capacity loss caused by globalization. A new "governance" relationship, in which states attempt to steer loose networks of private and public actors toward common policy goals emerged in the context of a new, "free-trading" environment, which has restricted their ability to control national actors involved in international commodity production and exchange. Unable to conclude treaties cementing traditional "command and control" regulation in binding conventions, both European and North American governments searched for new mixes of policy instruments that could be effective in the new environment. Many of these instruments attempt to alter incentive structures in order to motivate private actors to pursue public purposes without close regulatory supervision. The various forms of self-regulation backed up by the threat of closer supervision for persistent laggards are examples of this approach, but these efforts usually also involve additional instruments for participation, consultation, and conflict resolution (Gunningham and Sinclair 2002).

While the impetus for the creation of NFPs arose in the international sphere, however, their design and adoption was facilitated and informed by a decline in many developed countries of the significance of the forest industry as a major provider of jobs, foreign exchange, and economic growth. The declining importance of the industry has not only partly offset the decline in state capacity caused by globalization, allowing national governments greater capacity to direct industrial and policymaking activities in directions not favored by the industry, but brought new ideas and new actors into the policy community. Because of the differential impact of private-sector forestry declines in different countries, rather different governance relationships emerged under the NFP rubric and the solutions put

forward to forestry planning have varied from country to country despite strong pressures for convergence at the international or regional levels.

Understanding NFPs

Classifying NFPs

There has been a patchwork of responses from different governments to the NFP idea and some means is required to classify the different types of strategies that have emerged in Europe and North America over the past decade.

This can be accomplished by examining the two key constitutive elements of an NFP noted by European researchers, which allow us to identify NFPs as new governance strategies different from the traditional regime of regulation and subsidy for timber production purposes. That is, in addition to traditional industry supply and production regulation and market-promotion activities, NFPs also contain elements that allow or encourage forms of autopoietic network management. These key elements are: (1) mechanisms enabling participatory deliberation and conflict resolution and (2) mechanisms for intersectoral coordination and policy learning. The former involve a variety of procedural instruments such as the creation of advisory committees, mediation and arbitration provisions, and interest group facilitation which can be either formal—i.e., set out and established in legal and regulatory frameworks—or more informal in nature. The coordination and policy learning mechanisms involve various forms of cross-sectoral environmental or industrial planning activities, taking into account additional resource and environmental considerations. These efforts can remain largely symbolic, that is, relegated to overall policy statements and general design principles—or can be substantive in nature, that is, involving the establishment of multi-sectoral coordination and implementation agencies.

The presence or absence of these two key constitutive features allows a robust classification of responses to the NFP idea to be put forward. On the process axis, the leading NFP adopters, those who have established *formal* NFP participatory processes, are distinguished from those countries where planning for sustainable forest management has taken a different, more *informal* route. On the output axis, we distinguish between forest planning that has resulted in *substantive* coordinating efforts, and the kind of planning where these outputs are more *symbolic* than real.

Thus, as Table 2 shows, in addition to the “classical” NFP—the kind originally envisioned in the international negotiations, where formal consultative processes produce substantive outputs—there are a variety of other possibilities. One possibility is the “output-oriented NFP,” where a more informal and less holistic planning process is combined with the same substantive outputs envisioned in the original NFP idea. Other, less desirable possibilities include the “legitimizing” or “process-oriented

TABLE 2
Four Main Types of NFPs

	NFP Mechanisms for Coordination and Policy Learning	Inputs/Process NFP Mechanisms for Participation and Conflict Resolution	
		Formal	Informal
Outputs	Substantive	Classical NFP	Output-oriented NFP
	Symbolic	Legitimizing or "Process-Oriented" NFP	Rhetorical NFP

Source: Modeled after Mendes (2004).
 NFP, National Forest Program.

NFP," which creates new formal processes but only symbolic outputs, and the purely "rhetorical NFP," which contains neither substantive outputs nor formal processes and is an NFP in name only. In both these latter cases, traditional instrument mixes will continue largely in effect.

