Nations and States

By James A. Paul

Part 1: Nations and States - What's the difference?
(July 1996)

The UN is composed of "member *states*" but the organization itself is called the United *Nations*. Nations and states may seem identical, but they aren't. And the distinction is more than purely academic. "States" govern a territory with boundaries. They have laws, taxes, officials, currencies, postal services, police and (usually) armies. They wage war, negotiate treaties, put people in prison and regulate life in thousands of ways. They claim "sovereignty" within their territory -- a kind of exclusive jurisdiction that goes back to the rule of kings.

"Nations" by contrast are groups of people claiming common bonds like language, culture and historical identity. Benedict Anderson calls them "imagined communities." Some groups claiming to be nations have a state of their own, like the French, Dutch, Egyptians and Japanese. Others *want* a state but do not have one: East Timorese, Tibetans, Chechnyans and Palestinians for example. Others don't want statehood but claim and enjoy some autonomy. The Sioux are a nation within the boundaries of the United States, the Catalan within Spain, and the Scots within Britain. Each of these nations has its own special territory, rights, laws and culture. But not statehood.

Some imagined nations are larger than states or cross state boundaries. The "Arab nation" embraces more than a dozen states, while the nation of the Kurds takes in large chunks of four states.

There can be sharp differences about the legitimacy of states and nations, both within and outside of their territory. Nations may be "imagined communities," but they are not imagined in the same way by everybody.

Temporary and Somewhat Arbitrary

Most people assume that nation-states are fixed and permanently-established across most of the globe. But actually states are in constant flux. State boundaries are arbitrary and often changed

-- by war, negotiation, arbitration and even by sale of territory for money (Russia sold Alaska to the United States, for example). Mapmakers get headaches (and extra sales) from the constant changes. Peru and Ecuador had a brief war in 1995 over their jungle border. Argentina and Chile disagree on control of icy and uninhabited lands in the far south. Japan pressures Russia over control of the Kuriles to its north. Former Yugoslavia collapsed into a welter of competing claims to sovereignty, a mess of unsettled borders and bloody battles to prove who ruled over what.

Recently, a new field of territorial conflict has emerged. Because of the huge stakes in seabed oil rights, states now dispute control of barren ocean islands. Turkey and Greece, China and Japan, Vietnam and Indonesia, the United Arab Emirates and Iran maneuver menacingly over these desolate outposts of sovereignty.

Some states have endured, but others may be here today and gone tomorrow -- popping up with impressive fury like volcanoes and collapsing ignominiously like mud huts in a heavy rainstorm. In just the past ten years, a number of powerful states have disappeared -- Czechoslovakia, Yugoslavia, East Germany, North and South Yemen, and of course the mighty Union of Soviet Socialist Republics.

"Diplomatic recognition" confers legitimacy on a new state (or on the government of a state), but sometimes there is divided consensus within the international community and often a ruler is reluctant to let go. Take Western Sahara, East Timor or Palestine. All three are largely under the jurisdiction of other states, though they are seen by the majority of the international community as having claims to independent statehood. Northern Ireland is a related, if different, example. So are Tibet and Taiwan, bugbears of Chinese sovereignty. Other "nations" claiming the right to independent statehood fail to win backing and are dismissed as frivolous or illegitimate.

When the UN was founded, it was composed of just 51 member states (today there are 185). The great majority of today's members were then either colonies (like most nations of Africa) or parts of other states (like those that emerged after the collapse of the Soviet Union).

Part 2: How Effective, How Many, How Enduring?
(July 1997)

Failed States, Hollow States and Diplomatic Recognition

Many very small states have recently joined the UN. Old states continue to fragment. There is doubt and confusion about the legitimacy of states new and old. Most states cannot command the same fervent admiration and loyalty as they once did.

Some states are "failing" (as Somalia, Afghanistan, Rwanda, Liberia, Cambodia and the two Congos). Even the most powerful states are losing their lustre, as global financial pressures strip them of social programs and diminish or discredit their democratic institutions. Some call this the "hollow" state.

