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Globalization and global governance: from societal to political denationalization

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The declining significance of national borders constitutes a challenge to the capacity of the nation-state to reach unilaterally its governance targets. Effective governance depends upon the spatial congruence of political regulations with socially integrated areas and the absence of significant externalities. As societal interconnectedness across borders increases with globalization, national governments are increasingly confronted with four specific challenges: efficiency pressures, externality and competitiveness problems, and representational deficits. The political responses to these challenges vary significantly. Although globalization is thus neither identical with, nor does it necessarily lead to, the rise of international institutions and governance beyond the nation-state, this article will show to what extent societal denationalization is accompanied by the rise of international institutions and how the myriad of international institutions existing today interact to produce global governance. Globalization also questions a cornerstone of any modern understanding of politics, which considers nation-states as the basis of all politics. As governance beyond the nation-state increases in significance, the separation of political issues into nationally defined territorial units must be conceptualized as a variable rather than a conceptual premise.

1. Introduction

In its most general sense, globalization refers to a reduction of distance and difference across the globe. While increased contact and the convergence of consumption patterns often lead to a heightened emphasis of difference and conflict on the part of the actors, the increase in transborder transactions 'objectively' increases transnational contacts and thus the density of transnational

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relations. In a material sense, people of different societies are growing closer to each other and getting to know each other better. The significance of national borders thus decreases. The declining significance of national borders in turn creates a challenge regarding the capacity of the nation state to unilaterally reach its governance targets. Effective governance depends upon the spatial congruence of political regulations with socially integrated areas and the absence of significant externalities. As societal interconnectedness increases with globalization, national governments are increasingly confronted with difficulties in the implementation of their policies.[1] At the least, policies are strongly affected by externalities, as they are still only valid within their own national borders and do not extend over the whole socially integrated territory. It is possible to distinguish four specific challenges to the achievement of national governance goals as a result of growing interconnectedness.[2]

First, as national borders no longer encompass sufficient territory to function as self-contained markets for large companies, all national legislation aimed to protect the domestic economy is challenged. Any national measure that is not harmonized at the international level separates markets and creates a barrier for the efficient development, purchase and sale of goods and services. As the barriers between different markets dissolve, R&D costs rise and product cycles grow shorter, larger markets and unhindered cooperation with other enterprises are deemed essential to remain competitive. In other words, in a globalized world the 'static efficiency costs of closure' increase.[3] If, due to tariffs, imports are more expensive in one country than in another country with a more liberal trade policy, manufacturers who need to import parts from foreign countries will be at a significant (comparative) disadvantage and will press for liberalization. In general, economic integration will increase demands for the harmonization of national policies, or for common rules that prohibit national state intervention, in order to overcome the disadvantages of political segmentation and maximize the gains from economic exchange. These demands are due to *efficiency pressures* and express a desire for non-discrimination in the markets.

Second, political regulations may have little impact if they cover only a part of the relevant social space. A national regulation implemented by Australia alone would do little to prevent rising cancer rates due to the depletion of atmospheric ozone. Along the same lines, Germany – for good reasons – has more severe restrictions on the distribution of racist propaganda material than many other countries. However, if someone residing in the US feeds such material into the Internet, authorities in Germany cannot legally prohibit, let alone effectively prevent, these activities. One may label these challenges to the effectiveness of national policies *externality problems*. They lead to a demand for international cooperation to reduce such externalities.

Third, policies that may still be effective at the national level may become too

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costly if they do not apply to all social actors within an integrated social space. In particular, policies that create costs for the production of goods may turn out to be self-defeating in terms of competitiveness for the area to which the policy applies. Along these lines, manufacturers' associations throughout the industrialized world complain at every opportunity that the social and environmental costs of production are too high. In their view, it is essential to cut wages, social policies, environmental regulations and corporate taxes. Against this background, the widespread fear of a downward spiral of national social and environmental standards is not surprising. In the national context, this discourse about the *competitiveness problem* benefits those groups in particular who are not in favour of cost-intensive market-correcting or redistributive policies. Those who favour redistributive policies often demand international re-regulation.

Fourth, effective participation depends on the spatial congruence between the rulers (the nation *state*) and the ruled (the national *society).* Yet this notion becomes problematic as soon as the nature of the relevant community is contested, as happens in the course of globalization[4]. The rise of cross-border transactions infringes on the normative dignity of political borders and national identities. If there is no congruence, then a group affected by a decision but not participating in its making can be considered as being subject to foreign determination rather than self-determined. This new form of foreign determination tends to be symmetrical, and derives from the manifold externalities that result from many political decisions having, if not unlimited, at least transboundary effects. Any national decision that leads to transboundary pollution affects people who live outside the political system responsible for the decision. The specific challenge in this case arises out of *representational deficits.* The development of accountable international institutions may ameliorate the problem.

