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Publication date

2007

Document Version

Author accepted manuscript

Published in

Business & Society

[Link to publication](#)

Citation for published version (APA):

Kolk, A., & Pinkse, J. M. (2007). Multinationals' Political Activities on Climate Change. *Business & Society*, 46(2), 201-228. <http://bas.sagepub.com/cgi/reprint/46/2/201>

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MULTINATIONALS' POLITICAL ACTIVITIES ON CLIMATE CHANGE

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Business and Society, forthcoming (vol. 46, No. 1, 2007)

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ABSTRACT

This paper explores the international dimensions of multinationals' corporate political activities, focusing on an international issue – climate change – that is being implemented differently in a range of countries. Analyzing data from FT Global 500 firms, it examines the influence on types and process of multinationals' political strategies, reckoning with institutional contexts and issue saliency. Findings show that the type of political activities can be characterized as an information strategy to influence policymakers towards market-based solutions, not so much withholding action on emission reduction. Moreover, multinationals pursue self-regulation, targeting a broad range of political actors. The process of political strategy is mostly one of collective action. International differences particularly surface in the type of political actors aimed at, with US and Australian firms focusing more on non-government actors (voluntary programs) than European and Japanese firms. Influencing home-country (not host-country) governments is the main component of international political strategy on climate change.

MULTINATIONALS' POLITICAL ACTIVITIES ON CLIMATE CHANGE

INTRODUCTION

On 8 June 2005, the Guardian revealed that US State Department papers – obtained by Greenpeace under the freedom of information legislation – showed that the US government's position on climate change partly resulted from input from the Global Climate Coalition, of which ExxonMobil was a prominent member (Vidal, 2005). This confirmed what many had already suspected in view of the close resemblance of Exxon's position with those of the US government, in their joint rejection of the Kyoto Protocol, of binding approaches to reduce greenhouse gases and emphasis on the unsolved scientific evidence of global warming and the negative impact on international competitiveness. Interestingly and coincidentally, just one day later, on 9 June 2005, 24 large multinationals, including US firms HP and Ford, issued a statement in which they supported climate change measures, and pressurized the G8 to adopt climate stabilization targets and set up a long-term, global climate change regime that would extend to 2030 at least, including a market-based system of emissions trading (WEF, 2005).

These two news headlines underline the two streams in corporate political involvement in climate change over the years. When climate change started to become an important policy issue for firms in the early 1990s, corporate efforts to influence the direction and shape of the debate took place, initially predominantly to oppose measures (Ikwue & Skea, 1994; Kolk, 2001; Levy, 1997; Newell & Paterson, 1998). Particularly after governments adopted the Kyoto Protocol in 1997 (Grubb, Vrolijk, & Brack, 1999), firms increasingly also started to take concrete measures, thus engaging more visibly in market responses. While these market strategies have attracted considerable attention recently (Hoffman, 2005; Kolk & Pinkse, 2005), political strategies have played a role all along (cf. Baron, 1995), although the intensity and the contents have changed – from antagonistic to more cooperative in many cases (Kolk, 2001; Levy & Kolk, 2002; Levy & Rothenberg, 2002). In view of current diversity in the adoption and implementation of the Kyoto Protocol between countries and uncertainty about the policy context after 2012, corporate political activities on climate change can be expected to continue.

In the case of climate change large multinational companies (MNCs), which almost by definition operate in international markets, have been confronted with a global issue arena, increasingly so when the issue matured and perceptions converged (cf. Levy & Kolk, 2002). However, in recent years, this common, global nature has become more diverse because its actual implementation exhibits differences between institutional contexts. While climate change still is a global issue in its causes, manifestations and implications, and international policy regimes exist (particularly to discuss the Kyoto Protocol and its future), it is 'multidomestic' as well in view of variations between countries/regions in policy design and response mechanisms (Hamilton, Brewer,

Aiba, Sugiyama, & Drexhage, 2003; Schreurs, 2003). It thus adds an additional layer to Baron's (1997) argument that corporate political activities are less global and more multidomestic: MNCs have to reckon with both national and global (policy) developments and peculiarities and try to develop a strategy based on that (cf. Prakash, 2002). All this implies a resuscitation of the local context in addition to the global one, covering not only home-country but also host-country peculiarities. This host-country aspect is most notable in the case of non-European Union (EU) firms that are confronted with the EU emissions trading scheme (Pinkse, 2006).

By studying the climate change issue, this paper aims to help shed light on international dimensions of corporate political activity that have received less attention in the literature. Although corporate political activities have received considerable academic attention (for overviews see e.g. Getz, 1997, 2002; Hillman, Keim, & Schuler, 2004; Lamberg, Skippari, Eloranta, & Makinen, 2004; Shaffer, 1995; Skippari, Eloranta, Lamberg, & Parvinen, 2003; Vogel, 1996), this literature underexposes international, especially European, perspectives (Skippari, Eloranta, Lamberg, & Parvinen, 2003), as well as corporate political action that aims to influence local governments, host governments and international organizations (Getz, 1997). Nevertheless, there are some recent exceptions to this general statement, in which one or more of these aspects have been studied (e.g. Hillman, 2003; Lamberg, Skippari, Eloranta, & Makinen, 2004; Markussen & Svendsen, 2005; Wilts & Quittkat, 2004). We continue this research, also building on studies that have focused on institutional differences, using the corporatist/pluralist dichotomy (Hillman, 2003; Hillman & Hitt, 1999; Murtha & Lenway, 1994). Besides, we draw on insights from the international business literature, which has addressed political strategy formation and coordination within MNCs (e.g. Boddewyn & Brewer, 1994; Hansen & Mitchell, 2001; Shaffer & Hillman, 2000; Smith Ring, Lenway, & Govekar, 1990).

The corporate political activity literature has also paid less attention to characterizing the different dimensions of these activities (cf. Hansen & Mitchell, 2000) in the form of typologies and taxonomies (Hillman, Keim, & Schuler, 2004), and thus usually lacks a processual approach. An exception is formed by Hillman and Hitt's (1999) model of political strategy formulation (cf. Lamberg, Skippari, Eloranta, & Makinen, 2004). As subsequent sections will show, this paper will particularly build on Hillman and Hitt's processual approach to uncover what types of actions MNCs undertake with regard to climate change in the national and international political arenas and how these actions can be characterized. We will add value to their processual approach by studying empirically whether this more traditional model of political strategy formulation also applies to a widely salient issue, something to which Bonardi and Keim (2005) have attracted attention recently.