Explaining NFP Processes and Outcomes—Key Hypothesis

As noted above, the impetus for the adoption of NFPs lies in the international and regional realms. However, following Knill and Lehmkuhl (2002), we propose that the reasons for the differences in possible NFP outcomes described in Table 2 lie in the interplay of the changing capacities of domestic public and private actors active in the forest policy arena. Specifically, the pattern of actual adoptions of different types of NFPs can be shown to be caused by the interplay between the effect of the internationalization of forest policy issues, tending to increase private governance capacities at the expense of the public one, and the declining importance of primary industries, which has had the reverse effect. With its emphasis on participation, intersectoral coordination, conflict resolution, and learning, NFP development is especially likely to be driven by the relative strengths of public and private actors; in the latter case, not only traditional business interests, but also nongovernmental organizations (NGOs) and other third-sector actors. The new kinds of government–citizen and government–corporate interactions that internationalization produces affect not only the specific types of governance strategies used by governments to achieve their ends, but also the efficacy of policy outcomes resulting from their employment (Howlett 2001a; Howlett and Ramesh 2002).

In the NFP case, the substantive or symbolic nature of the mechanisms adopted for coordination and learning can be seen to be a function of the degree to which third-sector actors are active vis-à-vis traditional private-sector groups (Gulbrandsen 2003; Kissling-Naf and Bisang 2001). And because the formalization of mechanisms for conflict resolution and participation remain a function of the state's ability to steer both third-sector

TABLE 3
Expected Configurations of NFPs Following Knill and Lehmkuhl

Third-Sector Capacity vis- à-vis Business	State Capacity vis-à-vis Social Actors	
	High	Low
High	Classical NFP (Regulated self-regulation)	Output-oriented NFP (Private self-regulation)
Low	Legitimizing or "Process-Oriented" NFP (Traditional "command-and-control" regulation)	Rhetorical NFP (Ineffective traditional regulation)

Source: From Knill and Lehmkuhl (2002, 49).
 NFP, National Forest Program.

and business actors, it is possible to combine Tables 1 and 2 to provide a set of hypotheses concerning the likelihood of different state-societal contexts producing specific NFP outcomes. Juxtaposing the types of NFPs contained in Table 2 on the configurations of regulatory forms contained in Table 1 provides the set of expected relationships found in Table 3.

European Case Studies: NFPs in Germany, Finland, Sweden, and Italy

European Overview

European examples will be used to test the claim that NFP outcomes are the result of an interaction between state, business, and third-sector governance capacities proposed in Table 3. However, as always with comparative case studies, the essential features of the cases need to be distinguished from the "background noise." Looking at the diffusion of the NFP idea in Europe, a number of features stand out. Initial survey data on the genesis of NFPs showed three distinct temporal periods of activity (Table 4) (Zimmermann and Mauderli 2001). First, there is a group of countries whose NFP experiences appear to begin in the early 1990s, presumably in the run-up to or immediate aftermath of the UNCED. Second, the largest group of countries begin their process in the second half of the 1990s, with a more complex dynamic at work. For the moment, we note that these are mainly northern European countries, with the outlying exceptions of Spain and Ireland. There is a third group that delays the start of the process, again forming the geographic cluster of Switzerland, Austria, and Hungary, with the outlying addition of Greece. Finally, there are the "holdouts," those countries that have not pursued NFPs, usually because they consider some aspect, or even the whole of their national forest policy as "equivalent" to an NFP. Notable examples of such countries are Sweden, France, and the Netherlands.

Such a pattern of policy adoptions suggests some processes of policy learning, emulation, or diffusion might be at work; that is, one in which

TABLE 4
Self-Reported Dates for the Origins of NFP Processes in Selected European Countries

"When Did Your Country Launch the Formal NFP Process?"									
1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
UK	CZ	BEL LIT		IRE	SPA	FIN NOR	GER DK		HUN SWZ GR

Source: Zimmermann and Mauderli (2001).