These four challenges to national governance are created by globalization. The political responses to these challenges vary significantly. Some fight globalization in order to evade these challenges. Many others push for national adjustments in order to capitalize on the opportunities of globalization and, at the same time, reduce its unwanted effects. Still others also see the potential gains of globalization and argue in favour of international institutions to handle the challenges. Governments and other political actors then endeavour to regain control by establishing new international and transnational or even supranational regimes, networks and organizations for the coordination and harmonization of their policies; that is, they endeavour to establish legitimate governance beyond the nation state. Put differently, the rise of international institutions and global governance is thus one conceivable political response to the challenges caused by globalization. Globalization is thus neither identical with, nor does it *necessarily* lead to, the rise of international institutions and governance beyond the nation

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state. However, there is a logical and, to some extent, even causal relationship between globalization and global governance.[5]

This contribution aims at exploring this relationship in two steps. In the second section, I will explore whether globalization is really taking place and to what extent new challenges arise. The section begins with a discussion of the meaning of globalization and then suggests a more appropriate term for the current changes: societal denationalization. On this conceptual basis, the extent to which social interconnectedness has accelerated over the last decades is shown. In Section 3, the focus shifts to the rise of international institutions and global governance. I will show to what extent societal denationalization is accompanied by the rise of international institutions and how the myriad of international institutions existing today interact to produce global governance. Global Governance, however, is not a state of perfection to which we should aspire at all costs. It also has its defects, the most important of which will be discussed briefly at the end of this section. In the conclusion, the conceptual consequences of the analysis will be presented.

2. What is globalization and societal denationalization?

2.1. Definition

Dependence can be described as a situation in which a system is contingent upon external forces. *Interdependence* describes a situation of mutual dependence between soial collectivities. *Globalization* goes even further than interdependence. Richard Cooper[6] argues that 'the internationalized economy of the 1960s was characterized by a sensitivity of economic transactions between two or more nations to economic developments within those nations'. By contrast, the process of economic globalization describes a movement towards one integrated world market in which 'buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly'.[6] This distinction between an internationalized economy and the global integration of markets can be taken *pars pro toto.* When generalized to apply to all forms of societal relations, it points to the most important difference between interdependence and globalization. G*lobalization* thus describes a process in which the world moves towards an integrated global society and in which the significance of national borders decreases. It thus calls into question the distinction between domestic and foreign relations that underlies the notion of interdependence. In this view, the living conditions of people and local communities have changed through globalization; distant events of all sorts have immediate consequences not only for states but for individuals' daily lives.[7–11] This notion of globalization refers to a measurable process of *social change* which, in turn, may or may not have causal effects on *political developments*. Nor does it necessitate the formation of

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a world society or transnational identities (this, of course, depends on the notion of world society. I use a definition that requires more than just transactions. For major contributions to the question of world society see Refs 12–16). This societally based understanding of globalization facilitates a distinction between different fields and runs counter to narrow notions of globalization that are restricted to the economic[17] or the cultural sphere[18] as well as to very broad notions that include the political sphere as well.[19–21]

While the term 'interdependence' refers to a condition, 'globalization' includes the notion of a process. Therefore, the term comparable to 'interdependence' is, strictly speaking, 'globalism'.[22] The data does not justify the use of the term globalism, however. Globalism may be an appropriate term for sketching some exceptional cases such as the financial markets and some global dangers, but it is inappropriate for most other fields. Moreover, in some areas a process towards globalism, that is, globalization as a process leading to global social spaces, does not seem to be taking place at all. Many economic indicators suggest there is a development towards an OECD zone, but at the same time this is accompanied by an uncoupling of this zone from other regions in the world.[9,23,24] Against this background, I prefer the term 'societal denationalization'. The question is then whether intensified transboundary social interactions at an already relatively high level signify a further decline in the importance of nationally defined borders. The condition of a society can be described as denationalized when transactions within national borders are no denser than transnational transactions. (A condition of complete denationalization is still rare. Helliwell[25] demonstrates that even between the US and Canada, the national border still has an impact on reducing trade between cities and provinces in North America.) The term societal denationalization – as a process – thus has the advantage that it defines a starting point (national society) of the process but leaves the end point indeterminate. Moreover, if cases can be singled out that show a clear trend towards globalization, there is no problem in interpreting them as special instances of a more general trend towards societal denationalization. Seen thus, the transboundary pollution of the Rhine is just as much a phenomenon of societal denationalization as global warming, although the latter is genuinely global. In the remainder I use globalization and societal denationalization interchangeably. The term denationalization goes back to the classic works of Karl W. Deutsch[26] and Eric Hobsbawm[27] on nationalism, according to which a nation is a political community for which dense societal transactions within the national territory and a sharp reduction in the frequency of social transactions at the borders are constitutive components. In this view, a nation stands in a mutually constitutive relationship to the nation state. Consequently, societal denationalization is an indication of the weakening link between 'nation states and [their] corresponding national societies'.[28,29]