Before turning to the empirical results of the qualitative analysis of Financial Times Global 500 companies, we will first briefly discuss the evolution of policies on climate change, considering global and national developments, and the implications for MNCs. Subsequently, this will be linked to existing research as mentioned above, outlining the theoretical framework and set-up of the study.

POLICY DEVELOPMENTS ON CLIMATE CHANGE

International policy on climate change started with the adoption of the United Nations Framework Convention on Climate Change (UNFCCC) at the United Nations Conference on Environment and Development in Rio de Janeiro in 1992, but this was only a broad plan for action. It was not until 1997 that countries agreed upon more detailed, differentiated reduction targets for the reduction of greenhouse gas (GHG) emissions under the Kyoto Protocol (Grubb, Vrolijk, & Brack, 1999). In the years following Kyoto, the negotiations about the exact rules for implementation of the Protocol have been very turbulent, however. This culminated in the decision of US President Bush in March 2001 to reject the Kyoto Protocol altogether out of the belief that ratification would harm the US economy and its international competitiveness. Subsequently, however, negotiations to ‘save’ the Kyoto Protocol and move on without the US resulted in an agreement between the EU, Japan, Russia, Australia, Canada and a large number of developing countries. Since then most parties, including the EU, Japan, and Canada ratified the Kyoto Protocol, while the US and Australia have not. After long hesitation, Russia eventually ratified in February 2005, thus putting the Protocol into force. In spite of this ‘landmark’, the international climate change arena has continued to exhibit changes, with implications and/or active roles for firms. At least three notable developments should be mentioned.

Firstly, after January 2005, carbon emissions trading, particularly aimed at energy-intensive activities, has begun in the framework of the European Union emissions trading scheme (EU-ETS). This means that implementation of Kyoto targets has actually started on a considerable scale, with substantial effects on industries and firms, and not only those originating from the EU. Nevertheless, as a result of corporate lobbying, rules of the EU trading scheme have been tailored to EU firms whose participation will be critical to its success. Policymakers have mainly responded to corporate lobbying of Europe’s largest emitters to ensure their participation (Markussen & Svendsen, 2005), because they provide the necessary trading volume and liquidity for the EU scheme to succeed (Christiansen & Wettstad, 2003).

Secondly, there still exists, at the same time, uncertainty about what will be the future of the Kyoto Protocol after 2012. Discussion about emission reduction targets (including potentially those for developing countries) after the first commitment period (2008-2012) started in Buenos Aires (2004), but only a weak ‘compromise’ could be found. Since then, several meetings have reaffirmed countries’ willingness to continue discussions, but it can be expected that the topic of reduction targets for developing countries will become contentious. It was already raised at international climate talks in New Delhi (2002) when India repeated its refusal to impose targets, based on the argument that industrialized countries have traditionally been the main contributors to global warming and are thus responsible for its solution.

Thirdly, a growing tension has been noted within the US regarding the federal government’s position on climate change. In 2003, senators McCain and Lieberman launched a bipartisan plan to set industry-wide caps and create an emissions trading scheme; this proposal failed to pass Congress by

12 votes. It, however, reflected divergence of views between the US Congress and the Bush government, which seems to have further increased since (Brewer, 2005). Moreover, differences emerged between the federal and some state governments (Peterson & Rose, 2006). A number of US states implemented stricter policy measures to combat climate change than required by the federal government; others are preparing for emissions trading and a decreased reliance on fossil fuels. In addition, US companies faced increased pressure from shareholder groups who asked them to take climate change seriously, and from institutional investors who called for disclosure requirements on climate risks. This movement built on unease that had been growing in some US companies after Bush's rejection of the Kyoto Protocol, and who started to take steps, such as the creation of a pilot project for carbon emissions trading in 2003 (the Chicago Climate Exchange).

Since the inception of the 1997 Kyoto Protocol global climate change seems to have become a widely salient issue appealing to voters all over the world (cf. Bonardi & Keim, 2005), especially in more recent years (Brewer, 2006). However, it is also clear that the international policy context on climate change can hardly be characterized as a 'level playing field' in the post-Kyoto period. It is not only difficult to keep track of the exact details of climate policy on an international level, but also on a national level. Even though many countries have ratified the Kyoto Protocol, it is still not evident in most cases how national governments intend to meet their targets. This means that there is ample room, and perhaps also necessity, for firms to try to influence the direction and contents of climate change measures, at national and international levels.

THEORETICAL FRAMEWORK

Political strategy

There are three components of the literature indicated in the first section of this paper that have inspired our exploratory study of MNCs' political responses to climate change. These involve the processual approach and the (international) institutional structure in which firms are embedded, coupled with the saliency of an issue.

In our study, we will use Hillman and Hitt's (1999) process model as far as applicable, and add an international dimension to this because of our focus on climate change. Hillman and Hitt take firms with a proactive political strategy as a starting point, and question not *why*, but *how* these firms engage in political activities. Their model conceptualizes political strategy formulation as a sequence of decisions with regard to the approach to political strategy, the participation level and the type of strategy. The *approach to political strategy* entails whether corporate political activity takes place on an issue-by-issue basis focusing on the short term (a transactional approach), or looks at the long term as well by building lasting relationships with political actors (a relational approach). As climate change forms one of many issues for MNCs, these firms ostensibly follow a transactional approach as illustrated by the continually changing positions of oil multinationals over the last decade (Levy &

Kolk, 2002). *Participation level* is a more relevant processual dimension with regard to climate change. Firms have the choice to engage in political activities either individually or collectively. It has been observed that the climate change issue induces many firms to act collectively and cooperate with governments, non-governmental organizations or other firms (Kolk & Pinkse, 2004). More details about patterns and determinants are still unexplored, however.

As to the third dimension of their model, Hillman and Hitt (1999) indicate that firms have several options for the *type of political strategy* to pursue: an information, financial incentive, or constituency building strategy. With an information strategy firms choose to provide policymakers with specific information about their view on public policy. Well-known tactics include lobbying and using think tanks to supply policymakers with research reports. A financial incentive strategy is also aimed at policymakers, but the means to persuade them to support the position of the firm is by financial inducements instead of information. A common tactic is making financial contributions to a political party or a specific policymaker. Finally, whereas an information and a financial incentive strategy both aim at political decision makers directly by providing information and financial inducements respectively, constituency building works indirectly by targeting individual voters. With tactics such as newspaper advertisements or press conferences firms try to persuade voters to support the firm's cause, with the aim to have these voters express their opinion to policymakers (Hillman and Hitt (1999).

