

Bye-bye Westphalian State; Hello Intermediary State—Why Fair Multilateralism Matters

By Inge Kaul*

Introduction

The role of the state has in recent decades changed fundamentally. The conventional Westphalian state built on the principle of exclusive policymaking sovereignty within national boundaries, has, in incremental, and therefore, often barely noticeable ways, transformed itself into a new type of state. The hallmark of this emerging new state is the brokering between, and the blending of, domestic and foreign policy preferences it seeks to achieve. Hence the name assigned to it here: the intermediary state.

The present paper suggests that the bridging role of the intermediary state holds considerable promise for fostering less crisis-prone, more sustainable globalization. Yet to unlock this potential, the state must enjoy strong legitimacy in the eyes of national constituencies as well as in the eyes of its international cooperation partners. Meeting this condition calls for well-functioning democracy, nationally *and* internationally; however, this also supports calls for fair multilateralism.

The two main guideposts for a reform of the international institutional architecture would thus be: first, the design of representative, yet effective international negotiation forums; and second, a shift from the power politics that dominated international relations until now towards a greater emphasis on incentive policies—win-win partnerships from which all could gain, including the world's major powers.

To develop these points, section I of the paper documents the rise of the intermediary state. Section II assesses the change under way, how far it has come and how desirable it is from the perspective of achieving better-managed globalization. Against this background, section III then explores policy options for strengthening the intermediary state.

The paper concludes that considering the long history of the Westphalian state system, the quiet and swift emergence of the intermediary state system in recent decades is astonishing. It has evolved by fits and starts, through manifold, incremental ad hoc adjustments, mostly *par hazard*. Potentially it could be an important institutional innovation. Yet it would deserve attention and further encouragement to disentangle the world out of the web of crises in which it is caught at present, ie: climate change, global inequity, financial instability, new and resurgent diseases, and spreading violence and crime. These are issues that no one government, however powerful, can effectively and efficiently address through unilateral action alone.

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I Blending Domestic and External Policy Demands: Evidence on the Changing Role of the State

In theory as well as practice the role of the state has, so far, largely resembled the Westphalian state model.¹ This model is based on the notion of states' exclusive policymaking sovereignty within their territorial boundaries and the linked principle of non-interference by external forces into nations' domestic affairs. Accordingly, governments were seen—and did act—as aggregators and defenders of national preferences. They were also expected to—and did—intervene when markets failed. They enjoyed unique coercive powers, allowing them to enforce compliance with set policies, norms, and standards.

Reality is increasingly at odds with this role of the state. States today face an ever-denser cordon of external policy expectations about what constitute desirable national policy priorities and good national governance. Importantly, they are complying with these expectations.²

EXTERNAL EXPECTATIONS ABOUT NATIONAL PUBLIC POLICY

Policy expectations can be considered external when they emanate from outside the national political process through which domestic constituencies and their representatives express and decide upon policy preferences and approaches. The origin (rather than the content) matters when identifying external policy demands.

The external sources of policy expectations include, among others, intergovernmental fora like the United Nations, the Bretton Woods Institutions, the World Trade Organization, or the Group of Eight Major Industrial Countries (G-8); international business and civil society fora like the World Economic Forum or the World Social Forum; globally influential media, academia and think tanks, as well as transnational firms, including sovereign credit rating agencies. Thus, all actor groups—states (individually, as “clubs”, or multilaterally), civil society and business—are involved in formulating external policy demands and expectations directed towards governments.

As the number of actors participating in the global public policy domain grows, the web of these expectations is becoming denser. Today, around 60,000 civil society organizations (CSOs) are internationally active (Anheier et al. 2004), joined by some 80,000 transnational corporations (UNCTAD 2007, annex table A.I.5)). The number of active intergovernmental treaties stands around 2000 and is growing.³ Moreover, national government behavior is continuously being assessed and ranked according to more than 175 composite indices, including such as the Corruption Perception Index of Transparency International, the Ease of Doing Business Index of the World Bank, the Ecological Footprint and Living Planet Index of the World Wildlife Fund, the Global Competitiveness Index of the World Economic Forum, the Human Development Index of the United Nations Development Programme, the Quality of Workforce Index of Business Environment Risk Intelligence, or the sovereign credit ratings undertaken by firms like Standard & Poor's, Moody's, and Fitch Ratings.⁴

¹ The term “Westphalian state” refers back to the peace of Westphalia of 1648 which according to international relations and other theorists laid the foundation for the principle of the right of states to self-determination.

