

13

Constrained Sovereignty: The Growth of International Intrusiveness

Arthur A. Stein

In *The New Great Power Coalition: Toward a World Concert of Nations*, pp. 261-281. Edited by Richard Rosecrance. New York: Rowman & Littlefield Publishers, Inc., 2001.

This file may contain errors from the optical character recognition performed on the scanned copy of the original.

Constrained Sovereignty: The Growth of International Intrusiveness

Arthur A. Stein

Arthur A. Stein demonstrates that new norms have been internalized as a result of economic, political, and military processes since World War II. "Transparency" has become of great importance in both military and economic relationships. Beyond this, a new intrusiveness that violates old norms of sovereignty has occurred, and it opens up nations to international pressures and inspection that did not previously occur. These norms have had effects on great as well as small powers.

American Vice President Al Gore, representing the United States at the annual Asia-Pacific Economic Cooperation (APEC) summit meeting in Kuala Lumpur, Malaysia, in mid-November 1998, publicly criticized the host country's human rights record. The vice president called for greater political freedom as a key component of economic growth.¹ In response, Malaysian officials complained of interference in their internal affairs. In addition, the two countries sparred over the appropriateness of capital controls as a way of dealing with the Asian [manacial crisis. Malaysia had emerged as the key critic of the international [manacial community's insistence that countries scrap their capital controls. Malaysian Prime Minister Mahathir Mohamad claimed that his country's restrictions on capital outflows "have not hurt anyone, except the currency traders." He went on to say, "Many great economic and financial minds seem to think that we have done something that can damage the process of liberalization and globalization of the world [manacial system. We cannot. We are too small." He concluded with a plea for his country's autonomy: "Why not leave Malaysia alone with its idiosyncrasies? If we are wrong, then we will pay the price. It would serve us right." The vice president reaffirmed the United States's opposition to capital controls and pointed.

the finger right back: “We can now move capital around the world at the touch of computer key, but when that capital flows into weak financial systems whose dangers are obscured by poor transparency, the same capital can flow out just as fast—leaving debt and dislocation in its wake.”²

This exchange reflects a constant and ongoing struggle between the system of states and sovereignty and autonomy. Complaints about interference in internal affairs and infringement of sovereignty are voiced whenever states are pressed to go further than they wish. But encroachment on sovereignty has been a continuous feature of the state system. States have interfered regularly in one another’s internal affairs. The range of accepted intrusiveness has grown dramatically in modern times.

Central to agreement between states, and a critical basis for an international institutionalized order, is the reassurance provided by transparency and the increasing intrusiveness that violates classical notions of sovereignty. This finding emerges in our studies and is the argument developed in this chapter.

Sovereignty in the modern world is increasingly constrained by the demands of the international community. State sovereignty has never meant an internationally accepted mandate to unlimited domestic autonomy, and the inroads on it predate its modern emergence and were present at its birth. States still complain about external interference in their internal affairs. But increasingly, states lecture each other that actions in the domestic sphere have international implications and are thus a proper province of interstate relations. Increasingly, sovereignty is limited by both the requisites of international politics and the realization of a self-interest in limiting the exercise of one’s own sovereignty.

Sovereignty

The classical description of international politics is that of a state system consisting of autonomous and independent sovereign states exercising their self-interest with no overarching hierarchical authority. States are territorial entities with exclusive rights of control within their territorial domains.

Both international lawyers and international relations theorists trace this international system and the doctrine of sovereignty to the Peace of Westphalia (1648). Kalevi J. Holsti, in a survey of three and a half centuries of peace and war, says, “The Peace of Westphalia organized Europe on the principle of particularism.”³ Richard Falk, an international lawyer, points out that “the Westphalia system” constituted a “jurisdictional solution” to “solve the jurisdictional problems that dominate a social and political order lacking any prospect of a governmental center.” This “approach to world order emphasizes the task of allocating legal competence to apply national law. The primary role of international law becomes one of providing clear-enough allocational rules so that contradictory national claims to possess legal competence are kept at a minimum.”⁴

Sovereignty confers what came to be called self-determination, the ability to govern internally solely according to the preferences of domestic actors. It is this very prospect that has been the basis for the yearnings of many people for national self-determination and statehood.

Even in this classical vision, the need to communicate and be informed underpins agreed-upon constraints on the exercise of sovereignty. Diplomats are immune from the laws of the nation in which they serve, and embassies are territorial enclaves also not subject to national laws. These practices were developed because they were in every state's self-interest. The need for information and the ability to communicate with representatives of other governments resulted in such constraints on sovereignty, which were in everyone's benefit.

Moreover, the Peace of Westphalia did not enshrine sovereign autonomy but reflected "the inherent tension between sovereign prerogatives and international pressures."⁵ The treaty sought to deal with the Thirty Years' War, a religious war with more than two million battle deaths. And it did so by constraining, rather than sanctioning, the right of rulers to do whatever they wanted as regarded religious practice in their territories.

Although sovereignty has long been taken to imply noninterference in the internal affairs of other states, states in earlier centuries intervened regarding not only the issue of religion but also slavery, property, debt, and the rights of national and ethnic minorities. The Congress of Vienna prohibited the slave trade. States intervened in other states' affairs to secure their property and collect debts. States created at the end of Great Power wars have had their sovereignty conferred upon them with strings attached, including stipulations about the treatment of national minorities and the nature of acceptable nationality laws."⁶

The Demand for Information

In international relations, as in most walks of life, there is a continuing need for information in strategic settings. States who lend others money, like all creditors, want to know the creditworthiness of the borrower and details of the borrowers' intentions and plans. States who interact peacefully with others want assurances that their neighbors harbor no aggressive intentions and capabilities. The social custom of a handshake constitutes a signaling device that one holds no weapons in one's hands. Such signaling occurs increasingly in international relations.