According to Bonardi and Keim (2005), corporate political activities for widely salient issues differ considerably from activities for narrowly salient issues.¹ They argue that the more traditional political strategies of information, financial incentive, and constituency building (cf. Hillman & Hitt, 1999), which aim at political decision makers and the public, are likely to be less effective when an issue is widely salient. This is due to the fact that widely salient issues are deemed important by a large part of the public; strategies that aim to influence policymakers in a direction that goes against public opinion are likely to be unsuccessful as policymakers are not willing to do this. In addition, a constituency-building strategy, which tries to influence the public itself, can bring about a negative reputation effect.

As an alternative, they propose that in early stages of the issue life cycle it will be more effective to change the opinion of experts and reporters, which both have an important role in the development of widely salient issues. In later stages, however, Bonardi and Keim (2005) suggest that self-regulation is a more appropriate strategy, because it is more timely than trying to influence experts. In their approach, Bonardi and Keim (2005) do not treat the level of saliency as a given, but regard it as endogenous; firms do have an influence on issue saliency. This also implies that corporate influence in the political arena can be at the root of cross-country differences with regard to saliency of a particular issue, in this case climate change, where institutional variations are obvious.

This discussion of the implications of issue saliency for the type of political strategy that firms pursue leads us to the first of our two research questions:

To what extent will traditional models of political strategy formulation also hold for widely salient issues?

Institutional differences and contexts

Studies about corporate political activity in an international context have mainly focused on cross-country differences between political institutions using the corporatist/pluralist dichotomy (Hillman, 2003; Hillman & Hitt, 1999; Murtha & Lenway, 1994). According to this division, corporatism implies a relation of consensus and cooperation between the state and firms (Hillman and Hitt, 1999), where the state is relatively strong and most interaction between the government and firms takes place through official channels (Murtha and Lenway, 1994). A much less pronounced government role, on the other hand, characterizes pluralist nations, where a greater number of relatively narrowly defined interest groups has the potential to influence public policy. Most European countries and Japan are labeled corporatist, and particularly the US and to a lesser extent the UK and Australia pluralist (Murtha & Lenway, 1994).

Busby and Ochs (2004) argue that institutional differences have influenced international negotiations on climate change and explain the US rejection of the Kyoto Protocol. Because of its pluralist system, the US faces more domestic constraints in determining its position in international negotiations. Busby and Ochs (2004) conclude that US firms' influence on federal policy has been crucial in blocking US participation in an international regime with binding emission reduction targets. In spite of the government's rejection of Kyoto, however, it can be expected that US firms have not halted their political activities, but will continue their efforts in directions that are less in opposition to public action on climate change (now that binding targets have been circumvented).

Likewise, ratification of the Kyoto Protocol by the EU, Japan and Canada (amongst others) also prompts MNCs from these countries to engage in political activities to shape the way in which their governments implement the rules set by Kyoto. Thus, the political system of an MNC's home country is likely to continue to play a role with regard to corporate political response to recent developments in international climate policy. As a reflection of international differences, the corporatism/pluralism distinction may be useful for an understanding of the process and type of corporate political activity that MNCs conduct, although it should be noted that there are many differences within corporatist countries (and pluralists alike). It nevertheless sheds light on how firms shape public policy, such as whether they participate individually or collectively in the political process.

Regarding the process of political strategy formulation, Hillman and Hitt argue (1999: 832) that 'owing to the emphasis on consensus and working with others, it is likely that firms in more corporatist nations will choose to participate in politics collectively rather than individually'. In pluralist nations, by contrast, it is not deemed necessary to be part of a broad interest group to be able to exert influence on public policy; even narrow interest groups or individual actors can participate in

politics. Which political actor is targeted is also likely to diverge between corporatist and pluralist countries. In pluralist countries the political arena tends to be more diffuse, as illustrated by the complex institutional context regarding climate change currently in the US. US firms do not only have the option to target the federal government, but also state governments (more responsive to climate change at this time), non-governmental organizations (NGOs) or other interest groups (Hillman & Hitt, 1999). In corporatist countries political activities are more likely to be aimed at (federal/national) governments, since these are relatively dominant. Murtha and Lenway (1994) argue that the difference in extent to which firms have ties with the central government also impacts whether MNCs merely focus on their home-country government or also address host-country governments. They state that 'pluralist systems of interest intermediation create diffuse, relatively nonbinding pressures on home-based MNCs' international strategies' (Murtha & Lenway, 1994: 126). Multinationals from pluralist countries are thus more likely to be responsive to host countries with their political activities.

It can also be considered to what extent the institutional environment forms a constraint for firms in dealing with the issue of climate change (cf. Child & Tsai, 2005). An important component of institutional constraint is government pressure. To illustrate, the EU has made most progress in initiating legislation to reduce GHG emissions; Japan and Canada are lacking behind somewhat as it is less clear how they will implement the rules of Kyoto. In terms of government pressure, in the US and Australia, countries that did not ratify the Kyoto Protocol, the institutional constraint with regard to climate change is presumably even more limited. We expect that due to a lack of institutional constraint for corporate political activity an issue's legitimacy is more highly debated by firms. Accordingly, Bonardi and Keim (2005) suggest that the type of political strategy firms pursue with regard to issues in a less advanced stage are more likely to be aimed at experts, interest groups, and NGOs whose opinion can potentially lead to greater salience of the climate change issue. However, even though the US federal government rejected the Kyoto Protocol, strong opposition of state governments, NGOs, and shareholders suggests that the institutional constraint for climate change does not only depend on pressure from the federal government but also from a broader group of political actors (Child & Tsai, 2005). It is thus likely that particularly firms from countries with considerable institutional constraints but a lack of government pressure will choose for self-regulation in order to pre-empt more binding legislation (Bonardi & Keim, 2005). In other words, low government pressure gives firms the opportunity to take on a leadership role as they have more discretion in their actions, whereas high government pressure induces firms to interact cooperatively with environmental agencies (Child & Tsai, 2005). This discussion leads to our second research question:

How will international differences between countries' institutional structures affect the process by which multinational companies formulate a political strategy?