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2.2. Measurement

What indicates a transition from interdependence to globalization or societal denationalization? While the interconnectedness of societies is a direct measure of neither interdependence nor globalization, it has often been used as an indicator. The interconnectedness of societies can be measured by the rise of transboundary transactions relative to transactions that take place within a national territory (see Refs 9, 10, 11, 30–35). While a low-level increase in the ratio of transboundary transactions is assumed to indicate a rise in interdependence between different units, the notion of globalization refers to societal connectedness at a level at which national borders lose importance or even dissolve, indicating the merging of units. In the words of Deutsch,[26] 'national borders dissolve when there is no more critical reduction in the frequency of social transactions'.

Against this background, empirical studies on globalization and societal interdependence can be summarized as follows.

- Early propositions about decreasing interconnectedness among highly industrialized countries[30] and between great powers[36] proved, at least in their generalized versions, to be wrong. While it is correct that levels of economic transactions were lower in the 1950s and 1960s than in the decades prior to 1929, economic interdependence grew again in the industrialized world in the decades after the Second World War.[31–33] And as early as the late 1950s and 1960s there was a dramatic surge in both the expansion of long-distance systems and the amassment of large arsenals of weapons of mass destruction, which meant that from this time any war in which weapons of mass destruction are deployed will have an impact that by far exceeds the actual area of combat.
- Whereas, with respect to some indicators such as trade quotas and the proportion of international telephone calls, the growth rates levelled out slightly in the early 1980s, the latter part of the 1980s and most of the 1990s brought sharp increases in transborder transactions in many areas such as trade, foreign direct investments and other capital flows, and also human mobility, the volume of transborder information and communication and the exchange of cultural products.[10] This surge led to the use of the term *globalization*. In most areas, the level of interconnectedness today clearly surpasses the levels of 1914.
- Many social transactions today transcend national borders, but they are neither global, nor can a general tendency towards globality be observed. Rather, new social boundaries are becoming visible at the periphery of the OECD world. This is particularly evident in the economic sphere. Transborder trade primarily takes place within the three large trade blocks of the EU and EFTA, NAFTA and ASEAN.

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This is followed by trade between the large trade blocks, with only a small share finally left for the rest of the world. The OECD focus is even more evident if one looks at foreign direct investments. Over 91% of all foreign direct investments between 1980 and 1991 went to the OECD countries and the ten leading threshold countries,[9] see also Reinicke.[35] Communication flows indicate a similar concentration on OECD countries. A world map showing the distribution of Internet connections is particularly illustrative. It shows that even within the OECD world there are clear gravitational centres the borders of which, however, do not coincide with national borders. Even in the USA there are only extensive networks along the two coastlines, including parts of Canada.[10]

- Within the OECD, substantial cross-national differences in market integration remain.[34] The levels of market integration are significantly higher in smaller countries than in larger ones. Moreover, a comparison of larger economies (G7) reveals that the degree of integration of the British and German economies into the world market is higher for most economic indicators than in other G7 countries. These national differences become even more accentuated when other fields of globalization such as culture, environment, mobility etc are taken into account.
- The spatial scope of dense transactions varies significantly between different fields and issues. While the proportion of transborder postal deliveries, cross-border phone calls and foreign direct investments, to name but a few indicators, is still below 10% in all G7 countries, the proportion of foreign trade, foreign travel, foreign e-mails, and the consumption of foreign culture is often above 50%.[10]
- A completely new development is the transboundary production of some goods and bads (as opposed to a transboundary exchange of goods), which suddenly took off in the mid-1980s. One can justifiably say that these phenomena – the Internet, organized crime, global climate changes and other global environmental dangers as well as the global financial markets – represent a new departure. It is these – still relatively rare – cases to which references of de-territorialization or even de-borderization[21,37,38] are most pertinent and to which the term globalization most justifiably applies. Multinational Corporations (MNCs) are often seen as the primary agents of the transnational production of goods. Indeed, trade with intermediate products has risen sharply over the last few decades. At the same time, MNCs are less footloose than usually assumed, and seem to be shaped to a remarkable

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extent by the traits of the national economy in which the head office is located.[39]

3. The effects of societal denationalization

As described in the introduction, the process of societal denationalization produces challenges to the effectiveness of national policies in attaining governance goals. These challenges do not directly translate into a decline of the nation state. The challenges are serious, yet the outcome is largely determined by political choices. Governments and other political organizations can respond to these challenges in a number of different ways. One response is for governments and other political organizations to aim at developing integrative political responses to societal denationalization. In this case, political denationalization is considered the appropriate response to societal denationalization.