Scholars use a variety of labels and concepts that all capture the centrality of information and assurance as at the heart of the problem of international relations. The state system is one of self-help in which there is no overarching authority and in which states are autonomous and must provide for their own survival. This anarchical system most closely reflected the classical political

theorists', most especially Hobbes's and Rousseau's, descriptions of the state of nature in which individuals depended only on themselves. States in the international system had not been able either coercively or voluntarily to resolve the dilemmas of the 'state of nature by constructing a world government. International politics thus diverges from domestic society and continues to pose the stark problems that underlie political organization.

International politics poses a security dilemma for states. Any actions that states take to improve their own security pose threats to others, who respond in kind. The result is that states are no better off at the end of such a cycle—indeed they are worse off. The steps they take prove self-defeating. Yet were they to take no steps to assure their security, they would remain insecure and fearful. The steps they take result in steps by others that affirm their fears and leave them armed but insecure.

This is a classic "prisoners' dilemma" of game theory, which captures the mutually self-defeating implications of self-interested individualistic behavior. In the Prisoners' Dilemma, each actor has a dominant strategy, typically characterized as *defection*. Yet, the resultant outcome of mutual defection is Pareto-deficient and is worse for all actors than the *mutual cooperation* outcome. Unfortunately, the mutual defection outcome is an equilibrium outcome, one from which no actor would diverge unilaterally. The preferred mutual cooperation outcome is not an equilibrium one: every actor has an incentive to cheat from it and make itself better off. This game has been extensively studied in all the social sciences, for it captures a critical problem in collective action and starkly poses the conflict between individual and collective rationality. The society of actors, and each individually, is better off with mutual cooperation, yet this outcome is not individually accessible—individual states acting on their own would not arrive at it.

An immense philosophical and analytical debate rages, and at its core is the question of whether cooperative order is possible under anarchy, or whether societal life requires a coercive central state that enforces outcomes and punishes violations. It is a debate on what kind and how much of a state is required domestically and whether international life can be ordered without world government.

The classic international exemplar is the armaments dilemma. In a choice between disarmament and arming, all states prefer an outcome of mutual disarmament, for in such a world no state can threaten any other. Yet every state is better off if it arms unilaterally, even though if all arm (the equilibrium outcome) then all are worse off. The state of mutual armament is no more secure than a state of mutual disarmament and is more costly and socially wasteful. States have a dominant strategy of arming, and when a state looks at others arming it cannot know whether others arm out of aggressive expansionist aims and desires or whether they arm for fear of being taken advantage of should they not.

Thus international relations scholars explain the obvious reality, a world in which all states arm themselves to protect themselves. It also explains, however, why states have an interest in arms control and yet why arms control is so difficult. States have an interest in negotiating an outcome that is superior for all to the equilibrium one that results from their autonomous self-interested calculations and choices. Not surprisingly, states regularly seek out ways to negotiate such outcomes. But there is also the obvious problem with achieving arms control. In addition to negotiating actual terms and numbers, there is the distrust and concern that results from the fact that every party has an incentive to cheat unilaterally. Thus, any agreement must be monitored and states won't agree to arms control unless they can be certain that cheating can be detected and responded to before it does irreparable harm such as the disappearance of one's country.

Monitoring and verification are thus at the core of negotiated agreements to resolve prisoners' dilemma problems.⁷ The interest in an alternative to the equilibrium solution is obvious. The fear of others' cheating and the need to monitor and verify compliance is clear. That others may cheat out of fear rather than greed provides a state an incentive to assure others of its compliance. That others may cheat out of fear means that states want to make their continued compliance contingent on continuous verification of others' compliance.⁸

States confront the problem of inferring others' intentions from their capabilities and behavior, yet both are problematic bases for such inference. Providing information, especially through intrusive access, states may unbundle fear and greed and make it possible to avoid defection out of fear. The provision of information is thus central to improving relations between states and at the heart of moving from an equilibrium outcome that is Pareto-inferior to a Pareto-superior one in which all recognize that all have incentives to cheat.

The importance of accurate information about others' capability can be seen in the sequence of events that took the world from few nuclear missiles to large numbers of them. In the late 1950s there was a tremendous national ITenzy in the United States because of the successful Soviet launching of Sputnik. Government reports underlay the national fear of a "missile gap," a belief that the Soviets were ahead in the deployment of missiles with nuclear warheads. The United States knew that the Soviets had successfully tested working missiles. Secret and illegal overflights of Soviet territory revealed, however, very small emplacements of actual missiles. While this proved sufficient to reassure President Eisenhower and to lead him to resist pressures for a military buildup, it did not undercut the estimates generated within the U.S. government. Many of these were built on assumptions of how much the Soviets could have built if they had chosen an all-out building and deployment campaign. The Soviets had not made such a choice, but this would be evident only years later. The Kennedy administration received confirmation of limited Soviet deployments by satellite

surveillance of Soviet territory. But the new president had successfully pressed the missile gap case during the campaign and still confronted the problem of what the Soviets *might* be building regardless of the evidence of what they had decided to build so far. Secretary of Defense Robert McNamara made a decision to cancel the Air Force request for a manned bomber and cut by two-thirds the service's request for missiles. Nevertheless, at a time when the Soviets had fewer than 100 launchers, his decision to build more than 1,000 constituted a significant ratcheting up of the anTIS race. Ironically, Soviet President Khrushchev's strident public rhetoric which gave the impression of Soviet superiority only reinforced the politics of escalation in the United States.

Providing information about one's military capability is a double-edged sword. Information provides others the necessary reassurance they need to (1) be deterred by what they see; and (2) not to feel the need to take responsive steps to decisions that have not been taken. Yet, information reveals one's weaknesses as well as strengths and can conceivably always be used tactically to develop military plans that better one state's ability to strike and destroy another's weapons. Indeed, it was the relative inferiority of Soviet power rather than any cultural or ideological aversion to outsiders that underlay their initial rejection of monitoring and verification measures.