NFP, National Forest Program; UK, United Kingdom; CZ, Czech Republic; BEL, Belgium; LIT, Lithuania; IRE, Ireland; SPA, Spain; FIN, Finland; NOR, Norway; GER, Germany; DK, Denmark; HUN, Hungary; SWZ, Switzerland; GR, Greece.

some countries have emerged as leaders in the field, while others, for various reasons, lagged behind in an overall process of lagged policy convergence (Bennett 1991). A closer examination of the current status of *formal* NFPs and adding countries not included in the original survey, however, shows a slightly different picture. Rather than being leaders in the field, the first group clearly represented something of a false dawn. At the time of writing, the United Kingdom has developed a strategy, which is an "output-oriented NFP," and the Czech Republic, Belgium (Flanders), and Lithuania date their current NFP processes to new starts in the late 1990s (Country Drafts and Submissions to UNFF3) rather than to the processes that begin in the earlier period. As Schanz shows, most European countries claimed to have some strategic direction in their forest policy prior to the elaboration of the NFP concept, so we have to take special care in determining what are NFP processes and what are policy legacies in this area (Schanz 2002).

Similar considerations apply when we look at the second group, those who claim to have begun their NFP processes in the second half of the 1990s. Finland, Denmark, Belgium (Flanders), and Germany began (and in Finland's case, moved quickly to conclude) formal NFPs in this period that were distinctly different from the looser "strategies" or "programs" already in place in those jurisdictions (Elsasser and Pretzsch 2004; Hänninen, Ollonqvist, and Saastamoinen 2004). In Spain's case, the process was more complex than it initially appeared, with a more informal strategy leading to the development of regional forest plans and ultimately a Spanish Forest Program. In Norway's case, too, it is the current round of changes to Norway's forest legislation that is being presented as an NFP, placing Norway as a late addition to the next group (National Report to the Third Session of the United Nations Forum on Forests: Norway, 2003).

The third group is now a little clearer and consists of countries that appeared to have delayed the start of formal NFP processes but are the

most likely candidates for demonstrating policy convergence, namely Austria, Greece, Hungary, Poland, and Portugal. These countries have clearly been motivated by the "bandwagon effect" of NFP adoption by the second group and by the support for the formal adoption of NFPs from the EU, including the reference to NFPs in the rural development funding directive. As yet, however, it is much too soon to determine whether a European convergence will take place. And the fourth group, the holdouts, can now be seen as a substantial and heterogeneous group of countries including France, Italy, Sweden, the United Kingdom, and the Netherlands. While the latter group's forest policies show varying degrees of strategic direction and sophistication, it is clear that they have, for whatever reason, not yet joined the movement toward the use of NFPs as a general tool of network governance and policy coordination.⁴

Four European Case Studies

This record shows that, despite initial appearance, there has not been a straightforward pattern of transnational policy convergence in this sector, but rather a more complex interplay of domestic and international factors resulting in significant divergences in response to the NFP idea. Four exemplary European responses illustrate the range of possibilities and factors at work in the development of NFPs.

In Finland, the forest industry remains a relatively important contributor to the national economy, providing significant employment in rural areas and accounting for 26% of goods exported. Forest policy has traditionally stressed timber production goals and, while forest-land ownership is fragmented among a large number of small owners, associational coverage is good. There are large forest-products companies and a substantial state forestry sector that, although administratively decentralized, is dominated by a powerful lead agency. Despite some attention from Greenpeace, Finnish forest landowners have not responded to certification schemes organized by the Forest Stewardship Council (FSC), but have taken the lead in organizing European opposition to the FSC and in promoting alternate national certification programs under the umbrella of the Pan European Forest Certification (PEFC) framework. The effect of this combination of high state capacity and low third-sector involvement in the NFP process was predictable: "(d)ifficulties in adopting a participatory approach to forest policy planning originate from the long and strict dominance of the neo-corporatist forest policy agenda characterised by instrumental rationality" (Hänninen, Ollonqvist, and Saastamoinen 2004; Ollonqvist 2004). Despite a public commitment to respect the procedural elements of the NFP idea, these elements tended, in practice, to be deemphasized as an invitation-only process, filtered out conflicting views, and narrowed the scope of policy learning. The process itself was rushed and there was no time for reflection and adaptation. The main

output, a document called "Sustainable welfare through diverse forests" focused on a renewed commitment to traditional subsidy instruments to promote an increase in timber production, sustain rural employment, and move toward "ecosystem-based management." The result, overall, is a "process-oriented," legitimizing NFP layered on top of the traditional command-and-control governance strategy already in place.

