

**Power and Prosperity:
Challenges and Opportunities for Small States**

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About the Author

Richard Grant, a senior New Zealand foreign service officer, was a Visiting Scholar at the Kennedy School of Government for the Spring Semester 1999. In the course of his career he has served in a number of New Zealand diplomatic missions abroad, most recently as High Commissioner to the United Kingdom. From July 1999 he is the New Zealand Ambassador to France and, concurrently, Ambassador to the OECD.

Preface

This study is written from the point of view of someone from one small state, New Zealand. It does not set out to be a comprehensive examination of the issues facing a small state in today's world, because such a task would take more time and study than were available. It is also partial, in that it concentrates on those areas of international affairs which concern New Zealand primarily, but other small states as well. It does not dwell at length on the point of view of small, developing countries, although at times *they* are referred to. Nor do I try to deal with any sense of justice with those states which are truly small, the microstates of the international community, except that I have included a brief section on the work of the Commonwealth, an organisation which has a majority of very small members. In fact, as the reader will see, I have avoided trying to define too closely what constitutes a small state: there is extensive literature already on that question.

The opportunity to write this paper arose when I was able to take a period of sabbatical leave from my Foreign Service life. I am grateful to the New Zealand Ministry of Foreign Affairs and Trade for the opportunity.

I am particularly grateful to the Dean of the Kennedy School of Government at Harvard University, Hon Joseph S Nye Jr, for the generosity of his offer to allow me to be a Visiting Scholar at the School for the Spring Semester 1999. He and his colleagues were hospitable, generous with their time and patience, provocative in their thinking, and happy to share their ideas with a visitor. Professor Fred Schauer, Academic Dean of the Kennedy School, and Barbara Salisbury, Administrative Dean, provided particular support.

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Finally, Professor Alan Altschuler, Director of the Taubman Center for State and Local Government, accepted graciously to lodge an outsider in his Center, although any claim to a link on my part to his Center's expertise was stretched, to say the least. He and his colleagues were particularly welcoming and supportive.

The opinions contained in this study are my own. They do not claim to represent the views of the New Zealand Ministry of Foreign Affairs and Trade, nor, in any way, those of the New Zealand Government.

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Introduction

In a large part, this study was provoked by a feeling that small state's are finding it harder in a rapidly changing world, marked by the effects of new technology and globalisation - "conceptually changed" - as two American observers ¹ have characterised it in a recent book - to obtain their national foreign policy objectives. The growth in numbers of small states in the international community may not have brought with it an increase in the influence that small states have always tried to exercise in international relations, and which they might be expected to exert because they are more numerous.

The effects of globalisation and the information revolution have brought opportunities and challenges, but are small states taking up the former and successfully meeting the latter? Does the international architecture which has existed since the end of World War II still serve the interests of small states in the way it was conceived that it would? Does the increase in the number of small states benefit the international community in the sense that aggression will be less likely in international relations? Perhaps these questions could be combined and asked in a different way, namely: how do small states advance and achieve their national interests as they enter a new era dominated by the power and the reach of the United States of America?

¹ Graham Allison and Philip Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis* (New York: Addison Wesley Longman, 1999).

We shall look at some of the issues which confront the international community today, and how they affect small states: globalisation and trade liberalisation; and the information technology revolution. We shall look too at the traditional concerns of small states: security and alliances; defence of the rule of law and the international architecture, including reform of the United Nations Security Council, and the work of the Commonwealth. Above all, we shall try to formulate some conclusions that might shape some answers to the perennial question asked by the small state: how do we exercise influence in the international arena?

From the perspective of those who see international relations as dominated by systems, the twentieth century has witnessed some strong changes to the systems in which states have operated. The balance of power theory of the start of the century, or the uneasy concert of powers, broke down in the First World War. The attempt to put in place a collective form of security guarantee in the form of the League of Nations did not prove durable enough. The life of the small European powers between the wars was largely an uncomfortable one. Their efforts to protect themselves from the great powers of the day, and indeed from each other, were spectacularly unsuccessful.

Undeterred, the small states made another attempt in 1944 and 1945 to establish a system of collective guarantees for world security through the establishment of the United Nations Organisation. Circumstances were such that the UN came quickly to reflect the disposition of real power and power projection between the United States and the Soviet Union in a bipolar world. The balance of power was recreated in a different way. The increase in the number of independent states over the next thirty years or so did, however, mean that there

were more players on the world stage, many of whom wanted to try and avoid being categorised as being in one camp or another, and who did not wish to see the conflict between the West and the Soviet Union take place in their regions. The idea of membership in one or other alliance was not appealing. Many of these new states chose a policy of nonalignment, a decision that received strong support from many small states.

The 1980's were marked by the gradual realisation that the ideological standoff between East and West was coming to an end. The breakdown of the Soviet economic system, the inability of the Soviet Union to win its political battles with the West, and the emerging pressures for democratic freedom and market economies which developed on the periphery of the Soviet Union in Eastern and Central Europe, proved too much for the structure to bear.

This is not the place to analyse the causes and implications of the collapse of Marxism-Leninism as a political and economic force. For the purposes of this study, two consequences are important. The first is the straightforward observation that the breakup of the Soviet Union led to the creation of fifteen states, most of them small. (It is particularly interesting that three of those which emerged from the process - Estonia, Lithuania, and Latvia - had been independent states after the First World War but had been subsequently subsumed into the Soviet Union, and their *de jure* disappearance recognised by other states.)

The more important consequence is, however, that the collapse of the Soviet Union as a superpower has opened up a new landscape on which the practice of international relations for all states, including the other superpower, has changed. The definitions and the charts

which we once used to guide us in international affairs have become blurred, sometimes significantly so. We have before us largely uncharted waters.

Allison and Zelikow have described the new climate in the following terms:

"The end of the Cold War has changed more than we yet realize. Fundamental rethinking is required across the foreign policy agenda; structures designed to pursue Cold War strategies must be reinvented.... The likelihood that the major forces shaping the principal threats, or creating opportunities for addressing them, are essentially equivalent to those identified during decades of Cold War studies are slim. Conventional divisions in the study of foreign affairs, for example between security and economics, or international security and international political economy, are clearly anachronistic. The challenge is no less than to rectify the conceptual geography of major issues in foreign affairs."²

Even as the world grasps the reality of changed power relationships, and the challenges that presents, two other allied developments in human achievement also complicate the practice of international relations. The arrival of the information age is clearly a major shift in the way the world works. The possibility that most people across the globe are able to be reached by one form or other of modern communication is a revolution. That information could be global is not a new concept; it is only that we lacked the technology to put it into effect. But that markets could be global, that cyberspace could exist not just beyond national boundaries, but in a reality of its own which we would find hard to define, is new. States have to adjust to those ideas. National boundaries have been porous for a long time. That they have no relevance in one important area of human activity is a startling change.³

² Allison and Zelikow, op. cit., pp. 398-399.

³ "The contemporary information revolution, however, is inherently global, since 'cyberspace' is divided on a non-geographical basis. The addresses 'edu', 'org' and 'com' are not geographical." Robert O. Keohane and Joseph S Nye, in an early draft of the article which appears as "Power and Interdependence in the Information Age," *Foreign Affairs*, September/October 1998, New York.

A Historical Perspective

We the people of the United Nations

Determined ... to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small (Preamble to the United Nations Charter)

Article 2, paragraph 1 of the Charter reads, "The Organization is based on the principle of the sovereign equality of all its members."

The debate about the role of small or weak states in the conduct of international relations is no recent phenomenon. There have always been small states since mankind started to live in organised communities. Greek and Roman historians like Thucydides, Herodotus, and Livy recorded in their time the actions and the roles of small states in international relations. The city-states of ancient Greece were small states. Rome was an empire, but most of the actions of Rome were to deal with the small states which existed on the periphery of the Empire. The city states of Italy in the fourteenth and fifteenth centuries were precursors to the creation of the nation state at the time of the Reformation, which introduced a new period, and a new style, in international relations.

The wars in Europe that expressed the conflicts between these new states did not really stop until the end of the Napoleonic Wars. This created a new opportunity for European

governments to try to define a code of conduct for international relations, dedicated to the preservation of peace, in which states were attributed rights and obligations according to their power. The major powers of the time - England, France, Russia, Austria, and, to one side, the Ottoman Empire - stood at the peak of this new international order. Other states cascaded away from that peak. It was the Congress of Vienna in 1815 that formalised the idea that there were gradations between states, and that this had substantive consequences. In essence, the substantive principle was established that the Great Powers were to decide and the lesser powers were to obey.

The Europe of that time contained many small states. We need to remind ourselves that in 1848 there was no one government governing all of Italy, nor all of Germany. Indeed, in the German case, until Bismarck united the country under the central power of Prussia in 1866, over 300 separate entities, which were regarded as autonomous or having a degree of self-government that would today classify them amongst the micro-states of the world, existed on German soil. The drive for empire in the nineteenth century meant that Britain, France, and Germany (and also the Netherlands, Portugal, and Spain) created colonies which were dependent on the mother country for their government, but which were in the twentieth century to become states in their own right.

The system established by the Congress of Vienna lasted up till the last decade of the nineteenth century. The right of the Great Powers to decide, and the obligation of the lesser powers to obey, depended heavily on the Great Powers acting in concert. When that axiom of practice crumbled, the system could not bear the stress. The First World War led to a realignment of the nineteenth century European landscape. In its aftermath, new states were

created, old states vanished. The granting of independence to the old British dominions had already at the beginning of the twentieth century created new states out of the old Empire. When the League of Nations was established in 1920, its membership of forty-two founder states reflected this new reality. (At the height of its membership, the League had fifty-eight members.⁴) The League was a clear manifestation of the arrival of the small powers, or small states, at the centre of the international stage. The idea that each state was equal was a reversion to the principle that had operated before the Napoleonic Wars, but it was seen as a new idea for its time. The principle at the heart of the League's charter, that of a collective security, was also new. It implied that the Great Powers were no longer alone in taking decisions, up till then normally involving the use of force, to resolve their differences. It also implied that this would prevent their moving by military or other coercive means against the smaller states. That the League did not prove effective did not prevent this central, principle surviving. It has now its place at the centre of the United Nations Charter.

The events of the Thirties which led to the collapse of the League and the onset of World War II are well known. The end of that War provided another chance for statesmen to try to create a peace which would hold. The establishment of the United Nations and the place of collective security in the system were key parts of that settlement. Small states were very active in the negotiating processes. The UN started with fifty-one founder members, a larger number than the original membership of the League. There was a deliberate attempt by the small and middle powers to ensure a place for themselves in the deliberative and decision-making bodies of the new international system. As Rothstein describes the period before the Second World War: "No period was as unattractive for Small Powers as the one which

⁴ League membership fluctuated throughout its history: not only did states join, but also did they withdraw.

existed in the Thirties" ⁵. No wonder that they wanted to help define and negotiate the peace which came after the War. The attempts by some (led by Australia and New Zealand) to limit the veto power was one manifestation of the belief that small powers had the right to help design the system, and to limit the ambitions of the great. The small lost: the veto stayed.

Up until the outbreak of World War II, the descriptor "small states" or "small powers" applied only to European states. These were the states which were affected by the balance of power in Europe, and these were the states over which, or in whose territories, the great wars were fought. These were the states which had to manoeuvre to have their voices heard and their interests taken into consideration. Consequently, the history of, and the literature about, small states, concerns them almost exclusively. That was how most historians saw the issue. A review of the literature shows this to be the case. This is not to say, of course, that the Latin American states were not considered as small states. But they existed in a different hemisphere dominated by the United States, and did not seek to involve themselves in European affairs.

Outside Latin America and Europe, the only small states which were founder members of the United Nations were Arab (Syria and Saudi Arabia), to which one should add Lebanon, African (Ethiopia and Liberia), Asian (Philippines), or Old Commonwealth (Australia, Canada, New Zealand, South Africa). The small states were considered in relation to the way in which they fitted into the activities of the great powers: that was international relations. Those small states outside Europe, such as those in Latin America or the Old

⁵ Robert L Rothstein, *Alliances and Small Powers* (New York: Columbia University Press, 1968), p. 234.

Commonwealth, entered into the picture only insofar as they came into the European frame of vision. This is not a criticism, merely an observation on the scope of the study of small states in the international arena. It is no wonder that the literature concentrates so heavily on Europe.

The post-1945 period held a lot of promise for the representatives of the small states, but that promise soon was enveloped by the Cold War. The development of two superpowers and the fundamental change in circumstances brought about by the advent of nuclear weapons, created a world of international relations very different from that hoped for by the small states. There was a role that they could play, but it was defined by a bipolar world. The creation of rival alliances in Europe meant that small states had a choice to make (in the case of democratic societies) or made for them (in the case of the Soviet Union's allies) about where they stood. The pursuit of the Cold War in other regions of the world, except for Latin America, brought other small states into an alignment that they had previously not known. Both the Southeast Asia Treaty Organization (SEATO) and the Middle East Treaty Organization (CENTO) attempted to replicate in South-east Asia and the Middle East, but much less successfully, the security pattern that was set up in Europe.