Yet not providing some ability for others to monitor one's capability can lead to disastrous, mutually defeating arms races. Even states unprepared to enter arms control talks are better off providing some ability for others to ascertain their peaceful intentions.

Diplomatic practice and international law allow foreign embassies to include military attaches, and before World War I, the states of Europe provided one another access to useful military information. Military attaches, and even newspaper correspondents, were often invited to view German military maneuvers. British naval attaches were sometimes allowed into German shipyards and on board German ships. But such visits were not allowed when Anglo-German military competition became more intense.⁹

Article VIII, section 6, of the Covenant of the League of Nations calls upon members "to interchange full and frank information as to the scale of their armaments, their military, naval and air programmes and the condition of such of their industries as are adaptable to war-like purposes." Although the League published a yearbook on armaments and arms industries, it had to rely on published sources.¹⁰

The twentieth century witnessed an explosion of international organizations and agreements, most of them predicated on an acceptance of international transparency, the provision of information, and greater intrusiveness in both security and economic relationships. Especially after World War II, the institutions, organizations, and agreements proposed, and eventually struck, between states imposed greater reporting requirements than ever before, focused extensively on monitoring and slowly led to the development of a norm of

transparency, and entailed ever greater intrusiveness in the internal affairs of states.

National Security

After World War II, on the security side, there were two key issues: nuclear power and the arsenals of the superpowers. The overwhelming impact of Hiroshima and Nagasaki made the development of nuclear power a key postwar issue. That other states would want and soon have nuclear weapons was immediately evident to American policymakers. In January 1946, the members of the newly created international organization voted to establish a United Nations Atomic Energy Commission and the Truman administration established a committee to draft a report that would be the basis for the United States's policy recommendations to the commission. The key premise of the report was that "the extremely favored position with regard to atomic devices which the United States enjoys at present, is only temporary. It will not last. We must use that advantage now to promote international security and to carry out our policy of building a lasting peace through international agreement." The report called for no nation to make atomic bombs or material for them and for an international authority to carry out and inspect the necessary activities. Peaceful uses of atomic energy would be pursued, but no nation would be able to develop atomic weapons. A reworked version of this committee's report was eventually presented to the UN and the Soviet response was that the American plan was unacceptable. Specifically, the proposals on inspection were "not reconcilable with national sovereignty."¹¹

Nothing came of these initial efforts to deal with nuclear power. Negotiations led nowhere. The United Nations Atomic Energy Commission was dissolved, and the Soviets exploded their own device in 1949.

The arms competition between the United States and the Soviet Union continued, as did the pressures for expanding use of atomic power. By August 1953, both superpowers had tested hydrogen bombs, and they and others were interested in building nuclear power plants. During the 1950s, a number of advanced industrial nations both developed domestic atomic power industries and sold nuclear reactors to developing nations. In December 1953, President Eisenhower made his "Atoms for Peace" speech in which he proposed an International Atomic Energy Agency which would store fissionable material and develop peaceful uses of it. Although the Soviets were cool to his proposal, the IAEA came into being in 1957 in the wake of highly publicized nuclear reactor sales (the Canadian sale of a nuclear reactor to India generated great controversy) .

Countries that sold nuclear reactors to others typically included bilateral assurances about the uses for these reactors. In the early 1960s) the United States pressed for the replacement of incommensurate bilateral safeguards with IAEA safeguards. The United States)s willingness to replace its own safeguards with those of the IAEA, combined with American pressure, led to the agreement by 1965 of twenty countries to replace bilateral with IAEA safeguards.¹²

As the superpowers and others negotiated. the Non-Proliferation Treaty (NPT, signed in 1968) the United States pressed for the agreement to be monitored by IAEA safeguards. To ensure that nuclear reactors are only used for peaceful purposes and that nuclear materials are not diverted, IAEA safeguards include inspections, inventories, and regular audits of sensitive materials. There were complaints from the Soviet Union and some developing countries that this constituted infingements on national sovereignty. In the end, however, the signatories of the NPT accepted IAEA safeguards and inspections. Some of the extant members of the nuclear club (United States, Britain, USSR, China, and France), although treated differently) agreed to eventual IAEA inspection of some of their facilities.¹³

Intrusive international inspections of nuclear facilities emerged from the mutual interests of states in an exchange relationship. The advanced industrial states were eager to sell nuclear plants and had some interest in assuring that the facilities they established would not result in the proliferation of nuclear weapons. The developing countries were eager to obtain this new technology and both the cheap power and the valuable information it offered. Moreover, pressure to pursue military nuclear development would be ameliorated with the assurance that IAEA safeguards provided. In any case, prospective purchasers of the technology were left with the choice of accepting the safeguards or not obtaining the facilities.

The issue of verification and monitoring also arose directly in the relations of the superpowers themselves. Any attempt to limit the scope of their competition raised the issue of monitoring and verification.

In the middle of 1955, at a summit on Lake Geneva) President Eisenhower proposed what came to be called “open skies.”) He proposed that the United States and Soviet Union “give to each other a complete blueprint of our military establishments) from beginning to end, from one end of our countries to the other; layout the establishments provide trends to each other.” The next step was that each country would provide facilities to the other for aerial photography and reconnaissance. Khrushchev found the open skies proposal “a bald espionage plot against the USSR.” The Soviets rejected it, arguing that disarmament had to precede monitoring schemes; monitoring without disarmament simply meant spying. Despite Soviet rejection, the United States proceeded secretly to fly U-2 planes over Soviet territory beginning in July 1956. These flights were the source of considerable superpower fiction until they were replaced by satellite

reconnaissance (in August 1960 by the United States, in March 1962 by the Soviets).