In Germany, the negative effects of highly fragmented forestland ownership on private-sector capacity is, to a substantial degree, offset by strong landowner associations and close links with Land (state) forest managers sharing the same paradigm of forest management. The forest-products industry is made up of many small and medium-sized companies that are not vertically integrated and remain relatively unimportant in the domestic economy. NGOs are well organized and united around a common discourse of increasing protected areas and the promotion of "close to nature" (*Naturnaher*) management of production forests. The nature of German federalism, in which federal framework legislation leaves much of the details of policy design and implementation to the Lander, makes the Land governments important players in the policy community. Thus, while public capacity is clearly high, private capacity appears at first glance to be dominated by the landowner/forester nexus and thus lacks the capacity for policy innovation.

In these circumstances, the decision by the federal government to pursue a formal NFP in 1999 was an ambitious one. Early results suggested that Germany would follow the Finnish route described above. Heavy-handed state management of the NFP process led to the exclusion of significant civil society actors, reducing private-sector participation to like-minded industry and landowner associations. However, for a number of reasons, including the rather exposed position that Germany had taken in the international debate about forest sustainability, the capacity of domestic environmental nongovernmental organizations (ENGOS) and the involvement of Land governments where production forestry is very insignificant and the domestic industry weak, the process underwent ongoing modifications in which wider representation was sought and divergent opinions preserved. The result has been an output close to the classical NFP ideal (Elsasser and Pretzsch 2004).

Two other cases provide examples of the remaining "intermediate" NFP possibilities. Sweden continues to be a highly significant exception to the general European adoption of a formal NFP process, arguing that its forest policies as a whole conform to the NFP idea without the need for a formal process. Here, high private capacity, both in the form of powerful landowner associations and large, vertically integrated companies and in the shape of active communities and ENGOS, interacts with a highly decentralized state administration. Since 1994, the state has divested itself of many of the traditional instruments of regulation and subsidy in favor of education and information, including privatizing its forest service. In addition, there is a long tradition of policymaking by

consensus and compromise. The result, as Swedish commentators continue to stress, has been an output-oriented NFP, one that can deliver many of the same substantive outputs as a classical NFP in terms of intersectoral coordination and policy learning, but without the creation of any new formal processes of participation and conflict resolution (Lonnstedt 1999). Certification has been an important instrument in this self-regulatory environment, with a lively debate taking place between the large companies, which support the FSC to protect their access to export markets, and smaller landowners who, like their Finnish counterparts, have embraced the competing PEFC framework (Bostrom 2003; Cashore, Auld, and Newson 2004).

In Italy, by contrast, we see many of the issues that have plagued the NFP processes in Mediterranean countries (Solano Lopez 2000). The forestry sector is diminishingly small, so that, to the extent that forestry issues arrive on the national policy agenda at all, they center on episodic concerns about protection from fire and flood rather than production or amenity. Forest ownership is not only fragmented but often ownership by default, as abandoned agricultural land reverts to scrub forest. While the basic legislative framework has remained unchanged since 1923, foresters have been bombarded with uncoordinated planning initiatives that have come and gone with successive administrations and made little difference on the ground: "(f)rom the mid-1980s, Italian foresters experienced a wealth of planning instruments related to, for example, implementation, landscape, territorial plans, watershed plans, socio-economic development plans, and so on. All, however, were characterised by weak reciprocal co-ordination and by a sectoral vision of territorial management" (Carbone and Venzi 2004, 168). There was even a National Forest Plan prior to the development of the contemporary NFP idea that remained characteristically top-down, unimplemented and, perhaps, unimplementable. Chronic low capacity in both public and private sectors means that forest policy has usually been the residual outcome of other processes such as land use planning, rural development, or environmental protection and the Italian NFP remains very much at the rhetorical level.