Though UN membership conveys a certain cachet on statehood, there is surprisingly little agreement on the legitimacy of some states and nations. Nor are UN decisions, governed by vetoes, always a clear reflection of international opinion. The government in Beijing faced more than two decades of non-recognition by the United States and exclusion from the United Nations, to mention only the most astonishing example. The government in Taipei, by contrast, for long years recognized as "China" and seated in the Security Council, now does not even have a presence in the UN at all.

Count 'Em

Le Monde Diplomatique, in its July 1996 issue, published a fascinating article by Francois-Gabriel Roussel reporting on this question. He concluded that there may be anywhere between 168 and 254 nations, depending on who is doing the counting.

Roussel reports, for example, that there are 168 separate currencies in the world, 239 two-letter country codes recognized by the International Standards Organization, and 185 participants in the Universal Postal Union that issue their own stamps. Germany, it seems, has established a list of nations for its diplomatic corps, containing 281 names, but 65 names carry a notation that another nation is sovereign over its territory. Presumably that means 216 sovereign states, a very large number.

Roussel reports that as of November 1994, France recognized 190 states. Switzerland 194 and Russia 172. Since the article appeared, the 1996 Atlanta Olympics included 197 national teams.

Pressures from Below and Above

Canada, Belgium, Britain, Spain, Italy and many other well-established nations face separatist claims and they are ceding increasing autonomy to regional (sub-national) bodies. In some cases, regional languages and cultures are enjoying a renaissance. Even regional economies are proclaiming their independence from central authority. Cataluna in Spain has revived the Catalan language, set up its own parliament and claims a unique economic status linked to France and the Mediterranean as well as to Spain. Quebec, Flemish Belgium, Scotland and Northern Italy have staked a claim to special status, too, and some of their citizens favor complete national separation. Meanwhile, France grapples with independence forces in Corsica, China has indigestion over Tibet, Mexico faces insurgency in Chiapas.

States are not just under pressure "from below." They are also under pressure "from above" -- losing some of their sovereignty to larger entities like the European Union and the North American Free Trade Association at the regional level, and the World Bank, the IMF and the WTO at the global level. Multinational institutions like NAFTA and the WTO are beginning to nullify national laws in areas like the environment, human rights, labor protection and the like. In recent polls, even citizens of the United States have expressed doubt that their powerful nation is capable of solving problems independent of others. But citizens don't want to give up their habitual rights and privileges. Citizens protest the many negative social results of the pressure from above -- angry that NAFTA or the EU monetary union are pushing up unemployment or undermining wages and social benefits.

Part 3: Micro States

Among the new members of the UN, some are so small that they have none of the usual attributes of state sovereignty -- neither currency, nor army, nor independent foreign or economic policy. Some cannot even afford to maintain a mission at UN headquarters in New York (or to pay their annual assessments). But others are enjoying unprecedented prosperity, by operating as tax havens and centers for "offshore" finance (to learn more about offshore banking and investment.

It's puzzling that mini-nations like Andorra (pop. 64,000), San Marino (24,000), Monaco (34,000) and Liechtenstein (31,000) decided to become UN members in recent years, since they have enjoyed independent status for centuries. Tiny, newly-independent nations have also joined -- like St. Kitts & Nevis (41,000) and the Maldives (253,000). The Vatican, the world's smallest state in terms of both area and population (774) has "observer" status at the UN. With dozens of "nuncios" and other diplomatic missions worldwide, it is probably the only state in history whose diplomats outnumber its current residents.

Outside the UN membership, there are other mini-territories, with semi-independence, like the Channel (or "Anglo-Norman") Islands (150,000), the Faeroes (45,000) and the Isle of Man (70,000). They owe their special status in part to history but mostly to their role as "offshore" havens for capital within Europe. In 1995, *Le Monde Diplomatique* drew up a list of nine mini-states in Western Europe that are not an integral part of the EU and that escape from EU financial controls, taxes and regulations, even though they exist to a large extent under the sovereign authority of EU member states. In addition to the three just mentioned, the list includes Andorra, Gibraltar, Liechtenstein, Monaco, San Marino and the Vatican. The tiny Channel Island of Jersey, whose expatriat population of wealthy tax-dodgers has swelled to 35,000 in recent years, boasts bank deposits of 60 billion pounds sterling and a booming finance sector. The big governments are clearly complicit in these offshore arrangements, even though they face an increasing hemorrhage of taxes and regulatory power.