DATA AND METHOD

In the empirical section, we will analyze the different political activities that firms may be engaged in with regard to an issue as salient as global climate change. For the type of focus that we have, data availability is obviously a problem (cf. e.g. Shaffer, 1995; Skippari, Eloranta, Lamberg, & Parvinen, 2003) since firms do not tend to disclose much about their political strategies and views in this area, and large-scale databases do not exist. We redressed this problem to some extent, however, by using data that have become available through the second survey of the Carbon Disclosure Project (2004). The 500 largest firms worldwide (the Financial Times Global 500 list) were asked about their perceptions and activities related to climate change. Although the survey did not directly request MNCs to give information about their corporate political activities, it addressed firms' visions on the issue, on policies (particularly emissions trading) and on products and markets. This gave insight into the way in which these MNCs approach matters, sometimes also the sorts of activities undertaken, thus helping to shed exploratory insight into our field of interest.

Of the 500 companies, 59% responded, 19% did not, while 15% declined to participate, and 6% provided only very brief information. The responses of 218 firms were made available through the Internet. For the analysis we first scanned the responses to see whether they contained information about corporate political activities. In total 117 firms (54%) gave information about (some of) their activities in the political arena; we used this set for our analysis. Table 1 shows the spread of firms in the sample by country and displays whether they reported on political activities in their responses to the Carbon Disclosure Project survey. On average slightly more than half the firms in the sample gave information about their political activities.

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Table 1 about here
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US firms report more than average (63%), Japanese firms less (35%). For all European countries together (96 firms), 53% report on political activities, but the picture differs considerably per country. Germany and UK, for example, disclose considerably more than France (respectively 62%, 50% and 39%). For smaller countries the percentage is sometimes relatively high (even 100%), but it must be noted that the number of firms in the sample for each individual country tends to be low. With regard to the spread by industry, firms operating in industries that are more seriously affected by climate policy clearly report above average: the oil and gas industry stands out with 94% (16 out of 17 firms), closely followed by electric utilities (84%, 16 out of 19 firms) and the automobile industry (80%, 8 out of 10 firms).

To examine the type and process of corporate political activities of MNCs, we first identified the nature of political activities on which firms provide information. We did not beforehand use any of the above-mentioned typologies for political strategies, because we did not want to miss any activities that were not included there. Therefore, first a long list of activities was made, which was

subsequently narrowed down by removing overlap between only slightly different activities. This led to a list of ten different kinds of activities, of which some occurred frequently, while others were mentioned only occasionally. Moreover, to identify activities we also scanned for any political statements made in all the answers to the survey. It turned out that quite some multinationals give their opinion on climate policy developments, which are not always favorable of current government stances.

To uncover the international dimensions of the process side of corporate political activity, for each activity separately, we established, as far as possible, participation level (individual or collective); the cooperation partner (in case of collective action); the type of political actor at which the activity was aimed; and the geographical scope of the activity (local, national – home and/or host country –, regional, international). For each process dimension, an attempt was also made to identify the type of underlying variable (institutional structure and issue saliency) that seemed to play the most important role. Since the data are limited in the sense that not all dimensions could be identified for each political activity, no attempt was made to test propositions; instead we relied on research questions to retain the openness that seems most suitable for an exploratory paper.

FINDINGS FROM THE EXPLORATORY STUDY

In this section we will first briefly indicate what sorts of stances MNCs mention in general regarding climate change, particularly in relation to policy options taken (usually by their national governments). The next section examines the type of strategies they seem to develop, considering firstly those distinguished by Hillman and Hitt (1999) (financial incentive; information; constituency building), followed by an exploration of the additions suggested by Bonardi and Keim (2005) for widely salient issues (expert opinion focus; self-regulation). The cross-country, institutional dimensions of MNCs, notably their home country, will be considered. Subsequently, we address the process dimensions, especially the participation level, first in general (individual; collective), and then with specific attention to type of (political) actors targeted, in their home country but also (which is much less prevalent) in host countries and at the global level.

Overall political stances mentioned

Overall, it is clear from the responses that MNCs see climate change as an important issue with (potentially) large implications. Policy (proposals) are viewed by some of them with suspicion or caution. Rio Tinto, for example, emphasizes the risks for the firm of current developments in climate policy:

‘Poorly designed and implemented policy has the potential to send the wrong signals to the market place and discriminate against some of Rio Tinto's products without commensurate long term, meaningful and sustained reductions in greenhouse gas emissions. Poor policy has the potential for carbon leakage (driving emissions from one country to another), increasing

production costs, effectively banning the use of some current products and stifling research and development to enable substantial long-term reductions.’

Most firms that are critical particularly resist emissions trading schemes, because they involve binding targets for GHG emission reduction. Air Products & Chemicals, for example, argues that emissions trading schemes ‘penalize companies, like Air Products, that have been historically efficient in their management and consumption of energy.’ Tokyo Electric Power is ‘opposed to introducing regulatory measures such as emissions regulations or, in connection with emissions trading schemes, assigning emission quotas to companies’, because ‘it is impossible to assign emission quotas impartially and rationally.’ ExxonMobil criticizes the uncertainty about the exact consequences of emerging regulations and states that ‘to date, neither ExxonMobil nor any other company knows what emissions restrictions they will face, even in the European Union, nor what the costs of GHG allowances will be.’

Yet, many firms favor emissions trading because it is considered better than more stringent legislation such as a carbon tax. Accordingly, firms including BP, BAA, BG Group, DuPont, Exelon and General Motors explicitly state that they support market mechanisms (of which emissions trading is one). US utility Exelon mentions good experiences with a similar program in the US to prevent acid rain. UK’s BAA supports emissions trading because it would otherwise face a fuel tax. Its pleas for ‘the aviation sector receiving equitable treatment with other industries participating in emissions trading, rather than being “singled out”’. Many others have gone beyond statements and have already helped to launch a public and/or private emissions trading scheme, such as the Chicago Climate Exchange in which Ford, DuPont, IBM, Motorola, International Paper, Stora Enso, Baxter, Waste Management, and American Electric Power have been involved. Another well-known example of such corporate political involvement is BP:

‘BP has actively promoted the use of market mechanisms, including Emissions Trading and the Clean Development Mechanism, which were both formally recognized in the Kyoto Protocol. BP helped to develop the existing UK Emissions Trading Scheme (ETS), in which it is now a participant, and is following the same course of involvement within the European Union (EU) scheme, due to start in 2005, as well as voluntary schemes in the U.S.’

