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**TRANSNATIONAL LEGAL PROCESS  
AND STATE CHANGE:  
OPPORTUNITIES AND CONSTRAINTS**

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## Transnational Legal Process and State Change: Opportunities and Constraints

*by Gregory Shaffer<sup>1</sup>*

### **Abstract:**

Although the terms transnational law and state transformations are increasingly used, we need clearer conceptual work and more empirical study. This Article sets forth and applies a socio-legal approach to the study of transnational legal processes and their effects within countries. First, the Article clarifies the concepts of transnational law, transnational legal process, transnational legal order, state change and transformation, and recursivity. Second, it provides a typology of five dimensions of state change that we can assess empirically — changes in substantive law and practice; broader shifts in the boundary between the state and the market; changes in the architecture and allocations of authority among state institutions; the shaping of markets for expertise and expertise's role in governance; and shifts in accountability mechanisms and their normative frameworks. Third, it explains the factors that determine the variable effects of transnational legal processes and organizes these factors into three clusters, which are: the character of the transnational legal norm and order; the relation of the transnational legal order to the receiving state in terms of power and the place of intermediaries; and the affinity with demands of domestic elites and other constituencies in light of domestic political struggles and the extent of change at stake. Fourth, it introduces five empirical studies of transnational legal processes' differential effects in six regulatory areas in Asia, Africa and South America that illustrate these points. Together they provide a guide of how to study the interaction of transnational and national legal processes, and the extent and limits of transnational legal processes' effects.

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<sup>1</sup> Gregory Shaffer is Melvin C. Steen Professor of Law at the University of Minnesota Law School. I thank Bobby Ahdieh, Karen Alter, Liz Boyle, Jeffrey Dunoff, Terry Halliday, Minzee Kim, Heinz Klug, Bronwen Morgan and the participants of various Law and Society Association panels for the CRN Transnational Legal Orders, and workshops at the University of Minnesota Law School and the University of Wisconsin Law School for their comments. All errors remain my own.

# **Transnational Legal Process and State Change: Opportunities and Constraints**

## **Table of Contents**

### **Introduction**

#### **I. The Concepts of Transnational Law, Change and Recursivity**

- A. Transnational law, legal norms, legal process and legal orders*
- B. Change and Transformation*
- C. Transnational Legal Process and Non-Legal Factors in State Change*
- D. Recursivity*

#### **II. The Five Case Studies**

#### **III. The Dimensions of State Change**

- A. Changing national law: enactment and practice*
- B. Changing the boundary of the state and the market*
- C. Changing the institutional architecture of the state*
- D. Shaping markets for expertise and expertise's role in governance*
- E. Shifting accountability mechanisms and normative frames*

#### **IV. The Factors Explaining the Location, Extent and Limits of State Change**

- A. The character of the transnational legal order and legal norm: legitimacy, clarity and coherence*
  - 1. The relation of a transnational legal order's power to its legitimacy*
  - 2. Variation in transnational law's clarity and coherence*
  - 3. Harnessing historic events*
- B. The relation of the transnational legal order to the receiving state*
  - 1. Power asymmetries and the receiving state*
  - 2. The role of intermediaries*
- C. The Domestic Context: Domestic demands, domestic contests, and the extent of change at stake*

#### **V. Transnational Legal Process and Recursive Change**

### **Conclusion**

## Transnational Legal Process and State Change: Opportunities and Constraints

### Introduction

We live in an age of transnationalism. We always have but its intensity has increased. The origins of United States (U.S.) law, for example, come in large part from empire. Most remotely, they come from Rome. More close in time, they come from England and its common law heritage. Most recently, they come from the intensification of transnational economic and cultural interaction, catalyzing a proliferation of international, regional and bilateral agreements, regulatory networks and institutions, fomenting and promoting legal and institutional change. We unconsciously experience such transnationalism in our daily lives, and we sometimes embrace it. Yet we can also be anxious about its effects on our social order and our identities. Our laws and legal systems reflect how we see ourselves and our communities. As the migration of law across borders intensifies, we can become anxious about it, as reflected in the current U.S. clamor over citations to foreign and international law and legal decisions in federal courts.

Legal norms in almost all domains of law circulate around the globe. The norms don't travel by themselves. They are conveyed by actors, whether instrumentally or reflexively. They are sometimes codified in international treaties, whether of a binding or non-binding nature. At other times they are diffused through informal processes involving bureaucratic networks of public officials, transnational networks of private actors such as business representatives, non-governmental activists and professionals, and hybrid combinations. Over time, distinct *transnational legal orders* may emerge that impose or impart legal norms governing particular areas of law. Where the transnational legal norms are relatively clear, coherent and accepted, the transnational legal order can be viewed in systematic terms. Where they are less so, the transnational legal order is more contingent and fragile. The effects of transnational legal norm conveyance, however, are not homogeneous across states. They vary in light of identifiable factors. *Transnational legal processes*, the processes through which these norms are constructed carried, and conveyed, always confront national and local processes which may block, adapt, translate, or appropriate a transnational legal norm, and spur its reassessment.

Although the terms transnational law, transnational legal process and state transformations are increasingly used, we need clarifying conceptual work and empirical study.<sup>1</sup> This introductory Article provides a socio-legal framework for assessing transnational legal processes and their variable impacts within states, with a particular focus on non-OECD countries. First, the Article clarifies the concepts of transnational law, transnational legal process, transnational legal order, state change and transformation, and recursivity. Second, it provides a typology of five dimensions of state change that we can assess empirically. Third, it explains the factors that determine the extent, location, timing, and limits of transnational legal processes, and organizes these factors into three clusters. Fourth, it introduces five empirical studies of transnational legal processes' differential effects in six regulatory areas that illustrate its points.

The Article builds from the five comparative empirical studies that follow it, each of which are grounded in close attention to regulatory struggles and changes in countries. Each illustrates socio-legal approaches to how transnational legal processes work and interact with

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<sup>1</sup> There have, for example, been intensive debates over the concept and operation of "legal transplants" among comparative law and socio-legal scholars, calling for empirical work. See e.g. Nelken and Feest 2001.

national law and institutions. Through the comparative framework, the studies examine variation in the reception and appropriation of transnational legal norms. They cover the following countries and regulatory domains:

- \* Bankruptcy law in China, Korea, and Indonesia, by Terence Halliday;
- \* Patent law and competition law in South Africa, by Heinz Klug;
- \* Anti-money laundering law in Brazil and Argentina, by Maira Rocha Machado;
- \* Municipal water services regulation in Chile, Bolivia and Argentina, by Bronwen Morgan; and
- \* Primary education law and policy in over seventy low- and middle-income countries, by Minzee Kim, Elizabeth Boyle and Kristin Haltinner.

The studies were chosen based on their coverage of a range of legal domains in a range of countries in Asia, Africa and South America. Many studies of law and globalization have focused exclusively on OECD nations, and these studies thus help fill a gap. The countries vary in terms of their institutional legacies, their political and cultural contexts, and their relations to sites of transnational lawmaking. The regulatory areas likewise vary from financial and business regulation to social and economic rights. Most importantly, each of the studies builds from long-term empirical research projects that engage with the interaction of transnational law and these countries.

Each of the studies is conducted within a systematic research design that examines the interaction of transnational and national legal processes in particular regulatory domains in different countries over time. Each study compares different countries' responses in a single regulatory area (or in one case, that of Klug, a single country and the interaction of two regulatory areas), so that the authors can assess variation in transnational influence.<sup>2</sup> Four of the studies entail field work involving participant observation and extensive interviewing of relevant actors. The fifth study (by Kim et al.) uses quantitative methods together with an historical analysis, to assess the relative impacts across over seventy low-income and middle-income countries of conflicting human rights and neoliberal development norms over a twenty-one-year period. Overall, the methods used include systematic interviewing, participant/observation, ethnography, documentary evidence, archival research and surveys, as well as (in one case) quantitative regression analysis.

This Article conceptualizes and provides a map for what transnational law is and does. It gives specific examples from the accompanying studies to illuminate its points.<sup>3</sup> Although the case studies in this volume focus primarily on a range of developing countries, the analytic framework used and the dimensions of change and factors assessed apply across countries and

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<sup>2</sup> The studies can be viewed as combining international political economy and comparative political economy within a single socio-legal frame. For two leading socio-legal books in a similar vein, see Halliday and Carruthers 2009 (focusing on the globalization of insolvency law and its reception in China, Korea and Indonesia); and Merry 2006, 29 ("My approach is to focus on a single issue, the movement against gender violence, in five local places in the Asia-Pacific region and in the deterritorialized world of UN conferences, transnational NGO activism, and academic, legal and social service exchanges of ideas and practices").

<sup>3</sup> The project builds from these studies and other work carried out over the last four years as part of a collaborative research network within the Law and Society Association. These and other papers exploring these questions were presented and discussed at the Law and Society Association (LSA) annual meetings in Baltimore, Berlin, Montreal, Denver and Chicago from 2006-2010. The LSA Collaborative Research Network on Transnational Legal Orders is described at <http://www.lawandsociety.org/CRN/crn4.htm#36>.

regions, including the United States and European Union (EU).<sup>4</sup> The primary difference between the U.S. and EU and the countries studied in this volume lies in the direction of transnational flows, with the U.S. and EU more likely being producers of transnational legal norms, as opposed to being appropriators of them. In a globalized world, much of law is subject to transnational influences and pressures, but more powerful states are the primary exporters of legal norms.

This introductory framework Article is in five Parts. Part I defines and explains the key concepts used, transnational law and legal norms, transnational legal process, transnational legal orders, state change and transformations, and the recursivity of these processes. Part II introduces the five studies. Part III sets forth and examines five dimensions of change within states that transnational legal processes may spur — changes in substantive law and practice; broader shifts in the boundary between the state and the market; changes in the institutional architecture of the state; the shaping of markets for expertise and expertise’s role in governance; and shifts in accountability mechanisms and normative frames.

Parts IV maintains that variation in the impacts of transnational legal processes should be assessed as function of three clusters of factors — the character of the transnational legal norm and legal order in terms of their legitimacy, clarity, and coherence; the relation of the transnational legal order to the receiving state in terms of power and the place of intermediaries conveying the legal norm; and the affinity of the transnational legal norm with domestic demand in light of domestic political contests and the extent of change at stake. These factors determine the extent and limits of transnational law’s impact. Part V explains how national responses to transnational legal processes, including in less powerful states, can spur reassessments of the transnational legal norm in question, resulting in dynamic, recursive processes. We then conclude, summarizing the main points and calling for further research on these questions across countries and regulatory domains.

## **I. The Concepts of Transnational Law, Change, Transformation and Recursivity**

We first need to define and clarify the key concepts used in this Article’s approach to assessing transnational legal processes and state change: those of transnational law, transnational legal norm, transnational legal process, transnational legal orders, change, transformation, and recursivity.

*A. Transnational law, legal norms, legal process and legal orders.* Since the rise of sovereign states in the seventeenth century associated conventionally with the Treaty of Westphalia, law has been associated with state law and national legal systems. Law, as John Glenn writes, was “an essential element... of national construction.”<sup>5</sup> Public international law was based on and came into existence with the creation of states, governing their relations and

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<sup>4</sup> On the migration of foreign and international law into the United States and European Union respectively, *see, e.g.*, Resnick 2006, 1594, 1597 (examining the history of migration of law into the United States and the multiple ports of entry, from the federal to the local); Resnik 2008, at 46 (“...as an empirical matter, one finds the frequent borrowing of words and text from elsewhere,” noting constitutional borrowing of texts, rewriting of texts and reinterpreting of texts); Scott 2009, at 908-928 (describing the effect of the European Union’s REACH program on chemical regulatory reform in the US); Scott 2003, 228-232 (noting constraints on EU regulation imposed by WTO agreements including SPS, TBT, and GATT); and Shaffer 2000, 4 (“...in a globalizing economy, European regulation casts a net wider than Europe. In a globalizing economy, European law also constrains U.S. domestic privacy policies and practices”).

<sup>5</sup> Glenn 2003, 839.

providing for their mutual recognition.<sup>6</sup> Private international law provides complementary rules and standards to govern situations where more than one state asserts authority over a transaction or event. The concepts of public and private international law are thus both state-centric, as reflected in the term “inter-national.”

With the fall of the Berlin Wall and the spread of economic globalization, scholarly work has increasingly applied new concepts of “global” and “transnational law,” but often without clear conceptualizations of either. Under each of these new concepts, law is, to a certain extent, being denationalized, since the legal norms may not be formally part of international or national law as conventionally construed. *Global law* posits, by its name, that universal legal norms are being created and diffused globally in different legal domains.<sup>7</sup> The concept of *transnational law*, in contrast, comprises legal norms that cross borders and thus apply to parties located in more than one jurisdiction, but may or may not be global in nature. Examples of the transnationalization of law include the formation by private actors of substantive law that applies across borders, and the rise of common approaches of national judges and regulators to cross-border and (purely) national legal and regulatory issues as a result of transjudicial and transgovernmental dialogues.<sup>8</sup>

Although the term transnational law is increasingly used, authors are not always careful in specifying what they mean by it. The increasing use of the term can be distilled into two conceptualizations. Just as the formal divide between international and national law is sometimes defined by sources (such as treaties versus statutes) and sometimes by subjects (such as states versus persons),<sup>9</sup> so competing conceptualizations of transnational law can be differentiated by their focus on objects (law addressing transnational activities and situations) and on sources (law, whether international or foreign, that is imported and exported across borders). Most legal studies that use the term transnational law refer to law that targets transnational events and activities — that is, transnational situations which involve more than one national jurisdiction.<sup>10</sup>

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<sup>6</sup> Id.