Satellite reconnaissance itself was also initially a matter of dispute. The Soviets had in private drawn a distinction between airplane overflights, which were deemed unacceptable infringements on sovereignty, and satellites, which were not. At the Paris summit in May 1960, which Khrushchev broke up over a U-2 flight shot down over the USSR, French President de Gaulle pointed out to Khrushchev that a Soviet satellite had passed over France and could have been taking photographs of all of France. Khrushchev replied that his complaint was “about airplanes, not about satellites. He said any nation in the world who wanted to photograph Soviet areas by satellite was completely free to do so.”¹⁴ Yet publicly the Soviets attempted to have space-based reconnaissance deemed illegal as late as the middle of 1962. Although the Soviets had been the first to launch a satellite (1957), they were behind the United States in launching a spy satellite. After the Soviets launched their own spy satellites in 1963 (three years after the United States), their position changed. “Soviet acceptance of American reconnaissance satellites represents the first Soviet-American agreement, albeit tacit, on voluntary transparency.”¹⁵

Intertwined in the late 1950s and early 1960s with the discussions about what forms of surveillance the superpowers deemed acceptable were negotiations over a nuclear test ban, and monitoring and verification figured importantly in these. Discussions between the powers focused on the extent of a ban they would be prepared to accept, what kinds of tests could be monitored without on-site inspections, and what the forms and terms of on-site inspection the parties found acceptable. Importantly, the Soviets accepted the principle of on-site inspection, but the parties could not agree on the details. Subsequently, the Soviets backed away from this and only returned to it more than two decades later.

The verification and monitoring that the United States and Soviet Union could agree upon as regarding one another's nuclear tests and arsenals consisted only of what each side could monitor on its own (so-called national technical means). Failure to agree to on-site inspections resulted in only an atmospheric partial test ban that could be easily monitored.

By the late 1960s the arsenals of the two sides were substantial enough that they were ready to address directly the issue of arms control. On the one hand, the Soviets were not prepared to accept intrusive on-site inspections, so both the SALT I and ABM agreements reached in the early 1970s rely on national technical means of verification. The SALT I talks evince the twin tendencies of a reluctance to disclose and the need to do so. On the other hand, arms control depended on accurate counts of one another's arsenals and the technical specifications of different delivery systems and warheads. The Soviets refused to provide information. During the SALT I talks, in which information about

respective arsenals was essential, the Soviets provided no data, instead simply agreeing or correcting the American side, which provided data on both arsenals. Nevertheless, the final agreement went beyond the standard national means of verification in that the parties agreed not to encrypt relevant missile testing signals. It was a recognition that monitoring was linked to transparency and making it possible for others to monitor.

These American-Soviet accords were complemented by a set of agreements intended to avoid accidents and miscalculations.

By the middle and late 1970s, the situation had already shifted toward both increasing information and access. In the mid-1970s, the nations in Europe agreed in the Helsinki Accords to notify one another of major military maneuvers, and they had the option of inviting observers to attend and observe maneuvers. Over the following decade, all the signatories invited observers to some of their maneuvers, with the Warsaw Pact issuing the smallest proportion of such invitations.

In the SALT II treaty the United States and the Soviet Union finally agreed to provide one another regularly updated information about one another's arsenals.

By the mid-1980s, the new Gorbachev government in the Soviet Union evinced "new thinking" in foreign relations, a central element of which was a willingness to allow others to gather information. In 1986, the Stockholm Agreement replaced the Helsinki Accords and made invitations to foreign observers of military maneuvers mandatory.

The Gorbachev shift, both toward acceptance of intrusive inspections and toward a more sustained policy of conciliation, generated sweeping arms control agreements with unprecedented levels of intrusive verification. In the START treaty reducing and limiting strategic offensive weapons, both sides agreed to a host of on-site inspections. In the treaty on Conventional Forces in Europe (CFE), the two powers also accepted extensive on-site inspections.¹⁶

In short, monitoring and verification were central elements of superpower negotiations during the Cold War. Concerns about sovereignty and secrecy conflicted with the obvious requisites for any superpower agreement. The closer the powers came to controlling their arms, the more intrusive the monitoring measures they had to accept.

What emerged over time was a norm of voluntary transparency, the recognition that mitigating adversarial superpower relations requires accommodating others' need to know one's military deployments and positions.

Ann Fiorini characterizes voluntary transparency as rungs of a ladder.¹⁷ The lowest rung involves passive measures, namely, not interfering with others' ability to monitor by their own means. Space satellites epitomize what came to be called national technical means of verification. States put up their own satellites and thus use their own technical means to observe the visible military

preparations of others. Not interfering with this is a passive form of transparency.

More demanding by way of transparency is requiring countries to provide information. The data provided are typically unverified but specific pieces of information are usually stipulated.

The most demanding forms of transparency entail on-site monitoring. These are inherently intrusive. Even here, however, there's a range of intrusiveness as nations negotiate whether all sites or only agreed-upon sites can be inspected, whether inspections can occur any time unannounced or only by prior notification, and whether the country being inspected retains the right of refusal.¹⁸ Notwithstanding these important gradations, on-site inspections are quite intrusive.¹⁹

International Political Economy

The prisoners' dilemma game has also been taken as the prototype for critical issues in international political economy as well as security. International trade relations have been modeled as a prisoners' dilemma game. The standard argument is that each country finds itself better off adopting selective trade barriers when others choose none and also when others choose barriers. Yet a world of mutual free trade is preferable to one of mutual protection. Here, too, states confront the problem of negotiating a mutually beneficial agreement to reduce barriers but face the additional problem of monitoring and verifying the agreement.