MNCs sometimes also directly support their national government’s stance on climate change (e.g. ENI, FPL Group, Iberdrola). FPL Group states to agree with ‘President’s Bush’s goal of reducing national greenhouse gas emissions intensity by 18% over the next decade.’ Telecom Italia goes further and argues that ‘all Telecom Italia’s environmental policies support the Kyoto Protocol as well as all other European and Global policies aimed at restricting Greenhouse Gas (GHG) emissions.’ Not all firms believe that they should live up to their home-country’s political approach, however. BHP Billiton points out that ‘while we do not require our sites to meet GHG targets set at a political level,

we have made GHG emissions and energy management a Company priority.’ Suez follows government regulation from a more defensive standpoint by stating that it ‘does not intend to commit itself to a voluntary GHG reduction program in addition to mandatory policies’.

Types of political strategies

Information, financial incentive, and constituency building strategies

Based on the observation that most firms in the sample conceive climate change as a widely salient issue, Bonardi and Keim’s (2005) arguments suggest that Hillman and Hitt’s (1999) traditional types of political strategies – information, financial incentive, and constituency building strategies – are less likely to be used by firms. Regarding a *financial incentive* strategy, the data suggest that this is indeed the case as none of the firms in the sample mention financial contributions to politicians. It is doubtful, however, given the public nature of the data that firms would mention this even if they had done so. In addition, it is unlikely that firms would use this strategy for a single issue; financial incentives seem more geared toward supporting politicians that share corporate views on a broader range of issues, or a vision of society in general.

A *constituency-building* strategy is also not common in the case of climate change, although it must be noted that recently a number of big oil firms (including the European branch of ExxonMobil, Royal Dutch/Shell and Total) have put advertisements in the Financial Times and other European newspapers to assure the public that they are taking climate change seriously and are developing measures to tackle the problem. The only evidence that could be found in the data about constituency-building strategies was the fact that some firms have made public statements about their position towards climate change. For example, Exelon has the goal to ‘increase constituent awareness of and ability to address climate change.’ This US utility has communicated this position to several political actors including legislators, regulators, shareholders and NGOs as well as to the public at large. Bank of America developed a similar position in cooperation with the World Resources Institute (WRI) and the Coalition for Environmentally Responsible Economies (CERES). Baxter and Repsol also made their support for international policy efforts such as Kyoto ratification known to the public. BP’s CEO Lord Browne regularly speeches on climate change and the company’s commitment in this area.

Contrary to Bonardi and Keim’s (2005) expectations, MNCs do not refrain from using an *information* strategy to shape policymakers’ views. This can be explained from the observation made earlier that many firms are not opposed to action on climate change as such, but strongly prefer market-based policies and voluntary initiatives. In other words, through information strategies firms attempt to steer policymakers in the direction of their most-favored policy types. In total, 42 firms mention to be actively engaged in providing policy input. Particularly oil & gas, electric utilities (including 6 utilities from the US) and, to a lesser extent, metals & manufacturing and automobile firms shape climate policy in this way. For most of these firms (30), policy input is directly linked to setting up emissions trading schemes.

This is sometimes done by direct involvement in government programs to launch an emissions trading scheme. Most notable is the participation of Japanese firms (Denso, Fuji Photo Film, Hitachi, Mitsubishi Estate, Nippon Environment of Telegraph & Telephone, Sony) in project groups of their Ministry of the Environment and the Ministry of Economy, Trade and Industry. This is also the only type of political activity that they mention to be engaged in. On the whole, Japanese firms do not disclose much about their political activities; the corporatist structure of Japan also clearly surfaces as nearly all activities are exclusively in cooperation with the national government. The only two Japanese firms that diverge are the utilities Kansai Electric Power and Tokyo Electric Power, which both employ a self-regulation approach. Moreover, Kansai Electric Power is involved in setting up trading schemes on an international level by joining activities of the International Emissions Trading Association (IETA). Other firms involved in setting up trading schemes through direct involvement with policymakers either focus on the national level, such as initiatives for emissions trading in the UK (BAA, Barclays, BP, ChevronTexaco, Ford, and Scottish Power) and plans to set up a scheme in Canada (Alcoa, Petro-Canada, Royal Bank of Canada, Suncor), or on a regional level (the involvement of Ford and BP in the EU-ETS design phase).

Most US firms that provide policy input with regard to emissions trading do this by indirect involvement. The above-mentioned firms that take part in the Chicago Climate Exchange provide a clear signal to the federal government to prefer a system whereby emission allowances can be traded. In this way firms are actually part of the development of new institutional mechanisms to deal with climate change. Another manner in which firms shape new institutions by indirect involvement is the effort to draw up measurement protocols for corporate GHG emissions. For example, at the international level, the WRI and the World Business Council for Sustainable Development (WBCSD) are developing a Greenhouse Gas Protocol together with several MNCs (including BP, DuPont, FPL Group, PSEG, Volkswagen). A similar initiative on a local level is the California Climate Action Registry in which FPL Group, Weyerhaeuser and Waste Management are involved. Likewise, several groups of oil firms are devising various measurement protocols of their own. It must be noted, however, that firms' policy input is not always limited to promoting particular institutional mechanisms such as market-based climate policy or measurement protocols; firms also mention involvement in policy dialogues in more general terms.

Another type of information strategy sometimes mentioned is that firms lobby their governments. For European firms such as Cadbury Schweppes, Lafarge, Saint Gobain, and Total this predominantly means participation in negotiations with EU-country governments to obtain an optimal amount of allowances to trade in the EU-ETS. Weyerhaeuser, on the other hand, is negotiating with the Canadian government to secure a cooperative approach towards climate policy through a covenant between the government and large GHG emitters. It is remarkable that US utility PSEG is one of the only companies that mentions efforts to directly influence the US federal government:

'PSEG is a founding member of a utility-sector coalition known as the "Clean Energy Group"

(CEG) which is actively lobbying the Bush Administration and Congress for a fixed cap on domestic utility-sector GHG emissions to be implemented through an emissions trading program similar to the U.S. program for controlling utility-sector sulphur dioxide emissions.’

Although our findings reveal that traditional political strategies cannot be fully discarded with regard to a widely salient issue as climate change, particularly since information strategies are applied in a more cooperative way than Bonardi and Keim (2005) assumed, the analysis nevertheless shows that firms also become involved in many other types of political activities. The next subsection will pay more attention to these.

