

Chapter 2

The Vagaries of Vulnerability

INHERENT VULNERABILITY OF SMALL STATES TO EXTERNAL INTERFERENCE

2.1 A distinction is often made between a 'weak state' and a 'weak power'. In line with this distinction, a state, because of its great size, considerable economic resources and large population, may be rated as a strong power capable of mustering considerable military might. But, due to internal factors such as a weak institutional structure, lack of a strong sense of nationhood or the existence of unassimilated ethnic minorities or poorly defined borders, it may at the same time be a weak state. Conversely a state with few resources and/or a very small population is clearly a weak power but at the same time, because of widely shared values among its people, firmly based institutions and long recognised borders, it can be a strong state.

2.2 The distinction throws light on a problem which has otherwise been identified as puzzling, namely, the fact that many small states survive and even thrive when it might have been reasonable to expect them to have been incorporated into larger neighbours. Their survival cannot be attributed to an international system which unflinchingly protects the territorial integrity and sovereignty of its weakest members. Their internal cohesion and strength has therefore to be seen as a principal factor in their durability.

2.3 A well-known maxim defines the security of the state as the absence of threat to its minimum core values. But deeper reflection leads to the perception that security is a matter not only of the absence of threats but of the absence of vulnerability. In short, the question can be approached from both sides—the elimination of threats or of vulnerability. This

perception serves importantly to put the question of military power in perspective. The small state does not, by definition, have the means to deter threats or to repulse an attack. Indeed, this approach to the security of small states must inevitably lead to a sense of hopelessness or to the conviction that security can only lie in protection by a major power. On the other hand, it is within the competence of the small state to diminish its vulnerabilities and thus enhance its security.

2.4 It is, moreover, increasingly doubtful whether in the contemporary international system the military option is ever wholly the key to security. Threats are very often political, rather than military, in nature. It is not surprising, therefore, that the state that is weak in institutional structure, or whose people lack national identity with their state, should prove prime targets for threats. It is arguable that the strong state, even though weak as a power, can, by diminishing its vulnerabilities, enhance its security.

2.5 Although the specific security problems and needs of individual Commonwealth small states inevitably vary with their particular geopolitical circumstances, it is nevertheless possible to discern certain common elements of an inherent vulnerability. On the one hand, their populations provide too limited a human resource base to meet essential security needs at a variety of levels; on the other, almost all of them lack the economic capacity not only to take countervailing measures but even to purchase necessary security-related materiel.

2.6 At the most obvious practical level of military or paramilitary needs, the combined lack of human and financial resources means that most small states are unable to muster the requisite forces adequately equipped and trained to guard their borders or their air and maritime space effectively. But there are other more subtle security requirements which also have to be met by any nation wishing to preserve its independent status. It must safeguard its national integrity, internal cohesion and core values against external political interference or attempts at dominance. By their nature small states are particularly susceptible to this type of non-military security threat. They can also be all too easily penetrated by foreign social and cultural influences, especially as purveyed through the media, which can impact on small states disproportionately.

2.7 A small state is, therefore, inherently vulnerable largely because it can be seen as a potentially easy victim for external aggression in all its guises. It is true there have been only a few instances to date of a small state being subjected to military attack or invasion. But, there have been some and this underscores their essential vulnerability to territorial incursions, especially since these may be mounted not only by

government forces but by mercenaries in the pay of governments or, for that matter, of externally based groups. In terms of actual experience, the majority of small states have, in fact, been subject more often to non-military aggression. Indeed, their very smallness can be said to have acted almost as a positive incentive, attracting efforts to interfere and exploit, which may be initiated by an alarmingly wide variety of private sources, from multinationals to the media, as well as by other states.

ECONOMIC VULNERABILITY

2.8 With few exceptions the states in our study are not only small in population, they also tend to be small in terms of land area—absolutely and in relation to population size. Because of small population and small land size these states are often subject to significant economic constraints. As well, many small states are islands—25 in our list of 31. In many island states easy international access and favourable climatic factors have encouraged early settlement, and inward migration in the past has led to both relatively dense populations and ethnic diversity. Ten countries in our list have population densities exceeding 200 per sq.km., a figure which would exceed the average of most countries. France, for instance, has a density of 100 per sq.km. Two other geographical attributes of some small states—their archipelagic character and remoteness—have already been noted.