The Caribbean area has a number of micro-states and territories of the same type, including the British Virgin Islands, Anguilla (10,000), Bermuda, the Bahamas, and the Netherlands Antilles (home of George Soros' Quantum Fund). The tiny British territory of Cayman Islands (pop. 23,000) stands out as the most extraordinary offshore of all. Until the 1970's, these three small coral islands south of Cuba attracted little attention. Their 19th Century schooner-building business had long since disappeared and a small, impoverished population subsisted from second-class tourism, fishing and smuggling. By the mid 1990's, the Caymans had metamorphosed into the world's fifth largest banking center as measured by deposits (after the United States, Japan, Britain and France)! No less than 560 banks are registered in the territory, including 46 of the world's 50 largest (though only 70 banks actually maintain a physical presence on the islands). Many major accounting and law firms have also located branches in the Caymans. The Caymans have succeeded, according to one source, because they offer "tax efficient asset protection." There are virtually no taxes, no exchange controls and no threats to the "confidentiality" of deposits. The Caymans are a paradise of capital, with a minimal government. But because London is sovereign over the Caymans, the Cayman paradise is "Made in The City" (that is, in London's financial district).

Part 4: Downsizing States
(October 1997)

Privatization and Downsizing

States' control over their domestic societies and economies is waning. For much of the 19th and 20th Centuries, states "grew." They took on more and more economic activities and social responsibilities. Some states, under Communism, assumed exceptionally large control over their societies, but states' growth trend proved nearly universal. From modest beginnings with tax and military authorities in centuries past, states later added postal services, police forces, water authorities and school systems. More recently, they added central banks and took control of many industries and financial institutions. And they offered social protections like unemployment insurance, pensions, public health services, universities, public transportation and much more.

According to data recently published by the World Bank, government spending in the world's richest states (OECD members) grew on average from less than 10% of Gross Domestic Product (GDP) in about 1870 to 20% by 1937 and 47% by 1995. (These figures include local governments as well as social security funds for pensions, health care and unemployment.) From 1937 to 1995, government spending in the United States grew from 9% of GDP to 34%, in the Netherlands from 19% to 54% and in Sweden from 10% to 69%. Though the Bank may be inclined to exaggerate the trend, the general pattern until recently was unquestionably sharply upward.

Increasingly, though, the pressures of global capital on the tax system has drained states' resources, reducing the funds available for social and economic programs. At the same time, powerful conservative ideology has gained the upper hand, persuading officials and parliamentarians that states are inefficient and private markets more cost-effective and consumer-friendly. And intense pressure from the World Bank, the International Monetary Fund and other multilateral financial and trade institutions has forced governments to cut social spending and privatize state companies.

In a frenzy of downsizing, governments have sold off thousands of public companies and privatized state services that represent very large economic sectors. Mexico, for instance, had 1,155 public sector enterprises in late 1982 when it signed a loan agreement with the IMF with privatization measures as a basic condition. By July 1996, only some 252 companies remained in state hands and some of those were already on the road to partial or complete privatization.

Since the mid-1980's, governments in nearly every country have downsized and privatized. Even major countries like Germany, Britain, France and the United States have followed this course. States have sold off manufacturing enterprises like steel, petrochemical and automobile companies as well as raw material extraction and refining corporations in fields such as coal, mineral ores, and petroleum. They have shed utilities such as electricity, telephones, gas and coal, as well as such core utilities as water supplies and postal services. They have privatized transport including state airlines, railroads and ocean shipping lines, as well as urban trolly and bus services. They have sold public housing and office buildings built by public authorities and privatized major financial institutions like banks, postal savings and mortgage lenders.

In many countries, governments have privatized public pensions and they have partially privatized health services too. In a few cases, governments have experimented with privatization of schools and the substitution of private mediation services for civil courts. More and more, public safety is insured by private guard services rather than public police. Governments are even experimenting with contracting out their prison services, social services, air traffic control, garbage collection, computer record-keeping and even tax collection. In the UK, the computer records of the Inland Revenue (tax service) and the county court system have recently been taken over by EDS, the giant US-based computer services company founded by Texas billionaire Ross Perot.

