Book reviews

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Robert Steinmetz and Anders Wivel (eds) (2010) *Small States in Europe: Challenges and Opportunities*. Surrey: Ashgate, 256 pp., ISBN 9780754677826.

The small-state problématique and the small-state experience often elude much of the discourse in international relations and on the changing global and development context. This state of affairs has robbed us of an understanding of the rich diversity of interactions that occurs in the inter-state system and in global politics and economics. From this standpoint this volume, which deals with the case of the small states in Europe, provides an important contribution to the literature and makes a compelling case for further research. In short, the volume deepens the theoretical debate on the small-state problématique by grappling with enduring issues as well as raising new questions about the role, impact and resilience of small states in a dynamic global political economy.

From a theoretical perspective the volume is definitively on the side of the "relational approach" to the small-state problematique. The "power approach" that has dominated the literature focuses on static variables like size of country, population, GDP, trade and security capabilities. This approach has proven to be limited in its explanatory power, given the success of some small states such as Norway, Singapore and Switzerland. Instead, there is a clear recognition among the authors in this volume that the issue of size in international relations should be defined in terms of "power disparities". This framework allows for a shift in focus from the "power that states possess to the power that they exercise". ((Steinmetz & Wivel: 7) Accordingly, small states are defined as "the weak part in an asymmetric relationship" which implies further that "a state may be weak in one relation, but simultaneously powerful in another" (Pantev: 103).

This approach allows for a more dynamic assessment of change and uncertainty in the global context. It also encourages strategic thinking and planning as it suggests that small states do have agency in the global political economy albeit with some limitations. As such the key question that defines the volumes contribution is "what does it mean to be the weak part in an asymmetrical relationship? "((Steinmetz and Wivel, 7). Several of the authors illustrate both the challenges and the opportunities associated

with smallness. There is a general consensus among the authors that small states are policy and price takers as exemplified in the case of Luxembourg and its rapid compliance when threatened by the new rules of the OECD Financial Action Task Force.

The authors also argue that small states have a capacity to influence change, particularly through their participation and membership in international organizations, institutions and regimes. For this strategy to be successful small states have had to be proactive and strategic in forging alliances and formulating global governance rules through their diplomatic skills. This approach is defined as the "binding" approach, which is in contrast to the passive strategy of "hiding" or staying out of trouble. Most of the case studies argue that with increased regulation of the global political economy, particularly after the Cold War and after 9/11 that there is very little room for hiding, and so the recommended strategy is one of expanding maneuverability or making "policy space". In short, authors like Anders Wivel, who is also one of the editors, argue that for small states to be successful they must employ a "smart state strategy". He also argues that smallness and perceived weakness should be viewed as a resource. Small states, because they are viewed as non-threatening, could play the role of "honest broker"and hence mediators and ultimately policy entrepreneurs.

A focus on European small states proves a useful case study, given that according to the editors the "small states in this region play a more active role in international affairs than small states in any other region in the world". (Steinmetz and Wivel, 9) It is also noted that there are specific opportunities and privileges that small European states enjoy that small states from other regions do not have. The key privilege is the institutional or integrationist option that membership in the EU allows. This option is currently in much debate in the wake of the Eurozone economic crisis. The challenges that countries like Iceland and Cyprus (featured in this volume) have faced with the meltdown of their banking and financial sectors on account of their over-reliance on the international or offshore financial-services sector is testimony to the fragility of states that have undiversified economic structures. As such this problématique is a universal one in that small states, wherever they are located, are faced with the same epistemological question: how to build resilience in a changing and increasingly competitive global environment?

One of the answers to this question comes from the chapter entitled "Small States and Innovation". The authors argue that small states should invest in an innovation agenda to overcome contemporary challenges such as the growing financial and economic instability in the global economy, shifts in the techno-economic paradigm, the dominance of neoliberal economic policies and the associated administrative reforms. In essence, the proposed strategy is what the authors call "creative destruction management", drawing on the Schumpeterian idea of disruptive technological and socio-economic and political change. For small states they recommend a three-pronged strategy: (1) build an administrative and coordinating capacity to take advantage of regional and international networks; (2) target and facilitate private-sector innovation through the right policy mix, and (3) link macroeconomic policies with innovation policies.

From this perspective this is a timely publication. In many ways it chronicles two key watershed .-ömoments that have impacted significantly on small states all around the world, including small states in Europe. The first is the end of the Cold

War. Many small states enjoyed geostrategic importance in the Cold War context and in some instances were able to achieve high visibility in global geopolitics, whether for good or for bad. Some, like Iceland, benefitted from the economic, trade and military shelter of the US in its superpower status. Visibility has its downside, of course, as evident in the many ways in which the Cyprus conundrum has remained unresolved even with EU membership since 2004.

The issue of security and defense policy looms large in the volume and for good reason. The management of security is a key concern for the small states in Europe, given the long history of conflict on the European continent and the insecurity this generates when confronted by large and powerful neighbors. Renowned international-relations scholar Clive Archer argues that in the context of the period after the Cold War "the small members of the EU tended to bandwagon with the US … and have cautiously sought a balance for the increasing power of the Russian Federation. Thus the commitments of these states' troops have primarily been to Afghanistan, Kosovo and Iraq, to operations headed by the US and NATO" (Archer, 54).

The second relevant moment is the contemporary global downturn which was provoked by the financial crisis of 2008. What the post-crisis period has brought about is a better appreciation of the dimensions of the new global political economy where the axis of growth has expanded from the OECD and the North Atlantic to include the rise of the G20 and the role of the BRICS in international economic relations. This is exemplified in the changing structure of international trade, which has been variously described as a "two-speed" or a "three-speed" global economy. For many of the small states, in Europe as elsewhere, the issue at hand is where they fit in the new geo-economics of international trade and development.

In this regard the volume provides some critical perspectives on the challenges and the opportunities for small-state development. The volume is stronger on the political dimension of the challenges and less so on the economic dimension. In part this has to do with the timing of the publication which arises from a conference in 2008, the early phase of the current economic crisis. However, given the increased dimensions of uncertainty with the ongoing and deepening world-wide recession and the sovereign-debt crisis in the Eurozone area, there is a clear sense that the economics is forcing a new political landscape in Europe as illustrated by the intense debate about the virtues of membership of a supra-national entity like the EU and in the single currency, the Euro.

The volume offers some key insights for states outside of Europe and the EU. There is clearly a need for a follow-up publication that looks at how small states cope in the economic crisis. In that regard, lessons from European states that are not members of the EU (e.g. Switzerland and Norway) and non-European states (e.g. Singapore, Costa Rica, Mauritius, Barbados) would offer a useful juxtaposition and a key opportunity to reframe the role of small states in international relations and development theory.

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