Strategies for widely salient issues

We examined to what extent cross-country differences in issue saliency of climate change seemed to play a role in multinationals’ political activities. We observed that, on the one hand, some US and Australian firms indeed appear to use the fact that there still exists much political uncertainty about the impact of climate change in their home countries. The main activity by which these firms try to influence the opinion of political actors that play a role in making this issue widely salient is by supporting or being themselves engaged in research on the implications of climate change for business and society at large. General Motors, for example, states that it ‘continues to support scientific research to improve the understanding of the possible long-term effects of economic growth and other human activities on the climate system.’ The Australian bank Westpac and US utility Duke Energy also fund research projects that look at the economic effects of climate change. DuPont states that it ‘has participated in the international scientific study of climate change and believes there is need for prudent action’, a conclusion many firms share without engaging in scientific research themselves.

However, most research activities do not have the aim to assess whether to do something about climate change, but instead more strongly focus on how to tackle this problem. In other words, the discussion whether human-induced climate change is a reality does no longer seem to be an issue for MNCs. The debate has shifted towards the question how firms should adapt to climate change. Not only US and Australian firms conduct research on appropriate ways to deal with climate change, but also firms from Europe; efforts are mainly motivated by the aim to safeguard business practices. For example, insurance firms such as Munich RE, Swiss RE and Prudential have, as Prudential explains, been involved in scientific research ‘to understand and plan for the implications of climate change on investment portfolios.’ Several utilities including American Electric Power, Duke Energy, Endesa, FirstEnergy and Progress all fund research projects for carbon sequestration; presumably the industry prefers this technological solution because it helps in maintaining fossil fuel use for electricity generation. Overall, it can be argued that corporate efforts to influence opinions of experts that have influence on the evolution of the issue and its degree of saliency are dominated by firms from the US where there are less institutional constraints.

A strategy of self-regulation is widely adopted by multinationals regardless of home country. Self-regulation ranges from membership of an international institution such as the United Nation's Global Compact or IETA, to voluntary participation in business groups initiated by NGOs, trade associations, government agencies or companies themselves. Self-regulation usually takes the form of adopting voluntary targets to reduce GHG emissions and of measures to achieve them. Although firms do take such actions unilaterally as well, many voluntary initiatives occur in conjunction with government agencies, NGOs, or business consortia. It is not true that US and Australian MNCs, which face less pressure from their federal governments, more often tend to choose for unilateral action or cooperation within non-government-led business groups to show environmental leadership. Apart from participation in programs of environmental NGOs, such as that of the Pew Center on Global Climate Change, WRI and World Wildlife Fund (WWF), or in programs of business groups such as the Business Roundtable's Climate Resolve, many US firms are engaged in voluntary programs of the Environmental Protection Agency (e.g. Climate Leaders). Likewise, the Australian firms Rio Tinto, Telstra, and Westpac all take part in the Australian Government's Greenhouse Challenge Program.

What does surface is that European firms tend to participate in voluntary programs of their national governments or the European Union, although some also work closely with NGOs. Moreover, many firms are part of government-led as well as NGO-led programs simultaneously. The case of climate change shows that self-regulation can be considered a political strategy because of the fact that many firms choose to give political meaning to their voluntary actions by linking up with NGOs or governments. The exact goal of self-regulation is more difficult to establish. In essence, self-regulation is motivated to pre-empt potential negative effects of not dealing adequately with a widely salient issue such as climate change (Bonardi & Keim, 2005). Nevertheless, it can be argued that participation in a government-led or NGO-led program is likely to have a slightly different goal. Cooperation with an NGO is more likely to be part of a strategy to oppose demands from activists or interest groups, while participation in a government program will be to forestall future regulations. Yet, all things considered, it seems that the overall goal of self-regulation is to try to redirect climate change from being a widely salient issue to a less salient one, thus preventing the future development of the issue (Bonardi & Keim, 2005).

To summarize, then, table 2 displays the main types of political activities of MNCs on climate change, with an example for each category that illustrates what a few firms report on these activities.

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Table 2 about here
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The process of political strategy: dimensions of participation

Participation level in general

Turning to the process side of corporate political activity, a distinctive feature of the way in which

MNCs participate in the policymaking process clearly is the fact that they cooperate with a wide variety of organizations and institutions and go beyond merely targeting policymakers or the public. When participation is looked at as a decision between cooperation and competition (Hillman & Hitt, 1999), within the context of climate change firms clearly favor cooperation and thus choose a participation level of collective rather than individual action. However, since climate-related corporate political activities do not only aim at policymakers directly, but also at other political actors, the distinction between an individual and collective level of participation does not fully capture the way in which firms participate in the political arena.

As we observed earlier, since climate change is an issue in a mature phase of its life cycle almost all MNCs have adopted a relatively cooperative approach compared to the more antagonistic standpoint taken in the early 1990s. This does not mean, however, that MNCs are merely cooperating with policymakers; they also deal with many other political actors that have a stake in the issue. With regard to a more traditional information strategy such as lobbying or providing direct policy input the participation level is fairly straightforward to determine. For example, with regard to helping to develop emissions trading schemes, BP has participated individually in the policy debates in the UK as well as the EU. Petro-Canada, on the other hand, chose collective action instead:

‘Through our primary industry associations, Petro-Canada experts are actively working with both levels of government to help define these targets and principles and to develop practical approaches to regulation and trading regimes.’

At first, it appears that this distinction can also be seen in corporate efforts for self-regulation. Within the automobile industry, for example, nearly all European firms in the sample (as well as Ford) have made an agreement with the European Commission to reduce emissions of their passenger car fleets as part of the European Association of Automobile Manufacturers. By contrast, in the many programs of the US EPA firms take part individually. However, even though many close competitors, such as US utility firms, participate individually in EPA programs, by doing so they cooperate politically with one another by taking a similar stance towards the issue and adopting a similar target. It thus seems that with regard to political activities aimed at self-regulation the line between individual and collective action is more difficult to draw. With regard to the range of programs of environmental NGOs and business groups, the same difficulty of distinguishing between individual and collective participation comes to the fore.

All things considered, then, the broad picture is that due to the large share of corporate political activities for self-regulation, firms implicitly choose for collective action and less for individual action, which is more common with regard to financial incentive, information, and constituency building strategies. As the following quote from Volkswagen illustrates much of the collective action takes place within the industry, to some extent because of the different implications of climate change between industries (cf. Kolk & Pinkse, 2005):

‘In order to lay the necessary political and economic foundations, it is important that the automobile industry should present a united strategic front to stakeholders and politicians alike.’