<sup>7</sup> See e.g. Boyle & Meyer 1998, 213-232 (applying a world polity model); and Braithwaite and Drahos 2000 (examining the relative role of different mechanisms in thirteen areas of business law). In the legal academy, the global administrative law project chose the title of “global” administrative law under the intuition that regulatory structures are being pressed to respond to common demands “that have a common normative character, specifically an administrative law character. The growing commonality of these administrative law-type principles and practices is building a unity between otherwise disparate areas of governance.” Kingsbury 2009, 3. Such global law may be formulated in multilateral institutions that have a global reach, or by transnational networks that aim to have a global impact, or they may be developed in influential states, such as the United States, and be diffused globally.

<sup>8</sup> For a recent account of the development of transnational law-making, see e.g. Calliess and Zumbansen 2010 (assessing changes in consumer and corporate governance law).

<sup>9</sup> According to traditional conceptions, the subjects of international law are states, while the subjects of national law are persons and institutions, although the development of international criminal and human rights law, among other areas, radically challenged this conception.

<sup>10</sup> These studies build from the famous lectures of Jessup 1956. See e.g. Koh 2004, 53 (citing Jessup’s definition of law addressing “events that transcend national frontiers”); Burley 1993 (“I define transnational law to include all municipal law and a subset of intergovernmental agreements that directly regulate transnational activity between individuals and between individuals and state governments”); Slaughter 2000, 245 (“Transnational law has many definitions. I mean to include here simply national law that is designed to reach actors beyond national borders: the assertion of extraterritorial jurisdiction. Extraterritorial jurisdictional provisions are often the first effort a national government is inclined to make to regulate activity outside its borders with substantial effects within its borders”); Hathaway 2005, 473 n.11 (“transnational law includes all law that has cross-border effect, whereas international law refers only to treaties or other law that governs interactions between states.”); Dibatj 2008 (classifying the range of sources “applicable to cross-border events” together with the range of actors involved).



(We dub this concept, *Transnational Law Applying to Transnational Situations*). Many socio-legal studies, however, including those in this volume, conceive of transnational law and legal norms in terms of the source of legal change within a national legal system. In this latter conception, transnational law consists of legal norms that are exported and imported across borders, and which involve international and regional institutions and transnational networks that define and convey the legal norm. (We dub this concept, *Transnational Law as Transnational Construction and Flow of Legal Norms*).

In his famous 1956 Storrs Lecture, Judge Philip Jessop defined “transnational law” in the first “situational” sense as “all law which regulates actions or events that transcend national frontiers.”<sup>11</sup> He stressed that “[b]oth public and private international law are included, as are other rules which do not wholly fit into such standard categories.”<sup>12</sup> This concept is a functional and practical one, reflecting a professional concern that, since both international and national law are inadequate to address the flow of actions and the impact of events across borders, we need a more accurate and useful concept to govern these situations.<sup>13</sup> The growing use of the concept of “transnational law” in this sense reflects a functional legal response to increasing economic interconnectedness, sometimes involving new international treaties and regimes, and sometimes involving the application of national law to events that occur outside a state’s borders but have effects within it.

In an excellent conceptual analysis, Craig Scott examines three perspectives of transnational law which lie within this first conception, which he labels traditionalist, decisional and socio-legal.<sup>14</sup> First, he notes that the concept of transnational law, at a minimum, simply aggregates traditional concepts of public and private international law. Public international law addresses relations between states, while private international law (in its traditional meaning) addresses conflicts between national jurisdictions asserting authority over the transnational activities of private actors.<sup>15</sup> These private law situations give rise to the development of principles and rules regarding conflicts of law, jurisdiction, and enforcement and recognition of judgments.<sup>16</sup> Second, as national courts and international arbitrators issue an increasing number of decisions to address these situations, they create disaggregated clusters of principles and rules

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<sup>11</sup> Jessup 1956, 2.

<sup>12</sup> *Id.*

<sup>13</sup> Jessup 1956, 7 (“The more wedded we become to a particular classification or definition, the more our thinking tends to become frozen and thus to have a rigidity which hampers progress toward the ever needed new solutions of problems whether old or new”). See also Steiner, Vagts, and Koh 1994, 2 (“transnational law” addresses “transnational problems”).

<sup>14</sup> Scott 2009.

<sup>15</sup> In Europe, private international law continues to mean conflict of laws, and is a standard course in the law school curriculum. In the United States, academics often colloquially refer to private international law as the law addressing international business transactions. While such law is typically national, it can include non-state law, or *lex mercatoria*. A course under the name “International Business Transactions” is standard in the U.S. law school curriculum.

<sup>16</sup> Jessup 1956, 1. Jessup turned to the concept of transnational law because he found “the term ‘international’ misleading since it suggests that one is concerned only with the relations of one nation (or state) to other nations (or states). In focusing on law applying to foreign transactions, Jessup addressed issues of jurisdiction and choice of law in particular. The three chapters resulting from the lectures respectively were entitled the “The Universality of Human Problems,” “The Power to Deal with the Problems” [i.e. jurisdiction], and “The Choice of Law Governing the Problems [i.e. conflicts of law].”

that can be extracted, used by advocates, and guide subsequent decisions.<sup>17</sup> Third, as a pool of legal norms in this area becomes relatively coherent and systematized over time, we may discern the emergence of a distinct body of law that is not “statist,” but “transnational,” one that is developed by the ongoing interaction of public and private actors across states, including through international private law institutions.

The concept of Transnational Law as Transnational Construction and Flow of Legal Norms, in contrast, focuses on the transnational production of legal norms and institutional forms and their migration across borders, regardless of whether they address transnational activities or purely national ones. The concept includes legal norms that are substantive and specific to discrete fields of law, and not just general principles of jurisdiction and conflicts of law, nor only law applied to cross border business transactions. In other words, this conceptualization of transnational law comprehensively includes public and private international law (with their traditional state-based focus), as well as global law (with its universalist aims). Users of this concept tend to focus on the transnational construction and migration of *legal norms*, by which we refer, for heuristic purposes, to norms that lay out behavioral prescriptions issued by an authoritative source that take written form, whether or not binding or backed by a dispute settlement or other enforcement system.<sup>18</sup> *Transnational legal norms* include those purported to be global and those that are more limited in their reach. The source of the legal norm may be an international treaty, international soft law, privately created codes or standards, a foreign legal model promoted by transnational actors, or a combination of them.

This concept of Transnational Law as Transnational Construction and Flow of Legal Norms is used to assess how law that is produced transnationally migrates across borders, whether it is applied by national courts, formally incorporated by national legislatures, shapes interpretation of domestic law, or otherwise affects private behavior. The concept is not a functional one, but a socio-legal one that is used to assess how transnational-induced legal change occurs and what type of effects it has. The concept, in other words, does not aim to delineate a particular body of law, but cuts across fields of law and provides a means for assessing transnationally-induced change in a globalized world. In sum, these different conceptualizations of transnational law and legal norms are adopted because they are useful for different purposes.

The two concepts have a clear overlap since the cross-border construction and flow of legal norms is often catalyzed by cross-border activities and policy concerns.<sup>19</sup> Yet under this second conceptualization of transnational law, the legal norms in question address not only transnational activities, but also purely national ones. For example, primary education law and municipal water services regulation, studied by Kim et al. and Morgan, are exclusively national activities, but they can be significantly shaped by the transnational construction and flow of legal norms, whether human rights norms or neoliberal law and economics norms. The transnational

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<sup>17</sup> Scott 2009, 871 (“this approach to ‘law’ understands law in disaggregation, not as whole legal orders or systems but rather as discrete norms or normative clusters that are capable of reasoned extraction from the whole and then of being brought to bear on constantly changing particulars.”).

<sup>18</sup> This conception of legal norms is captured in the dichotomous conception of hard and soft law along the dimensions of precision, obligation and delegation in Abbot and Snidal 2000. Cf. Halliday 2009, 6 (“norms in this article refer to formalized codifications of behavioral prescriptions that are accepted by subjects as legitimate and authoritative”).

<sup>19</sup> Friedman 1996 (“The global economy is the engine driving convergence, and is what stimulates jurists to draft model laws and to worry about harmonization. In fact, harmonization and model laws are, in an important sense, merely responses to processes that have already taken place.”).

legal norms in question may be adopted voluntarily in a planned fashion pursuant to harmonization efforts, or adopted without a plan as part of a process of diffusion conveyed through transnational actors and interactions.<sup>20</sup> Regardless of the transnational source and nature of the legal norm, it is given force and effect when it becomes embedded in a national legal system.

Harold Koh captures this latter conception of transnational law, in part, when he combines the vertical and horizontal dimensions of the transnational flow of legal norms:

Perhaps the best operational definition of transnational law, using computer-age imagery, is: (1) law that is “downloaded” from international to domestic law: for example, an international law concept that is domesticated or internalized into municipal law, such as the international human rights norm against disappearance, now recognized as domestic law in most municipal systems; (2) law that is “uploaded, then downloaded”: for example, a rule that originates in a domestic legal system, such as the guarantee of a free trial under the concept of due process of law in Western legal systems, which then becomes part of international law, as in the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights, and from there becomes internalized into nearly every legal system in the world; and (3) law that is borrowed or “horizontally transplanted” from one national system to another: for example, the “unclean hands” doctrine, which migrated from the British law of equity to many other legal systems.<sup>21</sup>

The third example used by Koh potentially broadens the analysis too far, for our purposes, to include all migrations of legal norms. We thus limit the concept of Transnational Law as Transnational Construction and Flow of Legal Norms, for heuristic purposes, to that of *law in which transnational actors, be they institutions or networks of public or private actors, play a role in constructing and diffusing legal norms*, even if the legal norm is taken in large part from a national legal model, such as a powerful state like the United States.<sup>22</sup>

Koh, critically for our purposes, never provided a framework for assessing the conditions and factors determining the extent, location, and limits of transnationally-induced legal change. He likewise never engaged in extensive empirical study of them. Moreover, he did not assess the source of transnational legal norms, and whether transnational legal norms reflect a structural tilt in favor of some interests over others. In contrast, this Article and the studies in this volume “beam the searchlight of social science” on the transnational sources of legal norms, their reception in countries, and the broader dimensions of state change that are implicated.<sup>23</sup>

The process through which the transnational construction and conveyance of legal norms takes place constitutes *transnational legal process*. Transnational norms do not travel by themselves. They are conveyed and carried by actors, including by government officials, members of international secretariats, professionals, business representatives, and civil society activists. Actors with agendas often drive these processes. At other times, the legal norms may be

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<sup>20</sup> Cf. Friedman 1996, 69-72; and Simmons, Dobbin, and Garrett 2008.

<sup>21</sup> Koh 2006, 745-46.

<sup>22</sup> Pursuant to transnational processes, in fact, legal models developed in the United States and Europe are often circulated globally. See e.g. Braithwaite and Drahos 2000.

<sup>23</sup> The quotation is from Friedman 1996, 65. Although the studies in this volume focus primarily on the reception of transnational legal norms within countries, they also address the source and production of these norms.

carried less consciously as a reflection of intensified cross-border interaction characterizing economic and cultural globalization.

Transnational legal processes occur differentially in particular legal areas, potentially constituting distinct transnational legal orders that are semi-autonomous.<sup>24</sup> The term *transnational legal order* is conceptualized as a collection of transnational legal norms and associated institutions within a given functional domain. Transnational legal orders may include global, multilateral, regional and bilateral norms and institutions. They encompass traditional international and supranational organizations, transgovernmental regulatory networks, and the activities of transnational corporate and civil society actors, whether or not working through formal institutions.<sup>25</sup> The work of transnational legal orders may give rise to treaties, non-binding standards, model codes, institutional monitoring, and different forms of dispute settlement. These instruments include amalgams of hard law and soft law varying in their precision, obligatory nature, and institutionalization of dispute settlement.<sup>26</sup> Where the resulting transnational legal norms are relatively clear, coherent and accepted, the transnational legal order is more salient and may be viewed in systematic terms. Where they are less so, the transnational legal order is more contingent and fragile and thus less likely to be effective in producing domestic legal and institutional change.