Verification of trade agreements, however, is more easily accomplished than for security ones and captures a monitoring distinction typically made in domestic politics. There will be private firms who will know and complain if one country violates its trade commitments to another. Thus, governments typically need not directly monitor and verify compliance with many features of trade agreements. They can rely on private societal actors to raise alarms in cases of cheating. In contrast, violations of security agreements do not generate such signals and must be actively monitored. This is the distinction made in domestic politics between fire alarms and police patrols. Fires that break out are called in and thus fire alarms are one form of monitoring. Other activities do not generate these automatic alarms and those require active police patrols to monitor.

International monetary relations have also been modeled as prisoners' dilemma problems. Once again, it is presumed that states prefer manipulating their exchange rates when others do not and prefer to do so in self-defense when others do. Yet competitive devaluations leave both worse off at the end of such a policy cycle than had they both left their currency values alone.

The issues of monitoring and verification and the intrusive intervention upon sovereignty are thus as much a part of international economic relations as they are of security relations. Resolving the prisoners' dilemma in international economic relations has generated a comparable set of international agreements and organizations whose functions include gathering information and intrusively monitoring compliance.

The issue area of international trade has seen increasing intrusiveness and demands upon states. Initially trade agreements were about liberalizing (*i.e.*, lowering) tariff levels, and countries negotiated new tariff rates relative to the published ones. The informational requirements were minimal since tariff schedules were matters of public record. Compliance and verification could be left to private actors who would complain to their governments of any violations by others. But the locus of trade disputes shifted as did the locus of trade negotiations. Success in lowering tariffs, the classical barriers to trade, led to trade disagreements on other matters, and the need for trade agreements to cover a host of additional domains. This was inevitable, for, as was recognized in the discussions about regional integration, reducing tariffs creates pressures for the harmonization of a variety of domestic economic policies that affect cross-border transactions (that is, trade).

Success in reducing the classic trade barriers moved the agenda of trade liberalization to a more difficult set of problems: non-tariff barriers (NTBs), quotas and negotiated export restraints that restricted trade even as they eschewed the classic measures of protection, tariffs. Over time, the successful eradication of tariffs brought onto the trade liberalization agenda a variety of NTBs that became the bases of complaints about unfair trade practices. As theorists of regional integration had long pointed out, removing trade barriers increased pressures for domestic policy harmonization. In a low-tariff world, incongruent domestic policy measures became the basis of trade disputes. Any policy that adversely affected another's states trade could be, and was, characterized as an NTB. States complained about one another's regulations and characterized even health and safety codes as barriers to trade. They complained about subsidies and government procurement practices. Domestic policies thus became NTBs and the focus of trade negotiations.²⁰

The various postwar rounds of trade negotiations increasingly focused on domestic policies seen to be NTBs and on embedding a dispute resolution process into domestic law so as to assure compliance. Since NTBs were often unknown or hidden by opaque domestic regulatory regimes, international trade agreements called for increased transparency and the provision of information. Bidding on government contracts, for example, is often not an open public process. The first step toward ensuring equal access for foreign bidders was to require that the bidding process be made open and information publicly available.

Not only would states have to make more information available, but as part of making themselves more transparent, they might be required to justify their domestic public policies. A country whose health or safety regulations were deemed NTBs might have to show that a legitimate health or safety interest underlay their domestic regulations.²¹

Most recently, the most intrusive aspects of trade agreements has been that signatories in effect must incorporate international agreements into their domestic laws and make it possible to find domestic policies illegal because they violate World Trade Organization requirements.²²

High levels of commerce between nations has also led to extensive advice and involvement in other nations' internal affairs. Important trading partners lobby in one another's domestic political systems and lecture one another about appropriate public policies and even cultural practices. Successfully negotiating NAFTA required not only that Mexico adopt environmental laws similar to those found in the United States but also that it agree to American demands regarding its enforcement of those environmental laws. Mexico accepted these terms. And all this was justified on the grounds that American firms did not want to find themselves at a competitive disadvantage because Mexican firms faced either laxer environmental codes or laxer enforcement.

Obviously, the greatest limitations on national sovereignty and prerogative are evident in regional integration arrangements where the pressures to harmonize mount as countries create uniform trade barriers and as commerce between them grows. The European Union has found that it has been forced to create common policy regimes across a host of issue areas and to find intrusive means to assure policy harmonization.

On the international financial side, a host of international institutions were also constructed following World War II. Their minimal core consisted of providing information. The Articles of Agreement of the International Monetary Fund (IMF), for example, were drafted and signed at Bretton Woods, New Hampshire, in July 1944. They were intended "to prevent a repetition of the so-called beggar-thy-neighbor policies the 1930s, when countries used trade restrictions, subsidies, and competitive depreciation of exchange rates in attempts to solve domestic unemployment problems by increasing their trade surpluses—thereby shifting their domestic problems to other countries."²³ Central to the Fund's activities was information and consultation

The Fund imposed extensive reporting requirements on member countries. Article VIII, "General Obligations of Members," section 5, "Furnishing of Information," stipulates that "as the minimum necessary for the effective discharge of the Fund's duties," national data must be provided on official holdings at home and abroad of gold and foreign exchange; such holdings by nonofficial banking and financial agencies; the country's production of gold as well as its gold exports and imports (including countries of destination and

origin); total merchandise exports and imports (broken down by countries of destination and origin); international balance of payments, including trade in goods and services, gold transactions, known capital transactions, and other items; international investment position; national income; price indices; buying and selling rates for foreign currencies; comprehensive statement of exchange controls (including changes as they occur); and detailed data about any official clearing arrangements. Although the Fund was to “take into consideration the varying ability of members to furnish the data requested,” members also undertook “to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.”

The IMF was also to disseminate the information it obtained. The Fund was envisioned “as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.” Section 8 of Article XII gives the Fund “the right to communicate its views informally to any member on any matter arising under this Agreement,” and it “may, by a two-thirds majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members.”