Another phenomenon unleashed by the end of World War II, decolonisation, was to lead to a growth in the number of small states. Membership of the United Nations is one measure of the number of states recognised by their peers as independent and sovereign. After the fifty-one founder members joined the UN in October 1945, only a further nine states joined the organisation in the next nine years (including some states traditionally regarded as small such as Iceland, Israel, and Myanmar). Another group joined in 1955 (including Albania, Austria,

Bulgaria, Finland, Hungary, Laos, Nepal) as part of a deal reached between the West and the Soviet Union. At that point there were seventy-six member states. In the next ten year period thirty-six states joined. In 1960 alone, the wave of decolonisation in Africa meant that fourteen states from that continent became UN members. The original membership had doubled in fifteen years. Most members were small states.

And so it went on. Fifteen years later in 1980, following the attainment of independence by states in the Caribbean and the South Pacific, UN membership stood at one hundred and fifty-four: again, the majority were small states.

The collapse of Soviet power in the period 1989 to 1992 created the circumstances for a further wave of creation of independent states. By 31 December 1998, one hundred and eighty-five states were members of the United Nations. The most recent data available reveal that:

- Almost half (eighty-three) of the member states of the United Nations have populations of less than five million people
- Fifty-seven of these states have populations of less than two and a half million people
- Thirty-four of them have populations of less than five hundred thousand people.⁶

⁶ *UN Demographic Handbook* 1997.

Definition of a small state

"The term "smaller country" seems to be reserved for large countries with small populations, small countries with large populations, small countries with small populations, and sometimes countries of any size that mostly mind their own business in world affairs."⁷

The literature is rich in attempts to define the concept of "small state". The purpose of this study is not to enter into that debate, nor to try to attempt a new definition. The first concerted attempt at categorising small states took place in the early nineteenth century. The Congress of Vienna produced a definition of small states, based on the ability of the country concerned to raise 60,000 troops for an army. Those which could not do so were designated as small powers. This definition, handy as it was in 1815, continued very much in use up to the time of the First World War. The attempts of states other than the victorious Great Powers to have some say in the Peace settlement, brought a number of small powers to the fore. As the peace was a European peace, those states were European. (The small states of Latin America, where independence had been a reality for a considerable period of years, had remained neutral through the Great War, as they would through the Second World War.)

⁷ Herbert Goldhamer, *The Foreign Powers in Latin America* (Princeton: Princeton University Press, 1972), p. 237, note 29, quoted in Michael Handel, *Weak States in the International System*, (London: Frank Cass, 1981), p. 9.

The academic study of small states has concentrated essentially on three periods: the activities of the small states of Europe in international affairs in the 1920s and 1930s; the growth in the number of small states after World War II; and the more recent period, reflecting the increase in the number of independent states over the last decade or so. Presumably the trend will continue, since it seems axiomatic that the creation of a new large state is no longer a reality. The collapse of the Soviet Union and its dispersal into a group of states, almost all of which would regard themselves as small, has ended the last empire.

"Small" itself has been rejected by some as an inaccurate term. Michael Handel prefers the term "weak".⁸ The Commonwealth Secretariat uses "vulnerable". One writer has gone so far as regarding the idea of "small state" as meaningless. In his article entitled "Small States: a Tool for Analysis", Peter R Baehr says, "If all states, with the possible exception of two, are small, one might as well abandon smallness as a focus of study The case for specifying the small state as an analytical concept appears weak indeed."⁹

Definition of the term "small state" has relied on a number of factors, among which population, area, and control of resources feature prominently. Thus one can find arguments for a cut-off point of one million people, of five million people, of ten million people, or fifteen or twenty million people.¹⁰ These cut-offs are arbitrary, and produce distorted results. Is Belgium a small country and the Netherlands not; or is the Czech Republic one, and Hungary not, to give two examples? The Commonwealth uses a cut-off point of 1.5 million people as its definition, but it violates that immediately by including Papua New Guinea,

⁸ Michael Handel, *Weak States in the International System*, (London: Frank Cass, 1981).

⁹ *World Politics*, 1975 Number 3, p. 466.

Jamaica, and Lesotho (states with populations of 4.2 million, 2.5 million and 2 million respectively) as small states.

The question of definition by area produces similar inconsistencies. To take an extreme example which shows how capricious such criteria are, the state of Kiribati in the South Pacific controls an Exclusive Economic Zone (EEZ) about two-thirds the area of the continental United States of America.¹¹ But with a land area about four times the size of Washington DC, a population of 82,000 and an average GDP of \$820 per head, Kiribati is obviously a micro-state, not even a mini-state, in terms of its viability.

That has led to a search for other criteria to try and give a clearer definition. The idea of the viability of the state concerned and of its capacity to participate in international diplomatic activity has been advanced by some as an added defining factor.¹² It does offer some help, because small states do indeed tend to have less of a role in international affairs, either by choice, or by lack of human and other resources. One way of looking at this is to count the number of diplomatic missions abroad which a state maintains. But, even this contains pitfalls, for, to quote a contrary case, Switzerland, one of Europe's small states, has a very extensive diplomatic network (which compensates for its non-membership of the United Nations). It is larger than those of a number of its European neighbours which are better regarded as middle-sized powers.

¹⁰ See, for instance, Colin Clarke and Tony Payne, *Politics, Security and Development in Small States* (London: George Allen & Unwin, 1987), p. xvii; John Henderson, *New Zealand and the Foreign Policy of Small States* (Auckland: Methuen, 1993); and Ronald P Barston, *The Other Powers* (London: George Allen & Unwin, 1973).

¹¹ "It turns out that the effective size of a state is enlarged if the surrounding sea or Exclusive Economic Zone is counted as an integral part of the territory." Björn G Olafsson, *Small States in the Global System* (Aldershot: Ashgate, 1998), p. 35.

The idea of wealth and control of resources is another factor. Again, it is partially useful, but not always so. Bahrain, Kuwait and Brunei, at one extreme, are very wealthy small states, but their wealth does not make them middle-powers. At the other end of the scale, least developed African countries, like Sudan, Mauritania, or Mali, are large in area, but have very low GDP bases. Iceland and New Zealand are relatively affluent. Both regard themselves as small states.

Yet another factor which has been used to define small states is the idea of psychology, insofar as it might be a characteristic of certain states to feel that they are small and to behave accordingly. One can turn, for instance, to the summary of the discussions at the 1957 Conference of the International Economics Association ¹³ on the economic consequences of the size of nations, to see that the participants were not clear on how to define size. In addition to criteria such as geographical area, populations, and natural resources, psychology and prestige were mentioned at that Conference as two others which might help define a small state.

Traditionally, of course, states were categorised by their military power. Many writers still regard the military power and capability as helpful definitions of a small state. It is generally true that a small state has limited military resources and aspirations, and is more likely to be dependent on the protection of a greater state for its survival, if threatened. But, here too, one can find exceptions which help prove the rule. Israel is a nuclear power, and that in itself would normally be enough to move it out of the category of small states. On the other hand, Israel does not regard itself as a great power, and its possession of a nuclear arsenal has not

¹² See, for instance, R J Rothstein, *Alliances and Small Powers*, (New York: Columbia University Press, 1968), or Barston, op.cit.

given its membership in the UN Security Council. If Israel is classified as a small state - a reasonable assumption - it is clearly not a "weak" state in Handel's terminology. Other small powers have rejected the nuclear option as a means of military security or power projection, either out of reasons of morality or because of political calculation.

Finally, the degree of participation of a small state in the international economy is often mentioned as part of the definition. Both economists and political scientists who have studied this aspect mention as axiomatic that a small state will be obliged to have greater participation in international trade than a large state, because economics dictate that such a state will need to draw on trade to make good the deficiencies and lacunae in its own productive capacity.¹⁴ Since they do not produce the range of goods which their economies require, their dependence on imports is an essential part of their economic assumptions. Equally, to pay for these imports requires them to earn money in the international market place. Their internal economies, as one would expect, are simply too small to provide that capital requirement. Allied with this larger degree of exposure to the world market place often goes a reliance on a limited range of goods produced for export. Iceland is very heavily dependent on fisheries. New Zealand has a highly developed agriculture sector which still dominates its trade with the rest of the world.

In an influential article written thirty years ago (reviewing the works of three authors writing on foreign policy and small states), Robert Keohane placed states into four distinct categories: the system determining; the system-influencing; the system-affecting; and the

¹³ See *Economic Consequences of the Size of Nations*, edited by E. A. G. Robinson, (London: Macmillan, 1963).

¹⁴ See, for instance, S. N. Eisenstadt's essay in *Small States in Comparative Perspective*, edited by Risto Alapuro, Maui Alestalo, Elina Haavio-Mannila, and Raimo Vayrynen, (Oslo: NUP, 1985), p. 44. "The basic problem of small states is that their internal markets are not large enough to create economic momentum for development."

system ineffectual. His definition is worth giving here since it has weathered well the period since it was first expressed:

A "system-determining" state plays a critical role in shaping the system: the "imperial power" in a unipolar system and the two Great Powers in a bipolar system are examples. In a second category are "system-influencing" states which cannot individually dominate a system but may nevertheless be able significantly to influence its nature through unilateral as well as multilateral actions. Thirdly, some states that cannot hope to affect the system acting alone can nevertheless exert *significant* impact on the system by working through small groups or alliances or through universal or regional international organizations: these may be labeled "system-affecting" states. Finally, most international systems contain some states that can do little to influence the system-wide forces that affect them, except in groups which are so large that each state has minimal influence and which may themselves be dominated by larger powers. For these small, "system-ineffectual" states foreign policy is adjustment to reality, not rearrangement of it. These four types of states can be referred to briefly, in conformity with traditional usage, as "great", "secondary", "middle", and "small" powers.¹⁵

To this classification Keohane added a further dimension by adding a psychological test of the attitudes of the leaders of individual states, which is perhaps less convincing.¹⁶ Although these definitions are useful, many of the countries concerned in his third and fourth categories, and even in his second, do not adhere rigidly to one group. A state may be "influencing" on one issue, "affecting" on another, and "ineffectual" on yet another. To give an example, Russia is still almost an imperial power in the field of nuclear weapons and disarmament, but is almost "ineffectual" in relation to the World Trade Organisation and its determination of the world's trading rules.

¹⁵ Robert O. Keohane, "Lilliputians' Dilemmas: Small States in International Politics," in *International Organization*, issue 23 (1969), pp. 291-311.

¹⁶ Keohane says, for instance, that "a small power is a state whose leaders consider that it can never, acting alone or in a small group, make a significant impact on the system." I should argue that there are some leaders of small states who consider that they can do just that, but that does not make the state itself "jump up" a category to become, in Keohane's definition, a "system-affecting" state. More relevant today, although Keohane could not have foreseen it, is the reference to the "imperial power" in a unipolar system. The US finds itself in that position.

This survey of the literature of definition has shown that many factors can be applied to categorize a small state. All those mentioned above have greater or lesser degrees of relevance, but taken separately and applied to a number of states which classify themselves as small, distortions and misconceptions can arise. In the world of international relations, small states tend to define themselves, and know that they are small. They exist, and they are a factor of international diplomatic activity. They are, as Henrikson says "a *political* concept, and a familiar and fairly well understood one, rather than one which is geographical, demographic, or economic".¹⁷

¹⁷ Alan K Henrikson, "Small states in World Politics: the International Political Position and Diplomatic Influence of the World's Growing Number of Smaller Countries", a paper prepared for the Conference on Small States, St Lucia, February 1999, p. 20.

The information revolution

The information revolution provides opportunities, challenges and risks to all states. In its positive sense, it makes the openness of societies virtually inevitable, whatever the political regime in place. To give just one example, the circulation of information amongst citizens, whose access to it had previously been severely circumscribed, in the early 1990s contributed largely to the re-emergence of Central and Eastern Europe as democratic states. When the Internet gives any subscriber access to the resources available in cyberspace, it is no longer possible for governments at any level - federal, state, regional, or local - to claim to be the purveyor of the "best" information or even the most comprehensive.

Secondly, the information revolution allows for the exchange of ideas in a way that the world has not previously experienced. It is about dissemination, as much as about receiving. These exchanges can take place across the globe in real time, so the political debates of one area of the world can be disseminated in another with little formality and without interference: technological and scientific information likewise.

Thirdly, the speed with which the technology grows makes very difficult the regulation of the framework in which it takes place. From a democratic standpoint that presents challenges -

the transmittal of pedophilic material, for instance - as well as advantages such as distant education.

Statistics on the Internet, and its usage, are not easily verifiable. That is not surprising for a technology that knows no boundaries. One often-heard assertion is that there are in early 1999 about 100 million Internet users worldwide, and that the number is doubling every year. Statistics provided by an American company, Network Wizards¹⁸, on the basis of their annual survey conducted in January 1999, estimate that there were then 43.2 million Internet hosts¹⁹ world-wide. To give a comparison, over the past six years, the survey has produced the following data:

- January 1999 43.2 million hosts
- January 1997 16 million hosts
- January 1995 4.8 million hosts
- January 1993 1.3 million hosts

Network Wizards estimate the expansion rate to be fairly constant over the period of their surveys, averaging around 46% per year. On current trends, there will be 100 million hosts by April 2001. The ratio of hosts in the United States compared with the rest of the world is 60-40, another figure which the surveys show to be fairly constant.

