

## THE THEORY OF SHELTER

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### Abstract

We argue that the concept of shelter explains small-state/entity alignment better than traditional International Relations theories because the latter fails to capture the nuanced alliance motivations and needs of small entities/states. The shelter theory claims that small states and entities need economic, political and societal shelter provided to them by larger states and international organizations in order to prosper.<sup>1</sup>

### Key findings

- **Small states/entities have to compensate for their inbuilt structural weaknesses and smallness compared to larger neighbouring states.**
- **Small states/entities need economic, political and societal shelter. These forms of shelter are provided by large states and international organizations.**
- **Shelter theory provides a framework through which to study the costs and benefits associated with an entity's relations to both their domestic 'center/core,' as well as external actors.**

### Executive summary

There is a lack of comprehensive theory regarding small state behavior, and thus a theory is needed which incorporates the vast findings of the small states literature so as to explain and predict small state behavior in a simple and helpful way. In creating shelter theory, we take on the challenge of assembling a framework for understanding small state behavior.

Shelter theory is derived from both the disadvantages and needs that small states/entities face in the political, economic and societal spheres. Small states/entities have distinct disadvantages and needs relative to large states, and thus behave differently. They seek shelter in order to deal with crises which inevitably hit small states on a regular basis due to



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their fluctuating and small market, limited defense capacity, small diplomatic corps and limited economic resources.

#### Analysis

The theory of shelter argues that small states/entities seek political, economic and societal shelter. These forms of shelter are provided by large states and international organizations. First, small states/entities seek shelter to reduce the risk that crises occur at all. Second, they search for shelter to ensure that they will receive assistance during crisis events. Third, they seek shelter to guarantee that powerful states and international organizations provide assistance to them during their recovery from a crisis situation.

Why does this matter to small state?

#### **Political problems**

Independently, small states are unable to ensure security from external violence. This has been identified as their main vulnerability and is due to their limited military power. They simply cannot field large armies and sustain extended military campaigns. Small territories mean that small states often have a very narrow buffer against threats, making it hard for small states to recover from military setbacks.

Small states also have less diplomatic power than large states. They do not have the same number of personnel and resources that can be deployed for diplomatic means. Since they have small populations, militaries and economies, they also have less aggregate structural power and will struggle to exert influence within negotiations. Small states are therefore not only unable to wield power, but they even lack the ability to study specific foreign policy issues and develop comprehensive policies.

#### **Economic problems**

Small states are at a severe economic disadvantage. The prosperity and viability of a small state is highly dependent on free movement in goods, capital, and labour; common currencies; and external fiscal monitoring. Since small states have limited domestic markets, they are more reliant on trade. Small economies also reduce the competitiveness and productivity of the economies. Small states are also more vulnerable to economic crisis. Since small states are so dependent on trade and have economies with low sectoral diversity, they are more vulnerable to fluctuations in the world economy. Small states also have weaker fiscal institutions than large states, which makes them more vulnerable to economic crises as they may be run on less sound fiscal policies.

#### **Societal problems**

Small states depend on the free flow of ideas across their borders. Small size has significant implications for technological, educational, and cultural ideas and practices. The degree of isolation and barriers between the small state/entity and the outside world have profound implications for the entity's access to new innovations, technology, ideology, and culture.

A small state, and especially a peripheral entity, relies on good communication and a consistent flow of ideas with the outside world in order to prosper. Small communities cannot generate the same flourishing bank of innovative ideas as compared with bigger societies



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and, thus, need both the societal (cultural) access and the cover provided by larger communities. Poor societal shelter leads to a worse quality of life and societal stagnation.

Policy advice points/ What should small state do?

### **Political shelter**

As a result of these vulnerabilities, small states pursue alliances and patrons. Alliances ensure small states become as militarily powerful as the combined power of their allies (provided that the allies stand by their alliance commitments). Research shows that alliances deter conflict, reduce the likelihood that allies are targeted, guarantee military assistance to allies in case they are attacked, and increase economic ties and diplomatic assistance between the allies. Even those states that lack formal security guarantees may benefit from an environment where coercion is frowned upon, and the rules and norms against aggression are upheld. Alliances are important means through which small states survive.