In short, at its founding, the IMF was to be a bank (at Bretton Woods an International Bank for Reconstruction and Development, later renamed the World Bank, was created along with the IMF, but as John Maynard Keynes believed, “the Fund was really a bank, and the Bank a fund”²⁴). And the banker was to be provided extensive information by every member and not just those who came to borrow.

In the initial postwar period, however, the IMF’s resources for dealing with the world situation proved inadequate and a substantial burden of finance fell on the United States, which, like any banker, imposed reporting requirements. The American proposal, what came to be called the Marshall Plan, for example, consisted of little more than a suggestion that European states get together to jointly determine their needs and proposed policies and then approach the United States with their requirements. Secretary of State George Marshall clearly described the breakdown of normal commerce and wanted European countries to restore both internally and between them the patterns of commercial exchange. But he opposed any unilateral American proposal but wanted the Europeans to work together to formulate a joint plan.

The Soviets displayed initial interest in participating but objected to the violations of sovereignty. Soviet Foreign Minister Vyacheslav Molotov complained that revealing a state’s resources was a violation of sovereignty. The Soviets had problems joining the International Bank to borrow funds because they would have had to reveal their gold holdings. Although there were other reasons for Soviet rejection, the reporting requirements were one way the West

had constructed a proposal that they anticipated the Soviets would not accept, and they along with the prospects of a banker's intrusiveness were one reason the Soviets rejected taking part (see chapter 2).

The Europeans, including some who remained neutral in the emerging Cold War between the United States and Soviet Union (Austria, Ireland, Sweden, and Switzerland), quickly met in July and set up a Committee for European Economic Co-operation. In April 1948, seventeen European countries signed a Convention for European Economic Co-operation, elevating the committee into the Organization for European Economic Co-operation. This organization continued functioning well past the end of Marshall Plan assistance and in 1961 the OEEC was transformed into the OECD (Organization for Economic Cooperation and Development) with Canada and the United States joining. Since then more countries have joined, including Japan in 1964, Finland in 1969, Australia in 1971, New Zealand in 1973, Mexico in 1994, the Czech Republic in 1995, and Hungary, Poland, and Korea in 1996. Member countries meet regularly to exchange information and harmonize policy in a variety of domains.

Over time, the IMF emerged as the key international monetary institution in the postwar economy. Central to its mission was data gathering and consultation with members. At its founding, the Fund placed a general ban on exchange controls on current account transactions except for a transitional period. Countries maintaining exchange controls after five years after the start of Fund operations (beyond 1952) were expected to consult with the fund every year. Consultations about general economic policies became an annual routine with all members, not just those violating obligations to get rid of controls. Consultations requiring "voluminous documentation" became "the main activity of the Fund."²⁵

The Fund was established to lend money to nations experiencing balance-of-payments crises and to provide an orderly means of exchange rate adjustment that would not lead to competitive devaluations. Countries experiencing "fundamental disequilibrium" in their balance of payments could obtain IMF approval for changing the values of their currencies. The Fund could not veto necessary exchange rate adjustment to correct fundamental disequilibrium, even if it disliked the internal social or political policies of member countries.²⁶

The terms under which a nation could borrow from the IMF was a source of disagreement in the original negotiations establishing the Fund and in its first years of existence. On one side were those who pressed for automatic access to some degree of funding; on the other, those who pressed for conditions. Over time a hierarchy of different tranches and funds were established that were linked to greater levels of conditionality.

Beyond funds available unconditionally, the IMF links borrowing to domestic anti-inflation programs whose elaboration "has gradually become one of the main activities of the Fund. These stabilization programs go fairly deeply into internal policies; they include, for example, rather precise undertakings by

members with respect to public finance, quantitative limitations on expansion of central bank credit, and minimum reserve requirements for commercial banks.”²⁷

The three pillars of fund activity as they developed were consultation, surveillance, and conditionality. The IMF early on began regular consultations with member governments about the entire range of economic practices and conditions. Over time, the Fund moved to surveillance of countries’ exchange rate policies. Finally, the Fund imposed conditions in exchange for lending money, and the conditions were all about domestic policy practices. As one historical study put it, “increasingly, beginning in the late 1950s, the staffs of the Fund and the Bank deeply concerned themselves the internal economic affairs of their members.”²⁸

Eventually, Fund prescriptions for and demands on borrowing countries became increasingly intrusive and moved beyond economic policies. Conditionality in the past entailed fiscal, monetary, trade, and exchange rate policies. They also came to include microeconomic policies such as privatizing government-owned enterprises.²⁹ These already entailed the loss of some national economic sovereignty. Recently, the IMF has pressed borrowers to improve their judicial systems and to deal with corruption. The new political conditionality has emerged to capture this shift in Fund requirements. As one person put it, “We are now in the presence of a ‘Christmas tree’ approach to conditionality, with new conditions being steadily added to the existing ones.”³⁰

Although the IMF has been vilified and attacked, the acceptance of its right to interfere is not at question. States may not like the conditions the Fund imposes, but then they don’t have to apply to it for funds. States sometimes found its prescriptions onerous and have argued that its medicine is at times applied in the wrong circumstances. Sometimes they found it useful to blame necessary but bitter measures on this external force. And states have sometimes failed to live up to their commitments to the Fund. The essential point to emphasize is that the Fund has been intrusive and made increasing demands on states and these have been acquiesced to, even if not fully adhered to.

The requirements of providing information and of adopting domestic practices to abide by agreement with the IMF are not unusual in the relations between debtors and creditors. Individual governments and private banks also demand information and impose demands when they lend other countries money. In the past, sovereignty notwithstanding, creditors countries were quite ready to take control of customs houses to make certain that weak debtors would pay their debts. Such policies were prevalent in the nineteenth century and were pursued into the twentieth century. Ironically, as much as countries chafed and objected, IMF borrowing stipulations were less interventionist and intrusive than the Great Power practice of seizing the customs houses. Since World War II, intervention to place countries in receivership has not taken place. Instead, creditors have insisted on information to determine the creditworthiness of countries rather than rely on less-viable policies of physical control to deal with problematic debtors.