Analysing the results of the survey on the basis of distinction between small states and the rest is not an exact science, because - as Network Wizards point out - there need be no

¹⁸ Network Wizards, <http://www.nw.com/>

¹⁹ Network Wizards prefer to use hosts, rather than users, for their surveys, because hosts tend to be more defined and therefore susceptible to more accurate measurement than users.

correlation between physical location and Internet registration. Bearing that in mind, and omitting the United States, one finds that;

- 28 states or territories have no hosts at all (of these, 15 are in Africa);
- of the 32 states which are classified as small by the Commonwealth, only 4 have no hosts²⁰;
- there is no correlation between size and number of hosts (Iceland has 50% more than India);
- but, if anything, the smaller the population, the higher the proportion of hosts.
- (this last point is corroborated by a survey conducted by the American Electronics Association which showed in July 1997 that the top five countries for Internet host penetration were, in descending order, Finland, Iceland, Norway, the USA, and New Zealand).

There are two general conclusions to be made from these statistics. The first is that size is definitely not a barrier to access to Internet technology - poverty and lack of education are. The second is that the spread and use of the technology depends on the level of education and instruction of the population of the country concerned - a warning to those who do not provide them.

How do these developments impact on global affairs, and on foreign policy in particular ?

The first phenomenon is what I describe as CNN diplomacy. This is the ability of news media to obtain information from virtually any country in the world in such short time, and then ask governments to react with comment to what they are seeing on the screen (or hearing on the radio, or - sign of the times - getting via the Internet). The old practice of

obtaining information via the traditional sources of print journalism, the radio, and television broadcasts at set times is no longer the norm. As a result, governments are increasingly put in the position of reacting in public on international developments. The ability for governments to lead is reduced. They follow the news: they are not ahead of it. Their reactive public postures are also carried with the speed and the reach of the story to which they are responding.

It is not novel that the press should be able to push governments into decision on foreign policy. There are plenty of examples throughout history of just that taking place. The coverage by British journalists of the shoddy organisation of the military campaign in the Crimea, for instance, led to the resignation of the Aberdeen government in 1856. Today, however, the effect of news coverage on the foreign policy field is so extensive that it does not need embellishment. The most prominent examples in recent years have been the coverage of the humanitarian catastrophes which have taken place in the Great Lakes region of central Africa, in Somalia, and in the Balkans. The immediacy of the information, its detail, its gruesomeness, have created public demand for actions from governments around the world.²¹ They reacted by the sending of humanitarian supplies, and the use of force to protect those supplying it. In some cases, the use of force preceded the humanitarian supply.

²⁰ Nauru; The Gambia; Kiribati; and St Vincent and the Grenadines. Nauru seems conspicuous on this list because of its high relative income. It may be that it has Internet access through Australia.

²¹ As a contrast, it is interesting to read the following remarks by Neville Chamberlain, the British Prime Minister, in a statement in the House of Commons on June 1938, on certain Japanese military actions in China: "If it was not that China was so far away, and that the scenes which were taking place there were so remote from our everyday consciousness, the sentiments of pity, horror and indignation which would be aroused by a full observation of these events might drive this people to courses which they had never yet contemplated." Quoted by E. H. Carr in Stanley Hoffmann, editor, *Contemporary Theory in International Relations* (Englewood Cliffs NJ.: Prentice-Hall, 1960), p. 269.

What is interesting in these cases is that, having reacted speedily to meet the pressure of public demand, the proponents of intervention found it difficult to establish the justification for so doing under the UN Charter, or other forms of international law. One of the long-held principles of international law has been the integrity of national territory, and protection from outside intervention. The interventions in all cases mentioned above took place without the approval of the national authorities involved - indeed, there was no viable national authority in central Africa or Somalia - but under tremendous domestic and international pressure brought about by the ability of the media to produce hard information in real time. The point is that the information revolution has changed the way people around the world - and especially those in countries with a high penetration of the media - look at, and react to, catastrophes of this sort. In so doing, they have left governments scrambling to meet their demands for intervention. New standards of justification, and new international practices, have been introduced.²²

That this development worries some states is obvious. One need only look at the reaction of both Russia and China to the intervention in Kosovo. What is pertinent to this study is that small states have been the area of intervention, and the level and nature of that intervention has been determined, whatever the justification for it in humanitarian terms, by the large powers. One would be hard put to conceive of similar intervention by a coalition of states into the territory of Russia or China or India (or the United States, to take an extreme case).

So, the coverage of events around the world by the media, and the consequent development of CNN diplomacy, have created an extra risk for small states, particularly those in disarray.

²² Michael J Glennon, "The New Interventionism," *Foreign Affairs*, May/June 1999. An interesting article which argues that these types of intervention are in fact establishing a new international legal standard.

One line of justification is that the states concerned are "failed states": that the government concerned can no longer fulfill even the basic requirements of a governing authority, and that outside intervention is necessary on humanitarian or human rights grounds.

Small states have to be concerned that this seeming expansion of justifiable international reaction to human catastrophe takes place at the limits of international law, on which for so long the small have put tremendous reliance. Small states have over history grown used to outside intervention in their affairs, even through the use of force. So it is not new that small states are again the territory of intervention. What is new is the circumstances in which such intervention now takes place - without doubt speeded up by the immediacy of information flows around the world.

The role of the United Nations in these cases is the subject of some dispute. There have been interventions backed by a UN Security Council resolution, and there have been cases - Kosovo being the most prominent - where there has been no authorising resolution. Small states have put great reliance on the ability of the UN to define what is acceptable international practice, and what is not. Recent developments will put even more pressure on the debate to reform the way the UN works, which is the subject of a separate chapter.

There are tremendous advantages in the development of information technology. Looking just at, the practical angles of communication, the ability now for a government to seek and obtain information on any issue has expanded dramatically. The technology allows almost limitless possibilities. Nye and Keohane in their recent writing²³ have discussed this

²³ Joseph S. Nye and Robert O. Keohane, op. cit., pp. 81-94. 24

phenomenon. They characterize one major part of the information stream as "free" information; that is, the "information that actors are willing to create and send without financial compensation from the recipient", including the material that media sources make available through their outlets on the Internet, and in other forms.

It is not just the free availability of information which affects governments, and the way they manage issues. The dissemination of technology in the information industry has an important effect in itself. It has added to the number of layers in the international policy complex. Governments still have the resources available to develop, transmit and protect the strategic information which they regard as central to the practice of government: military, intelligence, scientific, and commercial. They run their own networks of communication, and their own systems. At times they cooperate with other governments in these fields.

The availability of cheap and sophisticated means of information transmission has, however, given organisations outside government, and even individuals, the possibility of much greater intervention in the discussion of public affairs, and therefore in the area of policy formation. In international affairs, among the first to benefit from this development are the nongovernmental organisations (NGOs). Some of them have been effective agents for many years: Amnesty International, for example. But it is easy to foresee that NGOs will be able to exercise greater influence in the future²⁴. Clearly, not all of them are similar in their ability to adapt to the new technology and to use it effectively. There are sufficient examples, nonetheless, to see that their influence will grow on government policy.

²⁴ The size of some NGOs is itself a phenomenon of modern society. Greenpeace, for instance, claimed to have over 4 million members in 1994, and the World Wide Fund for Nature (WWF) 3 million. These figures contrast with the fact that fifty-eight member states of the UN have less than 2.5 million inhabitants - see page 8 above.

To take one case, Greenpeace, in its 1995 protest against French nuclear testing at Mururoa, sent a ship into the zone around the atoll with a camera aboard which distributed live footage of the event by satellite - including the actions of the French military boarding the vessel. The information transmitted - and received - impinged directly on the thinking and decisions of a number of governments involved in the issue: France, New Zealand, Australia, to name those in the first line. The speed with which the French, once they boarded the vessel, shut down transmissions, shows clearly the significance that such information can exercise on public opinion, let alone decision-makers.

It will become increasingly more common for NGOs to use the information revolution and technology to develop their interest in, and influence on, government policy and the responses of the international community. This tendency will grow, not just because the technology is there, but also because the issues are there. In recent years a number of issues, originally thought of as being of domestic policy, are now seen clearly to be not just international, but also involving players other than states.²⁵ The most obvious of these are grouped together under the flag of convenience known vaguely as "the environment". Behind that term lie a number of critical subjects such as global warming, biodiversity, climate change, pollution, which not only require solutions or policies which cannot be implemented solely within the bounds of national jurisdiction, but also mobilise many people outside the government to participate in public debate.

²⁵ See, for instance *Global Public Goods, International Cooperation in the 21st Century*, edited by Inge Kaul, Isabelle Grunberg, and Mare A Stern, Oxford University Press, New York, 1999, which makes a comprehensive case for new ways of treating transnational issues of public welfare.

Environment is the most prominent example. Other areas where non-governmental organisations are seeking a greater role in policy-making, and which have a strong international dimension, are such issues as labour standards, treatment of ethnic minorities, and immigration.

The internationalisation of issues once regarded as a matter primarily for a national government has been with us for some time now. One need only look at the increase in international agreements which national governments routinely enter into to see that.²⁶ What is new is the technology that speeds up the process, democratizes the participants, and eludes regulation. This shows up the inherent paradox facing nation states, particularly the small. They are happy to be part of a global village, but they want a rules-based global system to protect their interests against the strong and aggressive. To obtain a rules-based system requires their involvement in international discussions and negotiations. And to obtain a rules-based system will be difficult in an area where the new issues, allied with the new technology, will open the chance of participating in the negotiations to organisations and individuals who are not normally part of the traditional inter-governmental mechanism for setting international rules.

What does the spread of information technology mean for small states?

The first response must be that small states will find it easier to participate in the international debate, because the cost of information supply has dropped dramatically. In other words, human resources which used to be devoted to informing the governments of the

small states of developments in the outside world, can now be switched to other tasks, as the information can be picked up by using technology.

The corollary is, however, that governments of small states (indeed, of all states) are not so much concerned about gathering information²⁷, as with analysing it and using it to inform their choices. The amount of information available does not make it easier for governments to reach decisions; it makes it harder. This is a characteristic that applies to the big as well as to the small, but the big have more resources, human and other, available to do the analysis and the synthesis.

This suggests that small states will have to be circumspect as to the issues which they want to follow, or influence, in international affairs. This is not new. Small states have always had to concentrate their attention on the immediate and the important. That has been what has given them credibility in the international arena before now, and it will continue.²⁸ The speed with which the debate on any subject is now spread, and the diversity of the participants, will however encourage the trend to selectivity.

Thirdly, small states will have to look more closely at how they inter-act with nongovernmental players in international affairs. The development of policy in some complex fields - such as environmental policy - will have to be constructed on a greater acceptance of the role that non-governmental organisations can play, by their size, their competence, and their own connections to the international community. Governments will always have to be

²⁶ There have been more international agreements entered into in the period from 1945 to the present day than in the four hundred-year period before 1945. See *The Major International Treaties since 1945: A History and Guide with Texts*, J. A. S. Grenville and Bernard Wasserstein, (New York: Methuen, 1987).

²⁷ As Keohane and Nye point out, the information is essentially a "free" good. op. cit.

sovereign in their decision making, but they will have to recognize more and more that they cannot necessarily command within their own structures the expertise required to enable them to participate in the international debate. The mobility and permeability of information flows *which* the information revolution has introduced will strengthen the role of NGOs. National authorities, or even groups of national authorities, will have to adjust to the reality that the strong NGO tends to have wide international participation and impressive resources.

Fourthly, small states may find that they can benefit commercially or financially by exploiting the opportunities that new technology brings. We have already seen this happening in such ways as the provision of internationally allocated country dialing codes to outside organisations²⁹, or the sale of allocated radio frequencies and satellite up-link services. Off-shore and Internet banking are other examples.

In short, the nature of the international debate will change; the number and relative strengths of the participants will change; the non-governmental actor will become increasingly more a part of international negotiation; the spread of issues debated electronically will rise, so small states will need to choose carefully which issues to become involved in - if they have a choice; and, finally, there will be commercial and financial opportunities arising from the spread of the Internet. But not all will win.

²⁸ Malta still enjoys international standing for its pioneering work on reform of the Law of the Sea, for instance.

²⁹ Country access codes allocated by the ITU are sold in part, to companies which list that number as part of their telephone services. That these arrangements often seem to allow for the provision of sexual services does not invalidate the argument. In the case of sex chat lines, the services are re-routed from another location: i.e. the service provider is not physically located in the country whose access code the provider is using.

Globalisation and international trade liberalisation

When we refer to globalisation, (a term which Professor J. K. Galbraith claimed personally to have kept out of the American dictionary)³⁰ we think first of that nexus of financial interchange which is now established in all markets of the world. The markets allow for virtually instantaneous buying and selling of a whole range of financial instruments, be they currencies, stocks and shares, or other. That these transactions take place continuously around the world means that "the market" is never closed. Secondly, the volume of transactions is so large that it far exceeds the value of world trade. Thirdly, modern communications mean that even the inhabitants of the smallest state can participate in this activity. And many do.

The examples of the off-shore banking industry have been with us for many years, but have proliferated only since the time when the state involved has been independent and has therefore asserted its jurisdiction - i.e. devised its own rules for control of what happened on its territory - in ways which attracted institutions and individuals to establish a presence within its boundaries. (The Isle of Mann, for instance, and Jersey, have long been able to run separate financial regulations even though technically they are part of the United Kingdom.

