

Introduction

Terms of Reference

1.1 This study is the result of a mandate given to the Commonwealth Secretariat by the Commonwealth Ministerial Group on Small States at its meeting in Auckland, New Zealand, in November 1995. The mandate followed from earlier discussions about the problems and special needs of small states, which had identified challenges to small states in a number of areas including the environment, global trade and security. Ministers called for an updating of the report, *Vulnerability: Small States in the Global Society*, prepared by the Commonwealth Consultative Group in 1985, and requested that in reviewing the security concerns of small states the multi-dimensional nature of security be kept fully in view.

1.2 The 1985 *Vulnerability* report set out the characteristics of small states and then analysed various factors which suggested small states functioned at a disadvantage compared to larger states. It argued that small states were inherently vulnerable and that the international community had obligations to ensure their survival and prosperity. Much of the *Vulnerability* report was concerned with military and political security against external threats reflecting the interests in small states which had been kindled by the invasion of Grenada in 1983. But the report also considered other factors which threatened small states including the vagaries of the world economy and the internal social cohesiveness of states. Stress was laid on policies to secure economic growth and to advance small states' interests in the international system through effective diplomacy. The report ended with a lengthy list of recommendations for the states themselves and for the Commonwealth.

1.3 In reviewing the *Vulnerability* report the Secretariat concluded that it would need to be substantially rewritten to take account of all major developments since 1985. These included the widespread adoption of development strategies which assign a central role to market forces; the systemic changes in the international trading system brought about by the Uruguay Round; regionalisation of the global economy with the emergence of 'mega-economic spaces' such as the Asian Pacific Economic Co-operation forum (APEC), the European

Union/European Economic Area and the North American Free Trade Agreement (NAFTA); declining resource flows to small states; possibly disastrous consequences for small states as a result of global warming and climate change, and environmental fragility; new threats to security, including vulnerability to criminal activities such as money laundering, and transboundary movement of hazardous waste and nuclear material; and the growing importance of gender-related issues in the development process.

The Insecurity of Small States

1.4 The *Vulnerability* report was framed and written in a world order largely set by the Cold War. The predominant themes were geopolitical and some of the most worrying threats for small states derived from geopolitical rivalry. The early 1980s were a period in which the Cold War intensified and superpower intervention in many regions of the world increased significantly. The effects were felt by small states in a number of ways, ranging from direct intervention in the Caribbean to the spread of Cold War strategic thinking in the South Pacific. Attention shifted from the economic and development difficulties of small states to the problems of independence and security in an insecure world. The popular conception of 'small is beautiful' became qualified by an understanding in the wake of Grenada that 'small is dangerous' and 'small is vulnerable'.

1.5 The shift in perception was marked by a flurry of interest in small states. A number of studies appeared addressing their problems. In virtually every one the insecurity of small states was acknowledged to be a product not only of international competition and relative weakness but also of economic dependence and political indifference by the international community. There was also a recognition that small states' security problems were multi-dimensional and required a more comprehensive approach than for many larger states; and that small states themselves would need to do more than they had in the past to address security questions.

1.6 These ideas infuse the *Vulnerability* report which was premised on two core insights: (1) that security and development are interrelated and (2) that threats to security have internal as well as external origins. The analysis was comprehensive. The characteristics of smallness were set out along with the vulnerabilities of small states. In the chapters on threats, the main external and internal threats faced by small states were discussed in detail. The policy dimension was a particular feature of the report. Proposals were made under a number of headings: strengthening national defence capability; underpinning economic

growth; promoting internal cohesion; diplomacy and foreign policy management; and the international response. The report concluded by identifying eight arenas for action and made 79 specific recommendations which are appended as an Annex to this report.

1.7 Much of the analysis and many of the recommendations remain relevant today. At the same time, it is clear that the ending of the Cold War has changed significantly the context in which small states operate. The structure of the international system has fragmented so that it is no longer possible to speak meaningfully in political terms of a First World and a Third World or to be as confident of significantly different objectives between the advanced industrialised economies of the North and the developing countries of the South. International organisations, too, have had to adapt to changing conditions and some, such as the International Monetary Fund (IMF), the World Bank and the recently created World Trade Organisation (WTO), have become significant world players setting the agenda and pace of global change. The United Nations, freed from the constraints of the Cold War, has an opportunity to become the focus of a new system of international governance of benefit to all humankind. However, its effectiveness to date has been limited and small states, along with other states, have become engaged in relations with an increasing number of international actors.

1.8 Added to this is the uncertainty of the strategic landscape. The collapse of the Soviet Union has left only the United States as a super-power. Its willingness to take on a different global role than before was announced by President Bush in his call for a 'New International Order' made at the time of the Gulf War. But in practice there has been uncertainty and unpredictability surrounding the exercise of leadership by the US across the board and its undoubted military strength has been affected by the realisation that military power has changed in importance in international affairs. Many of the issues troubling the world today are not open to military solution: power is more diffuse and threats now take a multitude of forms which, with the exception of some war-torn regions, are essentially non-military in character. Among them are poverty at home and abroad; resource shortages and environmental hazards; and drug trafficking and international crime, to name but a few.

1.9 The new multipolar system which appears in the making is fed by seemingly contradictory impulses: on the one hand the embrace of globalisation and on the other the growth of regionalism. Globalisation is most easily comprehended as a process of accelerating interdependence which has at its core the liberalisation of trade, the

deregulation of financial markets, the spread of transnational production of goods and services, and the development of new technologies, particularly information technology. There are also cultural elements to the phenomena associated with the diffusion of consumerist values, environmental concerns focused on the protection of seas and habitat, and political issues to do with the effectiveness of the state. Indeed, states now have to recognise the power not only of other states and international organisations, but also of a range of other actors from impersonal foreign exchange markets through transnational firms to individual terrorist and criminal activity.