And they have insisted that nations open their books and accept externally recommended changes in order to qualify for international loans.

In short, international economic relations are sustained by a host of international agreements and institutions that demand that states provide information, make their practices more transparent, and make intrusive demands that encroach on national sovereignty. As in the security area, states agree to these requirements because they are better off doing so. Accepting the intrusions provides states access to others' markets and capital.

Conclusion

The international system remains a system of sovereign states, yet international politics, in matters of both national security and political economy, increasingly intrudes on national prerogatives. In both bilateral agreements and multilateral international organizations, states have come to accept the need for information, transparency, and intrusive monitoring and verification. Mutually beneficial exchanges and agreements require assurance against cheating.

A more peaceful and cooperative world has emerged based on the widespread recognition of the importance of transparency and monitoring and the acceptance of an intrusive international presence in order to assure others of one's continued compliance with superior but otherwise unstable agreements.³¹ When exigent circumstances force states to depart from their commitments and obligations, transparency and the provision of ascertainable justifications even make it possible to sustain continued cooperation in the face of temporary individual defections.³² The ever-present lure and fear of cheating make compliance a source of constant concern. Yet, increasingly states have agreed on measures to mitigate these and arrive at preferable outcomes.

The history of the last half-century demonstrates what might be called intrusiveness creep—the growth of intrusiveness in the economic and security relations among states. Measures once deemed unacceptable invasions of national sovereignty have become routine elements of international relations.

There have been two bases of the growth and acceptance of norms of intrusiveness and transparency in international politics. The first reason for the growth of transparency and intrusiveness is the recognized need to assure others of one's intentions and commitments. States confront choice between the suboptimal equilibrium that can be achieved through independent decision making and the preferred alternative that requires mutual assurance. Although the road has been a hard one, states have increasingly opted to accept the transparency and intrusiveness that provide such assurance. Thus, such norms do not substitute for the balance of power and military deterrence as underlying stable security relations between states; rather, they make possible balance and

deterrence at lower overall levels of weaponry and threat. Deterrence and balance can be reached at the end of an arms race with high levels of weaponry, perceived threat, fear, and mutual distrust, or acceptance of transparency and intrusiveness can make possible deterrence and balance at lower levels of weaponry and without the attendant threat, fear, and distrust. Successful intrusiveness and transparency act as preferred substitutes in regimes to assure stable security relations.

The second reason is that the requisites of sustained cooperative relationships, including commerce and exchange, require a degree of transparency and intrusiveness. States unwilling to accept these norms confront the costs of eschewing beneficial relationships. In the economic realm, for example, borrowers may prefer to receive capital without strings except for the payment of interest, but they typically confront the choice of doing without or borrowing with conditions that include the ability of the lender to observe, assess, and even dictate. Not surprisingly, they often take the money and the conditions. Exchange relationships and cooperative relationships more broadly are sustained by transparency and assurance.

By the end of the twentieth century, involvement in others' internal affairs remained a source of dispute but was also a fact of life. Vice President Gore was roundly criticized for his attack on the Malaysian government's human rights record. But only the Malaysian government criticized him for inappropriately interfering in its internal affairs. Other countries criticized Gore's timing and tactics rather than the appropriateness of his interference. They complained that the APEC meeting was the wrong place, that one should not make such criticisms in the nation's capital and at the host's dinner. One American ally said it preferred to take such issues of private rather than "megaphone diplomacy."³³

The struggle between state sovereignty and the requisites of international cooperation continues. Increasingly, however, the benefits of the latter have resulted in widespread acceptance of constraints on the former. As Ann Florini argues, transparency has emerged as a new norm of international politics.³⁴ International inspection and monitoring have become recurrent recognized elements of international agreements. This trend toward increasing acceptance of these norms is thus laying a solid basis for, and engenders optimism about, the creation of an encompassing coalition of Great Powers.

Notes

1. Bob Drogin, "Gore Gets Scolding from APEC, Business Leaders," *Los Angeles Times*, November 18, 1998.

2. Jim Mann, "No Easy answer to Asia's Money Woes," *Los Angeles Times*, November 18, 1998.

3. Kalevi J. Hosti, *Peace and War: Armed Conflicts and International Order, 1648-*

1989 (Cambridge: Cambridge University Press, 1991), 25.

4. Richard A. Falk, *The Status of Law in International Society* (Princeton, N.J.: Princeton University Press, 1970), 541. Gianfranco Poggi says the treaty “consecrated” and constituted the “cornerstone of the modern system of international relations”; Gianfranco Poggi, *The State: Its Nature, Development, and Prospects* (Stanford, Calif.: Stanford University Press, 1990), 89.

5. Stephen D. Krasner, “Westphalia and All That,” in Judith Goldstein and Robert O. Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca, N.Y.: Cornell University Press, 1993), 244.

6. Indeed, Krasner, the realist, argues that “sovereignty is a contingent concept whose actual content depends on the balance of resources-cognitive, economic, and military-among political actors” (Krasner, 244).

7. They remain, however, secondary to negotiating the substantive terms of an agreement. But in a prisoners’ dilemma, there is a mutually beneficial agreement that the parties should be able to negotiate. What is unknown in any prisoners’ dilemma is whether the terms of the agreement are verifiable. Thus mutually beneficial agreements should not founder on the terms of settlement (the distributional issues) but may very well founder on the monitoring and verification concerns.