³⁰ remarks at a lecture at the Kennedy School of Government, April 1999.

But the Bahamas and Vanuatu, to take two other examples, have been able to operate in this way only since independence.)

The speed with which markets could move financial resources around the globe was really the first introduction many governments had to the loss of control over their own markets - that is, the markets situated within their national borders and which they claimed to control. Now it is generally accepted that the days when a small state could hope to exert effective control over the markets within its borders, let alone those outside, are over. This applies whether one is talking about control of the national currency (look at British experience in 1992 when the United Kingdom left the European Exchange Rate Mechanism), or trading in foreign currencies. In the latter case, for instance, even in a very small market like New Zealand, the amount of average daily foreign exchange transactions is \$US 7.5 billion, compared to annual GDP of \$US 50 billion.

Subsequently, the arrival of new methods of trading on the world's financial markets using information technology has revealed that there are substantial, unregulated risks which can lead to problems for even the largest sovereign governments,. The collapse of Long Term - Capital Management (LTCM) in the United States in 1998 nearly provoked a crisis in the United States financial market, the largest in the world - and hence in global markets. ³¹ Inbound investment for most small states has been an inevitable part of their history. Very few, if any, of them, and especially the developing states amongst them, have been able to generate the internal savings necessary to provide development capital. This has meant that

³¹ Mr. Alan Greenspan, Chairman, Board of Governors, Federal Reserve System, said in testimony on 1 October 1998, to the Committee on Banking and Financial Services of the US House of Representatives, "It is questionable whether hedge funds can be effectively directly regulated in the United States alone. While their financial clout may be large, hedge funds' physical presence is small. Given the amazing communications

they have been reliant on outsiders. In the good old days, governments were able to place some controls over this process, either by restrictions placed at the frontier, or by relying on certain traditional partners, or by setting up joint ventures in which they participated. Today, the ability to attract funds is a crucial part of participating in the global economy. Investors, looking for a return in a competitive market, have a greater freedom of choice than forty years ago, or ten years ago, or even five years ago. Political stability has become a much more attractive criterion, as has the transparency of the market and of government policies. The volume of funds available across the globe for investment purposes reached almost \$US 2 trillion by the end of 1992. The rate of growth in this sector has been about double that of growth in tradeable goods, and over double the growth in world GDP.³²

In addition, of course, to being the means of transmission of information around the globe, the technology of the information age has important impacts on the production cycle, be it in the industrial or the services sector. It should, therefore, be an even more important concern for the small developing states that the evidence is mounting that the application of technology creates an increase in productivity across the national economy. There has been for a number of years in the United States and other developed economies a debate about this issue. In the U.S., economists were puzzled that the expenditure on information technology did not appear to be reflected in the measurement of productivity.³³ New evidence suggests that the link between the application of computer technology and productivity growth is available. A recent paper by the senior economist of the Federal Reserve System

capabilities available virtually around the globe, trades can be initiated from almost any location. *Indeed, most hedge funds are only a short step from cyberspace.* " (added emphasis)

³² These figures are taken from *The Uruguay Round and International Diffusion of Innovation*, by Fabrizio Onida, in, Riccardo Faini and Enzo Grilli, eds., *Multilateralism and Regionalism after the Uruguay Round* (London: Macmillan, 1998).

demonstrates that over the last three years (1996-1998) the contribution of computer hardware to output growth in the US economy has doubled over the previous five-year period. If this trend is to be confirmed then it would show that, despite the relatively long lead times required from investment decision to productivity pay-off, the promise of a revolution in economic growth, comparable with previous experiences like the introduction in the 1870s and 1880s of electric motors, is likely.³⁴ The implication is clear: those that do not deploy sufficient information technology in their economy will experience restricted and delayed economic growth.

World Trade

At the same time as the financial markets have become global, so has world trade grown substantially. Figures suggest that over the fifteen-year period from 1980 to 1995 it has increased at about 4% per annum compared with the growth in world GDP of about 2.8 % per annum over the same time. Growth has been stimulated by worldwide trade liberalisation through the General Agreement on Tariff and Trade (GATT) and now the World Trade Organisation (WTO), and by the development of regional trading groups, as well as by productivity growth in national economies.

The liberalisation of trade, together with the application of information technology, has created a new phenomenon in international commerce: the tremendous increase of the role of the multi-national, or cross-border, company in the global economy. The figures speak for

³³ Epitomised in the remark by Robert Solow, the Nobel Prize-winning economist, "you can see the computer everywhere but in the productivity statistics". Robert M Solow, "We'd Better Watch Out", in the *New York Times Book Review*, 12 July 1987, p. 36.

themselves. Intra-industry trade - that is, trade between various parts of the same industry - has been larger than other global trade flows since 1993. In 1991, it was estimated that the sales of trans-national corporations world-wide was over \$US 5.5 trillion. Even trade between parts of the same firms has grown exponentially. Figures for the United States as early as 1991 show that on average 25% of total merchandise exports were intra-firm. In the case of Japan, in 1991 38% of merchandise exports and 40% of merchandise imports were between affiliates of Japanese companies.³⁵ The consequence of intra-industry trade is again the reduction in the ability of the individual state to exert effective control over its own economy, a lesson which has had particular relevance for small states.

Globalisation of financial markets; substantial growth in trade in goods and services; and the importance of intra-company trade: these characteristics shape the environment in which the small state, as others in the international community, faces the call for more liberalisation of world trade, epitomised in the push for a new World Trade Organisation (WTO) multilateral negotiating round.

There is considerable evidence, from both economists and political scientists, of material benefits that accrue to small countries through the growth of international trade. The economic arguments stress the importance of: access to imports for production of intermediate and finished goods; exposing domestic economic sectors to competition; and the

³⁴ The case is put in "Computers and Aggregate Economic Growth: An Update", by Daniel E Sichel, senior economist, Board of Governors of the Federal Reserve System, Washington D.C., in *Business Economics*, April 1999 (volume XXXIV, Number 2), Journal of the National Association for Business Economics.

³⁵ figures taken from R. Brainard, "Globalisation and Corporate Nationality", *STI Review*, Special Issue on Globalisation pp. 163-190, and quoted in Fabrizio Onida, *op.cit.*, p. 131.

attraction of comparative advantage which makes setting up a domestic industry uncompetitive.³⁶

Economic theory tends to support also the idea that smaller countries benefit from the development of liberalised international trade. Alesina has written, for instance, "as the world becomes more and more populated by small countries, a liberal trade regime will find more and more supporters, precisely because small countries need trade to be economically viable. In other words, small countries face incentives to adopt open trade policies, precisely because they cannot benefit from access to larger markets unless they are open to trade. Thus, small countries can be expected to be more open to trade." ³⁷

To this argument needs to be added the practical observation that the sheer increase in the number of states will increase the number of participants in the international trading economy. Autarky has lost its sense. The only state which still may claim to be less reliant on trade than any other, North Korea, is also the most repressive, and in dire economic straits. So, the moral of the story is visible for small states - international trade is critical. The more trade is open, the greater the chances for small states to participate.

States big and small have to come to terms with the expansion of the international market place. For the small state, however, with a small market and a limited range of production, the challenges are substantially higher. On the one hand, the drive for global sourcing of intermediate goods in the production chain has led to a search for low-cost producers, which puts developing states in competition with each other in a rather one-sided way. For those which do receive such investment, there are benefits (in training, in labour and in technology

³⁶ See, for instance, Peter J Katzenstein in *Small States in World Markets*, (Ithaca, N.Y.: Cornell University Press, 1985).

acquisition, for instance). The stimulus that such competition gives to diversification of production - i.e. the chance for new industries to be formed - is welcome, but it does not always bear fruit. Technology may provide an answer, but it relies on a degree of training and literacy in the society concerned. The tendency for technology-based industries to concentrate in certain geographical areas - or to require at least a certain size of population to spread - is a drawback for small, especially the isolated, states. It is conceivable that Nauru or Kiribati could become a centre for technology-driven firms, but it is not likely.

Given the advantages which are available from greater participation in the international economy, there is no real possibility available to small states of opting out. The issue becomes a question of adjustment to a new global trading reality.³⁸ What is needed is time for adjustment, and rules to cover the policies of adjustment. In the case of developing countries, that means that the rest of the international community and the international institutions will have to accept, and put in place, transitional adjustment processes which are the product of negotiation with the countries concerned, not imposed upon them.

For the international community as a whole, and for the small especially, the first best option is global trade liberalisation within a framework of defined, respected and enforceable rules.³⁹ Originally the GATT, and now the WTO, have been given considerable responsibilities in this area. Just as the number of member states of the UN has increased, so

³⁷ *Alberto Alesina and Romain Wacziarg, Openness, Country Size and the Government, National Bureau of Economic Research, Working Paper 6024, Cambridge MA, 1997, p. 4.*

³⁸ "the intensification of internationalization has presented as great a test to established small-state adjustment strategies as it has to the management of larger, more recently open, economies." Dermot McCann in *Small States, Open Markets and the Organization of Business Interests* (Aldershot: Dartmouth, 1995), p. 183.

³⁹ There is sufficient evidence available on the benefits of global trade liberalisation that the case does not need to be made here. In the pioneer work done in 1957, for instance, by the International Economics Association, recorded in *Economic Consequences of the Size of Nations*, the editor, E. A. G. Robinson wrote: "the first solution, and fundamentally the more desirable solution, is that provided by the concepts enshrined in the GATT-the attempt to create progressively a relatively free trade between all nations, and setting no restrictions on the directions in which trade should flow." p. xx.

has the number of states - and hence small states - participating in trade liberalisation negotiations. Twenty-three countries participated in the first MTN round, the Geneva Round, of 1947. Fifty countries participated in the Kennedy Round of 1964-67; ninety-nine in the Tokyo Round 1973-79; one hundred and seventeen in the Uruguay Round from 1986-93. The 1993 GATT Agreement (incorporating the results of the Uruguay Round) gave a substantial push to trade flows and increased the participation rate of small states in the global economy. This growth in participation is reflected in the contribution of increased global trade flows to wealth. The ratio of trade to GNP on a global basis has increased by 50% since 1974. This has been unevenly distributed, however, and developing countries, especially the smaller ones, have not kept up with the pace of other states.

The results of the Uruguay Round may not have produced universal direct benefits for some small states, particularly the least developed amongst them. If they are net food importers, for instance, the reduction in agricultural subsidies could lead to higher food prices. Intellectual property protection may well mean a high outflow of payments to the owner firms, most of which are based in the developed world. The application of WTO rules to trade in bananas, a recent development, has created a considerable degree of anxiety, if not hostility, in certain Caribbean countries to the liberalisation rules. On the other hand, there are sectors covered in the Uruguay Round agreement which are of benefit to the small developing states. Textiles are one. Another, and one with considerable promise for the future because of the growth of information technology, is the services sector. Trade in services grew over 50% faster than trade in goods over the period 1980-1992.⁴⁰ Wages in the traded services areas tend to be higher. The potential gains from

⁴⁰ *World Trade Organisation, International Trade, Trends and Statistics*. WTO, Geneva 1995, p. 14, table 1.8.

further liberalisation in this sector are, therefore, considerable, and are likely to percolate down quickly to smaller, particularly developed, countries.

The member countries of the WTO are now preparing to launch another round of trade liberalisation negotiations, the Millennium Round. Already, the shape of the agenda for that Round can be sketched out in broad terms. The opportunities it offers to small states, and particularly to the developing states, to achieve greater returns in the global market place, will be decisive in winning their support for the success of the Round.

As that event approaches, it needs to be kept in mind that in the 1980's the weakness of commitment to multilateral trade liberalisation - concern that failing commitment was in itself one of the driving factors in getting the Uruguay Round started - had led to an increase in regional arrangements, which were not always GATT-compatible. When the two major economic groupings, the U.S. and the EU, were applying such practices, it was clear that it would be more difficult for smaller economies outside the groupings to get access to these markets. As one writer has put it,

There is no empirical evidence to demonstrate that these digressions from multilateralism in US and EC trade policies caused either the rate of growth of world trade to slow down or led to a substantial fall in investors' confidence, but it is conceivable that the growth possibilities of a number of small and less developed countries might have been substantially constrained in the long term by the prevalence of direct agreements creating 'strong trade areas' at the expense of the type of generalized and unencumbered market access that the GATT order guaranteed if strictly observed.⁴¹

In other words, had there not been a recommitment to multilateral trade liberalisation in the second half of the 1980s, the downside risks to economic growth in smaller, particularly developing countries, would have been greater.

⁴¹ Carlo Sacchi, "The Political Economy of the Uruguay Round", in *World Trade Organisation, International Trade, Trends and Statistics*. WTO, Geneva 1995, page 76.

This was particularly important because the developing countries themselves were losing some of their prejudices against the prospects for the Uruguay Round. They were coming round to the view that growing world trade and investment flows had more to offer their own societies' growth prospects than the issues of aid and debt. In so doing they were joining a number of smaller developed countries, like New Zealand and Singapore, that had already committed themselves to the value of a further Round. Without wanting to say that *all* small countries⁴² supported another GATT Round, it is possible to say that a large number of small countries thought this way.