The concept of transnational legal orders is similar to that of global administrative orders used in the global administrative law project out of New York University School of Law, although this project is different in ambition and scope. Both projects depict legal orders arising beyond the nation-state that comprise not only international organizations, but also bureaucratic networks of public officials, hybrid public-private networks, and networks of purely private parties creating hard and soft law rules and norms.<sup>27</sup> The concept of transnational legal orders, however, comprises more than administrative law principles and procedural rules, and it includes substantive areas of law not traditionally touched by them, such as human rights trials.<sup>28</sup> The concept of transnational legal order also does not (by its name) imply that it has a “global” reach.”<sup>29</sup> Rather, the concept of discrete transnational legal orders facilitates the analysis of both their heterogeneous nature and their variable effects, which may sometimes be global in nature, but which are more likely to exhibit considerable variation.

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<sup>24</sup> These orders can be viewed as semi-autonomous functionally differentiated fields. Cf. Teubner 1997.

<sup>25</sup> *Transnational institutions* refers to institutions whose members come from more than one jurisdiction, but are not necessarily states.

<sup>26</sup> Abbott and Snidal 2000.

<sup>27</sup> Kingsbury, Krisch, and Stewart 2005, 20, 25. The Global Administrative Law project defines global administrative orders to include: “(1) administration by formal international organizations; (2) administration based on collective action by transnational networks of cooperative arrangements between national regulatory officials; (3) distributed administration conducted by national regulators under treaty, network, or other cooperative regimes; (4) administration by hybrid intergovernmental–private arrangements; and (5) administration by private institutions with regulatory functions.”

<sup>28</sup> See e.g. Sikkink forthcoming 2010 (studying the emergence of norms of criminal liability for violations of human rights that has certain systematic elements and that have emerged in a decentralized way) .

<sup>29</sup> In this respect, the distinct aim of the global administrative law project is to assess the relevance of traditional national administrative law tools to evaluate and improve the accountability of global governance mechanisms. Kingsbury, Krisch, and Stewart 2005, 29 (focus on “principles, procedural rules, review mechanisms, and other mechanisms relating to transparency, participation, reasoned decisionmaking, and assurance of legality in global governance”).

*B. Change and Transformation.* We need to specify what we mean by change and transformation. What do they consist of? How do we recognize them? Change can affect the state generally or only discrete parts of the state (the location of change). It occurs along different dimensions, such as legal, institutional, professional, and normative, which we examine in Part III. Change can occur evolutionarily or revolutionarily, episodically, incrementally, or dramatically (as in Eastern Europe in the 1990s). The concept of *transformation* refers to significant or fundamental change, change which can vary in terms of time and space.<sup>30</sup> The threat of transformation of the state can lead to a protracted politics both locally and transnationally to forestall change. Diachronic empirical studies are thus important since we may not know the extent of change until after some struggle, possibly a protracted one.

The extent of change is always contingent, so that at times studies will speak of transnational influence, at times of transnational failure, at times of appropriation of transnational law, and at times of significant transnationally-induced change. The resulting legal change may occur *symbolically* (on the books in terms of constitutional, statutory and administrative law revisions, or the creation or modification of agencies and courts) or *practically* (in terms of established patterns of institutional and individual behavior). While much of traditional law scholarship focuses on the symbolic,<sup>31</sup> the studies in this volume address changes in not only formal law and institutional structures, but also institutional and social practice.

The effective importation of transnational legal norms and institutional forms often confronts a dilemma. While importation is facilitated if the legal norm can be translated and appropriated to fit the local context, the more that the norm is adapted, the less transformative it may be. As Sally Merry writes regarding human rights law and gender violence, legal norms “are more easily adapted if they are packaged in familiar terms and do not disturb established hierarchies, but they are more transformative if they challenge existing assumptions about power relationships.”<sup>32</sup> Because transnational law interacts with domestic institutional, political and cultural contexts, changes are often evolutionary and incremental over time.

*C. Transnational Legal Process and Non-Legal Factors in State Change.* There are of course many transnational impacts besides law on nation states, reflecting processes of economic and cultural globalization and global structures of political and economic power. Many earlier studies have examined these transnational impacts, and in particular, the phenomena of economic and cultural globalization.<sup>33</sup> Transnational law of course is affected by these larger political, economic and social forces.<sup>34</sup> It reflects and conveys them, embodying and institutionalizing values, norms and prescriptions for social organization and behavior. It is thus difficult if not

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<sup>30</sup> For important studies on this question, see Campbell 2004 (chapter 2 on the problem of change); Grossman and Grossman 1971, 4-6 (on law and magnitude and scope of social change) ; Held et al. 1999; Leibfried and Zürn 2005; Sorensen 2004.

<sup>31</sup> See e.g. Watson 1974, 20 (“It cannot be doubted either that a rule transplanted from one country to another, from Germany to Japan, may equally operate to different effect in the two societies, even though it is expressed in apparently similar terms in the two countries. But our first concern will be with the existence of the rule, not with how it operates within the society as a result of academic or judicial interpretation”).

<sup>32</sup> Merry 2006, 222. See also Campbell 2004, 87.

<sup>33</sup> Held 1999; Leibfried and Zürn 2005; Sorensen 2004; Campbell 2004.

<sup>34</sup> As Lawrence Friedman writes, “Commerce, after all, is the most promiscuous crosser of national borders,” and thus gave rise to the law merchant (*lex mercatoria*), an ongoing form of transnational law. Friedman 1996, 65.

impossible to separate the impacts of law from other forces, and the accompanying studies do not attempt to do so.<sup>35</sup>

However one views the relation of transnational law to larger processes of globalization and the exercise of power, the focus on transnational legal norms and legal process provides us with a vehicle for assessing transnational influences on state change. Transnational legal norms embody prescriptions for the regulation of activities in particular functional domains. They can shape the perception and definition of problems and appropriate responses to them. They provide a framework for actors to weigh particular regulatory alternatives to address particular situations. They make available models for reshaping institutional arrangements for the development, application and enforcement of law to address these situations.

To understand change in regulatory fields requires an assessment of “the various processes by which institutions are continually reproduced and modified through ... actors’ practices.”<sup>36</sup> Transnational legal processes engage relevant actors in an iterative process of interaction which can affect their practices, leading to incremental or more dramatic change. The study of transnational legal processes thus provides a window for assessing changes in legal norms, institutional organization, and practices within states.

*D. Recursivity.* The socio-legal approach represented in this volume combines the examination of transnational and national processes by focusing inquiry on particular regulatory fields, as opposed to general global and transnational law principles. In this way, the studies can assess how the transnational and national are interpenetrated within a field. This dual focus is captured in the concept of *recursivity*, developed by Terence Halliday and Bruce Carruthers.<sup>37</sup> Recursivity connotes a multidirectional, diachronic process of legal change. From this perspective, transnational legal process is viewed not as unidirectional, but a process in which the transnational and local are held in tension, in which actors engaged in transnational legal processes seek to influence local lawmaking and practice, and in which national legal norms, adaptations, and resistances provide models for and feed back into transnational lawmaking.<sup>38</sup>

This conception of transnational legal process as recursive does not reify it as singular and absolute in content, but rather accounts for its historical specificity and provisional and changing nature. Some sort of legal settlement may occur which persists over time until that settlement is destabilized. Transnational legal process is thus not reduced to a process of filling

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<sup>35</sup> The purpose here is not to evaluate broader theories of the relation of law and social change in terms of whether law is primarily (or solely) a *product* of social forces and thus has little (or no) autonomy, or whether law is an independent *producer* of change. On the vigorous debates about legal autonomy and its limits, see Cotterrell 1992, 44-65. By assessing transnational legal processes, in other words, one need not privilege law and legal explanations for political and social change.

<sup>36</sup> Koslowski and Kratchowil 1994, 227.

<sup>37</sup> Halliday and Carruthers 2007; Halliday 2009. The concept of “recursivity” of legal ordering is quite distinct from the concepts of “reflexivity” and “autopoiesis” used in the work of Niklas Luhmann and Gunther Teubner. See e.g. Luhmann and Teubner 1982, 122 (viewing the legal system as consisting of all social communication that contains some reference to law); and Teubner 1993, 37 (viewing legal communication as circular and reflexive so that it is relatively autonomous from the social order) .

<sup>38</sup> For similar conceptions focusing on the development of international law, see Rajagopal 2003, 3 (“concerned with the role of international law in shaping the ideas and practices in the field of development and with the role of ideas and practices in the field of development in shaping international law”) ; and Waters 2005, 490 (“I argue that the relationship between domestic and international law is co-constitutive in nature--that is, a mutually constraining and mutually reinforcing relationship in which international norms not only shape domestic law and culture, but are in turn shaped by domestic law and culture.”) . See also Ahdieh 2006. .

in “gaps” in law’s implementation, but rather seen in dynamic terms in which national, international, and transnational political, social, and legal processes interact. The recursivity approach posits that changes and transformations of states will be a function of three processes operating concurrently and cyclically — a politics within international processes; a politics within domestic processes; and a politics between them involving intermediaries, as we examine in Part IV.<sup>39</sup>

## II. The Five Case Studies

Before we lay out a typology of the dimensions of state change and the conditions and factors determining the location, extent and limits of state change, we introduce the five case studies in greater detail so that we may refer to them as illustrations for conceptual points throughout this Article.

Terence Halliday’s study, *Architects of the State: International Organizations and the Reconstruction of States in East Asia*, examines the role of international organizations in restructuring corporate bankruptcy law in East Asia, focusing on China, Korea and Indonesia. He starts by noting how “doggedly nationalistic” were the United States and England in initially developing and reforming their national models for bankruptcy in the 1970s and 1980s. These models provided templates for the creation of global bankruptcy law norms promoted by international institutions. He examines how international and regional financial institutions and, eventually, the United Nations Commission on International Trade Law (UNCITRAL) drew from these national models in light of three sets of pivotal events: the fall of the Berlin Wall, a series of debt crises affecting pivotal developing and transitional economies, and the Asian financial crisis at the end of the 1990s. Clubs of nations, in particular the G-7 and G-22, with the U.S. playing a particularly influential role, first instructed the international financial institutions to develop norms and create regulatory frameworks to address national credit crises more systematically and protect the global financial system. In the post-Washington consensus, the international financial institutions stressed the role of law and institutions, such as courts and regulatory agencies, as critical for effective policy, together with trained professionals who service them. International institutions worked with international professional associations of insolvency practitioners, including the International Bar Association, to draw from their expertise in consolidating a model set of insolvency norms and practices adopted through UNCITRAL.

Halliday assesses the broader implications that these globalized legal norms raise within states, and, in particular, the institutional architecture of states, including the relative roles of executive departments, independent agencies, legislatures, and courts. In Indonesia, in the midst of the financial crisis, the international financial institutions used their leverage to spur not only substantive and procedural legal reforms, but also the creation of entirely new state institutions, including a new Commercial Court that would be responsible for corporate bankruptcies, and an out-of-court agency for negotiations between debtors and creditors. In Korea, the state shifted power over corporate insolvency from executive departments to courts, which included functional equivalents of a U.S. model of a specialized bankruptcy court. In China, the government adopted a law which outsources significant functions for the restructuring of companies to courts and private professionals, adopting global insolvency norms enunciated by the World Bank and UNCITRAL, albeit along China’s timeline. Halliday nonetheless shows

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<sup>39</sup> Halliday and Carruthers 2009 (examining the iteration of these processes until some kind of settlement is reached).

how the transnational promotion of legal and institutional reform, although seemingly technical, raise fundamental issues of state restructuring that implicate power configurations within states and spur resistance to change. This resistance gives rise to recursive cycles of transnational and domestic lawmaking until some sort of settlement is reached.

Heinz Klug's study, *Responding to Global Constraints and Opportunities: Access to Medicines and the Impact of Intellectual Property and Competition Rules in Post-Apartheid South Africa*, addresses the constraints and opportunities provided by international and transnational intellectual property and competition law in post-Apartheid South Africa. He notes how the transformation of South Africa was made in the context of opportunities and constraints created by international and transnational law and institutions, affecting competing political and economic factions within the post-Apartheid state, with some policy options gaining salience while others were foregone. He examines the interaction of the relative power of global and transnational institutions and models, on the one hand, and the confluence of local conditions and tensions among domestic policy sectors in light of domestic social problems, on the other. This interaction results in nonlinear and uneven processes of state change.

Klug assesses how the new post-Apartheid government came into power at the time of the creation of the World Trade Organization (WTO) and inherited the commitments made by the previous regime. The bureaucracy within the government emphasized that South African law had long protected patents and contended that the new WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) raised no significant issues for the country. The new health department, composed of activists of the African National Congress, felt otherwise and found a transnational ally in the World Health Organization. While competition law initially did not receive significant attention in South Africa, South Africa joined the International Competition Network in 2001 and strengthened its competition law institutions. It used these institutions and legal tools to address high levels of business concentration in South Africa, including in the pharmaceutical sector. Klug shows how the government and activists were able to use competition law norms to advance the government's "black economic empowerment" goals and challenge the drug pricing practices of pharmaceutical companies. In other words, transnational legal norms were appropriated to advance domestic aims.