1.10 Contrary to this is the prospective strengthening of the state through regionalism. The image of a multipolar world is based on emerging blocs of states seeking competitive advantage in the global economy through closer economic and political integration. This is weakening existing state boundaries and prefiguring the emergence of new ones. While it is easy to see the leading players in this process in Europe, North America and Asia it is still too early to determine whether this will create new superpowers and a new centralised balance of power or result in a more decentralised system structure. However, the processes already under way are widening the asymmetries of power in the international system.

1.11 The world has also become more complex in other ways. The ideological division between capitalism and communism may have gone but new divisions have opened between states and peoples. Ethnic tensions and religious fundamentalism have led to conflicts within and between states in various parts of the world, increasing suffering and contributing to an ever mounting flow of refugees. In some cases states have collapsed and others have been put under strain as they have tried to cope with AIDS and drugs. The programmes of structural adjustment which have been negotiated between such states and the international financial institutions (IFIs) and major donors have met with some success, but in other cases they have increased inequality and in some instances led to political turmoil and social unrest.

1.12 In short, small states face a more uncertain and more unstable world than they did a decade ago. So far, all Commonwealth small states have managed to survive and some even to thrive. But the stresses are real enough and in many instances not directly of their own making. The environment can be cited as a particular case where external factors play a significant part in increasing risk. The international community has acknowledged that small island developing states (SIDS) are especially vulnerable, but has failed to put in place the measures or provide the resources which would significantly

diminish the threats to which they are exposed. Another set of threats arise from the international economy. Globalisation may provide some benefits but it could also lead to the marginalisation and impoverishment of small states, particularly those that are the least developed and least capable of making the changes needed to take advantage of new opportunities.

1.13 Small states cannot evade their own responsibilities for managing change. They can and have done much to improve their relative security at national and regional levels. But in the end it is difficult to escape the conclusion that it is the international level which is decisive in setting the structure within which small states have to act and determining the agenda to which they must respond. The *Vulnerability* report expressed this in its stress on 'a compelling obligation' by the international community to recognise the 'special vulnerabilities and special needs' of small states and a warning that if these are not addressed 'the prospects for small states could become serious'. Some recognition has been given by the international community to small states with the Commonwealth noticeably to the fore. But much remains to be done and if small states no longer face the same level of geopolitical threat as they did in the mid-1980s, they face even greater economic and environmental threats at the end of the 1990s. The ways in which small states are insecure may have changed, but the fact of their vulnerability remains.

1.14 It can, however, be lessened. Most Commonwealth small states have a positive track record in maintaining democracy and scoring significant advances in the economic and social well-being of their people in the last decade. They have internal strengths which can be harnessed to further improve human development. They have accumulated considerable experience in international affairs and have some successes behind them. It is in recognition of this and our belief that small states can, with the support of the international community, overcome the difficulties they face that we have entitled this report, *A Future for Small States: Overcoming Vulnerability*. Small states have much to offer the world and with the right policies and help from international organisations like the Commonwealth they can be contributors to global security and development.

The Structure of the Report

1.15 The report presented here examines the way such changes have affected the fortunes of Commonwealth small states. It does not seek to revisit ground previously covered in the *Vulnerability* report but to build on its pioneering and insightful analysis by including new subjects

and new material. This has shifted the balance of the report toward economic and environmental issues. At the same time, care has also been taken to update and review the type of security concerns which were very much at the heart of the previous report. The current report is therefore at one and the same time a new report, a revised report and an updated report. Insofar as any one study can be it also seeks to be comprehensive in its treatment of the now very broad security concerns of small states, although necessarily it cannot be exhaustive of all the issues they have to face.

1.16 The report proceeds as follows:

Chapter 2 defines smallness and identifies the general characteristics which bear on the security of small states. It then examines the concept of vulnerability and its close association with small size.

Chapter 3 establishes the need for a multi-dimensional approach to identifying threats to small states. It then lists the threats that small states typically face in various political, economic, social and environmental dimensions.

Chapter 4 looks at the economic consequences of being small and exposes the economic disadvantages which small states have compared to larger states.

Chapter 5 examines the changing world economic order by setting out some of the important effects that globalisation and regionalisation have had on small states and some of the ways small states can hope to meet the challenges and profit from the opportunities provided by these twin developments.

Chapter 6 looks at ways in which small states can cope with some of the major economic issues of global and regional change which bear immediately and directly upon them. It sets out several strategies which small states may wish to adopt internationally to maintain or improve their position.

Chapter 7 examines the vulnerability of small states from an environmental perspective. It identifies external and internal risks and raises the issue of the sustainable development of small states.

Chapter 8 reviews some of the ways small states cope with environmental challenges. It examines the special problems which confront small island developing states and highlights the linkage between the environment and the economy. The proposition is that small states are especially sensitive to environmental issues and must be particularly aware of a holistic approach to managing the environment if natural resources are to be husbanded and economic well-being maintained.

Chapter 9 focuses largely, but not exclusively, on the military and political dimensions of security. It discusses the wide variety of threats to which small states have been exposed in differing regional environments and identifies the major threats to small states that have arisen in the last ten years.

Chapter 10 examines the policies open to small states to enhance their security through self-help and through the involvement of other powers. It reviews the national capabilities of states and looks at ways these can be improved internally and bilaterally as well as through close co-operation with regional institutions.

Chapter 11 looks at the issue of national capacity. It explores ways in which improvements to the human capacity of small states can underpin economic growth and social welfare, improving the cohesion of a state and its prospects for sustainable development.

Chapter 12 discusses the international institutional context in which small states conduct diplomacy. It sets out the importance to them of several international organisations and elaborates initiatives they have and may wish to take, including within the Commonwealth.