3.1. Governance beyond the nation-state

Political denationalization describes a process that increases the role of governance beyond the nation-state relative to national forms of governance. In general terms, governance is distinct from anarchy – the unrestricted interplay of actors driven by self-interest – in that social actors recognize the existence of obligations and feel compelled to honour them by their behaviour. Governance refers to purposive systems of norms and rules,[40] and thus goals are constitutive for governance. Governance in modernity has best been provided within the nation state by a government that claimed a monopoly of legitimate force and thus ruled by hierarchical orders. Governance took the form of *governance by government*.

The form of governance needs, however, to be distinguished from goal attainment. The goals of governance can be provided by a government, but also by governance with or without governments. All forms of governance beyond the nation state lack a central authority or a 'world state' equipped with a legitimate monopoly of the use of force (see Young[41] and Rittberger[42] for arguments why a world state is neither possible nor desirable). Thus, governance beyond the nation-state cannot take the form of governance by government; rather, it needs to be a form of governance with governments such as we see it in international institutions, or governance without government as in transnational institutions, or supranational governance. In spite of the absence of governance by government, governance beyond the nation state has developed significantly over the last few decades. The sum of all institutional arrangements beyond the nation state make up regional or global governance systems. The interplay of different forms of

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governance beyond the nation state can produce polities of a new quality, as attested by the European Multi-Level Governance System.[43,44]

(1) *Governance with governments*

Governance with many governments regulates, through intergovernmental agreements, state and non-state activities, the effects of which extend beyond national borders. The United Nations System as a whole symbolizes governance with governments, which consists essentially of three components. Central to governance with many governments are *international regimes*, defined as social institutions consisting of agreed-upon and publicly announced principles, norms, rules, procedures and programmes that govern the interactions of actors in specific issue areas. As such, regimes contain specific regulations and engender recognized social practices in international society.[45,46] Regimes comprise both substantive and procedural rules and are thus distinct from mere *intergovernmental networks* which frequently only include procedural rules. Such networks meet on a regular basis and may develop coordinated responses to specific situations, but they do not govern behaviour in a certain issue area for a prolonged period of time. Other components of international governance are *international organizations*, which are material entities and can be the infrastructure for both international regimes and intergovernmental networks. (The formal term is International Governmental Organizations (IGOs), as opposed to Transnational Non-Governmental Organizations (NGOs). The latter consist of any kind of professional association such as the International Political Science Association, but also profit-seeking NGOs, that is multinational enterprises.) Any of these components of international governance beyond the nation state can be regional or global in scope. The United Nations System is the most important element of governance with governments, comprising of formal international organizations (above all: the United Nations), a number of intergovernmental networks and numerous UN-based international regimes.

A first measure of the extent of governance with governments is the number of international governmental organizations (IGOs). Up until the early 1980s this figure grew continuously to a total of 378, reflecting the permanent growth in the importance of cross-border transactions. In the late 1980s, the overall number of international organizations declined somewhat. However, figures have recently begun to increase again.[47]

The number of international organizations is, however, only a very rough measure for the development of international governance. It is easily conceivable for a relatively constant number of IGOs to have produced a higher regulatory output and thus strengthened the dynamics of international governance. Indeed, the overall number of international treaties has grown linearly from less than

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15 000 in 1960 to well over 55 000 in 1997 (data taken from the World Treaty Index – Research Programme; University of Washington; a similar growth applies to the annual ratification of multilateral treaties[48]).

The rise of international agreements is accompanied by a growing intensity of transgovernmental relations – see Keohane and Nye[49] for a seminal volume that introduced, *inter alia*, the notion of transgovernmental relations. More recently, Robert Cox's work[50] has emphasized the importance of 'transnational networks that link policy-making from country to country'. Different state agencies – regulatory agencies, courts, executives and increasingly also legislatures – are networking with their counterparts abroad. Learning from counterparts can be considered as the major goal of these transgovernmental exchanges. Ann-Marie Slaughter,[51] who sees this development as the most significant for understanding the new world order, sums up the essential features of such international agreements as follows:

> … the preferred instrument of cooperation is the memorandum of understanding, in which two or more regulatory agencies set forth and initial terms for an ongoing relationship. Such memorandums are not treaties; they do not engage the executive or the legislature in negotiations, deliberation, or signature. Rather, they are good-faith agreements, affirming ties between regulators' agencies based on their like-minded commitment to getting results.