Maira Rocha Machado's study, *Transnational Financial Regulation and Criminal Policy: The Anti-Money Laundering Regime in Brazil and Argentina*, assesses the development of transnational legal norms regarding money laundering and the reasons for their variable impacts within Brazil and Argentina. The transnational process started with U.S. promotion of anti-money laundering norms within the Basel Committee on Banking Supervision, an institution created by the central bank governors of ten nations, moved to the Financial Action Task Force (FATF) created by the G-7, and then encompassed the United Nations (UN). The Basel Committee first adopted a relatively general statement of ethical principles for banks in 1998. In 1990, the Financial Action Task Force prepared more precise guidelines in the form of 40 Recommendations on Money Laundering which are not formally binding, although many states consider them to be de facto binding if they are to remain in good standing before the FATF. The FATF Recommendations and its reporting, monitoring, and peer-review processes create new forms of accountability not only for government bureaucrats but also for private financial institutions that must oversee and report on their customers' transactions. In 2002 and 2003, the FATF Recommendations became incorporated in two UN conventions that are formally binding, one against transnational organized crime and one against the financing of terrorism.



Rocha Machado's study assesses the variable impacts of the FATF's Recommendations on anti-money laundering in Brazil and Argentina. While Brazil was certainly subject to transnational pressure, it also implemented the FATF Recommendations for domestic policy reasons. In contrast, the changes in Argentina have been largely reactions to transnational pressure and have had, as a result, less impact in practice. Rocha Machado shows how the Brazilian government found the FATF's policies useful for addressing the national problems of organized crime and corruption and their threat to the state, while there was little domestic demand in Argentina to implement them. The Brazilian state criminalized money laundering, and it created a new financial intelligence unit within the administration and a new inter-agency coordination and monitoring mechanism (named ENCCLA) pursuant to which authorities interact over money laundering initiatives for the first time. It also obligated financial institutions to identify customers, maintain records, and report on suspicious transactions, enlisting them as policing agents, and it created a new Internet-based process (named *BacenJud*) which facilitates the exchange of financial information between financial institutions and judicial authorities. The result has been the creation of new hybrid public-private financial policing mechanisms and an overall shift in allocation of institutional authority from the judicial branch to the administration.

Bronwen Morgan's study, *The Limits of Transnational Transformations of the State: Comparative Regulatory Regimes in Water Service Delivery*, addresses both the influence and (in particular) the limits of transnational norms in shaping state change in the field of municipal water services in South America. Powerful players developed a transnational epistemic community to address the issue of access to drinking water, which consisted of international and regional financial institutions (the World Bank and the Inter-American Development Bank), multinational private water companies (particularly from the UK and France),<sup>40</sup> and a transnational business-supported think tank, the World Water Council.<sup>41</sup> This epistemic community promoted a shift in regulation to a "neoliberal" transactional model in which water services are provided by private companies, but overseen by independent regulatory authorities. The outsourcing of water service delivery from the public to the private sector, in other words, was accompanied by the development of new regulatory institutions. Conflicts that arose between the multinational investor and government authorities gave rise to international arbitration pursuant to a web of bilateral investment treaties, as well as bargaining in the shadow of potential international arbitration.

Morgan compares the national responses and implementation of this transactional model in Argentina, Bolivia and Chile, and finds that, while each of the countries contracted out water service provision in a number of municipalities and formed new independent regulatory institutions, they did so in radically different ways. In Bolivia, the regulatory authority was politically marginalized; in Argentina its politicized role shifted erratically in light of economic crises and political tensions within a fragmented federal state; and in Chile it gained technocratic authority in stages that fit with priorities determined within the Chilean political context. Importantly in Chile, the "Chicago boys" – high level government officials under the Pinochet government who had obtained their PhDs in economics at the University of Chicago – facilitated the transactional model's reception by acting as conduits and entry points for neoliberal policy norms. Morgan shows how the transnationally-promoted transactional regulatory model

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<sup>40</sup> The United States is not central to transnational developments in this field because of the local and fragmented nature of U.S. water delivery.

<sup>41</sup> The World Water Council is a "curious amalgam of business-based NGOs and large corporations." Morgan, this issue.

reciprocally helped to catalyze new politics in Bolivia and Argentina that promoted an alternative regulatory model of participatory governance. This development, in parallel with others, affected transnational politics, such that international and regional financial institutions and foreign aid agencies reoriented their programs.

The study by Minzee Kim, Elizabeth Boyle and Kristin Haltinner, *Neoliberalism, Transnational Human Rights Norms, and Education Spending in the Developing World, 1983-2004*, examines the relative impact on primary education policy of competing transnational regimes. One regime is composed of international human rights treaties and relatively weak international institutions that promote compulsory, universal education. The authors trace the development of this legal regime for primary education, starting with the 1948 Universal Declaration of Human Rights, followed by the 1966 International Covenant on Economic, Social and Cultural Rights, and the 1989 Convention on the Rights of the Child. These treaties recognize a human right to free primary education. They are monitored and promoted by international organizations, such as UNESCO, and transnational non-governmental organizations. The other regime is composed of international financial institutions which, in the 1980s and early 1990s, called for the adoption of market-oriented “user fees” for the funding of education. The international financial institutions emphasized free market principles, reductions in state spending, and balanced budgets as part of a neoliberal approach to development. When developing countries faced debt crises, the international financial institutions exercised considerable leverage, and in particular the International Monetary Fund (IMF) through structural adjustment agreements which imposed loan conditionalities. By 2000, according to a World Bank report, 77 of 79 countries studied had adopted some type of user fee for primary education.

The authors show that despite the relatively weak position of the human rights regime compared to the coercive power of international financial institutions, the international human rights regime’s approach to universal primary education has won out. The World Bank backed down and then denied that it had actually advocated user fees to fund children’s education. The authors contend that it was the power of the greater legitimacy of the human rights regime, coupled with the activity of transnational non-governmental organizations, which led to its success. Using data at yearly intervals for over seventy poor- and middle-income countries between 1983 and 2004, they show that the key factor in determining countries’ per capita expenditure on education for children under fourteen and their percentage of state expenditure devoted to education was neither the ratification of human rights treaties nor the implementation of structural adjustment agreements. Rather, countries embedded in the transnational human rights regime through stronger linkages with transnational non-governmental organizations were significantly more likely to increase their per capita educational spending on children, and increase their relative spending on education. These transnational non-governmental organizations operate as crucial intermediaries for the conveyance of international human rights norms regarding state expenditure on children’s education. In sum, the authors find that transnational nongovernmental organizations were central to the resolution of the contest among competing transnational norms for primary education, as well as for national acceptance of the ideas promoted by the international human rights regime.

### III. The Dimensions of State Change

To assess the impact of transnational legal processes on state change, we need to distinguish between different dimensions of change.<sup>42</sup> Besides shaping the substance of national law, transnational legal processes can have broader effects on the institutions and actors that apply law, and the normative frames in which they do so. This section provides a typology of five dimensions of state change affected by transnational legal processes that can be assessed empirically:

- (1) Changes in national law and practice;
- (2) Changes in the boundary of the state and the market;
- (3) Changes in the allocation of authority among state institutions;
- (4) Changes in markets for expertise and the role of expertise in governance; and
- (5) Shifts in accountability mechanisms toward transnational institutions and their normative frames.

A. *Changing national law: enactment and practice.* Most basically, transnational legal processes trigger changes across the spectrum of national law. They trigger changes in constitutional law, with new and amended constitutions incorporating new human rights.<sup>43</sup> They induce changes in criminal law, broadening its scope to address, for example, money laundering and copyright violations.<sup>44</sup> They spur changes in regulation across regulatory fields.<sup>45</sup> National laws, from South Africa to China, incorporate by reference standards as they are developed by international standard-setting bodies.<sup>46</sup> These processes can potentially lead to a “race to the top,” a “race to the bottom,” or ongoing divergence in regulatory stringency.<sup>47</sup> Actors, of course, are behind these processes, and determine their relative success, as we assess in Part IV.

Implementation of transnational law in a national legal system is a two-stage process. Formal domestic enactment of law (the focus of positivist legal scholars) is followed by actual implementation, the law-in-action (the bread and butter of socio-legal theorists). The studies in this volume address both the enactment and implementation of law, but focus their attention on how formal legal changes are applied (or thwarted) in practice.

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<sup>42</sup> This Article breaks down the dimensions of state change into patterns of legal, institutional, professional and normative change that can be identified across regulatory fields. Other analysts have assessed the dimensions of the state and state change arising from globalization generally in terms of the normative goods that states provide, such as security, rule of law, democratic self-determination, and social welfare. See e.g. Leibfried and Zürn 2005.

<sup>43</sup> See e.g., Elkins and Ginsburg forthcoming 2010; Klug 2000 .

<sup>44</sup> See Rocha Machado, this issue; and Braithwaite and Drahos 2000, 85 (“One of the striking features of the evolution of intellectual property law is the increased involvement of criminal law. There has been no serious discussion of why the state should mete out criminal penalties in an area that has traditionally been a civil matter. In the evolving global regime states are increasingly using criminal enforcement resources on behalf of intellectual property owners.”) . U.S. pressure for intellectual property enforcement led to capital punishment in China in a number of cases when China was negotiating to accede to the WTO. See Alford 1997, 91 (“[S]uch undertakings [to enhance IP protection] have led to the imposition of the death penalty on at least four individuals ....”) .

<sup>45</sup> Braithwaite and Drahos 2000.

<sup>46</sup> Bütte and Mattli on file 2010 (giving examples to China’s Product Quality Law and South Africa’s Occupational Health and Safety Act)

<sup>47</sup> See Vogel and Kagan 2004, 31 (“the evidence... weighs heavily against the notion that globalization induces a general regulatory race to the bottom”) .

*B. Changing the boundary of the state and the market.* Transnationally-induced legal change can have broader systemic effects within states. Transnational legal processes provide legal rules and models that reconfigure the boundary of the state, the market and other forms of private ordering.<sup>48</sup> They can affect the allocation of authority between public and private law, such as the public law of the administrative state and the private law of contract, as well as the interaction between them.<sup>49</sup> They can signal and call for the state to do more, or to do less. In some cases the state devolves or outsources previous state functions; in others it takes on new responsibilities; in yet others it creates new public-private hybrid models of governance. These shifts involve both the state's direct engagement in economic production (reflected in privatization initiatives) and the state's regulation of production (reflected in regulatory and deregulatory policies).

Transnational legal processes induce states to assume responsibilities traditionally left to private ordering in some policy areas. The study of Kim et al. examines how transnational hard and soft law policies have pressed developing countries to assume responsibility for providing free, universal primary education, increasing state expenditures in this domain. Klug highlights the transnational human rights pressures on the state to fund greater access to essential medicines. Rocha Machado's study documents the growth of state financial regulation, and, in particular, the spurring of greater intervention of the criminal justice system over financial transactions so that financial privacy is reduced.

In other areas, however, transnational legal models have promoted shifts away from state administration toward privatization, deregulation, and greater regulatory flexibility, reflecting "neoliberal" policies following the collapse of the socialist model after the Cold War. Binding rules of the World Trade Organization have significantly constrained state regulatory choices over trade, intellectual property, and industrial policy.<sup>50</sup> Transnational legal processes also operate in diffuse ways, leading to the outsourcing of functions traditionally performed by state institutions. Morgan's study, for example, assesses the impact of new "transactional" models for the provision of municipal water services in South America, and Halliday's study explains the shift toward courts and private professionals for corporate reorganizations in Korea and China. These changes were respectively promoted by transnational epistemic communities of consultants and practitioners comprised of public and private actors working out of or in coordination with international and regional financial institutions.

Where the state outsources traditional government responsibilities, state institutions do not leave the scene. Rather, the state often shifts toward steering mechanisms, working through public-private hybrid and other governance mechanisms.<sup>51</sup> Outsourcing the provision of services

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<sup>48</sup> In practice, there is a blurred line between market and state and non-state mechanisms of social control. The state/market dichotomy simply informs the assessment of governance choices along a continuum of government involvement.

<sup>49</sup> See e.g. Shaffer 2009 (regarding institutional interactions between public law and private ordering).

<sup>50</sup> Klug, for example, notes the constraints on the African National Congress's initial plans for industrial policy in South Africa when it took power in light of WTO rules and the "prescriptions proffered by the IMF and World Bank." He also notes that the ANC in South Africa was constrained in the development model it could pursue because of the reaction of international markets to its initial policy announcements, especially as it hoped to attract foreign investment. Klug 2000.

<sup>51</sup> Levi-Faur 2005, 15 ("in regulatory capitalism, the state retains responsibility for steering, while business increasingly takes over the functions of service provision and technological innovation. This new division of labor goes hand in hand with the restructuring of the state (through delegation and the creation of regulatory agencies) and the restructuring of business (and other societal organizations) through the creation of internal controls and mechanisms of self-regulation in the shadow of the state"). See also Rhodes 1996; and Ayres and Braithwaite 1992.

to private entities simultaneously gives rise to new public agencies, new regulation, and new forms of dispute settlement in areas traditionally monopolized by the state.<sup>52</sup> David Levi-Faur has traced the proliferation of functional regulatory agencies around the world in areas where none existed before, documenting the growth of material competencies of the state involving increased specialization and diversification of state administrations.<sup>53</sup> Policymakers often introduce new governance concepts of benchmarking, soft law, information exchange, and best practices. Transnational-created indicators report on state practices and their effects, informing countries' regulatory strategies.<sup>54</sup>

While the concept of transnational law could suggest a conceptual link to the literature on the "retreat of the state,"<sup>55</sup> the state is arguably not retreating so much as being reshaped.<sup>56</sup> Transnational legal processes have promoted particular structures for a market economy, shifting the boundary between the market and the state, affecting what the state does. These shifts can potentially have deep social repercussions over time.