² The discussion in this section draws on Kaul 2006.

³ See, for example, <http://untreaty.un.org/English/overview.asp/>.

⁴ For a listing and discussion of these indices, see Bandura (2008).

As diverse as the actor groups participating in the global public policy domain are the expectations about desired government behavior formulated. These fall into two main clusters, with two parts in each (figure 1)⁵:

- Cluster 1: Openness and competitiveness;
- Cluster 2: Security and development.

Cluster 1 expects a multilayered notion of economic openness, plus a recognition that openness calls for a capacity of state and nonstate actors to compete—otherwise the country could fall behind others on the global competitiveness ladder. To increase economic openness, recommended policy measures go beyond removing at-the-border barriers. Governments are urged to foster behind-the-border policy harmonization (e.g. harmonization of investment and taxation regimes) to foster cross border compatibility of institutions and infrastructure.

Figure 1 close to here

Cluster 2 expectations seek to correct some of the downsides of globalization—like excessive financial volatility, cross border pollution, new and resurgent communicable diseases, persisting poverty and inequity, or transnational crime and violence. The “security” sub-element of cluster 2 urges governments to reduce, and where possible, avoid undesirable spillovers from the national level into the global public domain. It is concerned about the security of nations in a broad sense, adding to military security also health and environmental security as well as financial and macro-economic stability.

The “development” sub-component of cluster 2 addresses individual, idiosyncratic security concerns like the protection of individual citizens against the intensified competitiveness and the heightened risks (like longer-term unemployment) that economic openness and market integration often bring along. Underlying these policy expectations is the recognition that globalization will succeed and enjoy public acceptability only, if it benefits all in a noticeable way. The calls for more democracy at national levels also move in this direction to empower people to benefit more from globalization’s gains and opportunities.

Although civil society and bilateral as well as multilateral development organizations are the main constituencies behind cluster 2 expectations and private firms and business organizations are those behind the policy preferences forming cluster 1, there are no clear dividing lines between clusters’ constituencies.

SIGNS AND DRIVING FORCES OF NATIONAL POLICY ALIGNMENT

Both expectation clusters find a clear echo in national public policy. As shown in annex figure 1, national public policy and external policy expectations move in tandem.

A host of factors contribute to this alignment between foreign policy expectations and domestic policy paths and institutions, in each case no doubt with different strength

⁵ To determine the content of external policy expectations about 150 of the indices of government performance included in Bandura (2008) were analyzed. They were taken to represent a codification of the most important external policy expectations directed towards governments. Their individual elements (the indicators of which they are composed) were listed. The aforementioned clusters and sub-clusters emerged from this listing.

and in different combinations. Judging from daily newspaper reports and other available evidence, pull factors as well as push factors matter; globalization's promises as well as its perils are serious issues.

For example, alignment may inflict short-run costs, but it also facilitates countries' access to new global opportunities. In fact, costs of resisting harmonization may be larger than those of jumping on the harmonization bandwagon and joining global infrastructure systems as well as policy regimes, including those of economic openness. Yet, once on the path of openness, governments often realize that further adjustment is no longer a choice, but rather a compulsion. Greater economic openness creates policy interdependence. National public policy domains become interlinked, and formerly national public goods like public health conditions or law and order become globalized—subject to policy actions taken or not taken by actors abroad. As even G-8 leaders have come to recognize, no government, however powerful in military or economic terms, can under such conditions of policy interdependence ensure an adequate provision of desired global public goods through unilateral action alone. Mitigation of climate change is a case in point.

II Assessing the Change: The Rise and Potential of the Intermediary State

As a result of these and other push and pull factors the actual role of the state today differs in significant ways from that of the conventional Westphalian state model. Although the new state—the “intermediary state”—is still at a nascent, fledgling point, its emergence could potentially contribute in important ways to more balanced globalization.