Regional and international organizations help to rectify this asymmetry in power between states of different sizes by shifting negotiations from an anarchic international system of unilateralism and violence to institutions governed by rules and norms. Organizations formalize the means of communication for its smaller members and make it costly for large states to violate the rules. Organizations encourage cooperative behaviour by punishing cheaters. In the long-run, rule-violating states will lose out from their cheating. It is subsequently in their interest to restrain themselves and follow the rules and norms of the international system and the organizations to which they belong.

Consequently, small states/entities seek shelter provided by larger states and/or organizations for both military and diplomatic backing. Further, small states can be sheltered by norms and rules of the international system.

### **Economic Shelter**

Without external economic insurance, small states suffer from more severe economic crises. This assistance depends on small states' successful relations with large states and international organizations. Small states need timely and favourable assistance in the wake of crises. For example, Ireland (a member of the EU and euro) received quicker assistance during the 2008 financial crisis than Iceland (a member of neither the EU nor the euro). Small states often pursue economic shelter from international organizations in the wake of crises, such as in the case of Sweden and Finland, both of whom joined the EU in the 1990s shortly after experiencing economic crises.

In this setting, economic shelter may come from a state and/or an organization in the form of direct economic assistance and investment, a currency union, beneficial loans, favourable market access, and/or a common market.

### **Societal shelter**

There is a large economic literature and economic history literature that evidences the importance of ideational diffusion for economic development, innovation and the quality of political institutions. By striking up relations with other societies, small states gain exposure to ideas and inventions.

Economic studies show that trade allows countries to benefit from foreign technological advances and that small neighbours happen to benefit the most from innovation

which occur in large states. Small states are also dependent on pursuing education abroad, as they lack the economies of scale to adequately educate people domestically.

Accordingly, small states/entities seek social shelter, such as the diffusion of foreign people and ideas, provided by larger states and/or international organizations in order to avoid social stagnation and to make up for a lack of indigenous knowledge. The pursuit of societal shelter has been a very noticeable component of small states/entities' behavior throughout history.

### **Costs of Shelter**

Shelter does not come without costs. It can make small states vulnerable to political, economic and cultural intrusion by the shelter provider. Shelter providers may impose conditions on smaller states in exchange for the shelter, reducing the small partner's freedom of maneuver and choice. The shelter relationship may even be perceived as an intolerable surrender of sovereignty and autonomy. The need to align with undesirable large states or organizations may be costly in normative terms, as the minor partner ends by acting in ways inconsistent with its national identity and preferred image. Participation in regional and international organizations may also stretch the administrative resources of small states, which can create excessive costs for small states. To be considered a shelter relationship, the benefits of the relationship have to outweigh the costs for the small state. An examination of history shows that small units have frequently left or altered shelter relationships once those relationships cease to be beneficial.

### **Conclusion**

We expect that small states/entities will seek economic, political and societal shelter, and that their prosperity will be strongly linked to the nature and depth of shelter provided by larger states and/or international organizations. Shelter theory differs from other IR theories in several ways. Most notably, small states are fundamentally different units from large states. Second, the alliance choices that small states make not only serve to ensure their security, but may also have roots in domestic pressures to obtain the resources needed to achieve a successful, functional society. Third, small states benefit disproportionately from membership in international organizations as compared with large states. Fourth and fifth, small states seek partnerships with other states and alliances to achieve the resources needed to run efficient administrations and also to get the social and cultural relationships needed to keep their societies vibrant. On the other hand, such shelter does not, of course, come without costs.

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<sup>1</sup> The policy brief draws extensively on the forthcoming books *Iceland's Shelter-Seeking Behaviour: From Settlement to Republic* (in the *Islandica* series - Cornell University Press 2019) and *Small States and Shelter Theory: Iceland's External Affairs* (in the *New International Reactions* series - Routledge 2018), which are both edited by Thorhallsson.



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