This is an important point to bear in mind as the Seattle meeting aimed at launching the next Round gets closer. The opportunities in a liberalised international economy are considerable for all participants. The rules that govern that liberalisation will be critical to its acceptance by national governments. It is not surprising that small states were amongst the most determined to have rules for dispute settlement incorporated in the 1993 GATT outcome. Their objectives will be similar in the Millennium Round.

⁴² Ireland, for instance, as an EU member, was initially opposed because of the challenge to the Common Agriculture Policy (CAP) of the EU.

Regional trading arrangements

The temptation to seek a regional answer is always an attraction to a small state whose interests are not as great in global negotiations as those of the major players. Regional arrangements, in questions of security or trade, have long been attractive to small states, especially where geographical proximity has added forceful logic to sustain that regionalism. The advantages of acting in concert with others have outweighed the disadvantages of compromise to national decision-making that membership of the club have required. It is no surprise, therefore, that the other, driving force in the growth of international trade over the last thirty years or so has been the development of regional trading arrangements, in the form of free trade areas or preferential trading areas.

In addition to the perceived economic benefits of regionalism, there is an obvious political aspect that is immediately tangible to small countries. Regionalism offers the possibility of having a greater degree of influence on the outcomes decided by member states. A recent study on this issue makes the following comment:

Regionalism in trade relations seems to have a political dimension that exceeded its real reach. Its practical importance in shaping trade relations even in recent times may well be overstated. Regionalism, nonetheless, maintains a very powerful

attraction, not only among developing countries, but also among countries of new and old industrial traditions.⁴³

The most prominent example of the strength of regional groupings is the European Union (EU), which decided in 1985 to create a true internal common market for its member states, and then in 1993 to create a common currency. Both of these are now in operation.

In the process leading to the EU common market and common currency, the small European states have had to make trade-offs: in particular they have given up the right of national control over large areas of their economy.⁴⁴ But, in reality, they had never had great powers in that area in recent years. To take an obvious case, Luxembourg, Belgium and the Netherlands were already a coherent unit within the EU, virtually from the beginning. Similarly, in the monetary field, the acceptance of a common currency has not been so significant for smaller states. The strength of the Deutsche Mark (DM) has tended to create a monetary policy system that extended beyond Germany - to Luxembourg and the Netherlands, for instance. In the case of a country, Austria, which joined the EU in the more recent years, successive governments had a policy of aligning the Austrian currency with the Deutsche Mark long before its membership of the Union became a fact.

The success of the European integration process over the last forty years has attracted more countries to join. The small European states have been particularly affected. Austria, Denmark, Finland, Greece, Ireland⁴⁵, Portugal, Spain, and Sweden were not founder members of the European Communities, but all were attracted to joining. Were it not for

⁴⁷Riccardo Faini and Enzo Grilli, eds., *Multilateralism and Regionalism after the Uruguay Round* (London: Macmillan, 1998), p. xvii.

referenda in Switzerland and in Norway where public opinion went against the views of the governments of the day, they too would now be members.

Hungary, Poland, the Czech Republic, and Slovenia are all in the throes of preparing for membership. Malta and Cyprus would like to be EU members, and both enjoy privileged trade relations with the Union. So does Iceland, a potential member of the Union were it not for the difficulty of aligning Iceland's policy on fishing and fish resources with that of the EU. The Baltic states are aspirants. So too in a longer time frame, are Bulgaria, Romania, Slovakia, and Croatia. Clearly, small European states see very strong reasons for wanting to join the EU. Regional trade and economic growth is one reason.⁴⁶

The attraction of membership is balanced by the loss of sovereign decision-making power for each member state. McCann makes the point that, even as the European Union grows and brings its member economies closer together, the smaller member states may well lose more influence on European decision-making than they had contemplated. He says, "on the trade affairs side, small and large states are confronted by some markedly different problems. It is apparent, for example, that associations and firms in small member-states of the European Union will find it especially difficult to overcome disadvantages of scale to intervene directly, and effectively, in the European policy-making process".⁴⁷ That disadvantage notwithstanding, the development of the EU has been a stimulant to the growth of free trade areas in other regions of the world, and an example to small states of the potential these areas have. The uncertain international trading climate of the late 1970s and early 1980s, where fear of a revival of protectionist policy in the world's leading economies,

⁴⁴ For some of them, the trade-offs were not politically acceptable: Denmark, for instance, remains outside the common currency.

⁴⁵ See McCann, *op.cit.*, for a study of small states, particularly Ireland, in the EU.

⁴⁶ Political and security factors are equally important, but need not be discussed here. NATO membership is discussed in the section on security policy and alliances.

helped create interest, and not just in Europe, in regional trading arrangements. "The [third] motivation, guarantee of market access, was clearly widespread among the smaller countries, both developed and developing... .hence the overall quest by small countries everywhere for economic security through association with dominant countries or regional groups." ⁴⁸

The North American Free Trade Agreement (NAFTA), involving the United States, Canada, and Mexico, was a reflection of this trend (even if the states concerned are not small states). Other regional initiatives include the "Common Market of the South" (MERCOSUR) in South America, Asian Free Trade Agreement (AFTA) in South-east Asia, the Union of Arab Maghreb, the cross-border initiative in sub-Saharan Africa, and Closer Economic Relations (CER) between Australia and New Zealand. As a generalisation, it is safe to say that the smaller countries involved in these various partnerships have been more attracted to them than the larger, because the perceived advantages of access to the larger market have been self-evident. As one study of the issue notes, ⁴⁹

the following claims, related to the impact on the home country welfare of changes on the export side, are not subject to debate: i) improved access for home country exports to the partner's market raises the welfare gain (or reduces the welfare loss) of a PTA [preferential trade agreement]; ii) the benefit of improved market access is larger the larger the home country's post-integration exports to the partner country; and iii) the benefit of improved market access is larger the larger the partner country's reduction in trade barriers.⁵⁰

The attraction to so many states of becoming parties to such agreements explains the number of applicant countries' free trade agreements. The then Director-General of the GATT, Mr Peter Sutherland, reported at the, or aspiring applicants, across the range of regions

⁴⁷ McCann, *op. cit.*, p. 185

⁴⁸ Enzo Grilli, in *Multilateralism and Regionalism after the Uruguay Round*, London: Macmillan, 1998), p. 200.

⁴⁹ Maurice Schiff, *Small is Beautiful: Preferential Trade Agreements and the Impact of Country Size, Market Share, Efficiency, and Trade Policy*, (Washington D.C.: World Bank, 1996), pp. 3-4.

⁵⁰ We should enter a note of caution about benefit accruing in all cases. The evidence from economic analysis of some of the regional trading arrangements solely between developing countries shows that welfare gains are hard to identify.

beginning of 1994, that almost all of the 115 members of the GATT were participants in at least one regional trade agreement.⁵¹ In Europe, the EU has already embarked on a process to admit a further six, small, member states. A number of other small states wait at the gates for permission to begin their own negotiations. With regard to NAFTA, Caribbean states and some Latin American states have declared their willingness to join. Exploratory conversations as to the possible advantages of some more formal link have been held by Australia and New Zealand with MERCOSUR and with AFTA. The small states of the South Pacific have expressed interest in joining CER - and the Treaty establishing CER allows for that possibility.

In the Asia-Pacific region, the initiative of APEC member economies to create a free trade area by the year 2020 covering all member economies has been presented, not just as a means of gaining strength from regionalism, but also as a means of helping the international community through the WTO speed up trade liberalisation. Given the significance of the largest players - the US, China, and Japan - it was inevitable that smaller regional countries would want to participate in the work, if only as an insurance measure against the event that multilateralism failed and regionalism worked. At the same time the participants have made it clear that APEC is based on a concept of "open regionalism," the principle that liberalisation achieved within APEC economies will be extended to all.

Again, the smaller economies in this grouping, a zone which accounts for most of their trade in global terms (about 70%, for instance, in New Zealand's case), could not but be interested in a mechanism and procedure which could open up access for them to three of the four biggest economies in the world. As East Asian countries have over the last twenty years or so predicated their economic growth on the increase of their exports and the development of

⁵¹ *Regional Integration and the WTO: Conflict or Compatibility*, address to the Third Euro-Latin American

export competitive industries, it was always highly likely that they would explore the possibilities of APEC.

Schiff's study has demonstrated that, in most circumstances where a small country joins an arrangement with the larger country, the welfare gains on the import side are measurable. He says, "the home country is better off as a small member of a large bloc than as a large member of a small bloc."⁵² His arguments concentrate on preferential trade agreements, where an external tariff is still applied to either the partner country at a reduced level, and to the rest of the world. Free trade agreements, however, have different effects since the tariff applied to the partner country has been removed. In a world where the pressure on tariffs is downwards these effects will become more common. (APEC economies have, for instance, committed themselves to total free trade by 2010 as between developed members, and by 2020 for all members.)

At the beginning of the new century, therefore, the international community is seeking to increase global trade flows by both multilateral (the WTO) and regional mechanisms. There are tensions between the two, which can at times threaten progress in one or the other channel. For the small state, any increase in the level of tension which brings about an increase in protectionism is likely to have a disproportionate effect on its economic interests. It is also likely to make regional trading/economic groupings more attractive since the small state, as we have seen, will feel that its influence in the regional context will be stronger. But as this is generally a second best solution, even for the small state, the expectations that are held for a successful launching of, and a successful conclusion to, the Millennium Round will be high.

Forum, Sao Paulo. GATT-WTO, Geneva 1994.

⁵² Schiff, op. cit., p. 11.

Security policy, alliances, and non-alignment

As we have seen, the original conception of small states centered on their lack of military capability. A small power in the nineteenth century and early twentieth century was assessed by the Great Powers for its ability to join an alliance on one side or the other of the balance, and on its ability to put forces into the field when the time came. The small powers themselves understood the rules well, and maneuvered accordingly, as best they could. The First World War left some of them in precarious positions - those which had joined the losing side. The Second World War had similar effects. The losses of human life and economic capability in these two conflicts did not deter small states from putting their trust in alliances. If anything, and particularly in the early period of the Cold War, they strengthened this tendency.

As a result, the number of military/security alliances around the globe increased in the period after 1945. It has been argued that the small states saw as well as the large that the stand-off between the West and the Soviet Union was going to render difficult the workings of the one international organisation which was designed to keep the peace - the UN - and that, therefore, regional, or more concrete guarantees for protection were necessary. It could also have been that it was a continuation of their deeply-held views on the need for alliances. The

fact is that in the post-1945 period, security alliances were seen to be necessary. NATO is the best-known example, but there were such pacts as the Australia and New Zealand United States (ANZUS), SEATO, CENTO, and others.

Today, in a period when the conflict between the West and the Soviet Union and its fellow socialist countries has ended, the question arises whether small states still feel the need for military/security alliances.⁵³ At first glance, that need has declined. There are those who would say that it has vanished. The 'peace dividend' should benefit the small, as well as the large.

Today, the relationship of size and resources to the security of the state, and its ability to withstand outside challenge, is important, although not as critical as it was for the small European states of the early twentieth century. A common definition of "small state" in the literature has been a state that does not have the ability to defend its sovereignty and territorial integrity without the support of a bigger ally and protector. That remains inherently true. But there are examples in recent history of a smaller state managing to keep

⁵³ The increase in the number of small states has been accompanied by an increase in the level of tension and violence in international relations. The tangible evidence of conflict is present in such places as the Balkans, and in parts of the southern periphery of Russia (the Caucasus). In large measure, the violence arises from the clash of ethnic communities which previously were kept on a tight rein by the imperial power, the Soviet Union, which was able to impose a broader "national" - i.e. Soviet - interest on potentially fissile parts of the Soviet Union.

Two economists, Alesina and Spolaore, have argued that economic modelling would suggest that the creation of new international states, which has reduced the risk of conflict between large powers, may increase the risk of conflict between small states. As they put it, "First, secessions and, more generally, break-up of countries should go hand in hand with a reduction of international conflict. Second, the number of conflicts among small countries may go up, as a result of the break-up of previous larger political units. Third, the size of the 'peace dividend' is influenced by the process of country break-up which follows the reduction in the likelihood of international conflict." Alberto Alesina and Enrico Spolaore, *International Conflict, Defense Spending and the Size of Countries*, National Bureau of Economic Research Inc, Working Paper 5694, Cambridge MA, 1996, p. 23. This line of argument is largely untested in the political world. It depends for acceptance on the assumption that the economic costs of break-up of existing states into smaller parts provoke sufficient incentives to fight rather than to live in peace.

itself above water in a conflict against a bigger state. The classic example is Vietnam in the war with the United States. But these are exceptions which prove the rule. Small states generally still feel vulnerable to outside challenge, and therefore want to take some dissuasive or protective measures to strengthen their security.

In the nineteenth century and in the first half of the twentieth, the classic way to respond to the threat of violence and intrusion by an outside power was to take up an alliance with a larger protective power. We have seen elsewhere in this study that certain alliances of small and larger states are still in existence. Alliances have the advantage that they are normally freely entered into on both sides, so that the participants know what they are getting into. Today for the small state seeking a protective larger partner, the problem which arises is that the large powers concerned are reluctant to commit themselves in this way.