*C. Changing the institutional architecture of the state.* Transnational legal processes affect not only what the state does. They shift allocations of authority among the state institutions that make, apply, and enforce law, whether they be more centralized or decentralized,<sup>57</sup> and whether they involve different branches of government. These shifts can incite struggles between state institutions reluctant to cede or eager to gain power.

Transnational law promotes new architectures of the state. It provides rules and models for the creation of entirely new state institutions and the reconfiguration of relations among existing ones. For example, the law of the World Trade Organization requires the creation of new specialized state institutions for handling patent applications, resulting in the formation and expansion of patent offices in developing countries.<sup>58</sup> These institutional changes can exhibit isomorphism across states, although the actual practices of these institutions may vary considerably.<sup>59</sup>

It is frequently argued that the expansion of international and transnational governance has empowered executives, leaving legislatures to rubber stamp the results of international negotiations.<sup>60</sup> Such shifts of institutional authority within states have indeed occurred in many

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Cf. Loya and Boli 1999 (applying a world polity perspective regarding the proliferation of global standards through standard-setting bodies such as ISO) .

<sup>52</sup> See e.g. Morgan this issue.

<sup>53</sup> Levi-Faur 2005, 18 .

<sup>54</sup> See e.g. Davis, Kingsbury, and Merry 2010. Rocha Machado shows how information sharing, monitoring and peer review lie at the core of the work of the FATF on money laundering.

<sup>55</sup> See, e.g., Glenn 2003. See also Ohmae 1995; Strange 1996; Sassen 1996.

<sup>56</sup> See also Leibfried and Zürn 2005; Sorensen 2004; Campbell 2004.

<sup>57</sup> See e.g. Kelemen 2004, 269, 270 (contending that international legal integration encourages centralization of regulatory power, but finding that the impact has been modest) .

<sup>58</sup> Drahos forthcoming 2010; Drahos 2008; Drahos 2009. Article 8(a) of the TRIPS agreement states that WTO members must "provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed." Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 70.8(a), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994).

<sup>59</sup> On isomorphic changes across states, see Meyer, Boli, Thomas, and Ramirez 1997; and Boyle and Meyer 1998. However, the actual practice of these institutions may diverge. See e.g. Halliday, Rocha Machado and Morgan, this issue, regarding the regulation of bankruptcy, money laundering, and municipal water services.

<sup>60</sup> See e.g. Richardson 2001, 94-95 (arguing that globalization decreases the power of legislatures) .

domains, spurring analysis regarding how to re-empower legislatures.<sup>61</sup> Yet legislatures can also be strengthened and executives weakened by transnational legal processes. In many countries, the executive branch's discretion has been reduced, and the parliament's power enhanced, compared to allocations of power under state-development models of economic growth in which power was concentrated in executive branch bureaucracies.<sup>62</sup> Halliday discusses these shifts in his study of transformations of bankruptcy law in Asia. The executive's authority is similarly curtailed when regulatory power is delegated to independent agencies operating at greater remove from political institutions, processes captured in Morgan's study.<sup>63</sup>

Transnational legal processes can also affect the role of courts within national systems, sometimes providing courts with new leverage to increase their authority in relation to executives. Courts have been traditionally weak in many developing countries, but transnational legal processes provide them with new tools to assert themselves. Klug shows how judges have been empowered to force the hand of state bureaucrats regarding state-provided medical treatment. Morgan shows the increased role of courts in disputes over municipal water services in Argentina. Halliday notes the enhancement of judicial power over corporate bankruptcy in South Korea, as well as its potential in China and Indonesia. Yet transnational legal processes can also shift authority away from courts, and allocate power to executive branches in deference to international agreements, or to independent agencies because of perceived failures of courts. National administrations, for example, have asserted new authority over criminal justice policy vis-à-vis judicial authorities in the area of money laundering, as shown in Rocha Machado's study. The direction of changes in institutional authority within states, and what drives these changes, calls for ongoing empirical work.

*D. Shaping markets for expertise and expertise's role in governance.* In spurring the enactment of new law and the reconfiguration of state institutions, transnational legal processes give rise to new specializations, creating incentives for individuals and institutions to adjust to them. These developments can trigger shifts toward more technocratic forms of governance, away from other forms of authority.<sup>64</sup> They enhance the prospect of experts exercising authority, and create incentives for individuals and institutions to invest in expertise in specialized areas. New professions develop; professional markets are shaped; existing career paths adapt to new opportunities. Individuals, and in particular elites in societies,<sup>65</sup> invest in them to gain or retain material welfare, status and authority.

These domestic shifts in governance occur both within state institutions and in private ordering and public-private hybrid forms of governance. State restructurings unleash competition for new expertise when the state regulates new activities, creating new positions within the state. They also do so when the state outsources traditional governmental tasks. New private governance regimes have law-like features and demand the services of professionals.<sup>66</sup> These

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<sup>61</sup> See e.g., Slaughter 2003, 1056.

<sup>62</sup> See e.g. Pistor and Wellon, 1999, 6-7(noting the increase in legislative activity and the reduction of discretion of state bureaucrats in Asia during this period) .

<sup>63</sup> Morgan's study documents a shift toward independent agencies for the regulation of water services in Latin America spurred by transnational legal processes.

<sup>64</sup> These shifts can be viewed in terms of Max Weber's ideal type of rational-legal forms of authority. Weber 1978, 212-301 (re ideal types of traditional, charismatic and rational/legal forms of authority).

<sup>65</sup> Delazay and Garth 2002b.

<sup>66</sup> See generally Nonet and Selznick 1978 (writing in the U.S. context) . See also Meidinger 2009 (on private food safety regulation) ; and Calliess and Zumbansen 2010 (on corporate governance and *lex informatica*) .

professionals monitor business behavior and state institutional practice in light of transnational law and state adaptations to it.<sup>67</sup>

The accompanying studies depict the development of new specializations in the fields of bankruptcy law, anti-money laundering law, intellectual property law, competition law, and the regulation of the provision of municipal water services. New professional expertise has developed for bankruptcy services in Asia (embracing lawyers, accountants, and insolvency specialists), and for urban water services in South America (involving economists, management consultants, and lawyers), as shown respectively by Halliday and Morgan. Rocha Machado shows how private actors perform new functions in policing financial transactions for money laundering under new obligations to report suspicious behavior to authorities, resulting in new hybrid public-private governance models for financial regulation. Intellectual property and competition law are growing fields of specialization in South Africa, India, and Brazil, creating new vested interests, and shifting industry orientations.<sup>68</sup>

Individuals who invest in such expertise play important roles in national governance in specialized domains. These individuals serve as conduits for the conveyance, adaptation, and potential embedding of transnational legal norms, as we explore further in Part IV.

*E. Shifting in accountability mechanisms and normative frames.* Transnational legal processes generate shifts in mechanisms of accountability and patterns of association which help to deepen the above changes.<sup>69</sup> Individuals and groups inside and outside of government account to institutions outside of national borders. They form new patterns of association through ongoing interaction. New relations of authority develop. Particular normative and epistemological frames shape them.

A primary transnational accountability mechanism consists of monitoring, surveillance and reporting obligations which trigger peer pressure. International organizations directly monitor national processes, governments must report to them, and these reports are formally reviewed. WTO members, for example, report to a series of WTO committees and councils on their compliance with WTO trade and intellectual property commitments. Those reports are prepared and evaluated within the normative frame of WTO rules. The FATF monitors compliance with financial disclosure requirements, creating new forms of accountability not only for government bureaucrats but also for private financial institutions that oversee and report on their customers' transactions.<sup>70</sup> The Committee on the Rights of the Child monitors compliance with the Convention on the Rights of the Child, harnessing input from both government officials and non-governmental organizations (NGOs).<sup>71</sup> Transnational indicators increasingly define and

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<sup>67</sup> Rocha Machado, this issue.

<sup>68</sup> Shaffer interviews with professionals in each of these countries pursuant to ongoing field work (2005-present). See also Klug, this issue; and Shaffer, Ratton-Sanchez, and Rosenberg 2008 ("Changes at the international level have helped unleash competition for new expertise to take advantage of the opportunities offered by international trade law, involving law schools, policy institutes, law firms, consultancies, think tanks, business associations, and different government ministries.... The participants in these networks have formed a community of trade policy specialists within Brazil, one that is transnationally linked to a broader trade policy field").

<sup>69</sup> Keohane & Nye 2003 (on the tensions between internal accountability and external accountability mechanisms, raising the question of accountability to whom).

<sup>70</sup> See Rocha Machado, this issue

<sup>71</sup> See Kim et al., this issue

measure what constitutes appropriate national goals and effective strategies, facilitating further monitoring.<sup>72</sup>

National institutions are created and developed to respond to these accountability demands. Governmental agencies and civil society organizations receive resources through technical assistance and capacity building programs.<sup>73</sup> Sometimes new national agencies are designed and even staffed by consultants from transnational institutions.<sup>74</sup> Over time, new associational communities form as “clubs” in functionally disaggregated legal areas.

These processes have implications for how state representatives and civil society organizations view themselves and their roles, as they mediate relations between transnational and national sites of governance. Transnational networks engage national policymakers within particular normative frames. They can shape elite perspectives on the appropriate role of institutions such as markets, independent agencies, and courts. Local claims are viewed in transnational context. New categories of meaning are conveyed and accepted as normal and authoritative.

Transnational legal processes operate, however, in the context of ongoing institutional path dependencies, social histories, and domestic contests over national law and policy, factors mediating the extent of state change to which we now turn.

#### **IV. The Factors Explaining the Location, Extent and Limits of State Change**

To understand the impact of transnational legal processes on state change, we need to specify the factors that explain its location and extent. The results of transnational legal processes are not homogeneous. This section provides a typology of three clusters of factors that determine the impact of transnational legal process: the legitimacy, clarity and coherence of the transnational legal norm; the relation of the transnational legal order to the receiving state in terms of power and the place of intermediaries; and (most importantly) the affinity of transnational legal norms with domestic demand in light of domestic political contests and the extent of change at stake. The first factor concerns the transnational legal order; the second factor the relation of the transnational legal order and the receiving state; and the third factor the context of the receiving state. The studies in this volume illustrate how these factors operate in different fields, affecting the location, extent, and limits of state change.

These three clusters of factors can be broken down into different components.<sup>75</sup> To start with transnational law and legal orders, the ways in which they vary can be broken down into three aspects: (1) the legitimacy of the transnational legal order which contributes to its power; (2) the clarity of the transnational law; and (3) the coherence of the transnational law in reflection of whether different transnational legal orders complement or are in tension with each other. Collectively, the legitimacy, clarity and coherence of the transnational legal norm affect its impact.

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<sup>72</sup> See e.g. Davis, Kingsbury, and Merry 2010.

<sup>73</sup> See e.g. Drahos forthcoming 2010 (noting how domestic patent offices have become part of a globally integrated network in which the offices of Europe, the US and Japan and the interests of multinational companies are central).

<sup>74</sup> Morgan notes how national water agencies in developing countries frequently are designed and (in the case of Bolivia’s water regulatory agency) staffed by consultants who work for international organizations and are seconded to national state institutions. Klug notes how the WHO seconded an official to work with the South African Health Department.

<sup>75</sup> Halliday’s study in this volume conceptualizes these factors slightly differently, breaking some of them down into distinct factors. For heuristic purposes, this Article places them into three clusters.



*A. The character of the transnational legal order and legal norm: legitimacy, clarity and coherence*

*1. The relation of a transnational legal order's power to its legitimacy.* Transnational legal orders exercise power through mechanisms of coercion, reciprocity, persuasion, and acculturation.<sup>76</sup> Stated in other terms, states and non-state actors may adopt or otherwise adapt to transnational law because they are coerced to do so, they find it to be in their self-interest through an exchange or through persuasion, or they are normatively induced to comply with it in light of its perceived legitimacy.<sup>77</sup> Those scholars who focus on the role of sanctions highlight law's coercive aspects. Yet law also exercises considerable power (if not its greatest power) through normative processes in which law is accepted as legitimate because it reflects norms of proper social behavior.<sup>78</sup> These mechanisms are of course ideal types, and in practice they interrelate, affect, and build upon each other.<sup>79</sup>

These mechanisms all depend in different ways on legitimacy. Sanctions are more likely to be effective if the relevant transnational legal order is accepted as legitimate and thus authoritative. Where transnational legal orders are perceived to be legitimate, they also can facilitate dialogue leading to persuasion, as well as to reciprocal exchange. Mechanisms of acculturation directly depend on a transnational legal order's perceived legitimacy.