Along with these trends are parallel moves: to reduce or eliminate state regulation of private markets and to abolish (or radically downsize) public research and regulatory bodies that oversee workplace safety, food safety, environmental and public health, financial market probity, product safety and the like. The UK has closed its government laboratory on the environment, for example, while the US has scaled back its Occupational Safety and Health Administration. Radical free-market theorists, backed by corporate money, argue that near-total elimination of regulation would be best for "human freedom."

States are also beginning to charge fees for public services previously free -- like education and health care. An initiative by the World Bank has forced fee-based services on many poor countries, on the theory that fees provide more "consumer control" over public services at the local level. In practice, however, fees often mean that the poorest people cannot afford these services at all. Consequently, after decades of progress, school enrollment percentages are beginning to fall in many countries.

States are even dismantling their own tax base -- creating a variety of new tax exemption opportunities for corporations and high-income individuals -- like tax-free zones, employment "incentives," reduced top-rates for income and capital gains; drastically reduced inheritance taxes and so on. These weaken the state's finances, forcing further cuts in public services to ordinary citizens.

Everywhere, now, the state is shrinking, often quite dramatically. Harvard political economist Dani Rodrik speaks of "receding government, deregulation and the shrinking of social obligations." And there can be no question that those at the bottom are paying a high price. But at the same time, states should not be idealized. And though privatization has often had negative results and led to the erosion of democracy, it has occasionally reduced costs and provided services more effectively than before. Telecoms and airlines may be cases where overall results have been positive.

In some cases, while citizen "consumers" may have benefitted, public workers have had to pay the price. Many have lost their jobs or been forced to accept pay cuts in post-privatization downsizing. Meanwhile, wealthy investors have made huge profits from privatization and the number of the super-rich has climed dramatically in most countries.

In many cases, privatization has directly hurt citizen beneficiaries, especially the poorest. Privatization of public pensions, health services, water utilities and schools may be the most striking examples. Privatization in other sectors has led to greater unemployment, more economic instability, and a reduced capacity of the state to manage the national economy. Rising income polarization also seems to be a result of privatization.

For better or worse, states are now out of the picture in vast areas of life where they once were central. And public employment with its security and relatively good pay has withered. States and governments now have much less to offer their citizens as a payback for loyalty and an incentive for obedience. In the process, the mass public is dubious as to whether states represent "progress" and whether the benevolent state can eventually tame capitalism and overcome its worst excesses.

But ordinary people have not been passive observers in this process. As state-sponsored social protections have disappeared, citizens have mounted protest movements on a scale unknown since the 1930's: a million protesters in the streets of Italy in 1994, a gigantic general strike in France in 1995, massive protests and wildcat strikes in Germany, Argentina and South Korea in 1996.

Public protests have also targetted the unprecedented wave of corruption and malfeasance that has engulfed even states previously known for the probity of their public officials. Or citizens have "voted with their feet" and turned their backs on states and their claims to allegiance. More and more, democratic elections have seemed merely contests of big money interests. Enormous public scandals rocked France, Italy, Spain, Japan and Britain in the mid-1990's, while criminality and mafia-style politics engulfed the former Soviet Union and most of the other states "in transition." Public cynicism and declining participation in elections resulted. Corruption and scandal even seriously tainted the judiciaries, the most respected and "non-political" branch of government. After a serious scandal in Belgium in 1996, public polls showed that less than 10% of the population still had faith in the courts.

Military & Police Apparatus

While state activities in most areas are on the wane, one area remains robust: the military and police forces. Worldwide, these budgets have declined only slightly from peaks in the mid-1980's. In fact, most of the decrease in global military spending can be attributed to the swift decline in the budgets in just a few countries -- the former Soviet Union and its Warsaw Pact allies. Some observers think that in the post-welfare-state future, military and police will be more important than ever as defenders of the status quo, and bastions against gathering public protests. Why else, they ask, would these instruments of official violence remain so enormous even though the cold war is over and few enemies are in sight? If military-dominated states are to be the pattern of the future, what will the taxpaying public think of states that increasingly appear as garrisons of privilege and enforcers of social austerity?