In the new international climate, the only power with the real ability to protect allies on a large scale is the United States, but it is very difficult to see the United States prepared to act as a security guarantor to a state beyond those to which it already has such a commitment. There is a limit to the extent of security guarantees which the US government, the U.S. Congress, and the US public will tolerate, (and the three may have different levels of tolerance). Equally, with the end of the bipolar system, the attraction to the larger power, in this instance the United States, to enter into an alliance with a smaller state, is much reduced. It is also necessary to draw a distinction between expanding an existing alliance, and creating a new alliance.

Of the other major powers, Russia is no longer in a position to impose alliances on smaller countries at its periphery, and, given the decline in its power, it is not a sought-after security partner. China, the other major power in Asia, is not interested in alliances, and would find it hard to attract partners in the region, where concern over China's long-term ambitions is widespread. This suggests that traditional alliances with large powers are not regarded, in today's security climate as a valuable policy option by small states - with the exception of NATO. (It should also be clear that, in acting with NATO to impose peace settlements on areas like the Balkans, the United States is not seeking to enter new alliances).

In a different course of action, the case of New Zealand's dispute with the United States and with Australia over its ANZUS commitments could be described as one attempt by a small country to try to re-define the terms of an alliance to reflect a belief that the external conditions of its security had changed sufficiently, so as not to require a military guarantee from outside.⁵⁴ That the cause of the breakdown of ANZUS as a security guarantee for New Zealand was New Zealand's refusal to accept nuclear-armed or nuclear-powered vessels in its ports, and that this is portrayed as a stance against nuclear weapons, does not invalidate this point. There is in New Zealand a strong current of public opinion which would say that in the modern world New Zealand's geographical isolation and commitment to the rule of international law are sufficient unto themselves to guarantee the country's security.

Other small states in less benign geographical situations have not had the luxury of distance or isolation to protect them. The states of Central Europe, all small with the possible exception of Poland, have decided that membership in NATO is a requirement of national

policy, and an added step towards stability in the region. This is an example of the continuing attraction of an alliance to small states, enhanced by NATO's undoubted success in preserving the peace in Europe since its formation. Effective alliances are clearly more likely to attract new members in geographical areas where states are searching for guarantees. The accession already of Hungary, the Czech Republic and Poland to NATO demonstrates that. The key factor in NATO's continuing success is that the United States still recognises that it has vital interests in Europe which need to be protected through a security alliance.

Elsewhere, the small states have not been able to find an alliance to join. Take the three areas of international tension. In the Korean peninsula, the Republic of Korea is protected by the United States security obligations. Taiwan and Japan are also protected. The security circumstances of North Asia, where the United States is providing separate security guarantees to these three, have made it almost impossible for the states of the region to establish a wider ranging alliance. In the Middle East, Israel is protected by a security relationship with the United States, but the states which confront Israel have not been able to ally, nor, since the demise of the Soviet Union, have they their own champion. Finally, the standoff between India and Pakistan has meant that neither of them, nor their small regional neighbours, have been able to establish a security alliance.

In a world dominated by one power which will be cautious about the range of alliances it enters into, what then about alliances purely between small states? There is not much evidence that small states are looking for such alliances. Regional security arrangements are

⁵⁴ Bear in mind that ANZUS was originally designed to afford Australia and New Zealand protection from a

an option endorsed by the United Nations Charter, and several of them are long-standing. But there is no recent trend to develop new alliances of this type. In South-east Asia, where ASEAN might provide a framework within which small states might seek common security guarantees, the political disposition to do so is not strong because to many it would seem like an alliance directed against China. As a result the idea has been studiously avoided. Such discussions on security issues that have taken place across the region have been conducted under the aegis of the ASEAN Regional Forum (ARF), which includes China and the nonregional powers such as Russia, India, and the United States.

The conclusion that one draws from this is that small states, even in areas of potential conflict, do not see the need, nor do they have the capability, to mount an alliance response to their disturbed regional situation. An alliance with a larger outside power, such as is the case in NATO, is not possible in the Middle East or South Asia because the large powers concerned, the United States or China, are not prepared to commit themselves to such arrangements. This shows up the other side of the nature of alliances between small and large powers, namely, that the large power needs to be convinced that such an alliance is in its national interests for any such alliance to be established. In other words, the small state is dependent upon the decision of the large state. And the possibility of alliances between small states does not attract support.

In recent years, as information technology has grown rapidly and become much more widely available, it is tempting to suggest that the small state is now able to take more responsibility for its own security by acquiring relatively sophisticated arms at less relative cost. This looks

attractive, but it is difficult to prove. One welcome tendency deriving from the end of the Cold War is the trend for lower military/defence purchasing around the world. The figures which are available for the period from 1985 to 1995 show that, in constant US dollar terms, total world-wide arms exports declined from \$US 72 billion to \$US 32 billion.⁵⁵ (At the end of the 1980s expenditure increased, but has since fallen back markedly). This is not to say, of course, that certain countries have not increased their military expenditure: Indian and Pakistani acquisition of nuclear weapons is such an example. Spending in East Asia (China, Malaysia, Singapore, Thailand) has been relatively high in absolute terms, but in the case of the last three, defence expenditure as a percentage of GDP is declining - as it is in most states except those involved in conflicts.

The reasons for the decline in expenditure are several: the drop in international tension allowed some governments (e.g. those in Western Europe) to reduce defence expenditure - the peace dividend. A second reason is that the major suppliers reduced their defence aid transfers to developing countries. Thirdly, many countries appear to want to upgrade existing weapons systems rather than buy new, which is a cheaper option. And, fourthly, the increased sophistication of weapons systems is a deterrent for some countries which do not want to commit themselves to what they feel may lead to a higher level of defence expenditure.

What is also apparent is that arms transfers to regions of tension are still taking place without any trouble. The declining number of buyers on the international market-place - revealed

⁵⁵ *Value of Arms Transfers 1985-1995*, U.S. Arms Control and Disarmament Agency, Washington D.C. 1997

by the data provided above - produces competition in supplying those countries which are actively seeking weapons.

We know that, despite the hope that the end of the Cold War would usher in a period of international stability, small-scale conflict is still a feature of inter-state relations. Increasingly also, it is a feature of intra-state relations. Alliances are not regarded as helpful in preventing this violence, or the circumstances in which the conflict takes place are beyond the restraining influence that an alliance might provide. But the international community at large has to find ways of preventing these conflicts breaking out. Small states have a real interest in this issue, either because the conflicts involve small states, or because they are called upon to contribute to their resolution. What responses are open to them?

The first is that more effort should be put than has been the case in the past ten years into negotiations which accompany the creation of new states. It would be hard to replicate the chaotic way in which the break-up of Yugoslavia took place, with the consequences which we now know for the peace of the region, and the stability of the individual states concerned. The comparison can be made with the Baltic states, where, despite tensions in all three of them between the native communities and Russians, and with the Russian state, the breakaway from Russia/the Soviet Union was handled by the parties concerned with deliberate attention to negotiation. The euphoria which accompanies the achievement of freedom often pushes aside the need for negotiation and strategic decision-making.

Second, the international community is going to have to regard it as inevitable that the involvement of peace-keeping forces will be a more frequent part of the international scene

than is the case at present. This suggests that more preparedness for involvement as peacekeepers or peacemakers should be undertaken, by individual members of the UN, by regional groupings, and by the United Nations itself. Small states traditionally have been the most acceptable to serve as peacekeepers, and this role will continue. What has changed in the case of the Balkans is that the nature of the problem and the size of the intervention required meant that the large powers, and the United States, had to be involved in the peacemaking for it to have any chance of success. Peace-keepers drawn from several countries will, however, continue to be the preferred *modus operandi*.

Thirdly, work in the disarmament field will have to turn more attention to the lower level of conflicts which are involved. Nuclear disarmament and arms control, and the control of loose nukes and the other weapons of mass destruction, remain a top priority for all states, but we have to look at whether there are ways that enable us to control the violence of ethnic and small state conflict. This means looking at arms control efforts at a lower level of sophistication. Conventional arms control is still not far advanced as part of the international agenda. With the convention on landmines a start has been made, but that was undertaken rather through international revulsion with the consequences of landmines - i.e. a humanitarian reaction - rather than as disarmament measure *per se*.⁵⁶ At present, the existing forums for negotiation and implementation of conventional arms controls, like the Wassenaar agreement or the Australia Group on chemical weapons, have emerged from the period of the Cold War, and their membership tends to reflect that. More needs to be done to obtain the involvement of more states.

Fourthly, the development of international law with regard to intervention and the protection of human rights has to be the subject of serious analysis and debate. At present, the international community is still hesitant about its legal rights to interfere in such conflicts, especially when, as in the case of Kosovo, they take place within the territory of one state, but affect principally a minority ethnic community, which is itself seeking to reach statehood. This is a very complicated area. CNN diplomacy plays a major role here, in stimulating public opinion in developed countries to push political leaders to intervene. But it remains a tenet of the UN Charter that only the Security Council, except in the very limited circumstances of self defence set out in Article 51, can act on the basis of the conditions set out in Chapter VII, and authorise the use of force to "maintain or restore international peace and security." That the international climate has changed since the advent of nuclear weapons is clear. The existence of these weapons affects super powers, large, and small, states. Whether nuclear weapons have made the world a safer place for all small states is not a proposition which need be argued here. Rothstein said thirty years ago,

the revulsion against war, the slow growth of norms which restrict the legitimacy of using force, the unique fears and patterns of behaviour engendered by nuclear weapons, and, perhaps, a growing inwardness and concentration on domestic concerns by the advanced industrialised states ... have made it progressively easier for many Small Powers to survive and prosper.⁵⁷

Taken against a background of the fighting in the former Yugoslavia, for instance, or the wars in parts of Africa, that claim does not seem so true for all small states. When one

⁵⁶The process of getting acceptance of the landmines ban is a very good illustration of the power of non-governmental actors to move the international debate, an idea discussed in the section on information technology.

⁵⁷Rothstein, op. cit., p. 20.

considers that we appear to be entering a new phase when the internationalisation of many issues which were considered, in the words of the UN Charter, to be "essentially within the domestic jurisdiction" of a state, takes place more frequently, then small states, whilst their own security may not be threatened, are justified in feeling a certain uneasiness.

Non-alignment

Non-alignment was an experiment for its time, and it depended for its intensity on the ability of states to maneuver between the two poles of the US and Soviet superpowers. It was conceived by its founders as being not ideologically aligned, but rather as a sort of third force in international relations. Its vitality came not just from the personalities of those who gave it its impetus in the late 1950s (Nehru, Nkrumah, Tito, Nasser, Soekarno, to name the leading figures), so much as from the fact that the international climate had changed so substantially from the immediate aftermath of the war that the opportunity was there.

This was strengthened by the fact that the states concerned conceived of themselves, and by and large were, different in their outlook on international relations, and different in their own forms of government from the Western democracies; less so from the mono-party systems of the Soviet bloc, even though they tried to say otherwise. Additionally, non-alignment attracted countries emerging from colonial status because their former colonial powers had been either great powers in their own right, or had in the period after the conclusion of the Second World War been firmly in the alliance structure of the West. Accordingly, nonalignment was an attempt to chart a new political course. It attracted membership from a lot of small states from the newly independent world.

Over time, non-alignment came often to be confused with neutrality, probably out of attempts to put a semantic gloss on the term. "Neutral" might have had a more favourable ring to it than "non-aligned". The founders of non-alignment were clear in what they were doing, however. To them, it was not a case of claiming that their countries were neutral in the historical sense of assuming the rights and obligations of non-belligerents in the case of war.

Non-alignment had influence when there were two great powers. Indeed, the logic of the position is such that non-alignment can create a role for itself only when there is a choice between two superpowers or two camps. Non-alignment in relation to one such power is not a viable concept. And in the absence of threat to a country or countries claiming to be nonaligned, the term has little meaning.

In its heyday, the Non-Aligned Movement (NAM) was a powerful focus for small states, particularly those from the developing world, which could draw support there for their objectives in ways which they could not from either of the two blocs. As a lobby group and caucus in the international community, it did exercise some weight. As a security policy it did not pretend to be a traditional alliance, nor could it protect its members from involvement in conflict. Today, it is its political characteristic which has survived: the NAM position on UN reform, for instance, has been influential. NAM summits today do not generate the same international momentum that they could twenty or thirty years ago. It is unlikely that we shall see a return to its former position of influence on major international issues, and it is visible that the Group of 77 has become more the focus of developing country concentration, in the United Nations and elsewhere.

Reform of the United Nations Security Council

For small states in particular, the right to appeal to a body representing the whole international community has been an important part of their diplomatic armoury. This reflects not just the belief of the small state that in numbers there is strength, but also the willingness, for the sake of international harmony, to subsume some of its independence in accepting the right of others to influence its behaviour. That was a price worth paying to obtain their ideal of having an international body which would control the excesses of the larger powers.

From its inception, small states have been strong defenders of the United Nations and its role as a force for peace and stability in the world. Their role in the initial negotiations which led to the establishment of the organisation is well known. One of the issues in those negotiations on which smaller countries tried to challenge the wishes of the great powers was to disallow the use of the veto: i.e. to place all powers, large and small, on the same footing within the Council. They lost.