Scholars from various disciplines increasingly have engaged with the concept of legitimacy in evaluating international law and institutions.<sup>80</sup> Legitimacy, as used in a sociological sense, refers to the subjective belief of actors that a rule or institution should be obeyed.<sup>81</sup> The concept of transnational law's legitimacy is thus a relational one, since it depends on whether actors regard the institutions and processes which promulgate and convey it as "rightful," and thus authoritative.<sup>82</sup> Where there are political and social struggles over appropriate norms, law plays a mediating role and actors attempt to use law strategically to advance their aims through harnessing law's potential legitimating power.

A transnational legal order's legitimacy can be assessed along three dimensions in terms of inputs (who participates in a process), throughputs (the quality of procedural fairness and deliberation characterizing such process), and outputs (how a process substantively responds to a

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<sup>76</sup> See Ginsburg and Shaffer forthcoming (discussing the links between these mechanisms with those discussed in Braithwaite and Drahos 2000 (7 mechanisms); Halliday and Osinsky, 2006 (8 mechanisms) ; and Goodman and Jinks 2004 (3 mechanisms)) . There are, as noted in I.C above, of course other mechanisms that induce legal and institutional changes in states that are not linked to transnational legal processes, such as market competition among states. See e.g. Simmons, Dobbin, and Garrett 2008 (4 mechanisms of diffusion) .

<sup>77</sup> Hurd 1999 .

<sup>78</sup> See Tyler, 1990. As Merry writes, "'law's power to shape society depends not on punishment alone but on becoming embedded in everyday social practices.'" Merry 2006, 4. See also Halliday and Carruthers 2009, 11.

<sup>79</sup> As Hurd writes, "the relationship between coercion, self-interest, and legitimacy is complex, and each is rarely found in anything like its pure, isolated form. Further, they are probably sometimes related in a patterned, systematic fashion, in that many social structures that are eventually legitimized emerged first from relations of coercion or from individual self-interest." Hurd 2007, 40.

<sup>80</sup> See Halliday 2009, 23 (noting that the issue of the legitimacy of international processes has been an important subject in international law (Bodansky; Franck), international relations (Barnett; Hurd), and sociology of law and globalization (Halliday and Carruthers)), as well as Block-Lieb and Halliday 2006.

<sup>81</sup> Mark Suchman defines legitimacy in sociological terms as "a generalized perception of assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Suchman 1991, 574.

<sup>82</sup> For Ian Hurd, an institution acquires authority when it is perceived to be legitimate. Hurd 2008.

problem).<sup>83</sup> Overall, national actors are more likely to perceive transnational law to be legitimate where the law is formulated by actors who share their interests, where the process is procedurally fair and characterized by non-coercive reasoned argument, and where the results are functionally efficacious. The perception of the legitimacy of a transnational legal process should vary along these three dimensions of representativeness, procedural fairness, and effectiveness.

Legitimation is a mechanism of power, and neither legality nor legitimacy should be viewed in contradistinction to power as in some conceptions in the legal literature. Michael Barnett and Raymond Duvall have provided a useful framework of four conceptions of power in international governance which they label as agency, institutional, structural, and productive power.<sup>84</sup> Each of these conceptions applies to the assessment of transnational legal processes and their effects, and each has implications for understanding the way legitimation operates in these processes.

First, from an *agency perspective* of power, actors have variable resources that affect their ability to shape and mobilize transnational law.<sup>85</sup> They likewise have variable resources to deploy offers of rewards and threats of sanctions to induce third parties to comply with it. Since actors have stakes in the perception of transnational law's legitimacy, they have incentives to mobilize resources to legitimize or delegitimize transnational law and legal processes.<sup>86</sup> Powerful players, such as the United States, are typically best positioned to use transnational legal processes to legitimize policies that they want, as well as to delegitimize the emergence of transnational law that goes against their interests.<sup>87</sup>

Second, from an *institutional perspective*, transnational institutions shape the type of issues and arguments that parties may effectively raise.<sup>88</sup> International institutions and transnational policy networks provide frames that structure deliberation over the conceptions of problems, their diagnoses, and strategies to address them. Institutional power is more likely to be effective where institutional processes are accepted as legitimate, whether from the perspective of input (participation), throughput (deliberation), or output (material results). Actors invest in international institutions, in part, because of the legitimation they can provide.<sup>89</sup>

Third, from a *structural perspective*, transnational legal orders create structures that can materially advantage some over others, and, in the process, affect actor's understandings of their

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<sup>83</sup>Cf. Bodansky 1999 (legitimacy in terms of sources, procedures and outcomes); Halliday and Carruthers 2009, 11 ; and Scharpf 1999, 2 (distinguishing input and output legitimacy) .

<sup>84</sup> Barnett and Duvall 2005. Peter Digeser nicely summarizes these four conceptions of power as follows: "Under the first face of power the central question is, 'Who, if anyone, is exercising power?' Under the second face, 'What issues have been mobilized off the agenda and by whom?' Under the radical conception, 'Whose objective interests are being harmed?' Under the fourth face of power the critical issue is, 'What kind of subject is being produced?'" Digeser 1992, 980.

<sup>85</sup> This behavioral (or agency) conception of power is used by Robert Dahl. See Dahl 1957; Dahl 1968, 405.

<sup>86</sup> Within the academy, critical legal studies can be viewed as an attempt to delegitimize accepted law on account of perceived structural biases.

<sup>87</sup> Cf. Büthe and Mattli manuscript on file 2010 (maintaining that domestic institutional arrangements, and particular whether they are centralized or decentralized, also matter because they affect the mobilization of domestic interests)

<sup>88</sup> This institutional conception of power is used by Bachrach and Baratz. As they contend, "power is also exercised when A devotes his energies to creating or reinforcing social and political values and institutional practices that limit the scope of the political process to public consideration of only those issues which are comparatively innocuous to A." Bachrach and Baratz 1962, 948.

<sup>89</sup> See e.g., Esty 2006, 1496 ("In the realm of supranational governance, where the democratic underpinnings for rulemaking are particularly weak, the legitimacy-enhancing potential of procedural safeguards takes on special significance"); Franck 1990, 21.

interests.<sup>90</sup> Transnational legal orders can materially affect how actors calculate the costs and benefits of alternative policies, and ideationally affect such actors' perceptions of the worth of pursuing or even conceiving of such alternatives. Fourth, from a *productive (or constitutive) perspective*, social discourse and knowledge systems can shape actors' subjective understandings of their identities and their capacities.<sup>91</sup> Transnational legal orders propagate certain conceptions of identity and choice with the result that state and non-state actors are more likely to accept a given order as normal and inevitable. Although these latter conceptions of power do not focus on actors, those able to benefit from these forms of power, through the legitimation that transnational legal norms can provide, are in privileged positions.

These latter conceptions of power find their reflections in the transnational legal process theories within the legal academy of Harold Koh and Ryan Goodman and Derek Jinks, who are generally positive in their assessments of these processes. Koh contends that “[r]epeated participation in the transnational legal process... helps to reconstruct the national interests of the participating nations.”<sup>92</sup> He sees “transnational legal process” as “seeking to shape and transform personal identity” so that political elites and broader societies “internalize” international law norms.<sup>93</sup> Similarly, Goodman and Jinks analyze acculturation processes through which states are socialized without reflecting if the norms they adopt are in their interests.<sup>94</sup> Where transnational legal processes are accepted as legitimate, they are more likely to shape actors' interests and identities, and thus have transformative effects.

The studies in this volume commonly highlight how the power of transnational law's perceived legitimacy, as opposed to simple coercion, has the greatest influence in affecting domestic legal change. International financial institutions were successful in using their coercive financial leverage during the Asian financial crisis to press Indonesia to enact bankruptcy law reforms, as shown in Halliday's study. However, these formal changes were not implemented in a way that changed outcomes in the directions or degree that the IMF anticipated. In contrast, UNCITRAL has exercised much greater authority in national bankruptcy law reform efforts because the processes of representative deliberation, which gave rise to its “model rules” and “legislative guides,” are deemed more legitimate. The national actors who participate in the UNCITRAL process take home models which they had a voice in drafting and approving, models which can become part of a more indigenous national agenda to enhance financial stability and economic development. Similarly, Kim et al.'s study shows how the World Bank's structural adjustment policies initially pressed developing countries to shift toward requiring user fees for primary education (with 77 of 79 countries studied for a World Bank report having adopted some type of user fee for primary education by 2000). However, these efforts were rebuked following challenges to their legitimacy, forcing the Bank to revise its policies.<sup>95</sup>

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<sup>90</sup> Lukes 1974, 24.

<sup>91</sup> See e.g. Foucault 1984, 213 (viewing individuals as effects of power, writing “[t]he system of right, the domain of the law, are permanent agents of these relations of domination, these polymorphous techniques of subjugation”); and Guizzini 2000 (discussing Pierre Bourdieu's concept of “doxa”).

<sup>92</sup> See (Koh 1998, 642.

<sup>93</sup> Koh 1998, 629; and Koh 1997. Cf. Hurd 2007, 388 (“the operative process of legitimation is the internalization by the actor of an external standard. Internalization takes place within the actor's sense of its own interests is partly constituted by a force outside itself, that is, by the standards, laws, rules and norms present in the community”).

<sup>94</sup> Goodman and Jinks forthcoming 2010.

<sup>95</sup> “By 2001, the World Bank quietly indicated to countries that it did not support user fees for education.... By 2006, the World Bank was considered the leading global advocate for greater public spending on education.” Kim et al., this issue.

2. *Variation in transnational law's clarity and coherence.* The nature of transnational law varies in terms of different features which affect its clarity and authority. Variations in the features of transnational legal norms have been conceptualized in terms of hard and soft law, which contrast across the dimensions of obligation, precision of rules, and delegation of monitoring, elaboration, and interpretation to a third party decision-maker.<sup>96</sup> Such variations can affect a legal norm's clarity. For example, where a transnational legal norm is relatively ambiguous (even if formally binding), there is more likely to be significant variation at the domestic level when it is adopted. Similarly, where a transnational legal norm is elaborated over time through delegated dispute settlement or through different forms of delegated monitoring, peer review, and reporting, these processes can enhance the legal norm's clarity and authority.<sup>97</sup> It is striking, for example, how competition law in South Africa, for which there are no binding international law obligations, have developed in a more indigenous manner than patent law, which is subject to the binding rules of the WTO TRIPS Agreement. Overall, the more precise is a transnational legal norm, the more binding it is, and the more its meaning is interpreted, elaborated, and applied by a third party regarding particular contexts, the clearer its signal should be to states and other constituencies. Actors promote these features in order to enhance the impact of transnational law.

Transnational legal orders, however, can also complement or conflict with each other, affecting transnational law's coherence.<sup>98</sup> Different transnational legal orders can address a single regulatory question. Where they complement each other, their leverage can increase. Where they conflict, transnational legal norms may be in tension, or even contradictory, affecting their overall coherence. In this case, states and constituencies within them should have greater policy discretion, everything else being equal, enhancing their ability to resist a particular transnational legal norm's importation.<sup>99</sup> In other words, even where a transnational legal norm is precise and obligatory by its terms, if it is in significant tension with another transnational legal norm, domestic actors can more easily find means to evade it.

The studies illustrate the processes of complementarity, conflict, and consolidation of transnational legal norms over time, affecting their clarity and coherence. The legal norms promoted by the Financial Action Task Force became increasingly precise over time, and eventually became reflected in binding UN conventions, as Rocha Machado illustrates. UNCITRAL built on the recommendations and guidelines of the international financial institutions for national bankruptcy law when it created a Legislative Guide and Model Law that were adopted by its members, as Halliday shows. In contrast, the study of Kim et al. illustrates how two transnational regimes advocated different approaches toward user fees in primary education, but one of those (the UN human rights regime) prevailed over the other (the

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<sup>96</sup> See Abbott and Snidal 2000. Hard law "refers to legally binding obligations that are precise (or can be made precise through adjudication or the issuance of detailed regulations) and that delegate authority for interpreting and implementing the law." Soft law, in contrast to hard law, refers to legal arrangements that are weaker along one or more of these three dimensions. Abbott and Snidal 2000, 421-22.

<sup>97</sup> See Sandholtz and Sweet 2004 (on dynamic processes of elaboration of international law over time).

<sup>98</sup> See e.g. International Law Commission 2006; Raustiala and Victor 2004, 279; and Shaffer and Pollack 2010.

<sup>99</sup> Conflicts in transnational legal orders typically reflect political struggles both among and within states. See Shaffer and Pollack 2010. Transnational and domestic struggles can become intermeshed, as different local actors see competing international organizations and transnational networks as their allies. As Dezalay and Garth write in their book *The Internationalization of Palace Wars*, the "success of import is inevitably tied to domestic palace wars and to the international competition to export state expertises." Dezalay and Garth 2002b, 5.

international financial institutions). In Klug's work, different transnational legal orders again provided conflicting frames regarding the interaction of intellectual property and social welfare protection. This time, however, the tensions between these transnational legal orders remain. Even though the WTO TRIPS Agreement's provisions are binding, relatively precise, and subject to third party dispute settlement, activists in South Africa were able to harness international human rights and transnational competition law norms against demands for pharmaceutical patent protection. They were thus able to counter somewhat the pressure for higher pharmaceutical prices through monopoly patent rights in the context of struggles over access to medicines.