THE INTERMEDIARY STATE'S KEY ATTRIBUTES

If states today were still to follow their Westphalian role and insist on their exclusive policymaking sovereignty, the echo of international policy expectations in national policy should be less than it actually is according to annex figure 1. The tandem movements depicted in this figure signal deep levels of policy harmonization as well as point to significant differences between the Westphalian state model and that of the emerging intermediary state:

First, while states still possess special coercive powers nationally, they are now also being pressured and coerced by nonstate and other external actors, notably internationally actors. As shown, pull factors explain much of the observed policy alignment, but forceful push factors (e.g. rising prices of capital when countries fail to meet the expectations of credit rating agencies or other financial market actors) are also at work.⁶

⁶ While many international relations studies report wide-spread non-compliance of states with intergovernmental agreements, states today comply with many of the external policy expectations. The reason might be that the actors formulating those have more teeth than some of the intergovernmental organizations. For example, non-compliance with the expectations of sovereign credit rating agencies may reflect itself directly in increased borrowing costs. Failing to respond to external expectations about a good business climate, may lead to a faltering of foreign direct investment flows; and corrupt practices and human rights violations may result in naming and shaming by CSOs, and consequently, perhaps also withdrawal of external private and public funds or being barred from membership in various international policy clubs. Thus, states still possess coercive powers but they also find themselves being pressured and coerced into certain forms of behavior.

Second, states still play a significant role in correcting market failure, but increasingly, they also fail, especially when global challenges are at stake. The reason is that when appearing internationally, they are quasi private actors—actors pursuing particularistic, namely national interests. Just like private actors within the national context, they, too, attempt free-riding on efforts of others in cases of public good provision, in their case global public goods. Yet transnational nonstate actors often also have a strong preference for these goods, and therefore, intervene to nudge governments into breaking through international collective-action deadlocks.

Third, and in large measure resulting from the first two points, states today still aggregate national preferences, but they also seek ways and means of combining and blending those with international preferences and exigencies.

Thus, the principle of exclusive policymaking sovereignty seems to be giving way to that of responsive policymaking sovereignty; and the Westphalian state seems to be transforming itself into an intermediary state—having at its hallmark the function of brokering between internal and external policy expectations, and embedding national policy in global policy frameworks.

A DESIRABLE CHANGE?

In many respects the intermediary state augurs well for more sustainable globalization. How else but through an embedding of national policy in global policy frameworks could the world's growing population with rising incomes and expanding demands ever hope to live on this one planet together, without further over-straining the natural commons or creating other risks and hazards? Yet to deliver on this potential, the intermediary state has to evolve further.

Ideally, a full-fledged intermediary state would have two main policy arms. The first arm would, based on participatory, transparent and accountable national decision-making processes, aggregate domestic preferences, take them (if this were found to be the best course of action) to the international level and insert them into international negotiations, in a self-seeking, nationally oriented, yet ready-to-compromise way.

The second arm would take internationally negotiated policy positions back to the country for national-level follow-up and implementation.⁷ An effective functioning of both policy arms would allow the intermediary state to create a global policy loop, stretching from the national level to the international level and back to the domestic policy domain. This makes the intermediary state an important institution for meeting global challenges. The global policy loop would match the global span of many of today's challenges.

At present, however, many states lack key intermediation competencies. Especially states in least-developed countries are often one-arm intermediary states, shaping national policy according to external demands without having done the prior part, the aggregation and determination of national preferences. The reason often is that national democratic systems, public policymaking capacities, or both, are still weak.

Also, many states, and again notably the least-developed ones, act in many international fora more as *policytakers* rather than *policymakers*. They find it hard to resist proposals from other state actors as well as those from nonstate actors. This is not

⁷ This does not necessarily imply that follow-up has to happen within the national jurisdiction. Yet even where a country would opt for operational cooperation with external partners, e.g. international trading of emission allowances, national level action like decisions on requisite national resource allocations, might have to be taken.

only because they lack capacity, but also because of how some of these processes are structured and organized. As a result, they may commit themselves to ill-fitting policy approaches, creating resentment and opposition among national constituencies, and weakening the role of the state. The loud outcries of developing country constituencies about internationally proposed structural adjustment and stabilization programs or hasty privatization measures were, for example, prompted by the import of such ill-fitting policy advice.