At first sight, the quantitative rise of governance with many governments does not seem to affect the national constellation in qualitative terms. The *constitutional principles* of the Westphalian system of sovereign states are intergovernmental in that states represented by their governments recognize each other as sovereign states, thus laying the ground for international society.[52] What is new about more recent developments, however, is not only the sheer amount of governance with governments, but also the types and objects of regulation. Traditional international institutions typically have three regulatory features.

- They are directed at states as the ultimate addressees of the regulation, the aim being for them to change their behaviour in order to solve the problem at hand. Arms control agreements, customs tariff reductions and human rights agreements are all directed at states as the ultimate addressees.
- They primarily regulate transactions that take place at state borders, and in this sense they primarily constitute a form of interface management. Examples of such regulations are agreements controlling the movements of troops at borders, the standardization of transborder infrastructures such as rail or telephone networks, but also the reduction of customs tariffs.
- They usually refer to problems about which there is a relatively high

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degree of certainty, i.e. the actors are able to make relatively good, empirically founded predictions about the consequences of their actions. The effects of arms control and trade agreements are comparatively easy to understand.

In today's age of societal denationalization and globalization, many international environmental institutions, but also economic and security institutions are characterized by rules of a different type.

- The regulations issued by international institutions in the age of globalization more frequently address societal actors. For example, it is ultimately societal actors who have to alter their behaviour in order to reduce CO_2 emissions.[53]
- In the age of globalization, the majority of international institutions no longer merely deal with interface management. The inclusion of non-tariff trade restrictions in international trade regimes has also led to the international regulation of *behind-the-border issues*.[54] International institutions today are generally concerned with finding solutions to highly complex problems, of which there is a significantly high degree of uncertainty as to the consequences. Again, environmental regimes serve as convincing examples, as do financial agreements and regulations on product safety.[55]

As an illustration, the traditional international obligation not to increase import duties on certain goods is, in many ways, easy to comprehend. The addressee is quite clearly the state. All the state has to do is to refrain from doing something – which is generally not difficult to do. Nor is the monitoring of compliance a real cause for concern – the companies that have to pay the duties would soon notice an illicit increase. After all, the object to be regulated – that is, duties on industrial goods that are bought and sold across borders – is not overly complex.

In contrast, the obligation to reduce CO_2 emissions by 30% has far greater ramifications. The ultimate addressee of the regulation is not the state, but the society – industries and car drivers have to alter their behaviour. Moreover, the reduction of CO_2 is not simply a matter of volition. Unlike most other constraints, it is possible, despite all good intentions to reduce CO_2 emissions, to fail. Substantial financial, administrative and technological resources are needed to fulfil such an obligation. What is more, monitoring compliance in behind-the-border issues such as these is significantly more difficult than in interface issues. In addition, the problem itself is so complex that discussions about an appropriate form of regulation are permanently overshadowed by questions as to the real causes and the actual degree of global warming. In any case, the new international institutions are much more intrusive than the traditional ones and thus undermine

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the notion of the state as a sovereign actor. Traditional international institutions complemented national governance, new international institutions are a part of global governance.

(2) *Supranational governance*

Supranational governance even more clearly contradicts the notion of state sovereignty in the national constellation. Supranational institutions develop rules that are considered superior to national laws and involve servants that possess autonomy from national governments. The demand for supranational governance rises to the extent that the density and scope of international governance grows. With international governance covering more and more issue areas, overlapping and colliding jurisdictions of international regulations with other international or national regulations becomes more likely. Supranational bodies are a logical response to resolve these collisions. Moreover, the more international regimes address behind-the-border issues, which are especially difficult to monitor and have significant impacts on societal actors, the more the question of commitment credibility arises. A logical way to increase credibility commitment is to develop supranational bodies that monitor regulations and resolve conflicts.[56]