3. *Harnessing historic events.* Particular historic events create opportunities on which actors can capitalize to convey transnational legal norms to change domestic law and institutions. Events such as the fall of the Berlin Wall and the major debt and financial crises striking Latin America and Asia provide such openings. Crises create uncertainty that destabilizes background assumptions and perceptions of interest regarding legal and institutional change. As John Campbell writes, historic events can lead to processes of change involving "punctuated equilibria," where "a crisis upset[s] the institutional equilibrium and precipitate[s] a search for a new ... order that, once institutionalized, usher[s] in a new period of institutional equilibrium."<sup>100</sup>

Each of the studies grapples with transnational legal processes within their historic contexts. The development and export of a "transactional model" for the provision of municipal water services reflected a shift in the 1990s toward neoliberal policies and the reappraisal of economic development models, as noted by Morgan. The Asian financial crisis created openings for transnational actors to press Asian states to restructure their bankruptcy laws and institutions, as demonstrated by Halliday. As Rocha Machado shows, the terrorist attacks of September 11, 2001 on the World Trade Center catalyzed new developments before the Financial Action Task Force and the United Nations through pressure from the United States. These studies each illustrate how transnational legal processes harness and are constrained by historic contexts.

*B. The relation of the transnational legal order to the receiving state.* The second cluster of factors affecting transnational law's impact involves the relation of the transnational legal order to the receiving state. We can look at this position from a top down perspective in terms of structure, on the one hand, and a bottom up one in terms of agents and intermediaries, on the other. Macro-sociological theories, such as world systems theory and world polity theory, take a top-down approach, focusing respectively on material and ideological power.<sup>101</sup> Micro-sociological studies address the patterns of interaction between local and global actors, focusing on the

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<sup>100</sup> Campbell 2004, 21 (citing the work of Neil Fligstein). See also Hall 1993.

<sup>101</sup> World polity theory "stresses the embeddedness of nation-states in a wider world cultural context of meaning and models." Kim et al., this volume. World systems theory, in contrast, has a neo-Marxist materialist orientation in which structural power, whether exercised by dominant states or transnational capital, is the primary mediator of international relations, and such power is determined by a division of production between "core" and "peripheral" states. See Wallerstein 2005; and Robinson 2001, 157-200. Christopher Chase-Dunn and Thomas Hall "define world-systems as intersocietal networks in which the interactions... are important for the reproduction of the internal structure of the composite units and importantly affect changes that occur in these local structures"). Chase-Dunn and Hall 1997, 28. This literature is usefully summarized and discussed in Halliday and Osinsky 2006, 454.

role of intermediaries. They help us to “map the middle,” in Sally Merry’s phrase, to understand the mechanisms and dynamics of state change.<sup>102</sup>

*1. Power asymmetries and the receiving state.* Structural power asymmetries have long driven transnational flows of legal norms, from Roman to Napoleonic to colonial conquests.<sup>103</sup> The United States and Europe are the major producers of transnational legal norms today and they have the means at their disposal to circulate them and induce their adoption globally. They diffuse regulatory approaches through the strength of their know-how and experience, coupled with technical assistance, capacity building programs, and other inducements. They control the budgets of the IMF and World Bank, affecting their policy prescriptions. Their national regulations and the private standards adopted by their private sectors set requirements for products around the world simply because of the economic importance of their markets.<sup>104</sup>

Structural power asymmetries create opportunities for transnational actors to use leverage, such as economic coercion, in reshaping state institutions and legal norms. Particular events, such as financial crises, enhance their ability to do so. Only states in structurally weaker positions are subjected to mechanisms of economic coercion. The international financial organizations exercised much more leverage over Indonesia during the Asian financial crisis than they did over Korea, and they exercised no leverage over China, as shown in Halliday’s study. They have often exercised leverage over developing countries in shaping social policies, such as educational policy as depicted in the study by Kim et al.. Economic coercion is most tempting to use when regulation has asymmetric financial implications, benefitting some countries at the expense of others.<sup>105</sup> Such is the case with intellectual property regulation, as Klug’s study shows regarding the U.S. government’s attempt to threaten South Africa with trade sanctions, including the withdrawal of tariff preferences and the cutting off of foreign aid.

The studies in this volume, nonetheless, address the limits of the use of coercion, calling into question how much real transformation occurs at the implementation stage where only coercive mechanisms are used. Coercive measures can de-legitimize a transnational legal process because they generate resentment. Coercive measures may initially be successful in inducing symbolic change (in terms of legal enactments), but ultimately be thwarted at the stage of actual implementation — the law-in-action. The studies highlight both the use of coercive measures and their limits. Indonesia made significant changes to its bankruptcy law in response to IMF conditions during the Asian financial crisis, but implementation was often foiled in practice, as Halliday shows. Kim et al. similarly show the limits of structural adjustment conditionalities on education policy in developing countries, and Klug explains the eventual withdrawal of US legal challenges against South Africa regarding its patent law.<sup>106</sup>

*2. The role of intermediaries.* Second, for transnational legal processes to be effective, they require intermediaries who are cognizant of both the processes of transnational law-making and national settings. Intermediaries are the carriers, conduits, and points of entry for the

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<sup>102</sup> Merry 2006.

<sup>103</sup> Cf Whitman 2009 (stressing the missionary influence in Christianity); and Mattei and Nader 2008 (stressing material interests).

<sup>104</sup> See e.g. Snyder 2002 (using the example of the global toy industry).

<sup>105</sup> Braithwaite and Drahos 2000, 80 (comparing global processes for property and contract lawmaking).

<sup>106</sup> Klug, this issue; and Klug 2008.

circulation of transnational legal norms.<sup>107</sup> They help to diagnose national situations, monitor national developments and responses, and translate, adapt and appropriate global norms for local contexts. Through their links with international institutions and transnational networks, they form part of transnational epistemic communities. They play central roles across areas of law, from human rights law to business regulation.<sup>108</sup> Intermediaries, in the words of Bryant Garth and Yves Dezalay, are “essential to produce the credibility and legitimacy of these transnational norms.”<sup>109</sup> The impacts of transnational legal processes are, in part, a function of their positions.

Carruthers and Halliday have typologized intermediaries in terms of their competencies, power, and loyalty.<sup>110</sup> Intermediaries may, for example, have greater competence in legal or economic expertise, have variable power to translate international legal scripts into national contexts, and have variable loyalties to actors at the national and international levels. These intermediaries include cosmopolitan government representatives, professional service providers, academics, think tank policy analysts, nongovernmental organizations, and social movement leaders.

Local intermediaries can be empowered by transnational legal processes so that they have a professional stake in them. Through their national and international connections, they are able to inform themselves of developments both at home and abroad, which provides them with informational advantages. International organizations depend on them to convey transnational legal norms to work in local settings, bridging cultural divides and, where necessary, indigenizing transnational norms. National governments and organizations rely on them to present national positions in international fora and within transnational networks. When these intermediaries have a stake in the national adoption of transnational legal norms, they become important allies in attempts to embed them, whether the norms are human rights or business ones.

The studies in this volume depict the key roles played by intermediaries. National intermediaries respectively played key roles in the adoption, adaptation, and application of transnational bankruptcy, financial transparency, and competition law norms, as shown in the work of Halliday, Rocha Machado and Klug. Kim et al. show statistically the correlation between the number of transnational non-governmental organizations operating in countries and their adoption of international human rights obligations to provide universal primary education. Yet although intermediaries are necessary, they are not sufficient. To understand transnational legal process and state change, domestic factors remain central.

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<sup>107</sup> Transnational legal norms depend on “the international circulation of experts and knowledge between the North and the South.” Garth and Dezalay 2009, 113, 123.

<sup>108</sup> On human rights, see e.g. Merry 2006, 1-2 (noting the “transnational circulation of people and ideas transforming the world we live in”, and “highlighting the role of activists who serve as intermediaries between different sets of cultural understandings of gender, violence, and justice.”) . On business law, see e.g. Braithwaite and Drahos 2000. To give one example, in the four largest Korean law firms, three-quarters of the lawyers who passed the bar between 1980 and 1990 had studied abroad, primarily in the United States. Lee 2007, 245.

<sup>109</sup> Garth and Dezalay 2009, 113, 114. Garth and Dezalay 2002a, 1,5. Dezalay and Garth refer to them as brokers and double agents. They note how elites “use international credentials, expertise and connections to build capital that they can reinvest in domestic public arenas” Garth and Dezalay 2002b, 34.

<sup>110</sup> See Carruthers and Halliday 2006, 529-32. Where a country is culturally distant from the transnational legal norm in question, local intermediaries tend to be fewer and more difficult to locate. These countries are often those who are in a weaker power position, although not necessarily, as in the case of China. Carruthers and Halliday 2006, 529-32.

*C. The domestic context: Domestic demands, domestic struggles, and the extent of change at stake.* Arguably the most important determinant of state change is the affinity of the transnational reform efforts with the demands and discursive frames of domestic constituencies and elites in light of domestic configurations of power and the extent of change at stake. This third cluster of factors involves domestic demand, domestic political struggles, domestic institutional legacies, and domestic cultural frames. Together these factors shape how transnational legal norms are received and implemented in practice, affecting the extent of state transformation. Sometimes they lead to the rejection of transnational law, sometimes to significant institutional and legal change, and sometimes to an appropriation for purposes initially not considered.

First, transnational legal norms need local supporters. Sometimes domestic elites will support their adoption because the elites believe that legal reforms will spur foreign direct investment and promote economic growth, possibly in relation to inter-state competition for power.<sup>111</sup> Sometimes professionals or commercial interests promote them because reforms enhance their career and business prospects.<sup>112</sup> Sometimes domestic activists support them as leverage against current government or private practices.<sup>113</sup>

Second, transnational legal processes ultimately meet configurations of power within national political contexts. Legal and institutional change advocated by international organizations and transnational networks that seem rather technical, such as over bankruptcy law, can upset careers and power configurations in domestic orders, creating incentives for factions within governing elites and affected domestic constituencies to thwart the reform efforts. Such transnational legal reform efforts are difficult to implement because they can represent “the restructuring of the state itself.”<sup>114</sup> Transnational legal processes will be most successful if they are useful to national actors as tools in these political contests.

Third, institutional path dependencies place constraints on national change.<sup>115</sup> The reception of transnational legal processes is mediated through domestic institutional structures which have their own interests and their own long-standing ways. Institutionalized practices do not change without sustained pressure. As Dezalay and Garth write, “the results of particular exports of state expertises depend on the extent to which there are structural homologies in the respective fields of the importers and exporters.”<sup>116</sup>

Fourth, if transnational legal norms are to have an impact, they should resonate with local norms. Discursive frames that are consonant with prevailing cultural and institutional norms and practices are most likely to be accepted as legitimate within a domestic setting, whether the norms comprise human rights, business or regulatory norms.<sup>117</sup> Activists thus construct frames that will appeal in national contexts, such as the use of human rights frames as opposed to

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<sup>111</sup> See e.g. Berkowitz Pistor, and Richard 2003; and Halliday and Carruthers 2009, 339.

<sup>112</sup> Dezalay and Garth 2010.

<sup>113</sup> See e.g. Klug, this issue regarding access to medicines in South Africa.

<sup>114</sup> Halliday, this issue.

<sup>115</sup> See also Campbell 2004, 28-29, 118 (stressing the role of institutional path dependencies) .

<sup>116</sup> Dezalay and Garth 2002b, 14.

<sup>117</sup> See Berkowitz, Pistor and Richard 2003, 174 (“legal intermediaries... can be more effective when they are working with a formal law which is broadly compatible with the preexisting order, or which has been adapted to match demand”) . Cf. Watson 1974; and (“[I]legal irritants cannot be domesticated; they are not transformed from something alien into something familiar, not adapted to a new cultural context, rather they will unleash an evolutionary dynamic in which the external rule’s meaning will be reconstructed and the internal context will undergo fundamental change”) .



feminist frames in challenging discrimination against women.<sup>118</sup> Where discursive frames and policy prescriptions resonate in the domestic setting, local actors can more effectively harness the transnational legal norm to further their goals. Where the distance between the transnational legal order and the local cultural and institutional context is considerable and the extent of change at stake great, then transnational legal processes are less likely to have a transformative impact.

Local populations have their own interests and ideas and don't simply accept and reject transnational legal norms. They also exercise agency in translating, reshaping, and appropriating transnational legal norms for their own uses in their own contexts, shaping their own histories.<sup>119</sup> The norms may often be transformed for purposes that were not contemplated by their transnational promoters. Klug's study nicely illustrates this point regarding the use of competition law in South Africa.