2.9 The fact that small states are not very unfavourably placed among developing countries in respect of per capita income has hindered due recognition of their special economic problems by the international community. Per capita income is not, in any case, a very refined indicator of level of development or living standards, and it is especially inappropriate when applied to small states. In many such countries, per capita income estimates are bolstered by the exceptionally high earnings of expatriate or other small groups. Its significance is often further reduced by the high taxation necessitated by the costs of administration. In the Eastern Caribbean states over 20 per cent of gross domestic product (GDP) is absorbed in taxes—an unusually high tax ratio for developing countries. For small states especially, per capita income can give the wrong impression of the level of economic transformation or economic self-reliance achieved. In many cases relatively high per capita incomes occur in association with a narrow and fragile economic structure. This results from the particular constraints faced in their efforts to industrialise, an objective which is crucial to achieve a diversified economic structure. Thus, to regard income levels as an indicator of their economic advancement is to use a flawed measurement.

2.10 A fairly common feature of small states is a narrow resource base. The land area of 14 countries in our list of 31 is under 750 sq.km. Small land area restricts mineral endowment, while undifferentiated climatic conditions and soil resources offer poor prospects for agricultural development. Relatively high population density often worsens per capita resource endowment. However, in specific instances the generally inadequate resource situation may be relieved by good mineral endowment relative to population, for example oil in Brunei and phosphates in Nauru, by a climatic and physical environment favouring tourism development, or by the enlarged access to marine resources resulting from the acquisition of a 200-mile EEZ.

2.11 The normally undiversified economic structures of small states are influenced not only by limited resources but also by the inability to benefit from economies of scale, which are particularly important in the manufacturing sector. Substantial progress has been achieved in some cases in manufacturing, food production for the domestic market, fisheries, tourism and off-shore financial services, to complement traditional mineral and agricultural export industries. However, industrialisation is constrained by a combination of factors: the small size of domestic markets, difficulties in penetrating foreign markets, the absence of a favourable industrial environment, lack of an indigenous technological base, and inadequate supplies of local raw material for processing industries. These pose major obstacles where population size is below one million and seemingly insurmountable barriers for the mini-states.

2.12 A characteristic feature of small economies is their relative openness. Limited domestic markets and extensive exposure to the outside world have encouraged this outward economic orientation. The ratio of imports to GDP, which averages about 20 per cent for all oil-importing developing countries, is about three times as high for states with populations of less than one million. Moreover, because of scale and resource considerations, this greater reliance on international trade is characterised by a tendency in the export sector towards both product and market concentration—a few products going to a small number of countries. Five commodity groups account for nearly half the exports of small states, with sugar being the most important. For countries such as Mauritius, Botswana, Barbados, St. Lucia, Kiribati and Tonga, no more than two or three commodity groups are responsible for more than 80 per cent of exports. The United Kingdom is a dominant market for sugar and bananas from the Caribbean and Australia and New Zealand for exports from the South Pacific.

2.13 Another economic feature is the high per capita cost of installing and maintaining infrastructure such as ports, harbours and airports which

are vital to economic progress. Such costs also apply to other public service activities and to public administration generally, including the use of some high-level skills, thus imposing great strains on national budgets. Because of these problems many small countries have persistent budget deficits which during colonial times and even now in some cases are financed by external grants. This has contributed to a legacy of relatively high official bilateral financial assistance, on a per capita basis.

2.14 Remoteness is another problem. Some island states in the Pacific and in other areas are a long distance not only from continents but also from each other. Remoteness is reinforced by the difficulty of establishing viable transport and communication links. Nine countries in our list are more than 1,500 km. from the nearest continent. While new technology is easing the communications problem, efforts to improve transport links have sometimes been impeded by the increasing use of container vessels and wide-bodied aircraft, which require larger volumes of traffic. Some parts of large states are sometimes similarly isolated. However, in terms of total effect and the number of states affected, remoteness is a significant problem mainly for small island states. It encourages persistence of a subsistence economy. By contrast, modernisation and outward orientation have come early to island states, more favourably located on sea routes or nearer to other states and continents.