Over the last fifty-four years, small states have turned to the United Nations regularly for protection against the more powerful, for support for their ideas on the conduct of

international relations, and to promote the rule of law in international behaviour. They have used their numbers at times to great effect to inflect the wishes of the large and the powerful, and they have helped keep the mission of the United Nations afloat.

This is not a statement of virtue. It reflects the reality that by and large the small have found the United Nations to be a valuable and effective place to pursue their interests. This has been especially the case when small states have been able to serve on the Security Council,⁵⁸ although it is through the General Assembly that the large number of members are able, by combining numbers, to make their presence felt. Because of the principle of one state one vote envisaged in the Charter, the small consider that their chances of being heard are greater in the UN than in some of the other international institutions where strength is reflected in weighted voting. The United Nations is, as a diplomat⁵⁹ from Singapore has put it, "the global forum".

Looking at the work of the UN since 1945, there are many examples of small states organising themselves into groups, according to issue, to increase their collective lobbying power. The weight that they attach to any one of these issues can lead to their playing a prominent role in the debate in the General Assembly and other organs of the UN. As well as exercising their rights, many small states have been prepared to acknowledge their Charter responsibilities and have played a significant part in various UN peace-keeping operations over the last 50 years.

⁵⁸ Keohane's comment, "By election to the Security Council a small and otherwise insignificant state may be catapulted into a more prominent position," remains as accurate today as when it was written thirty years ago. Robert O. Keohane, "Political Influence in the General Assembly," in *International Conciliation*, volume 557, March 1966, pp. 38-39.

⁵⁹ Mark Hong, "Small States in the United Nations," in *International Social Science Journal* 47, no. 2, June 1995, p. 281.

The composition of the UN has changed dramatically since its inception. We have seen elsewhere the incremental increase in the number of member states over the period since 1945. This increase in numbers, coupled with a long-held belief that the organisation has been too much under the domination of the permanent members of the Security Council, has provoked the demands for reform of the organisation; in particular, the structure of the Council, how it is composed and its methods of working; the relationship between the Council and the General Assembly; and the responsibilities of the other organs of the UN.

It is a corollary of the value which small states place in the UN that they have led the drive for reform. Because it is a place where the small feel that they have some standing, a reform which gives them more influence is worth striving for. If there is any international meeting place that is likely to give them a greater chance of obtaining a shift in the behaviour of the international community, and of the large powers in particular, the small states have not yet discovered it. And, of course, the UN offers a system of programmes and specialised agencies where the debates engaged in the General Assembly - and the Security Council - can be further developed.

Why is there such pressure at this time for change in the core of the UN system? The increase in numbers of members, in itself a welcome development because it means that the UN does constitute a universal organisation, has had the counter-effect of decreasing the chances of smaller states of being successful in elections to UN bodies. In brief, the places available are limited. This is clearly the case in elections for the Security Council. The membership of the Council is comprised of the five permanent members, and ten seats which

rotate amongst the rest of the membership. The Council was expanded in 1965 from ten (five permanent and five rotating): at that time, there were 117 UN members. Today, there are 185, and the Council has not expanded since 1965.

Second, there is a widespread conviction amongst the small - shared by most UN members in large part - that the Council is dominated, to the detriment of its effectiveness, by the permanent members. There has been no change in the composition of the permanent members since the beginning of the UN.' Those states with permanent seats do not reflect today's composition of the UN itself. The principle of geographical balance is not respected. That the five permanent members are all nuclear powers is not a justification, in the eyes of many, for their privileged place.

A third reason is that the end of the Cold War has changed the dynamics of debates within the UN, away from a more conflictual stance between the two sides of the bi-polar world. An indication of this change can be seen in the decline in importance of the Non-Aligned movement (NAM), which tried over the period from the late 50's to the late 80's to carve out a place for itself in the UN system between the two more committed sets of allies. This "atmospheric" change is seen in the wish of the proponents of reform to get the work of the Security Council in particular to reflect this change in the international climate.

Also fuelling the drive for reform is widespread dissatisfaction, especially amongst the small states, that the working methods of the Council have been diverted by the permanent members, and the P3 (United States, United Kingdom, and France) in particular, from the open and transparent system foreseen in the Charter and the Rules of Procedure of the

Council. Added to that, the issue of arrears of dues to the UN owed by some of those on the Council, notably the United States, has made the atmosphere of the UN committee working on reform ⁶⁰ somewhat tense.

The debate about reform has now been seriously underway for over five years⁶¹, with no end in sight. The attitude of small states is not uniform in what they want to see achieved, but they are united in wanting reform. Some of their number have been influential in shaping the debate, notably on proposed changes to the use of the veto.⁶² It is difficult to see where the debate will come out. In the current climate, with many states concerned about the lack of UN Security Council endorsement of the NATO actions in Kosovo, the current attitudes of the permanent members to expansion of the Council, and the non-payment of dues, the chances of obtaining a solution that satisfies all members, and small states in particular, look illusory.

⁶⁰ Open-ended Working Group on the Question of Equitable Representation on, and Increase in the Membership of, the Security Council, and Other Matters related to the Security Council.

⁶¹ The Group referred to in footnote 60 was set up by the General Assembly on 3 December 1993.

⁶² See, for instance, the proposals submitted by a group of small states including Australia, Austria, Belgium, Bulgaria, the Czech Republic, Estonia, Hungary, Ireland, Portugal, and Slovenia, dated 25 June 1998, included as annex XVI to document A/52/47, *Official Records of the General Assembly*, UN, New York, 1998.

The Commonwealth

The Commonwealth has devoted considerable time and effort to understanding the particular problems of small states. This reflects the nature of its membership, which is drawn heavily from such states. In the Commonwealth context, a small state is a developing state (New Zealand is not a small state by Commonwealth definitions). Of total Commonwealth membership of fifty-four states, thirty-two are regarded as small. Twenty-one of these are in the Caribbean and the South Pacific.

The Commonwealth first took a serious policy interest in small states in the mid-1980s, at a time when the downturn in the world economic situation was having deleterious effects on their economies. The U.S. invasion of Grenada in 1983 also had caused considerable unease amongst Commonwealth Caribbean countries about security issues. The 1983 Commonwealth Heads of Government⁶³ meeting, on the recommendation of then Secretary-General of the Commonwealth, Shridith Ramphal, commissioned an expert study on small states. This study, entitled "Vulnerability - Small States in the Global Society", was presented to, and endorsed by, the subsequent Heads of Government meeting in 1985. The

⁶³ The supreme decision-making body of the Commonwealth, the Commonwealth Heads of Government meeting (CHOGM), takes place every two years. The most recent was in Edinburgh in October 1997, and the next will take place in South Africa in November 1999.

concept of "vulnerability" has remained central to the Commonwealth's work on small states ever since.

The recommendations of the 1985 report covered areas such as: strengthening national defence capability (a reflection of the Grenada invasion); considering regional security arrangements; training for national and civil service personnel; regional economic cooperation, particularly in the area of marine resources; promoting good governance; greater use of the United Nations; and multilateral economic policy development including pushing for greater recognition of the problems of small states in organisations such as ECOSOC, the World Bank, and the IMF.

By the mid-1990s it was clear that the circumstances in which the 1985 report had been developed were significantly changed. Some work had been done to implement the recommendations of the 1985 report, both by member states and by the Secretariat. The response was uneven, reflecting the difficulty for some small states to find the resources to put to this purpose (for instance, the recommendations on strengthening national defence capability). The collapse of the Soviet Union and the removal of the ideological struggle (Grenada had been a particular example of Communist theory at play in a very small state), together with the move towards the liberalisation of the world economy and of global trade (the Uruguay Round) had all intervened.

At the Commonwealth Heads of Government meeting in Auckland in 1995, it was decided to update the 1985 report on vulnerability. The work was entrusted to a group of experts, and a

revised report, "A Future for Small States, Overcoming Vulnerability" was tabled at the 1997 summit in Edinburgh.

The recommendations included a set of suggestions around the issues of liberalisation of world trade, and effective provision and use of development assistance. Interestingly, these included a call for domestic economic reform, including privatisation and technology development. Environmental policies, reflecting the increased concern that small states had about global developments, were also stressed. There was mention again of security, but in less dramatic terms than in the 1985 report, and the introduction of concerns about global crime. The strengthening of the United Nations system was also encouraged. Follow-up work through Commonwealth programmes was endorsed by Heads of Government.

The major contribution of the Commonwealth Secretariat to the study of small states since the Auckland meeting has been the work it has done on its vulnerability index; an attempt to try and establish some objective criteria to define which states are likely to be vulnerable, and to establish some idea of those most at risk. (The United Nations has also done some similar work.) The work on the index is proceeding. The analysis so far establishes that while growth rates of large and small developing countries may be similar, the volatility of GDP output is greater the smaller the country. The Secretariat's work is derived from three principal variables: export dependence; lack of diversification; and susceptibility to natural disasters. This has one important consequence - namely, the degree of vulnerability is not based on GDP. Although Vanuatu is classified by the index as the most vulnerable country, the index produces such conclusions as that Antigua and Barbuda, a relatively affluent country (its GDP per capita is about six times larger than that of Vanuatu), is only two places

away from Vanuatu in vulnerability terms. The index would also demonstrate that The Bahamas and Malta, small, relatively affluent island states, are more vulnerable than Kenya or Mozambique, large, low-income states.

The Commonwealth Secretariat has also put considerable effort into developing an index to cover environmental vulnerability. Of the ten most vulnerable states ranked on this index, nine of them are small. Again, absolute size of a country's GDP is not a determinant of rank because relatively affluent states like the Seychelles and Barbados count amongst the ten.

Because of the range of GDP profiles across Commonwealth members, their geographical dispersal (which make it hard, for instance, for small Caribbean states to liaise with small South Pacific states), and the mix of small island states with some very large continental states like those in Africa, developing an index which identifies across such a range of members those most needing assistance, is a useful tool for governments, and for regional and global institutions.

Follow-up action with major international organisations is, therefore, an important factor for the Commonwealth Secretariat. The dependence of small states on decisions which are taken in fora like the World Trade Organisation, the World Bank, the RAF, and - because of its immense importing power and influence on global trading rules - the European Union, led the Commonwealth to send a ministerial mission in 1998 to discuss possible common policy initiatives. These included graduation policies (the system whereby developing countries which reach a certain level of GDP no longer attract concessional financing), technical

assistance, special and differential assistance for more vulnerable; and, in the case of the EU, to discuss privileged trade access.

Although, at the time of writing, there are no policy decisions implemented as a result of this initiative, there are signs that part of it will bear fruit. The World Bank, for instance, is interested in working with the Commonwealth Secretariat on vulnerability, and on mobilising resources for more vulnerable countries. The two organisations jointly hosted a meeting on small states in St. Lucia in February 1999. As a result of that conference, further initiatives are likely, including more work by the World Bank on the financial situation facing small states, and their need for transition arrangements to help them adjust to a globalised financial market place. Similarly, the difficulties for small states in managing the increased demands of WTO membership may lead to some initiative in that area. The Commonwealth Heads of Government meeting in South Africa in November this year will examine the work done so far.

What we also see from the Commonwealth's handling of the issues of small states over a period of some twenty years is the way in which outside circumstances - the changes in global realities, if you will - have forced the Commonwealth, its members, and especially the small states amongst them, to shift their diplomatic and policy responses.⁶⁴ The

⁶⁴ One leading Caribbean practitioner and writer, Ronald Sanders, the current High Commissioner for Antigua and Barbuda in London, wrote before the Edinburgh Commonwealth Summit in 1997, about "the growing vulnerability" of small states, with a particular concentration on the Caribbean. Sanders' thesis was that the situation for small states was much worse in 1997 than it had been in 1985 when the first Commonwealth Report had been issued. He attributed this to various factors: on the trade front, to the development of NAFTA, and to the WTO decision on bananas; the international financial institutions for graduation; US policy on criminal jurisdiction in the drug trade; and US policy on Cuba swamping its policy towards other Caribbean states. As well as these causes, Sanders saw deterioration in the effectiveness of the United Nations. See "The Growing Vulnerability of Small States, the Caribbean Revisited," in *The Round Table* 1997, volume 343, London, pp. 361-374.

Commonwealth comprises a very heterogeneous membership, from the most developed to the very poor, and this heterogeneity is reflected in the small states in its membership. Clearly, it is in its work to improve the economic growth chances of the developing countries that the Commonwealth will concentrate its efforts. In developing its vulnerability index it has brought a useful tool to the attention of the wider international community.

Conclusion

Keohane and Nye ⁶⁵ have drawn the distinction between hard and soft power in the conduct of modern international relations. The former refers to the ability of "to get others to do what they would otherwise not do through threat of punishment or promise of reward". Soft power, in their definition, is "the ability to get desired outcomes because others want what you want rather than do what you make them do."

In reality, soft power has been the way in which the small states have traditionally gone about their business in the field of international relations. Power, and power projection, have always been difficult for small states in this century, and much more so since the advent of nuclear weapons. It is significant that only one small state (Israel) has taken the decision to join the nuclear club. The analysis of defence spending in the last decade has shown us that most small states have decided that military power is not an overwhelming priority, unless they happen to be one of those unfortunate states at the fracture lines of ethnic hatred or regional tension.