The best known supranational institutions that meet these expectations can be found in the EU: the European Commission, the European Parliament and the European Court of Justice. The direct effect associated with the supremacy of European law over national law and the direct enforcing effect of ECJ case law through the Preliminary-Ruling Procedure of Article 177 EC guarantees European law undoubted validity in all member states.[39] Hence, Community provisions are an inseparable part of the body of law valid for EU citizens.[57] Other elements of the EU polity also contain elements of supranationality. In 1996, for instance, in the multi-level system of the European Union, there were 409 committees active in the implementation of general Council decisions, and which in fact enjoy extensive interpretative freedom in their work.[58,59] The committee members are mainly experts and representatives of concerned interest groups, as well as national civil servants selected by their governments. However, the quality and adequacy of these committees' decisions usually meet with approval[60] and can even be interpreted as an element of 'deliberative supranationalism'.[61] Given that the EU is the most supranational institution, it is quite significant that the total number of EU directives, regulations and decisions increased from 36 in 1961 to 347 in 1970 and 627 in 1980. While the number of EU rules has remained quite constant since then, with a temporary peak of almost 800 in 1986, it is noteworthy that the relative weight of EU legislation has clearly increased in comparison to national legislation in Germany, France and Great Britain. The annual national legislative output has remained more or less constant since the 1960s.[10]

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Beyond Europe, supranational institutions are still rare. However, even here there have been some notable recent developments. First of all, the WTO brought in new monitoring and dispute settlement procedures to deal more effectively with behind-the-border issues. The Dispute Settlement Body and the Appellate Body seem to be evolving towards a supranational institution, at least in relation to the 'Agreement on the Application of Sanitary and Phytosanitary Measures',[62] and thus to some extent resemble the supranational role of the European Court.[63] Moreover, the Rome Statute of the International Criminal Court of 1998, which seeks to establish a court of justice as a permanent institution, also indicates a move in the direction of supranationality. This court 'shall have the power to exercise its jurisdiction over persons for the most serious crimes of international concern (…)' (Article 1; see http: www.un.org/law/icc/statute/romefra.htm). Finally, in as far as infringements of rights can be brought directly before independent bodies by individuals, as in the case of the 'Civil Covenant', the 'Race-Discrimination Convention' and the 'Convention against Torture',[43] one may also speak of an element of supranationality. Given these very recent developments and the effects these agreements may have on other issue areas, it is fair to conclude that the extent to which institutions with supranational elements have emerged in global politics transcends the expectations of even only ten years ago.

(3) *Governance without government*

Although the role of *governance without government* has increased over the last two decades, it is arguably still less significant than governance with many governments. To be sure, the number of transnational organizations has grown significantly over the last decades (see the data of the Union of International Associations (UIA)). In general, this increase is mainly due to the rise of regular international institutions. As Thomas Risse-Kappen[64] puts it: 'The more regulated the inter-state relationship by cooperative international institutions in the particular issue area, the more are transnational activities expected to flourish.' Nevertheless, in some issue areas the roles of transnational regimes, organizations and networks are remarkable in themselves.

One can distinguish two types of *transnational organizations*. Some transnational organizations provide the organizational and infra-structural support for transnational regulations. The International Chamber of Commerce (ICC) and the Internet Society (ISOC) are examples of about 600 such organizations.[47] Other transnational organizations aim at influencing governmental policies by addressing transnational public opinion. Greenpeace and Amnesty International are among the best known of this species. In this way, NGOs are able to exert some control on governments from outside the country.

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Transnational organizations also interact with each other and create *networks* that can be seen as the constituents for international and transnational policies. Against this background it comes as no surprise that, in more recent analyses, particular attention is paid to these transnational networks. Their role seems to be especially salient within the field of international environmental politics. After the admission of transnational non-governmental organizations (NGOs) to international negotiations, the latter received an impetus that distinguished them from conventional intergovernmental negotiations, while at the same time giving so-called epistemic communities a more prominent status.[65,66] It is owing to these epistemic communities that, as opposed to simple bargaining, deliberative elements are at less of a disadvantage than is commonly the case, and that particular interests are balanced by public or diffuse interests.[67,68] In this sense one may speak of the emergence of transnational sectoral publics and 'sectoral demoi'.[69]