Continued Diversity and Limited Convergence of European NFPs

The picture that emerges with respect to these four cases is set out in Table 5. As this table shows, the NFP types match the expected configuration of private- and public-sector capacities found in these jurisdictions.

The overall European pattern thus far is one of limited convergence toward the adoption of NFPs. Whatever convergence has taken place seems to have happened somewhat later than originally supposed and to the extent that we can find leading jurisdictions with fully fledged "classical" NFPs, only the recent example of Germany stands out. This suggests, that the role of supranational institutions, in this case the EU, has

TABLE 5
Exemplary European NFP Types: Status as of 2004

NFP Mechanisms for Coordination and Policy Learning	NFP Mechanisms for Participation and Conflict Resolution	
	Formal	Informal
Substantive	Germany <i>Classical NFP</i> High private and public capacities	Sweden <i>Output-oriented NFP</i> High private capacity, low public capacity
Symbolic	Finland <i>Process-oriented NFP</i> High public capacity, limited private capacity mobilized around status quo	Italy <i>Rhetorical NFP</i> Low public and private capacities

NFP, National Forest Program.

been limited in promoting convergence, be it through any of the processes of harmonization, emulation, diffusion, or elite networking identified by Bennett (1991), and that factors involving state and societal capacity changes are paramount in explaining NFP outcomes.

Capacity Change: The Canadian Case

It is clear from the empirical record of the European experience that different types of NFPs exist; and that jurisdictions featuring the different combinations of state and private-sector capacity noted in Table 1 tend to develop distinct types of these contemporary governance strategies. This implies a limited role for both regional and international bodies in actually influencing the content of NFPs, and highlights instead the significance of domestic factors in their implementation and adoption. As we have argued, attempts to respond to globalization in the form of increasing exposure to world commodity markets is only half of the story where contemporary governance strategies in national forestry sectors are concerned. The other half is the shift in the governance capacities of state, business, and third-sector actors caused by the declining importance of primary production in the developed world.

An examination of the Canadian case provides an opportunity to focus on these capacity shifts without the complicating factor of pressure to adopt NFPs coming from the EU. Set in the context of a North American forest sector which is thoroughly integrated continentally, but lacks the supranational institutional structures found in Europe, the domestic dynamics at work are revealed much more clearly. Canada has certainly tried to find ways of coordinating an international response to globalizing pressures in the forest sector, notably as a leading proponent of a legally

binding international convention for sustainable forest management, but these efforts have now failed on three separate occasions. Thus, even more clearly than in the four European cases examined above, in the Canadian case it is the configuration of state and societal capacities and their inter-relationship that has determined what types of NFPs Canada has adopted over the past decade.

The Canadian Forest Policy Context: Weak State, High Third-Sector Capacity

While Canada is a major forestry power, both in terms of the extent of its productive forests and the size and global reach of its industry, there are several peculiarities of the forest sector that are significant for predicting whether Canada will have an NFP and what kind it might be. First, Canadian forest policy is extremely decentralized, with legislative competence lying almost exclusively with the provinces. State capacity is thus dispersed and unevenly developed across the country. Federal capacity is particularly weak. Second, while the industry remains regionally significant, overall it has participated in the decline in the importance of the primary sector in the larger Canadian economy.

The other significant peculiarities of the Canadian forest sector for the purposes of this study are the comparatively large areas of surviving "natural" forest remaining in Canada and the export orientation of the industry. The former has created a strong ENGO presence, often with international linkages. Together with the export dependency of the industry, ENGO scrutiny has made Canada particularly vulnerable to changes in international public opinion about forest practices, especially in the crucial U.S. market. The first international boycotts organized by environmentalists and aimed at Canadian forest products came as an unpleasant surprise to Canadian governments and sparked an increased interest on their part in the potential for next-generation NFP-type arrangements to deal with these threats to the Canadian industry (Bernstein and Cashore 2000). Canada had been one of the main producing countries opposed to the negotiation of any kind of international timber or forest accord which might restrict Canadian production and exports, but beginning in the early 1990s had started to reconfigure existing internal forest strategy documents to align them with the kinds of participatory and conflict-resolution mechanisms demanded of NFPs (Howlett 2001b).