Types of actors targeted for cooperation

The findings on the different ways in which MNCs choose to self-regulate their climate-related activities already suggested that US and Australian firms have a tendency to cooperate with a broader group of political actors than European and Japanese firms that more closely work with their national governments. To further explore whether this is just the case for self-regulation or spans across other corporate political activities as well, for each activity separately we identified what type of political actor it was targeted at, when this could be established based on the data available. Table 3 summarizes the results.²

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Table 3 about here
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Table 3 shows that for the whole range of corporate political activities, US and Australian firms target a much wider range than European and, above all, Japanese MNCs. It is particularly the US that shows a different picture than all other countries. The pluralist structure would suggest that state governments would be more often targeted than the federal government, but hardly any firm mentions participation in state initiatives. Business groups and environmental NGOs are far more often part of US firms’ political activities. Business groups most often mentioned are the Business Roundtable (mentioned by Abbott Laboratories, Eli Lilly, FedEx, General Electric, PPG Industries, Procter & Gamble, Schering-Plough, Verizon Communications), an association of CEOs of US firms that launched a voluntary program called Climate Resolve, and the Chicago Climate Exchange. The environmental NGOs that US firms cooperate with include Environmental Defense (mentioned by DuPont, Entergy, FedEx), Pew Center on Global Climate Change (DuPont, Entergy, Weyerhaeuser), WRI (Bank of America, Citigroup, DuPont, FPL Group, PSEG) and WWF (FPL Group, IBM).

Whether the finding that corporate political activity by US and Australian firms is more dispersed across a wider group of political actors is caused by the fact that the US has a pluralist structure or because government pressure on climate change is relatively low is difficult to establish. The only country that has a pluralist structure, but reflects a high institutional constraint from government pressure as well is the UK. Compared to other European countries, corporate political activities of UK firms do show that business groups play a considerable role. However, this number is almost exclusively attributable to cooperation with the Carbon Trust. It is disputable whether the Carbon Trust can be classified as a business group because it is an independent firm funded by the UK government. Moreover, the fact that state governments seem to play almost no role in the political activities of US and Australian firms suggests that the lack of government pressure is more important

in explaining the patterns seen in table 3. On the whole, the main effect of differences in government pressure for climate change seems to be that in countries with much pressure corporate political activity more often takes the shape of providing policy input, while in low-pressure countries participation in voluntary government programs tends to prevail.

One political activity that could not be classified under one of the targets in table 3, but which may show sign of new directions in corporate political activity is the US utility PSEG's activities together with CERES to mobilize the financial community:

'Simultaneous with our policy-making efforts, we are working with the Coalition for Environmentally Responsible Economies (CERES) in a dialogue between leading companies in the U.S. utility sector and the U.S. financial community on the climate change issue. The goal of this dialogue is to get the financial community to pay more attention to the climate change issue and how it may influence future investment decisions. Our hope is that a financial community that better understands both the science and economic implications of climate change will be better prepared to recognize and reward those companies that begin to make investment decisions with the climate change issue in mind. We also believe that a more engaged financial community will lead to the development of economically sound state and federal climate change regulations.'

A final aspect that comes to the fore in table 3 is that a considerable number of firms (30) target their political activities at international institutions, including the UN (e.g. UNEP and the UN Global Compact), IETA, WBCSD and the World Economic Forum. Although political activity aimed at the home country clearly dominates, some firms (14) mention engagement in political activities in (some of) their host countries. However, they mainly mention activities in one other country, thus employing a multi-domestic political strategy (Baron, 1997). For some firms this means that they are engaged in host countries within the same region as their home country. Within the EU, for example, Total has voluntarily signed the Dutch energy covenant which pre-empts the French firm from being faced with more binding legislation; RWE lobbies the UK government where a considerable part of their operations are located; and Peugeot has entered into an agreement with the UK government to develop a car with low carbon emissions. The only US firm that mentions political involvement in a neighboring country is Weyerhaeuser, which is involved in negotiations with the Canadian government. Some MNCs also pursue a bi-regional (US/EU) approach; this includes Air Products & Chemicals, Alcoa, ChevronTexaco, Ford, Heinz, Johnson & Johnson, Kimberley-Clark and Stora Enso. Volkswagen is the only firm that is not only active in the North Atlantic region, illustrated by its statement that 'long-established partnerships give Volkswagen the opportunity to play a part in economic policymaking in China.' In China Volkswagen has an advisory role to the Chinese State Environmental Protection Administration and helps to draft emissions standards. Rio Tinto claims that it has a global political strategy as it argues that the firm works 'constructively with governments

around the world as they develop climate change policies and measures (as one component of this, 38 of our operations, representing 76% of our emissions participate in government sponsored programs in Australia, USA, Canada, Brazil and UK)'.

Cross-border political engagement is not a widespread phenomenon reported by many firms. Of the few firms that mention the international component of their political activities most are US firms that respond to (upcoming) EU regulations. While Heinz, Johnson & Johnson and Kimberley-Clark are particularly attracted to voluntary government programs, such as the Belgian and Dutch energy covenants and the UK Climate Change Levy, Air Products & Chemicals, Ford and ChevronTexaco try to establish a stronghold in EU policymaking. Although these data may suggest that firms from a more pluralist background have a greater tendency than firms from corporatist countries to enter the policymaking process in foreign regions, the number of firms reporting about cross-regional political activities is so low that no unambiguous conclusions can be drawn.

DISCUSSION AND CONCLUSION

In this paper we have explored the international dimensions of corporate political activities of multinationals. We have focused on an international issue – climate change – that is being implemented differently in a range of countries. We have looked at the consequences for MNCs' political activity of the international differences in climate policy and the fact that the issue has been formed by national and global (policy) developments simultaneously. Studying data from FT Global 500 firms we have examined the influence on types and process of multinationals' political strategies, reckoning with institutional contexts and issue saliency. By doing this we have, on the one hand, continued a stream of research (Hillman & Hitt, 1999; Hillman, 2003; Murtha & Lenway, 1994) that has looked at international differences in terms of the effect of countries' corporatist/pluralist systems. And, on the other hand, we have given an empirical follow-up to a recent suggestion made by Bonardi and Keim (2005) that political activities pertaining to widely salient issues will be different from more traditional activities that have dominated the literature, and thus may add to the process model developed by Hillman and Hitt (1999).