2.15 Apart from small economic size, weakness is increased by the nature of small economies and their structures. The high dependence on external trade, while providing enlarged economic opportunities, results in greater exposure to external vicissitudes. The problem is compounded by the fact that many of their exports are of either agricultural or mineral origin, for which unstable world prices are normal. In the period 1980-82 nominal export earnings fell by 38 per cent in Tonga, 34 per cent in Vanuatu, 27 per cent in Guyana, 25 per cent in Papua New Guinea, 24 per cent in Western Samoa and 15 per cent in Lesotho. Diversification into manufacturing, tourism, financial services and food production does assist in promoting stable development but some of these non-traditional sectors, e.g. tourism and financial services, have themselves elements of fragility. Dramatic falls in tourist earnings are not unknown, for example Jamaica in 1977.

2.16 Many small states, in their heavy reliance on external markets and service industries, have neglected domestic food production. Between 1970 and 1982 per capita food production declined in 12 of the 31 countries. Some large developing countries are facing more serious food problems, but on the whole in a potential sense, the constraints seem to be stronger in small states. Dependence on external sources for food, and especially food aid, contributes to economic insecurity. Vulnerability is increased when periods of world grain shortage and high prices bring the

risk of exposure to political influence from food donors. Similar problems are created for many small states by their high dependence on external sources for energy supplies. Some small states, for example Mauritius, spend an unusually high proportion of their export earnings on energy imports.

2.17 Other circumstances also contribute to economic vulnerability. Many small island states are in typhoon or hurricane regions and it is not unknown for storm damage to their economies to be pervasive. St. Lucia lost 60 per cent of its coconut and 75 per cent of its banana output from a hurricane in 1980; and Mauritius lost one-third of its sugar output in 1974 and 1975 and again in 1979 and 1980 from natural calamities. In Grenada a single hotel fire in 1981 destroyed half of its hotel capacity. In 1979, 73 per cent of the population of Dominica was rendered homeless by a hurricane, and banana exports fell by 80 per cent in 1980 from the 1978 level after two major hurricanes in 1979 and 1980. Extensive agricultural loss can also result from plant diseases and pests not only because of country-wide incidence but also because of the tendency towards monoculture.

2.18 Land-locked small countries also have special problems of vulnerability arising from their geographical situation. Apart from the general problems arising from excessive transit, transport and trans-shipment costs, those in Southern Africa have added transportation and financial burdens because of the very disturbed political situation in that region.

2.19 Small states do not have ready access to international capital markets. The creditworthiness of many of them is affected by their inability to service commercial loans and further difficulties arise from the cost of raising small loans and their insufficient expertise and administrative capacity to make effective use of these markets. These states will therefore continue to depend heavily on official flows and particularly on concessional resources in order to be able to afford crucial development infrastructure and meet high per capita administration costs. St. Lucia, Belize, Botswana and Vanuatu for example, relied on official development assistance (ODA) for approximately 85 per cent of their net external capital receipts in the three years 1981-83, and in the case of Belize even the balance came from other official flows.

2.20 The major multilateral institutions have not been sufficiently responsive to the special problems faced by small states in securing access to private external finance. The World Bank¹ adopts an informal

¹ The World Bank group comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), its soft loan affiliate, and the International Finance Corporation (IFC), which provides finance for projects in the private sector.

system of ceilings for loan allocations to individual countries which is mainly determined by population and per capita income—a wholly inappropriate indicator of small states' capital needs. It also tends to avoid making small loans because of the high overhead costs involved. Over the last decade there has been a greatly increased reliance by developing countries on commercial banks to provide much-needed external capital. But the recent debt problem has now caused the commercial banks to cut down sharply on lending to developing countries. As no compensating expansion has taken place in provisions by the International Monetary Fund (IMF) and the World Bank, an emerging danger is that, with the greater reliance of the major indebted countries on these two institutions, the demands on their limited resources could make access to them by the small states even more inadequate than it is at present.