8. Arthur A. Stein, *Why Nations Cooperate: Circumstance and Choice in International Relations* (Ithaca, N.Y.: Cornell University Press, 1990), 66 n. 36. This point is also used as the basis for distinguishing between assurance and verification in Kenneth W. Abbott, “‘Trust but Verify’: The Production of Information in Arms Control Treaties and Other International Agreements,” *Cornell International Law Journal* 26 (1993): 1-58.

9. Paul M. Kennedy, “Great Britain before 1914,” in Ernest R. May, ed., *Knowing One’s Enemies: Intelligence Assessment before the Two World Wars* (Princeton, N.J.: Princeton University Press, 1984), 179-80.

10. The interwar period provides an illustration also of the political problems that attend both disarmament agreements and their verification. The naval arms control agreements were undone because of the weapons systems left uncontrolled and because one side built up to its allowable ceiling while the other side did not. Political problems also attend verification. The monitoring of the Versailles Treaty disarmament provisions clearly revealed German cheating but the affected nations did not initially do very much in response. See Patrick Glynn, *Closing Pandora’s Box: Arms Races, Arms Control, and the History of the Cold War* (New York: Basic Books, 1992).

11. John Newhouse, *War and Peace in the Nuclear Age* (New York: Alfred A. Knopf, 1989), 64, citing Chalmers M. Roberts, *The Nuclear Years: The Arms Race and Arms Control, 1945-1970* (New York: Praeger, 1970), 20.

12. The IAEA has become the prototype of an international verification organization (IVO); see Ellis F. Morris, *International Verification Organizations* (Toronto: Center for International and Strategic Studies, York University, 1991).

13. The discussion of the IAEA draws upon Glenn T. Seaborg and Benjamin S. Loeb, *Stemming the Tide: Arms Control in the Johnson Years* (Lexington, Mass.: Lexington Books, 1987). The United States agreed that it would accept IAEA safeguards at those non-defense nuclear facilities at such time as “full-scope” safeguards were applied to other

states. This pledge went into effect at the end of 1980. A similar arrangement exists for Britain, France (as of 1981), and the USSR (as of 1985).

14. Dwight D. Eisenhower, *Waging Peace, 1956-1961* (Garden City, N.Y.: Doubleday, 1965), 556.

15. Ann M. Fiorini, "The United States and Transparency: The Creation of a Norm of International Relations," paper presented at the Conference on Norms and Emulation in International Behavior, Palm Springs, Calif., January 15, 1994, 24.

16. Ironically, Gorbachev was able to turn the tables on the Reagan administration by fully accepting their extensive demands for intrusive inspections. His acceptance led to backtracking by the U.S. administration, which realized that, despite being an open democracy, it still had sensitive installations into which it did not want to invite the Soviets. The two sides were able, however, to reach a mutually satisfactory compromise.

17. Fiorini.

18. This makes for an interesting distinction. Satellite surveillance, because it is not a violation of sovereign space, is not particularly intrusive. In contrast, aerial surveillance, because it is a violation of sovereign air space, is considered highly intrusive.

19. For another hierarchy of intrusive verification, see F. R. Cleminson and E. Gilman, cited in Abbott, "'Trust but Verify': The Production of Information in Arms Control Treaties and Other International Agreements," *Cornell International Law Journal* 26 (1993): n. 119.

20. Arthur A. Stein, "Governments, Economic Interdependence, and International Cooperation," in Philip E. Tetlock, Jo L. Husbands, Robert Jervis, Paul C. Stern, and Charles Tilly, eds., *Behavior, Society, and International Conflict* (New York: Oxford University Press, for the National Research Council of the National Academy of Sciences, 1993), 241-324.

21. For the growing importance and role of justification in international politics, see Arthur A. Stein, "The Rise of the Justifying State: International Society and Constrained Sovereignty," in John Mueller, ed., *Politics, Prosperity, and Peace: In Honor of Richard Rosecrance* (Boulder, Colo.: Westview, forthcoming).

22. There is no small irony that in the area of trade it was the U.S. Congress that took no action on a proposal for an International Trade Organization (ITO), a charter for which the U.S. government had helped to negotiate.

23. Robert Solomon, *The International Monetary System, 1945-1976: An Insider's View* (New York: Harper and Row, 1977), 11.

24. Solomon, 13.

25. Keith J. Horsefield et al., *The International Monetary Fund, 1945-1965*, (Washington, D.C.: International Monetary Fund, 1969), 1: 320, 2: 137.

26. Leland B. Yeager, *International Monetary Relations: Theory, History, and Policy*, 2d ed. (New York: Harper and Row, 1976), 392.

27. Margaret G. de Vries in Horsefield, 2:26. For the evolution of stabilization programs, see Horsefield, 2:492-510; Margaret Garritsen de Vries, *The International Monetary Fund, 1966-1971: The System under Stress* (Washington, D.C.: International Monetary Fund, 1976), 1:363-66.

28. Oliver quoted in Dragoslav Avramovic, "Conditionality: Facts, Theory, and Policy," World Institute for Development Economics Research, United Nations University, Helsinki, Finland, 1989, 8. Oliver goes on to note, "These intrusions would have surprised the American delegation to Bretton Woods and would probably have infuriated the British, who regarded national economic sovereignty as an absolute, whatever might be agreed about plans for a Fund and a Bank."

29. What has also developed over time is the emergence of "cross-conditionality," in which lenders coordinate their policies; in particular, private lenders look to IMF stabilization programs as a prerequisite to maintaining their own lending.

30. Avramovic, 8.

31. The superiority derives from the fact that all prefer mutual cooperation to mutual defection in the prisoners' dilemma. The instability derives from the fact that all have an incentive unilaterally to cheat on the mutual cooperation outcome. Assurance and monitoring deal with the instability and thus make it possible for the superior mutually beneficial outcomes to emerge and be sustained.

32. Stein, "The Rise of the Justifying State."

33. Drogin.

34. Fiorini.