As transnational organizations and networks increasingly create and implement their own institutions, i.e. *transnational regimes*, independent of states, the deviation from the notion of state sovereignty becomes even more evident. *Lex mercatoria* is a good example of a *transnational regime* – its character as a generically transnational regime is reflected in the legal debate on the extent to which this law can be regarded as autonomous from state law.[70] (See also the contribution by Albert.[16] For a more sceptical view see Gessner.[71]) *Lex mercatoria* is an established institution for the arbitration of cross-border business disputes with the aim of bypassing national courts.[72] Although its roots are pre-modern, *lex mercatoria* seems to have grown in importance in recent years. In some cases, parties to the business transaction deliberately prefer to settle disputes on the basis of *lex mercatoria* instead of the nation state-based system of 'choice of law'.[73] Moreover, national courts regularly back arbitration panels that use *lex mercatoria* norms, because the party rejecting arbitration awards most often loses in national courts. There are other important transnational regimes, for instance, the regime for the development of some of the technical standards related to the Internet such as the TCP and IP protocol. The TCP and IP protocol was developed by the Internet Engineering Task Force (IETF), a sub-organization of the Internet Society (ISOC). This issue network is open to all users and simply being on the mailing list constitutes membership. Decisions are made on the basis of discourses in different fora, which are regulated by a number of procedural rules. Balloting takes place by strongly qualified majority and after the new standard has demonstrated its effectiveness in practice. The decisions are then made public via the mailing lists.[74] Large sports organizations, such as FIFA and the IOC, are also examples of well-established transnational regimes.[75]

This brief examination of the development of different types of institutions for governance beyond the nation-state, be they transnational, international or even

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supranational, shows that parallel to the growth of societal denationalization, governance beyond the nation state has increased. In particular, the shape of more recent inter-, trans-, and supranational institutions is hardly compatible with the traditional notion of state sovereignty in the national constellation. Governments and other political organizations do not merely sit back and watch the effectiveness of unilateral policies decline as denationalization progresses. They respond to the challenges by setting up new institutions, and this should not be neglected in the analysis and understanding of post-national governance. The nation state is no longer the only site of authority and the normativity that accompanies it.

This transformation process itself can be separated into different stages. The first stage can be most plausibly regarded as a more or less unintended, indirect outcome of political responses to (perceived) functional demands. The permanent deepening of some international regimes, so that they now deal with positive interventions into societies and with behind-the-border issues, is part of this first stage. The same seems to be true of the need for credible commitments in the design of these more ambitious regimes and the development of supranational bodies to deal with collisions between different regulations. The second stage of the transformation is much more *reflective.* When society and political actors begin to comprehend the change, they begin to include issues of transboundary identity and transboundary ethics into their considerations. Pressures to improve living conditions for people of other nationalities and race who live in other countries thousands of miles away, as well as the debate about European identity and democracy are the first signs of this reflective stage in the transformation process.

3.2. Democracy and other deficits of global governance

The reflective stage in the transformation process brings the deficits and problems of international institutions in practice into the open. Most important in this context seem to be democratic deficits and political fragmentation as a counter-movement.

(1) At present, the democratic legitimacy of almost all institutions beyond the nation state is contested. There are two strands of thought among those who identify a democratic deficit in the way international institutions work. One strand points to institutional deficits of international institutions that can be adjusted through reforms, provided there is the right political will. Another strand considers these suggestions as naïve and even questions the mere possibility of democratic processes beyond the nation-state because

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the EU and other international institutions allegedly cannot meet the social prerequisites for democracy. According to sceptics, democratic legitimacy is only possible within the framework of a *demos*, i.e. a political community with the potential for democratic self-governance as expressed in the concept of the modern nation. Beyond the nation-state, the social prerequisites for a democratic political community – the political space – is missing. Peter Graf Kielmannsegg[76] eloquently summarizes this point of view with respect to Europe: 'Collective identities develop, become stable and are passed into tradition in communities of communication, of experiences and of memories. Europe, even within the narrower scope of Western Europe, has no communication community, hardly any common memories and only limited common experiences (translation: M.Z.)'. Hence, the connection between nation and democracy is not a historical coincidence but systematic and indissoluble. A *demos* as exemplified in the modern nation-state requires some cultural homogeneity, and without a *demos* there is no democracy.[77–79]

To the extent that for pragmatic reasons sceptics accept the need for decisions through international institutions, globalization leads to the uncomfortable choice between 'effective problem-solving through international institutions' or 'democratic political processes.'[80] This is not a particularly convincing theoretical perspective, however.[81,82] In democratic terms, international institutions are a sensible response to the problems facing democracy in times of societal denationalization, as they help to redress the incongruence between social and political spaces. Theoretically, the 'emergence of denationalized governance structures'[83] helps to bring all those who are affected by a political decision into the decision-making system, thus observing the principle of 'no taxation without representation'. What is more, international institutions help to increase the factual freedom of political communities. Governance beyond the nation-state can therefore improve both social welfare *and* democracy in the face of societal denationalization. In this sense, international institutions are not the problem, but part of the solution to the problems of modern democracy.

