

## **The Vulnerability of Small States**

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An ongoing debate in the literature on small states is whether they are to be considered to be 'vulnerable' or whether they possess certain hidden strengths which work to their advantage.

Political realists consider small states as 'powerless', liable to be pushed around by more powerful states; economists shine their lanterns on small, successful and affluent states like Singapore to argue that "small is indeed beautiful" - to borrow an expression from the economist E. F. Schumacher.

But often, by focusing too much on the political and economic dimensions of small states in world politics we may overlook many other dangers which threaten the existence of small states. We fail to see that threats to their security might emanate from non-state actors or from the environment; that small states themselves can be their own worse enemy if they fail to recognise their own policy failures before it is too late or if they are excessively imprudent.

The following examples just illustrate the point.

### **When Pacta non Sunt Servanda**

Not everyone believes that *pacta sunt servanda*. On the 31 October 2009, *The Times of Malta* reported that an international pharmaceutical company, Solvay, had failed to honour an agreement to provide the country with vaccines against the H1N1 influenza pandemic.

The problem seems to have arisen after a change in Solvay's production technique led to a long delay in obtaining approval by the European Medicines Authority. Solvay informed the Maltese authorities that the vaccine would be available to Malta by the end of 2011. This meant that Malta would have been exposed to the risk of facing the second wave of the pandemic without a vaccine.

The threat is more ominous when one considers that Malta's population stands at around 420,000.

In the meantime, sections of the European media reported that Malta, Bulgaria and the Baltic states were struggling to put together a sufficient stock of vaccines. EU Health Commissioner, Androulla Vassiliou, urged EU member states who had stocked or ordered more than one dose to share the extra ones with fellow member states which did not have any - after it was decided that one dose was enough.

Malta was able to secure its supply of vaccines from the Netherlands for a price reported to be between €4 million and €5 million. European solidarity had worked in practice. Malta thus seems to have narrowly averted danger.

The Maltese authorities then let it be known that since 2005, Malta had paid an annual €50,000 retainer to Solvay to permit it to have the vaccine quickly. Malta is also contemplating taking legal action.

Legal action apart, and without entering into the merits of the case, the incident shows how tenuous the existence of small states is. Had the pandemic been more deadly, and without being overtly alarmist, we still do not know with certainty how it will turn out to be, one small country (at least) would have been left defenceless possibly facing grave consequences as a result of the actions of a single Pharmaceutical firm.

### **When Success becomes a Poisoned Chalice**

Up to October of last year, Iceland was one of the most successful small states on earth. With a population slightly over 300.000 and a territory measuring 103.000 km<sup>2</sup> - more than eleven times the size of Cyprus – it had a GDP per capita which ranked well above the OECD average.

This placed it in the top dozen states of the GDP per capita 'hit parade'. In October 2008 three major Icelandic banks collapsed in one week and they dragged down with them the Icelandic kroner. Iceland's economy entered a deep crisis. GDP is still shrinking and the gross external debt is expected to reach 310% of GDP by the end of 2009. Iceland became the first developed country to seek the help of the IMF in the last thirty years.

In the midst of the crisis I remember reading a very interesting piece about Iceland's problems written by Jon Danielsson, Reader in Finance at the London School of Economics. He blamed it on three main factors: Iceland's policy of inflation targeting, inadequate supervision of the banking sector by the Central Bank and its peculiar governance structure and last but not least the fact that the banking sector was too big for Iceland.

As Danielsson put it then, "What matters is the explicit or implicit guarantee provided by the state to the banks to back up their assets and provide liquidity. Therefore, the size of the state relative to the size of the banks becomes the crucial factor. If the banks become too big to save, their failure becomes a self-fulfilling prophecy." This is a weighty advice to small states with large financial sectors.

In brief, a small state can suffer enormous negative consequences as a result of inadequate, or worse, failed home-grown policies. Prudence and alertness to the warning signs that often precede such catastrophes can be ignored at the state's own peril. The lack of a regulatory supervision is bad for any state but lethal for the small one. Above all, a successful economy particularly one narrowly based on a single sector such as financial services without the adequate safety valves, can ruin a small state. It is the case that success can become a small state's poisoned chalice.

### **When a State depends on the Charity of Others**

On the 17 October 2009, President Mohamed Nasheed of the Maldives (population 396.334) and his cabinet held a meeting underwater to highlight the threat of global warming to the low-lying Indian Ocean nation. During this meeting the ministers signed a document calling for global cuts in carbon emissions.

The Maldives stand an average of 2.1 metres above sea level, and they risk being wiped out if the level of the oceans rises as a result of global warming. The stunt was intended to impress on the world community the urgency of agreeing on substantial and binding cuts in carbon emissions at the forthcoming Copenhagen conference.

Now we know that only the EU is ready to bind itself to certain targets. The Maldives seem to be doomed. This is situation where indeed the fate of a small states depends entirely on the charity of the rest of the world community.

### **When a state is Downright Unlucky**

In September of 2004, Hurricane Ivan swept the Caribbean taking 80 per cent of Grenada's infrastructure with it and devastating its spice and tourist industries. The hurricane killed 39 of Grenada's estimated 103.000 people and ruined or badly damaged 90 per cent of the nation's 28.000 houses.

Geographically, Grenada is situated in an idyllic region where most people would want to live. But it is also a high risk region for hurricanes. One hurricane can outstrip a small state's ability to withstand it and impose upon it exuberant costs. Grenada cannot move to a safer location and the risk of being periodically devastated by hurricanes will remain with it forever. It can however build up sufficient reserves, 'insurance fund', which would enable it to deal with the problem when ever it strikes.

### **Conclusion**

Small state security is many faceted and it would be wrong to focus excessively on its political and economic aspects at the expense of neglecting other threats. Small states face a number of other dangers. Some of these arise from a state's geographic position, some from its own policies, others from the actions and inactions of other states while some are posed by non-state actors. Small states can help themselves in meeting some treats or in mitigating their effects. In others they are completely helpless. When confronting their security challenges, small states need to think outside the box and also assess their security needs in the longer-term. Forward planning is essential for all states and particularly for small states. They are constrained to set aside some of their resources, to pay an annual premium in readiness for the day when they are called upon to use them. By and large small states tend to be very successful economically, but it would be imprudent of them if they fall in the trap that success is a linear projection from zero to infinity.