For the intermediary state to enjoy legitimacy and to function efficiently and effectively, two main conditions must be met:

- *First*, national policymaking must be democratic—participatory, transparent and accountable. Yet in many instances today, they are not, weakening at times also the bargaining position of states in international cooperation venues.
- *Second*, international negotiations as well as cooperation results must be seen by national constituencies everywhere as being fair and significant. Yet again, today they often are not.

Where these conditions are not met, the—then imperfect—functioning of the intermediary state might lead not to less, but rather to more global instability. Many states would then perhaps be seen as losing control, risks and fears that are quite real as current globalization debates suggest.

So, in order not to allow the intermediary state’s promise of better-managed globalization evaporate, it is thus desirable—and urgent—to explore possible ways of nourishing this nascent institution and support it in developing the two strong arms it requires to forge the desirable global policy loop.

III Enhancing the Legitimacy of the Intermediary State: The Importance of Fair Multilateralism

Just as the incipient steps towards the formation of the intermediary state have mostly happened in an ad hoc manner, changes that could strengthen it seem to be already underway. For example, developing countries undertake, often in cooperation with foreign aid agencies, efforts at improving national political institutions and policy management capacity, fostering democratic progress, although of course greater efforts along this path are still needed.

Proposals of international-level governance reform are also proliferating. Many address issues of voice and membership reform. The proposals range from multiple suggestions on a reform of the United Nations Security Council (Luck) to building alliances of democracies (e.g. Kagan 2008, Ikenberry and Slaughter 2006), expanding the G-8 to include select developing countries (Benterbusch and Seifert 2008), and creating of a G-3, composed of China, the EU and the US (Khanna 2008).

Yet especially the latter set of proposals for institutional innovation at the international level might need revisiting from the perspective of the intermediary state. Although they are often couched in terms of “bringing more voices in”, the real effect could be a further concentration of decisionmaking power for global affairs rather than rendering international venues more representative, and hence, their more negotiations more open, competitive, and fair. This would, for example, also apply to proposals

suggesting to bring countries like Brazil, China, India and South Africa into the G-8, based on their own strength, not as representatives as their region. Such a move could break these countries out of the group of developing countries—and weaken the latter group even further.⁸

A more desirable alternative would be to create a new, neutral global forum that from its very inception would be a forum of and for all countries. It could also have limited membership so as to facilitate decisionmaking but be based on rotational regional representation. Its purpose could be to review major global trends, identify policy priorities for common, cooperative initiatives, and encourage and monitor commitments to follow-up. Perhaps, one of the top priorities it might place on its agenda could be the design of a basic overhaul of the multilateral system and its alignment to the age of globalization.

This new body could be called the Global Leadership Group of X (GLG-X), with the 'X' indicating the as-yet-to-determine exact number of members.

But why would such a new body be desirable?

The reason is that the world is going through a major transformation process. New political consensus must be forged; new relations among states as well as between states and nonstate actors forged. This requires an exceptional amount of leadership, vision, and determination. As recent experience has shown, left to existing bodies, reform processes may not go far.

Therefore, the most fundamental reform step would be to promote recognition of the changed rationale for international cooperation—that when global challenges have to be met international cooperation often is no longer merely an option but a compulsion, even for the largest and most powerful states. Together with the change in rationale cooperation strategies, too, would need to change—from power politics to incentive politics, from a narrow pursuit of national advantages to allowing international cooperation to make sense for all. This requires placing greater emphasis on economic rationales and win-win strategies, and importantly, realizing that under conditions of policy interdependence, national self-interest is often best maximized through international cooperation. A key challenge ahead is thus to foster fair multilateralism in enlightened self-interest of all, again, especially for the most powerful states.

No doubt, power politics will remain a part of international relations. But as the importance of global challenges for national and international policy agendas grows, they need to be tempered by positive incentive strategies to support the legitimacy and effectiveness of cooperating states. States are not withering away; they are just being reinvented. They continue to play an important, albeit new and different role as brokers between domestic and foreign concerns.

National and international-level politics function quite differently because of the different role that states play at these levels. Yet they also have an important aspect in common. On both levels fully democratic, and hence, competitive and accountable politics are perhaps the best route towards generating efficient, fair and stable outcomes.