“While the new competition law in South Africa is modeled on European Union, United Kingdom and Canadian statutes, and draws on legal concepts developed in the United States, it also represents a hybridization of global norms and rules designed both to accommodate international restraints as well as take advantage of the opportunities these norms and rules provide to pursue particular national goals that are peculiar to the history and social context of South Africa.”<sup>120</sup>

In Klug's case, local authorities use competition law norms developed in the United States to rein in pharmaceutical prices charged by US-owned pharmaceutical companies, as well as to empower new black ownership of capital.<sup>121</sup> Transnational legal processes do not simply convey legal requirements that are internalized without reflection of domestic interests and domestic stakes. They rather provide tools that national actors use to advance particular policies. In this way, transnational legal norms cross-pollinate and hybridize.

The studies in this volume each focus on the role of domestic factors in explaining the location, extent, and limits of domestic change. On the one hand, they address the power of local actors to thwart and foil transnationally-promoted legal change at the stage of implementation. Weak actors at the level of international negotiations and domestic ratification can become quite strong in foiling actual implementation of transnational prescriptions. Indonesia may have been more easily subject to economic coercion to carry out bankruptcy reforms advocated by international financial institutions than Korea and China, but these changes were often thwarted at the implementation stage, as illustrated in Halliday's work. Similarly, Latin American social movements have successfully resisted municipal water service reforms in weak states such as

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<sup>118</sup> See Keck and Sikkink 1998, 196, 183-84; and Merry 2006, 135-38.

<sup>119</sup> Campbell uses the concepts of “bricolage” and “translation.” Campbell 2004, 71, 80 (“the concept of bricolage focuses our attention on a creative process in which actors make decisions about how to combine the institutional elements at their disposal”). As Merry writes regarding the issue of women's rights, local actors “appropriate, translate, and remake transnational discourses into the vernacular,” that is, into terms that resonate in local settings. Merry 2006, 3 (stressing “a process of appropriation rather than imposition.”). See also Dezalay and Garth 2002b, 6 (“[i]nternationally generated imports succeed only where the local situation allows them to be nationalized—made part of indigenous structures and practices. Local histories determine what can be assimilated into local settings and how what is assimilated will affect long-standing local practices”).

<sup>120</sup> Klug, this volume. See also Klug 2002, 276 (illustrating how “South African actors drew on foreign sources of legitimacy to try to support their own points of view in the process”).

<sup>121</sup> See also Hirsch 2005, 158-59, 193-201 (on competition law and the black economic empowerment program).

Bolivia, as Morgan documents. Klug does the same regarding the work of NGOs in the fight over patent protection and access to medicines in South Africa.

Yet the studies also address where transnational legal processes help precipitate significant institutional and legal developments within countries. In Brazil, a government concerned over organized crime used the transnational recommendations of the Financial Action Task Force to tighten banking regulations in order to accomplish domestic goals, as Rocha Machado shows. The government was less interested in U.S. and European concerns over terrorist networks which had spurred an intensification of FATF activity. In contrast, financial reform efforts were less successful in Argentina because no domestic demand was mobilized. Similarly, the three Latin American countries studied by Morgan each “partially ceded [regulatory control] to semi-independent regulatory institutions that strongly resemble the institutional recommendations of the transnational consensus” for water services regulation. However, analysis of “the implementation dynamics of these institutions... reveals significant national differences.”<sup>122</sup> Chile, for example, implemented a transactional model promoted by transnational actors, but it staged its urban water reforms in reflection of Chilean government perceptions of national priorities. Transnational models likewise provided templates for China in its bankruptcy reform efforts studied by Halliday, but China adopted them at its own pace following extensive internal debate.

## **V. Transnational Legal Process and Recursive Change**

Transnational legal process is a dynamic, recursive one, involving the interaction between national and transnational law and policymaking. First, national law often provides the models that are then exported to other nations through transnational legal processes. Second, even when these models become accepted within international and transnational institutions, their adoption is often resisted within countries at the stage of implementation, which can trigger reassessments of the transnational legal norm. Third, this resistance can spur a new counter-politics of transnational coordination, organization, and law-making.

First, a domestic policy export often provides a model for a transnational legal order so that transnational legal norms are often globalized (or transnationalized) localisms.<sup>123</sup> The United States and the European Union most frequently provide the models.<sup>124</sup> When their models are not promoted through transnational legal orders, U.S. and European resistance to transnational legal prescriptions is often quite transparent. Yet their prominent role in providing models tends to be overlooked in much of traditional international law scholarship which focuses on the texts of international law as agreed by consensus. For example, U.S. and European intellectual property law became the basis for the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, their competition law norms the basis for the International Competition Network’s principles and recommended practices, their anti-money laundering legal prescriptions the basis for the FATF’s recommendations, and their bankruptcy law the basis for the UNCITRAL Model Law and Legislative Guide. These national models are disseminated through transnational legal processes, including through technical assistance, capacity building,

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<sup>122</sup> She finds that, “[i]n Bolivia, the role played by the regulator in each case is coherent with the transactional model but is politically marginalised; in Chile, a strongly transactional regulator maintains political salience, and in Argentina, a more political model of regulation is erratically salient.”

<sup>123</sup> Santos 2003, 275.

<sup>124</sup> See e.g. Braithwaite and Drahos 2000, 27.

benchmarking, monitoring, and enforcement measures. Transnational legal processes help to legitimize these legal exports.

Second, however, these transnational legal norms and institutional prescriptions often encounter resistance when the models are implemented. Powerful actors may prevail in international negotiations as well as in the domestic enactment of transnational law. Yet actors who are quite weak (or unrepresented) in international negotiating fora and before executives and legislatures can be powerful at the stage of actual implementation.<sup>125</sup> Such resistance to transnational legal norms can trigger reassessments of transnational strategies, as well as of the norms themselves. Domestic implementation challenges send signals to international organizations over what legal norms will be accepted and what rejected. Both positive and negative signals flowing from the national to the transnational can compel the latter to reassess the appropriateness of the transnational legal norm, triggering further iterations of transnational lawmaking.

Third, national resistance to the implementation of transnational legal norms can spur a new politics that catalyzes new transnational organizing and lawmaking. Transnational pressures for neoliberal regulatory models, for example, can spur the creation of new political coalitions to advance social welfare and human rights concerns, as Morgan illustrates regarding municipal water services, Kim et al. regarding primary education, and Klug regarding access to medicines. Although international and transnational institutions tend to reflect the interests of the dominant powers, developing countries and activist groups also can influence transnational law through their choice among international and transnational institutions in a fragmented international system. They often do so to create policy space for themselves.

As a result, many cycles of lawmaking may occur as international and transnational institutions find that carefully crafted transnational legal norms are unacceptable or unworkable in national regulatory settings. International and transnational institutions are thus pressed to reassess the norms and institutional models that they promote, as well as the mechanisms that they use to diffuse them. Many iterations of transnational legal norms may be produced until some settlement is reached, including tacit agreement to live and let live.

In sum, transnational legal norms and institutional models are negotiated over time as part of dynamic, multi-directional, transnational legal processes. The studies in this volume illustrate when and why transnational legal norms are resisted, adapted, and appropriated. They do so through the empirical study of legal and institutional change in countries varying in their relation to centers of global political and economic power. Many of these countries are quite distal from these centers, but their politics nonetheless can trigger reassessments of transnational legal norms.

## **Conclusion**

Positivist international law scholars tend to narrow their focus on traditional concepts of international law, and are thus skeptical of referring to transnational law. Yet focusing on the

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<sup>125</sup> Halliday and Carruthers theorize the following four mechanisms that drive recursivity: the indeterminacy of law; contradictions introduced into the law; diagnostic struggles over how the problems are construed to be resolved through law; and “actor mismatch.” Actor mismatch occurs when those actors who wield power in the domestic implementation of transnational legal norms are often not represented at the international negotiation stage. If their interests are not taken into account, the resulting agreement is unlikely to be implemented effectively, triggering a new recursive cycle. Similarly, if domestic actors integral to implementation of a transnational legal norm are not represented in domestic law-making, they will be less invested in the law’s implementation. Halliday and Carruthers 2009, ch. 10.

construction and migration of transnational legal norms through transnational legal processes is critical for the analysis of how national law and institutions are shaped and understood. The studies in this volume evaluate how transnational legal norms and processes *interact* with domestic contexts. In the socio-legal tradition, they heed close attention to the variable adoption and adaptation of transnational legal norms in particular fields, and the factors that explain this variation. They focus their inquiry on distinct regulatory fields (as opposed to separate levels of governance) in order to assess how the transnational and national interpenetrate. In this way, they illustrate the factors that lead to variation in the location, type, extent, and timing of change spurred by transnational legal processes. Their combination of methods, regulatory areas, and countries help us to create a map for studying how transnational legal process works and the limits that it confronts.

The studies do not reify transnational law, but show how transnational law provides a tool for particular actors to advance their aims. Each study examines the role of public and private actors, mechanisms, and attributes of power involved in a particular transnational legal process in different countries. Through a comparative approach, the studies explain variation in countries' responses. Transnationally-promoted legal change sometimes catches and sometimes does not, and the studies explain why in light of the stakes arising from the import of transnational law.

Building from these studies and related socio-legal work, this Article has set forth a framework for evaluating how transnational legal process works and its implications for legal and institutional change. This conclusion highlights five points. First, we must identify the *dimensions* of transnational-induced change within states. The Article specified five dimensions: change in substantive law and practice; change in the boundary of the state and the market; change in the institutional architecture of the state; change in the shaping and role of professional expertise in governance; and change in accountability mechanisms and their normative frames.

Second, the Article stressed the *heterogeneous nature* of transnational legal processes. The term transnational legal process can be misleading to the extent that it suggests that transnational legal process involves a one-way conveyance of coherent transnational legal norms until they become internalized and embedded within countries. Rather, there are often multiple transnational actors, institutions, and processes in competition with each other to convey different legal norms and prescriptions. This competition affects the relative coherence, clarity, and perceived legitimacy of transnational legal orders, and, in this way, affects the potential impact of transnational law within states.

Third, we must identify and evaluate the *factors that explain variation in the impact* of transnational legal processes. Do impacts vary as a function of identifiable factors? This Article organizes these factors into three clusters: the nature of the transnational legal order; its relation to the receiving state; and the particular political, institutional, and cultural context of the receiving state. Where transnational law is clear, coherent, and perceived to be legitimate, it is best positioned to bear influence. Asymmetries of power between the transnational legal order and the receiving state create opportunities for the use of coercive mechanisms, but the effectiveness of these mechanisms may be limited at the implementation stage. Intermediaries are critical for conveying and adapting transnational legal norms to local settings. Finally and crucially, the impact of transnational law depends on the fit of a transnational legal norm with domestic demand in light of domestic contests for power and the extent of change at stake. Where the trajectory of change within a state is synchronous with the transnational legal norm, or where powerful domestic actors wish to harness it as leverage in domestic struggles, then

transnational legal processes are more likely to be transformative. Where domestic demand is lacking, change will more likely be thwarted or be purely symbolic. Because the reception of transnational legal norms is mediated by domestic institutions and configurations of power, the transnational legal norm is often appropriated, adapted, and used in distinct and unanticipated ways.

Fourth, studies need to address the *multi-directional nature* of transnational legal processes. Theorizing transnational law in terms of being adopted, adapted, or resisted within national contexts constitutes only part of transnational legal processes. Those focusing only on the issue of transnational law's reception fail to capture how national dynamics can generate new politics that affect the transnational legal norm in question. These responses include those of not only states that are strong and proximate to international institutions, but also those that are weak, distant, and peripheral. Assessments of transnational legal process should address the dynamic processes pursuant to which the national reception of transnational legal initiatives interact with the production of transnational legal norms.

Fifth, changes of national law and institutions *cannot be reduced to international realpolitik*. Law plays a mediating role together with configurations of power. Changes are often initiated, negotiated, and implemented by the agents, practitioners and institutions of law – government lawyers, legal departments of international organizations, judges, private lawyers, corporate legal officers, legal academics, and lawyers for non-governmental organizations. This complex of legal actors is not uniform in its legal views nor united in a policy agenda, and it operates in the shadow of configurations of national and global power structures.<sup>126</sup> These actors nonetheless form an important part of the politics of transnational lawmaking and transnational legal norm conveyance. Moreover, national institutions and legal norms are resilient. When transnational legal processes lead to legal and institutional change, they do so in context-specific ways involving the intermediation of transnational legal processes with domestic institutions, political struggles, and cultural norms. The accompanying studies provide empirical grounding for understanding these processes and their impacts.

The study of transnational legal processes and state change beckons for further analysis, and thus calls for systematic research agendas. The costs of engaging in this research are relatively high, but so are the payoffs. When is transnationally-induced legal change primarily symbolic and when does it have practical effects? When are particular national institutions, such as courts and legislatures, empowered or disempowered? What are the critical factors and conditions? What spurs the reassessment and development of transnational legal norms over time? How do transnational legal orders maximize their authority? By focusing on the dynamic interaction of transnational legal norms and national law and institutions in particular regulatory fields, the studies in this volume provide the basis for a richer understanding of transnational legal process and state change, its opportunities, its limits, and its implications.

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<sup>126</sup> Cf. (Dezalay and Garth forthcoming 2010; and Halliday, Feeley, and Karpik 2007.

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