⁶⁵ Nye & Keohane, op.cit.

The issue of influence with other states, and especially the stronger and wealthier, is still today, at the core of the small states' foreign policy⁶⁶. If there is less interest in security and alliance structures because there is a feeling that the end of the Cold War has alleviated the security climate in some parts of the world, there is still a concern about the international architecture in which small states have to operate. The debate on the reform of the United Nations Security Council is an example of the continuing search for an environment that gives the small state a greater degree of leverage. In that sense, the main interest of small states is today, as it has been over most of this century, to try to get a rules-based system in place in which they feel secure, and in which they can exercise influence without fear of unwarranted retribution.

Rules imply behaviour, codes of conduct, assessment, and sanctions. Against this background, the search for rules-based systems in the age of globalisation and the information revolution is proving more difficult than was anticipated a decade ago when the Soviet Union collapsed. At that time, there was a belief, or a glimmer of a belief, that a decisive change in political conditions could lead to a new era of peaceful international cooperation. But there is no "new global order", and the introduction of new rules in the political /security nexus is not proceeding with any speed.

In the trade and financial areas there is more to report. The likelihood of a new multilateral trading Round heightens interest in negotiations on various issues which have thus far not been the subject of widespread international agreement. The World Trade Organization will deal with a number of them: trade and competition, trade and investment, trade and the

⁶⁶ What Rothstein wrote some thirty years ago is still valid: "In reality the Small Power tail does not wag the Great Power dog very much more now than it did in the nineteenth century." *op.cit.* p. 265.

environment. This shows the need to devise acceptable rules that reduce the likelihood of disputes as the globalisation of the economy speeds up. Equally, the international financial institutions, particularly the International Monetary Fund (IMF), are the subject of review in response to the events of the last few years in Latin America, East Asia and Russia. Here, as in the other organisations, a key part of the push for reform is to get decision-making power shared more evenly with the smaller states, those which are less wealthy, those which are vulnerable.

Globalisation reduces the ability of the state to exert control in its national territory. This means that any internationally-reached solutions to some of the issues mentioned above will require international verification and control. The WTO has established a disputes settlement mechanism designed to do this. Some of its decisions have been contested by those affected, which is not a good augury. In the field of information technology, the nature and the speed of the systems available add an additional burden. The rules will be hard to set when there is such discrepancy between the players, the technology-capable on the one side and the technology-weak on the other. The control of infringements of whatever rules are drawn up will be hard to detect, and decisions hard to enforce. Indeed, given the somewhat anarchic nature of the Internet, it is hard to see globally enforced rules being accepted by many (and this does not necessarily mean governments, since we have seen that NGOs and individuals will be players as well).

As the small state goes about trying to exercise its "soft power", it is having to share its decision-making processes with non-governmental players on a frequent basis. This includes

not just its own citizens, but those beyond its jurisdiction. The information revolution has opened the policy debate to a much wider audience, including those who may participate in the debate in one country whilst residing in another. The most pertinent recent example of this phenomenon is the influence that Diana Princess of Wales exerted on the international debate to control the use of land-mines. Not only was she an international symbol of the campaign against land-mines: her prominence and her status gave her a role that went far beyond that enjoyed by normal individuals, and of some governments too. We should expect that in the future this phenomenon will recur more frequently.

When one considers the reach, resources, and membership of some of the prominent international non-governmental organisations, which are now able to be much more active and more present in the handling of international issues, it is clear that small states, even those empowered by their ability to absorb and use the new information technologies, will be hard put automatically to get their views heard. As Keohane and Nye remark, "Some aspects of the information revolution help the small; but some help the already large and powerful."⁶⁷

Parallel to, and in part because of, the trend to globalisation, runs the increased interest in regional cooperation in many parts of the world. Unsure that the global-level answer will be sufficient, particularly in international trade, many small states are active in seeking regional answers, either as a substitute or as a supplement. They are pushed in this direction by their feeling, based on the lessons of the past, that there is more political influence available to them in regionalism compared with globalism. They are also reflecting widespread public concern that globalisation is too amorphous a process, which removes responsibility from the

⁶⁷ Keohane and Nye, *op. cit.*, p. 87.

local or national scene and leaves them at the whim of some anonymous, untouchable international forces.⁶⁸

The regionalisation of international politics has had one striking effect for small states.

Within Europe, which is their historic and traditional centre, the small states have chosen the path of European integration. That move towards integration will have an inevitable repercussion on the ability of each state involved to exert an independent influence on most international issues of the day. The small states which participated in the reshaping of the European landscape after the First World War and after the Second World War, those states which have been the prime movers in developing a special role for small states in the international community, are all moving down this path. One can foresee that by the year 2010 almost all of them will be part of the Union, and that those which have not joined will be aspirants waiting at the doors.

The major consequence for those small states outside Europe is that the nature of the "Small States Club" will change. The ability to work with their European counterparts, which were not bound to reach a caucused position within the EU group until they became members of the club, will be reduced. These consequences are already visible with the small states which are now EU members.⁶⁹ It will be much more the case when the current set of applicants, and the second wave coming behind them, are members.

⁶⁸ This is reflected in such things as the public response in a number of OECD countries on the negotiations for a new multilateral agreement on investment (MAI), which effectively put an end to these negotiations.

⁶⁹ Even with those that are not: Hungary, for instance, withdrew in 1998 from the Cairns group of countries which promote agriculture trade liberalisation, because it considered that membership was not compatible with its accession process to the EU.

The number of developed, democratic, technology-capable small states outside the EU group will be much reduced in number. The number of these states is, in any event, small. For a country like New Zealand, for instance, Singapore and Australia - if we put Australia in the small state camp - will share common interests. Iceland and Norway, if they stay outside formal EU membership, may share common views on some issues with non-EU small states. Some of the Caribbean states will be in the same position, although that would decline if NAFTA were ever expanded to take them in. Latin American states are similarly affected. The small states in the developing world will continue to share certain interests with the developed small states in policy areas and in such things as reform of the UN, and the creation of rules-based systems. But their principal interest will still be development-driven, and their natural alliances will be with other developing countries.

At the heart of any country's international policy is the protection of its core interests. Advancing these in a competitive international climate has never been straightforward. Where there has been strength in numbers, it has been easier. The change in the status of European small states will mean that those outside the European core will have to devise other means to compensate for that loss of traditional support - in issues where the collective European position does not coincide with their own. Issue-based diplomacy will therefore become more important to small states. Some coordination along these lines is already noticeable. The Association of Small Island States (AOSIS) is active in the environmental debate on global-warming; and the Forum of Small States (FOSS) operates in the United Nations context in New York. Such alliances have always existed in the past, notably in such lengthy international negotiations as the Law of the Sea Conference. We can expect more of them in the future.

These issue-based groups of small states should be seen as separate from the regional groups which are a feature of modern diplomacy. Regionalism will continue as a priority for small states where the regional organisations and meetings involved have a track record of success (and even where their success rate is less bright). But issue-based groups have picked up issues which have world-wide implications, where the solutions have to be global to get real progress in their resolution. The potential for rising sea levels to affect low-lying islands, for instance, affects states in the Indian Ocean, in the Pacific Ocean, and in the Caribbean. This is a natural invitation for these states to work together beyond the normal intercourse at the international or regional levels.

Hand in hand with issue-based diplomacy, small states will be forced to pick and choose which issues they want to concentrate their resources on. As has been noted above - the example of Malta and the Law of the Sea was given - specialised diplomacy has long been part of the tactics of some small states. Peace-keeping, an activity required by the UN Charter, has been one area in which many small states, from Fiji to Chile to Norway and others, have distinguished themselves. We can expect to see individual small states, acting alone or in concert with others, try to develop expertise in certain parts of the international agenda.

The information age will provide opportunities, as well as challenges. It should open the possibility of new strategies. In this area two competing tendencies will require careful management. The first is that the small state's instinct to promote a rules-based system will encourage a search for rules and regulation in the global information field. The second is the

recognisable fact that the technology and the practice of the information age do not lend themselves easily to regulation. The speed of innovation far outstrips the ability of a state to decide what is required in the regulatory area and pass the necessary legislation. The novelty of the technology presents its own problems. The United States, for instance, easily the most technologically advanced state, cannot reach a position on encryption of material transmitted on the Internet which satisfies its own industry. That industry points out that, even on current policy, the regulations can be thwarted simply by downloading material from Canada. That is but one example which demonstrates that, when it comes to establishing international codes in areas surrounding the Internet - such as the taxation of e-commerce - it will take a great deal of effort by all states, large and small, to make any progress.

What is clear is that the small state will have to be technologically sophisticated to benefit from the new technologies. It is important in this regard to understand that it is not just the government and its agencies that have to be equipped. The country as a whole has to be able to handle the new information age. This means that education policies as well as technology training will need to reach into every level of society. Even though the common wisdom is that the technology will reach everywhere, and that therefore the rural dweller in Fiji has the same chances of access to the technology, and more importantly, to its benefits, as the resident of Palo Alto, being part of a core in the technological age certainly looks to providing more opportunity and being more beneficial than being at the periphery. The key will be to form part of a core.

Good governance

We have talked extensively about the external framework in which small states have to operate, and the difficulties, as well as the opportunities, that exist. We should not forget the internal framework either. What we have seen happen in the last ten years or so, with the collapse of Marxism-Leninism as an economic doctrine, is an acceptance that state intervention in the economy should be reduced, and that the role of the state should be less invasive than it has been in the past. Whether this is taken to be reducing the share of the government in GDP, or reducing the size of government in administrative terms, is an expression of the same idea.

Here too, there is reason to believe that small states are no exception to this trend. There are, however, some who argue that small states have inherently a tendency to a larger size of government.⁷⁰ This is because these states have to provide a basic range of public good services to their populations - e.g. justice - irrespective of the size of the population. The argument adds that smaller countries are more affected by exogenous shocks, which require a larger bureaucracy for the government to be able to respond.

Whatever the size of the bureaucracy, we have learnt two principal messages from the East Asian financial crisis of 1998. The first is that the globalised world spares no state from the consequences of a crisis of this kind. If one needed any proof that we do live in a globalised world of trade, finance, and investment, the 1998 economic crash in East Asia provided it.

A further consequence of the information age is that standards of government and rules set by government will need to be transparent, both to the population of any individual state, and to the outside world. Transparency and accountability, freedom of information and sound government practice, have become standards in themselves. States have learnt that in an international information age an important part of the response to economic crisis is to have systems of domestic government and control which promote and reward transparency and honesty in economic and financial policy. Corruption, opaque fiscal accounting and auditing standards, lack of transparency in investment and financial behaviour, have all been revealed to be not just a hindrance to further growth, but rather a real force against it. Good governance is its own reward. And the opposite is true: the political problems facing the Indonesian government today, to take one example, might not have been caused by the crisis, in East Asia, but they were certainly accelerated by it.

For small states, particularly developing countries, that message is as relevant as for the large. But it may not be so easily implemented. Not just because human and financial resources to devote to the problems are not readily available, but also because states in trouble need support from the international community and here, as elsewhere in the system, the small do not have a large degree of influence.

As the world enters the twenty-first century, small states are more numerous than at any time over the last fifty years. The increase in their number, startling by any calculation, has made for a significant change in international relations. But numbers do not mean that they can

⁷⁰ See, for instance, Dani Rodrik, *Why do More Open Countries have Bigger Governments*, National Bureau of Economic Research Inc (NBER), Working Paper 5537, Cambridge MA, April 1996; and Alberto Alesina and

claim to have strengthened their influence in setting the international agenda, nor in making decisions about that agenda. Being small or weak still remains an impediment.

The increase in numbers since 1945 has created a range of types of small states. They are heterogeneous rather than homogeneous, the latter being a characteristic which could be attributed to the small powers of the 1920s and 1930s. The small states of the end of the twentieth century are not all Western, or democratic, developed and technologically advanced. Their political and economic development has been uneven. Some of them have done very well in terms of economic growth: these tend to be the developed and democratic. The large majority, especially those in the developing world, have had less success. Some of them have known fifty years uninterrupted peace since World War II. Others emerged out of conflict or revolt or the breakup of states, and have found it harder to leave those conflicts behind them. Some have engaged fully in international diplomacy: others have stayed on the sidelines.

As the waves of technology and globalisation alter the nature of our societies, the small state will not be able to avoid dealing with change, and the consequences of change. It is not likely to be possible to bring them together to force a small states' view on the rest of the international community, but it will be possible, for a determined small state, with a clear sense of national interest and of its international responsibilities, to work its passage. Alliances of small states on specific issues on the global agenda could well be effective, especially if, as has been the case in the past, they are working for the establishment of rules-based international agreements which protect both the small and the large. Some small states

will be able to establish a reputation for expertise in certain international issues, which will enable them to exert considerable influence on decisions. To do these things will require them to accept and adapt to the new information age and the power of globalisation. It will mean that new players: citizens, corporations, non-governmental organisations, are accepted more than in the past as participants in inter-governmental relations. Small states should be flexible enough to manage that change. Finally, the power of information is going to require all governments, big and small, to accept that good governance will be a prerequisite for governments themselves to participate effectively in dealing with the challenging, if not daunting, issues which the international community faces at the start of the twenty-first century.

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