Reform strategies aimed at shaping sustainable globalization would thus need to meet two main criteria: 1) acceptance of interdependence as an important, if not the most

⁸ Coalitions and alliances of the world's major powers, whether as a G-3 or an expanded G-8 would be important in the follow-up to global agreements, e.g. for these countries to assure each other that indeed they will act on their commitments. Policy and priority-setting groups however would need to be more representative to enjoy and confer legitimacy.

important organizing principle of foreign policy and international cooperation; and 2) creation of a body like the GLG-X, perhaps not as a permanent new forum but as an interim body—to facilitate the transition process. This process is not likely to be easy and smooth, considering the deep rifts and global inequities still existing. Yet it is a process well worth promoting; and therefore, to bolster reform commitment, we must, as Mahbubani (2008) also underlines, “find ways to effectively engage the majority of the world’s population in global decision-making” (p. 123).

Conclusion

The present paper provided evidence on the changing role of the state during recent decades (section I), and identified and assessed the nature of this change (section II). The analysis has shown that the actual role of the state today fits less and less that of the conventional Westphalian state model and resembles more and more that of an intermediary state. A key function of states today is to blend and combine domestic and foreign policy preferences and nest national policy in international policy frameworks. Thus, the emerging intermediary state could make a potentially important contribution to fostering more sustainable globalization. However, to unlock this potential, the intermediary state’s legitimacy in the eyes of national constituencies and international cooperation partners would have to be strong. This requires a strong functioning democracy, both nationally and internationally.

Accordingly, section III explores some possible national and international-level governance changes. From the perspective of the intermediary state, it suggests strengthening legitimacy, and fostering better managed globalization for some of the current proposals to revisit some recent global governance reform proposals. As these proposals currently stand, they could deepen existing global rifts, and through a further concentration of decision-making power, they could generate not less but more instability.

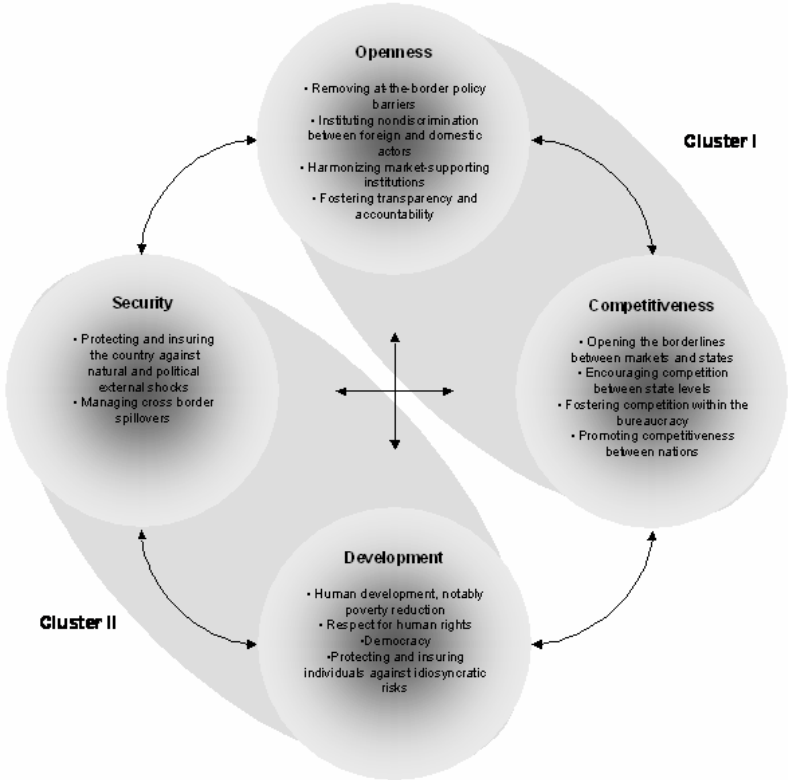
This paper thus concludes that the most important next policy step might be to recognize that a new policymaking era is dawning. Greater economic openness has led to deepening policy interdependence. Many global issues can no longer be effectively and efficiently addressed through unilateral action alone. This particularly holds for the world’s major powers. Effective international cooperation, especially cross border policy harmonization in many, if not all countries will often be necessary. This means that a legitimate, effective intermediary state is of utmost importance; and for states to enjoy legitimacy and act effectively, they must be seen by national constituencies to bring home fair and significant cooperation results.