2.21 The difficulties faced by small states in their access to the World Bank are looming larger. A number of these countries, notably in the Caribbean, have attained the per capita income level fixed by both the IBRD and IDA for graduating member states out of their lending operations. In the case of the former, an element of flexibility exists through the requirement that decisions on graduation must be confirmed by the Executive Board, but in the case of IDA the application of the cut-off point is automatic. This means that some small states in great need of development assistance will not be able to look for help to the World Bank. They cannot get what they can afford, and are forced to tap sources which they cannot afford.

2.22 Decentralisation of development banking through regional, sub-regional and national banks has enabled a better response to be made to the capital needs of small states and has somewhat alleviated their problems of access to the major institutions. The sub-regional Caribbean Development Bank has, for instance, greatly helped to increase resource flows to Commonwealth Caribbean states, especially the smaller states of the Organisation of Eastern Caribbean States (OECS). No similar institution exists in the South Pacific, and small states in some other regions are also not similarly served.

2.23 As regards bilateral flows the per capita provision for small Commonwealth states compares favourably with that for other developing countries. This results from their close traditional ties with individual donor countries, for example, with Australia and New Zealand in the case of the South Pacific islands and with Britain and Canada for the Caribbean countries. Traditional donors have shown a better appreciation of the external financing problems of these states.

2.24 Small states do not generally face similar disadvantages in securing foreign equity capital as they do in the case of loan capital. However,

equity capital comes mainly through transnational corporations, whose size and economic power pose difficulties for small states in their relations with them. In terms of bargaining power, negotiating skills and access to relevant information, small states are usually seriously disadvantaged in dealing with these firms. Their economic strength tends to give the corporations considerable political influence which in some instances they have used in order to wrest special concessions, for example, favourable adjustment in tax regulations.

2.25 Problems of this nature are not confined to relations with larger transnational corporations. Mini-states can find themselves at a similar disadvantage when dealing with smaller businesses and they face problems of a different kind when the foreign investor is a group or individual whose motives are predatory rather than genuinely commercial.

2.26 Small states have endeavoured to alleviate some of the constraints of size through regional co-operation. In the Caribbean, Southern Africa and South Pacific a number of these states participate in regional arrangements which extend beyond economic co-operation. In recent times, the serious payments problems faced by many developing countries have put strains on regional trading arrangements and this has led to some disenchantment, both at the national level and internationally, with regional economic co-operation. However, much has been achieved; beyond development banking and trade expansion, contributions to economic progress have come from co-operation in such areas as transport and communications, shipping, civil aviation, research and development, education and health. Regional co-operation still has much to offer in helping to meet the needs of small states.

FROM VULNERABILITY TO THREAT

2.27 In analysing the range of potential threats which small states face, it is important to enter two caveats. The first is that the threats identified neither exclusively relate to small states nor are they less applicable to almost all Third World countries, regardless of size. The principal concern is rather that if small states do become a target for any of these threats, they are fundamentally less capable than other countries of offering adequate resistance and some may even be totally defenceless. Moreover, should a threat materialise into an actual intervention, whether of a military or non-military character, it is far more likely to seriously damage the core values of a small state.

2.28 The second caveat is the need to draw a clear distinction between a small state's general vulnerability and the existence of a specific threat to

its security. Although we have expressed the view that a small state is vulnerable because its very smallness can serve as an open invitation to external interference, it is not our contention that all small states exist under permanent siege from one threat or another. We are not by any means making a case for an automatic cause and effect relationship. But their inherent vulnerability is obviously a major additional element in attracting interference.

2.29 The extent to which a given small state is subject to an actual threat of external intervention is determined by a number of other factors besides its inherent vulnerability. Most important among these are the distinctive geopolitical realities pertaining to a particular region, that give rise to the specific threats which may confront the particular states in our study. As part of our examination of the different types of threats to which any small state may be vulnerable we have included a survey of the historical incidence of threats to individual countries that have so far occurred within the context of the geopolitical circumstances prevailing in the respective regions.