As Bernstein and Cashore have argued, international pressure on Canadian forest policy networks has employed two main mechanisms. The first is direct market pressure, characterized by the consumer boycotts and linkages between Canadian NGOs and U.S. lumber interests during the negotiations over American claims that the Canadian stumpage system constitutes an unfair subsidy to the industry. The second was the "infiltration" of domestic Canadian policy networks by transnational actors, often, although not exclusively, American. The latter mechanism

was particularly in evidence in British Columbia, where "rainforest" campaigns launched by Greenpeace and other environmental organizations and coalitions were effective foreign fund-raisers. U.S. foundations provided significant financial support to British Columbia (BC) environmental groups engaged in forest-related activities as did Greenpeace Germany to its Canadian counterpart; the larger and more experienced arms of international NGOs also provided technical support, such as the geographic information systems (GIS) and mapping expertise provided by Portland-based Ecotrust that enabled Ecotrust Canada to present graphic evidence of coastal forest fragmentation; and U.S. support helped BC groups develop a more sophisticated organization capable of long-term policy engagement rather than reactive campaigning, including the effective NGO umbrella group BC Wild. The effect has been a significant increase in third-sector governance capacities at the expense of both business and government.

By the mid-1990s the Canadian forest policy community had embraced the emerging ideas of sustainable development and sustainable forest management (SFM) as a way of reorganizing forest policy and breaking out of the impasse, which pitted continued forest product development against preservation. Here the drawbacks of the legal and institutional arrangements for forest policy in Canada became evident. The new paradigm demanded a more participatory style of planning and management, a substantial shift from the closed, expert networks that had developed at the provincial level around the issues of timber supply and industry modernization.

Canada's NFP Process

In the early 1990s, Canada already possessed a National Forest Sector Strategy. It was the latest in a series that had been inaugurated in the mid-1970s which represented efforts by federal governments of different political complexions to assert some federal leadership in forest policy. In line with the concerns of the expert policy community, the first strategies were also focused on promoting a healthy forest industry, with themes such as wood supply management, regeneration, and the development of new markets (Howlett 1989). The themes of the various strategies adopted since 1981 are set out in Table 6.

As Table 6 shows, the strategy unveiled in 1992 marked a departure from the earlier attempts with a significant increase in the number and scope of the themes being addressed (Simmons 2001). It was aimed at a much wider audience, both nationally and internationally, than the previous strategies. In the larger picture, the 1992 strategy was also part of the Canadian preparation for the UNCED, where Canada planned both to defend its forest practices against mounting ENGO criticism and to begin the process of protecting its access to export markets by negotiating a new international forest policy regime to be based on a legally binding

TABLE 6
Thematic Content of Canadian National Forest Sector Strategies 1981–2003

	1981	1987	1992	1998	2003
Items Included in Strategy Statement					
Overall Priority	Wood supply	Forest management	Forest ecosystems Forest management	Forest ecosystems Forest management	Ecosystem-based management
Economic Focus	Markets and market opportunities	Trade and investment	Forest industry Global forests	Forest industry Global view	Forest products benefits
Employment Focus	Human resources	Employment	Forest communities	Forest communities	Sustainable forest communities
Technology Focus	Research and development	Research and development	Forest science	Forest science	Knowledge and innovation
Role of Public		Public awareness	Public participation	Public participation	The urban forest and public engagement
First Nations Inclusion			Aboriginal peoples	Aboriginal peoples	Rights and participation of aboriginal peoples
Private Suppliers Governance Mechanisms			Private woodlots	Private woodlots	Private woodlots Reporting and accountability

Sources: Canada 1981; Canadian Council of Forest Ministers 1987; Canadian Council of Forest Ministers (1992); Canadian Council of Forest Ministers 1998; National Forest Strategy Coalition 2003.

international forest convention. To these ends, significant efforts were made to broaden the basis of participation in drafting the strategy, including five regional forums where working groups were asked for their "vision"; a steering committee with broad industry, government, environmental, and scientific membership; a series of draft strategies openly circulated for comments; and the presentation of the final draft of the strategy at a National Forest Congress.