In other words, the notion of fair multilateralism ought to be foundation on which to build a new international cooperation architecture, a new state system—and ultimately, a more secure and prosperous future.

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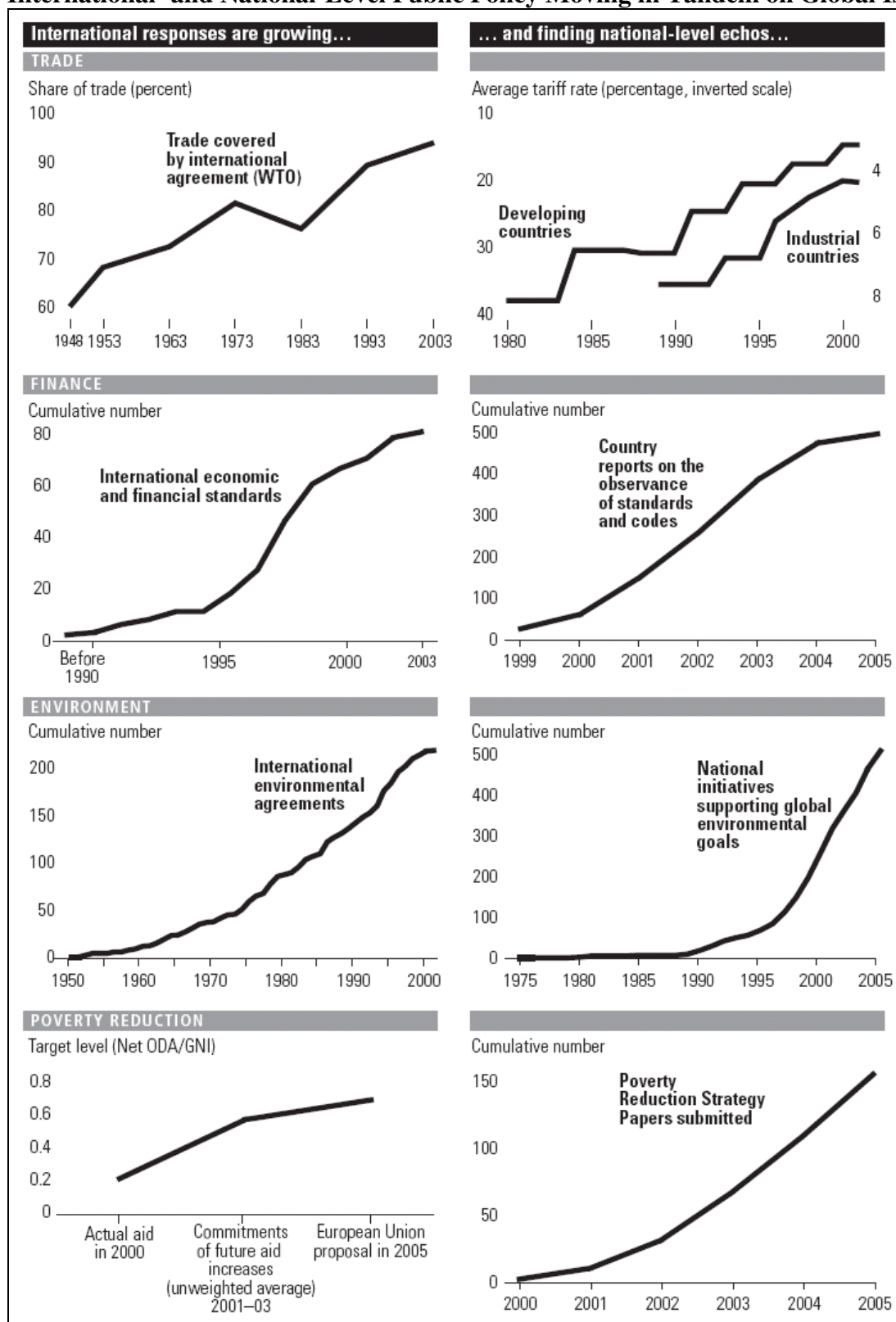
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Clusters of external expectations about national public policy



Source: Kaul (2006), p. 78.

International- and National-Level Public Policy Moving in Tandem on Global Issues



Source: Kaul and Conceiçã (2006), p. 48-49