This debate raises a number of issues that require further normative reflection and also much more empirical study to be resolved. On the empirical side there are two salient issues. First, what exactly are the socio-cultural prerequisites for the application of what kind of democratic procedures? Second, to what extent are these prerequisites systematically intrinsic to the nation, and to what extent can they

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be generated on a transnational scale as intended or unintended side effects of societal denationalization and as endeavours to further the development of democratic procedures in effective international institutions? The debate on the relationship between globalization (global economy) and (national) democracy has stimulated some very promising research that has, however, not yet developed far enough for results to be conclusive.[84–86]

(2) Interdependence and globalization can lead to both political integration and *political fragmentation*. Kalevi Holsti[87] has adequately described the approach of most interdependence theorists to this double movement: 'Analysts have been so impressed by growing interdependence that they have ignored a simultaneous and parallel process that results in increased international fragmentation'. On the contrary, analysts of globalization have often pointed to an inherent relationship between globalization and fragmentation,[88] most eloquently put in the formula 'Jihad vs. McWorld'.[89] Nevertheless, solid empirical work concerned with identifying the causal pathways between globalization and political fragmentation has remained scarce.

It is possible to distinguish at least three different fragmentative responses to societal denationalization. First, Robert Cox[90] and others have identified so-called anti-systemic movements that organize against globalization and the accompanying loss in substance for national democracy. In this view, Chiapas' resistance against the Mexican state, the strikes that paralysed Paris and much of France in 1995, as well as protests that halted WTO negotiations in Seattle and have since then accompanied any important meeting of international economic institutions, are part of a double movement in which the deregulation of markets produces social forces that struggle for re-regulation. In this view, current developments are somehow similar to what has been analysed by Karl Polanyi[91] with respect to the marketization and the regaining of political control in England after the industrial revolution.

Second, an ominous factor accompanying the decline of public confidence in traditional political authority in many OECD countries is a resurgence of right-wing extremism. Societal and political denationalization has led to a nationalist response, especially among young men who feel threatened by immigration, the decline of welfare policies and national political authority in general.[2,90,92] In a similar vein, anti-modernist movements have gained strength in parallel to globalization outside of the OECD world, too. Fears of a resulting clash of civilizations and a broad, cross-cultural Jihad movement are, however, unfounded.[93]A third form of political fragmentation in response to globalization

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is the rise of bottom-up regionalism, including all patterns of endeavours toward political decentralization from within a particular region. It is no longer only the political actions of the nation state that provoke regionalist responses, but also the undermining of some traditional functions of the nation state through globalization and political internationalization. In an increasingly competitive world market, rich regions want to rid themselves of their national commitments, while at the same time the development of market-enhancing international institutions has reduced the risks of secession and even increased the incentives to organize regionally in order to be eligible for supranational resources. The evolving complexity of governance beyond the nation state in turn creates desires to emphasize cultural differences at the regional level and to represent regional interests directly, no longer via the nation state. Studies on the regionalist movements in Northern Italy, Quebec and Scotland have produced some evidence in favour of such mechanisms.[94,95]

It is easy to see that global governance is not without problems. Legitimacy, growing inequality, a lack of a political centre that can formulate general directions and goals as well as the growth of protest movements are just the most important problems. Any further debate on global governance has to take these deficits into account.

6. Conclusion: sovereignty and IR theory at bay?

Societal denationalization reduces the significance of national borders and thus poses a challenge to the efficacy of national policies. Political Denationalization and global governance is one response to this. In turn, this response gives rise to new predicaments. However, societal denationalization and globalization challenge not only national political institutions, but also question a cornerstone of any modern understanding of politics, that is 'methodological nationalism'.

Methodological nationalism considers nation states as the basic unit of all politics. It assumes that humankind is naturally distributed among a limited number of nations, which organize themselves internally as nation states and delimit themselves externally from other nation-states.[96,97] In addition, it assumes that the external delimitation and the subsequent competition between nation-states are the most fundamental concepts of political organization. Methodological nationalism is distinct from normative nationalism, according to which each nation has the inalienable right to organize itself in its own, culturally specific way. Methodological nationalism sees national self-determination as ontologically given and as the most important cleavage in the political sphere. This double premise pre-determines empirical observations, as can be seen for example in the case of aggregate statistics, which are almost exclusively categorized in national

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terms. It locates and restricts the political sphere to the national level. It no longer seems to be of any use for understanding politics in the age of globalization.

This critique of methodological nationalism must not be confused with the hypothesis on the end of the nation-state. Nation-states will persist and will remain of central importance. Relaxing methodological nationalism rather means that the nation, as the dominant organizing principle of politics, can no longer be taken for granted, but must be given an empirical status. As governance beyond the nation-state increases in significance, the separation of political issues into nationally defined territorial units must be conceptualized as a variable – dependent and independent – rather than a conceptual premise.

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