There was another noteworthy feature of the 1992 Strategy / Accord, a much more circumspect approach by the federal government to federal-provincial relations. Rather than attempting to assert federal "leadership," the emphasis was on intergovernmental negotiation and consensus building through the Canadian Council of Forest Ministers (CCFM). Like its counterparts in other policy areas, the CCFM had developed from an ad hoc meeting of federal and provincial ministers and their advisors, to an institutionalized forum for policy discussion and coordination. As such, it was in line with the larger policy style of executive federalism or government-to-government negotiation that had become entrenched in Canada during the 1980s. Moreover, to underline the voluntary nature of the agreements embodied in the strategy, the broad participation on which they are based, and the arms-length relationship of the federal government, the CCFM created a new organization, the National Forest Sector Coalition, to monitor the Strategy / Accord and prepare for the next iteration.

At this point, then, the situation in Canada was not at all unlike that in European countries struggling to come to terms with the post-Agenda 21 environment by experimenting with a new mix of instruments in order to promote a more participatory style of policymaking while continuing to pursue economically important activities based on logging. However, as in Sweden, the primarily large-scale industrial nature of Canadian forest policy, coupled with virtually exclusive provincial control over the important levers of forest policy—including tenure, harvesting rates, and forest practices (Cashore et al. 2001)—allowed only for the development of informal mechanisms for participation and conflict resolution at the national level, and the continuation of industry-dominated ones at the provincial (Wilson 1998). As a result, NGOs deserted the existing policy community in favor of the development of a certification framework under the auspices of the FSC, which posed significant problems for Canadian producers because of its emphasis on the protection of "old" forests and its concern for the rights of indigenous peoples.

What little federal capacity existed in this area was further undermined by the long-running dispute with the United States over whether Canada's system of allocating public timber through stumpage fees rather than auctions constitutes a subsidy to domestic producers—illegal under both NAFTA and WTO rules (Bernstein and Cashore 2001). The lack of federal power to end the dispute was apparent to all actors in the sector as American courts and regulators imposed onerous penalties and quotas

on Canadian producers and kept a close watch on policy developments in Canada, arguing that changes in forest practices that improved the cost structure for Canadian companies were a violation of the agreement (Cashore 1997).

The Canadian "Output-Oriented NFP"

Domestically, the initial response of Canadian governments to the SFM challenge and the development of significant NGO capacities in the forestry sector was dominated by re-regulation of the forest industry in the effort to bolster the existing regime of traditional "command-and-control" regulation. There were legislative revisions in the leading forest provinces not unlike those noted in many European countries at this time, placing new management constraints on licensees and mandating more complex and participatory planning processes including the Forest Practices Code in BC and the Crown Forest Sustainability Act in Ontario (Cartwright 2003; Rayner et al. 2001). There were also large-scale consultative processes in both BC and Ontario aimed at significantly increasing protected areas to meet the UNCED recommendation of 12% of the land base. By the late 1990s, however, the regulatory impulse was largely spent. The increasing costs of regulation were eroding the competitiveness of Canadian producers and governments operating in an atmosphere of extreme fiscal restraint found themselves lacking the capacity to implement the complex system of regulatory demands that they had so recently imposed.

The combination of international market-based pressures and domestic network reconfigurations led to changes in the types of national forest strategies adopted in Canada. With respect to Knill and Lehmkuhl's criterion of "private-sector capacity," there were certainly spillovers from the international trade and indigenous rights policy areas that brought both new ideas and new actors into Canadian forest policy (Howlett and Rayner 1995). And the longer-term change in forest policy networks structure brought about by the incorporation of new actors has helped make the strategy changes permanent. The reconfiguration of the networks, the transformation from an embattled policy community trying to fight off outsiders, to wider and deeper network participation has further increased third-sector policymaking capacity. This change in third-sector capacity raised the distinct possibility of the adoption in Canada of a "classical" NFP.