The findings show that the type of political activities that multinationals currently pursue in response to climate policy for one part can be characterized as the adoption of an information strategy to influence policymakers that give direction to the climate change debate. However, instead of trying to withhold policymakers from doing something against rising GHG emissions, most firms have taken a more cooperative approach by aiming to push policymakers in the direction of market-based solutions such as emissions trading and voluntary programs. The other part of corporate political activity for climate change is characterized as a strategy of self-regulation. Unlike an information strategy, which is predominantly targeted at policymakers, self-regulation involves a broad range of other political actors, such as business groups, environmental NGOs and international institutions.

The process by which multinationals engage in political activities is mostly one of collective

action. Firms work directly or indirectly with competitors through participation in programs of governments or NGOs, and often share political standpoints with respect to the direction in which they believe climate policy should head. International differences particularly surface in the type of political actors at which political activities aim. Firms from pluralist countries like Australia and the US that did not ratify the Kyoto Protocol have a tendency to more often cooperate with business groups and environmental NGOs than their European and Japanese counterparts. Nevertheless, the majority of firms worldwide still has the national government as focal point in their political activities.

The main difference is that in countries with strong government pressure for climate change this more often takes the shape of providing policy input, while in countries with low government pressure participation in voluntary government programs tends to prevail. Finally, with regard to the geographical scope of multinationals' political activities, it must be concluded that almost all firms still refrain from too much interference with host-country governments. Influence on the home-country government is the most important component of firms' international political strategy.

This study has been exploratory – conducted in an area where not much data are available (let alone large-scale databases). We have tried to tackle this lack of available data by using the second survey of the Carbon Disclosure Project. However, there are obviously still some limitations in the data that need to be recognized with an eye to the validity of this study's findings. This includes the fact that the data originate from firms' self-reported accounts of their activities on climate change. It may well be that some firms have not disclosed all political activities in which they were engaged, for example excluding those that are not considered favorably by the public. Besides, disclosure of corporate political activities might also be culturally determined.³ We found a relatively high reporting rate of US firms compared to EU and especially Japanese firms which seems to reflect such a cultural bias. Findings of this study are thus probably more valid for corporate political activities of US firms than for their Japanese counterparts, because disclosure on such activities appears to be more common in the US than in Japan. Thus, a whole range of additional aspects can be investigated in future studies, also in view of limitations in the current analysis. However, data availability will, as in many other research projects on corporate political activity, continue to be the main barrier, particularly outside the US. As long as this continues to be the case, exploratory studies seem to be the major route to extend and deepen insights.

NOTES

¹ Bonardi and Keim (2005: 556) define widely salient issues as ‘those public policy issues likely to be of interest to a large segment of likely voters and to receive considerable media attention’ and draw a distinction with narrowly salient issues, which are ‘those issues of salience to a limited few, often advocated only by organized groups and resolved without public discourse.’

² It must be noted that one firm can be engaged in several activities simultaneously. Table 3 shows country patterns by activity, not by firm.

³ We are grateful to one of the reviewers for suggesting this to us.

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Table 1 Country patterns for MNC reporting on political activities

<i>COUNTRY</i>	N	Number of firms reporting on political activity	Number of firms <u>not</u> reporting on political activity	Percentage of firms reporting on political activity
Europe				
Belgium	3	2	1	67%
Denmark	1	0	1	0%
Finland	1	1	0	100%
France	18	7	11	39%
Germany	13	8	5	62%
Ireland	2	1	1	50%
Italy	6	4	2	67%
Netherlands	7	5	2	71%
Norway	2	2	0	100%
Spain	6	4	2	67%
Sweden	5	1	4	20%
Switzerland	6	3	3	50%
UK	26	13	13	50%
North America				
US	79	50	29	63%
Canada	8	4	4	50%
Mexico	1	0	1	0%
Asia-Pacific				
Australia	3	3	0	100%
Hong Kong	1	0	1	0%
Japan	26	9	17	35%
Malaysia	1	0	1	0%
Singapore	2	0	2	0%
United Arabian Emirates	1	0	1	0%
Total	218	117	101	54%

Table 2. Examples of types of political strategies for climate change

Political strategy	Main activity	Example
Information strategy	Policy input	<u>Petro-Canada’s direct involvement:</u> ‘The federal and provincial governments in Canada are in the process of establishing GHG reduction targets for industry and the principles surrounding domestic emissions trading. Through our primary industry associations, Petro-Canada experts are actively working with both levels of government to help define these targets and principles and to develop practical approaches to regulation and trading regimes.’
	Lobby practices	<u>Saint Gobain’s lobbying for allowances:</u> ‘Today, in France like in the other European countries, we are taking an active part in the negotiations with the authorities for the allocation and management of quotas.’
Changing expert opinion	Engagement in climate change research	<u>Munich RE’s involvement in research:</u> ‘Global climate predictions sound menacing: climate researchers expect the temperature to increase by between +1.4 °C and +5.8 °C by the end of this century; in all probability it will be an increase of about 3 °C according to the latest report of the Intergovernmental Panel on Climate Change (IPCC), the leading panel of experts with over 2,000 climatologists from all over the world, in which Munich Re experts were involved as authors.’
Self-regulation	Voluntary participation in programs with government (agencies)	<u>Telstra’s voluntary actions:</u> ‘By starting early and supporting voluntary greenhouse reduction schemes such as the Australian Government’s Greenhouse Challenge Program, Telstra is taking the opportunity to implement systems best suited to its business and avoid potential regulatory requirements.’
	Voluntary participation in programs with NGOs	<u>Johnson & Johnson’s reduction target:</u> ‘In 1999, in partnership with the World Wildlife Fund, Johnson & Johnson announced a worldwide corporate goal to reduce CO2 emissions 7% below 1990 levels by 2010 (in absolute terms).

Table 3 Country patterns for target of corporate political activities

<i>COUNTRY</i>	N	National Government	Local Government	International Institution	Environ- mental NGO	Business Groups
Europe						
Belgium	1	0	0	0	0	1
Finland	3	1	0	1	0	1
France	10	8	0	1	0	1
Germany	14	8	2	2	1	1
Ireland	1	1	0	0	0	0
Italy	4	3	0	1	0	0
Netherlands	3	2	0	1	0	0
Norway	2	0	0	2	0	0
Spain	2	0	0	2	0	0
Sweden	1	0	0	1	0	0
Switzerland	5	0	0	2	1	2
UK	18	9	1	1	1	6
North America						
US	87	35	5	9	14	24
Canada	5	1	0	4	0	1
Asia-Pacific						
Australia	10	5	0	2	2	1
Japan	9	8	0	1	0	0
Total	185	81	8	30	19	38