The Shadow of Transnational Capital

While states are downsizing, transnational capital is growing. As a result, states are shrinking in proportion to global banks, trading companies and manufacturing corporations. For many years, these corporations had enormous leverage over *small* states. United Fruit Company so dominated the countries of Central America, for example, that they were contemptuously dubbed "banana republics." But increasingly, private capital looms over middle-sized and larger states, too. In 1995, General Motors had corporate sales greater than the GNP of Denmark, and Toyota had a turnover greater than Norway's. Wal-Mart (a US-based discount-store chain) was bigger than the economies of 161 countries and Mitsubishi loomed larger than Indonesia, the world's fourth most populous country. The power of capital over state decision-making was stunningly demonstrated in 1992, when speculator George Soros "broke" the Bank of England and single-handedly forced a devaluation of the pound sterling, winning a profit of more than $1 billion for himself at the expense of taxpayers in the world's fifth richest state.

Whither the State?

What are nation-states today and what is their future? National history insists that the nation is eternal, but every sober person knows otherwise. Nations are recent inventions, and they sometimes last just a few short generations. When nations come apart (Soviet Union, Yugoslavia) their parts can come apart too (Bosnia, Chechnia). Minorities can be at risk in small nations as well as large ones; nations are engines of war and intolerance; patriotism is all too often the "last refuge of scoundrels." Still, even as nations weaken, nothing commands such fierce loyalties, such willingness for self-sacrifice, such a sense of belongingness. But however disturbing, revived forms of nationalism may possibly be the last gasp of a long historical era.

Will nations-states disappear or reemerge strengthened and in new form? No simple and glib answers are possible. One thing is certain: the future of nation-states will greatly influence the future of the United Nations. If states continue to weaken, citizens may have to search for new forms of social protection, new sources of identity, new forums for public debate and democracy. Perhaps the UN (or some other global institution) will one day fill some of those needs.

Part 5: Complex Status: Comments and Lists
(August 1999)

Some cases of complex status:
Switzerland is not a member of the UN, but it has observer status and pays dues.
The Vatican (known as the "Holy See") is not a member of the UN, but it has observer status and pays dues.
Taiwan is not a member of the UN, nor does it have observer status. It would like to become a UN member, but China would cast a veto.
Palestine is not a member of the UN, nor is it completely self-governing. It has observer status, not as a state but as an "organization."

The Security Council has recommended that Kiribati, Nauru and Tonga be admitted as members of the UN. All 3 countries are now UN members.

The following independent nation states, all of them small islands, are not members of the United Nations: Cook Islands, Niue and Tuvalu. Tuvalu applied for membership in January 2000.

"Non-Self-Governing Territories" (according to the UN, there were 17 in 1996)
A 1996 report by the Secretary General says that the great majority of these NSGTs were small island territories which suffered from various handicaps, including limited size, remoteness, vulnerability to natural disasters, and lack of natural resources, as well as migration of skilled personnel.
Matters pending at the UN (dispute over sovereignty) include East Timor (controlled by Indonesia but considered a Portuguese NSGT by the General Assembly), Falkland Islands (Malvinas), Gibraltar, New Caledonia [France], and Western Sahara (a Spanish colony seized by Morocco). Also American Somoa and Puerto Rico.

Other Small Territories which are not in dispute but which are more-or-less self-governing and not UN members include: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Guam, Montserrat, Pitcairn, St. Helena, Tokelau, Turks and Caicos Islands, and the United States

Virgin Islands. Bermuda has one of the world's oldest parliaments.

Kashmir is listed by the UN as an occupied territory whose final fate is yet to be determined.

Olympics vs. the UN
There were 197 "countries" participating in the 1996 Summer Olympics in Atlanta. All were invited by the International Olympic Committee and none invited failed to attend. At the same time, there were 185 "member states" of the United Nations. Consider the difference in the two lists (official terminology of each organization used):

Olympians but not UN members: (16)
Netherlands Antilles
Aruba
American Samoa
Bermuda
Cook Islands
Guam
Hong Kong
Virgin Islands
British Virgin Islands
Nauru
Palestine
Puerto Rico
Switzerland
Chinese Taipei

UN Members but not Olympians: (4)
Eritrea
Marshall Islands
Micronesia
Palau
This list reflects the position as of August 1999, but by January 2000, the International Olympic Committee had recognized 200 Olympic National Committees.