However, the effect of an increasingly decentralized administration and the declining salience of forestry issues have been decisive. When the 1992 strategy came up for renewal in 1997 after it had been formally evaluated by a panel of experts and after essentially the same rounds of wide consultation and redrafting that had preceded it, the Global Forests theme remained prominent, while many of the other sections presented a vision of SFM that was intended to demonstrate Canada's commitment to a classical NFP process. By 2003, however, the section on global forests

has been completely dropped and the federal strategy had taken on the form of an "output-oriented NFP."

As might be expected, the new mix of instruments found in the current Canadian forest strategy is heavily weighted toward information and other procedural instruments that encourage "learning" and consultation, but without formalized processes for participation of the third sector in policy deliberations, or any way for them to satisfy their grievances through legal means of conflict resolution. In sum, the current Canadian Strategy reflects a clear movement toward the use of an "output-oriented NFP" and away from earlier moves toward the development of a "classical NFP"; a development consistent with our central hypothesis concerning the conditions under which such types of contemporary governance strategies evolve.

Conclusion: Internationalization and Capacity Change in the Development of New Governance Strategies

Our approach has stressed that NFPs are instances of "next-generation" policy instrument mixes or "new governance strategies" adopted as part of a divergent response on the part of national governments to the institutional problems of implementing the idea of sustainable forest management. NFPs can be seen as new governance strategies that have emerged as the outcome of domestic policymaking in the context of a very weak international regime. In fact, they are to a great extent, a domestic substitute for a more ambitious attempt to create a strong international regime based on a legally binding convention. Without such a convention, local peculiarities are allowed to assert themselves, so that we see divergences in national behavior even as NFPs are being formulated.

This approach illuminates the elusive relationship between institutional capacities and policy outputs in the NFP case, and resolves earlier difficulties encountered by investigators attempting to understand national patterns of convergence and divergence in the forest sector. That is, earlier work on NFPs in Europe was confronted with the seeming paradox that while patterns of forest ownership and associational behavior were identified as key factors in the decision to adopt an NFP, both the presence of fragmented private forest ownership and the presence of strong corporatist tradition with clientelist associational representation were seen as factors impeding the adoption of formal NFPs (Glück, Mendes, and Neven 2001).

This apparent paradox disappears when the key variables in NFP adoption are seen to be not only the *relationship* between public- and private-sector capacities but also that between the capacities of economic and third-sector agents. Where the balance of the first relationship tends toward private rather than public capacity—e.g., where we find strong forest owner associations or a few large, vertically integrated companies dominating the sector and a dependence on trade relationships outside

national government control—then the governance structure will tend toward private self-regulation. Conversely, where third-sector capacity is relatively lower, then policy development falls to the traditional state/business nexus and we would expect to see negotiated regulation in which bureaucratic monitoring and enforcement of standards and practices is the norm.

Moreover, on a larger, theoretical plane, both the European and Canadian studies presented here revealed the usefulness of examining next-generation instrument adoption in terms of the criteria of intertwined state and private-sector capacities generated by Knill and Lehmkuhl in their study of general processes of regulation, deregulation and re-regulation. The NFP cases, however, have highlighted the modifications that need to be made to Knill and Lehmkuhl's model to properly reflect the key role played in next-generation sectoral policy change by the growth of effective third-sector capacity. As this study has shown, the growth of third-sector capacity, which has accompanied more general processes of globalization, has significant impacts upon domestic state capacity and has altered the context in which state regulatory actions occur. Adding this dimension to the model initially developed by Knill and Lehmkuhl is essential if the dynamics of regulatory policymaking in the contemporary era are to be understood.

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Notes

1. On this general situation, see Hay (2004).
2. A good example of the counterproductive aspects of incrementally developed regimes can be found in the area of environmental regulation (de Moor 1997; Myers and Kent 2001). On the development of these regimes and their resistance to change, see Harris and Milkis (1989).
3. See also Verhoest et al. (2004).
4. On February 11, 2004, the French minister responsible for forestry announced that France would develop a formal NFP within a year.

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