Foreword

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Quite often I have been asked why, being a monarch, I would support a project on self-determination. Many people still see the concept of self-determination, and with it democracy, as being somehow in natural opposition to the concept of monarchy. This is an opinion that I do not share, but it would be beyond the scope of this paper to explain this in detail, and therefore I will restrain myself to recounting how I got involved in this project.

I was born to become a monarch of one of the smallest states in the world at a time when conventional wisdom said that small states and monarchs had no future, except perhaps as a curiosity for tourists and stamp collectors. Until I became a student of economics in the sixties, I saw no reason to question this; but then I tried to find an explanation of why the Principality of Liechtenstein was overtaking in per capita income its much larger neighbors, experiencing an economic boom that started not long after World War II. The economic treaties with Switzerland, the sale of stamps, or the tax haven could not be the reason, because these factors were already in place soon after World War I or even before. The economic growth in the decades after World War II was mainly in the industrial sector; the service industry followed later. Even today, employment in the industrial sector is nearly 50 percent, which is very high for an industrialized nation, employment in agriculture is less than 2 percent; and the rest is in the service industry.

In the sixties, small industries from Liechtenstein challenged not only the big multinational companies but also the conventional wisdom that small industrial companies, like small states, had no future in international markets; by the end of the century these markets would be ruled by a few giant multinational companies. The prevailing view “the bigger the better” turned out not to be a law of nature that forces states and companies to grow or perish. Otherwise, humanity would already live in a single state, economically dominated by a few large companies.

In subsequent years I spent quite some time trying to find out what factors had influenced the size of states throughout history. This aspect of history is not of prime interest to historians and therefore the results are somewhat speculative. Nevertheless, there is good evidence that changes in technology, especially in the military sector—but perhaps even more importantly, economic factors—influence the size of states.

When military technology favored the defender, small states or very decentralized large states prevailed. For a long time, a small number of soldiers behind high walls were able to defend a city or a castle quite effectively against a larger army. When military technology favored the aggressor, larger armies, and therefore larger and more centralized states, prevailed. In the past, advances in siege technology and better transportation were of importance, which made a long siege possible. The expansion and stability of the Roman Empire certainly depended, to a great degree, on an excellent road system, which made it possible to sustain a large army and to transport the heavy material necessary for a long siege even into the remotest corners of the Roman Empire.

Yet the size of states is not only influenced by changing military technology. War is usually an expensive business, and over a long
period of time economic factors therefore become more important than military technology. In the past, small states could keep their independence only if they were able to pay for their military defense. The small Principality of Liechtenstein, having excellent relations with its two neighbors, Switzerland and Austria, over the centuries is the exception rather than the rule. Historically, small states could compete economically with large states only when they were able to rely on international trade. Small states have to import what they cannot produce locally, whereas a large state can rely much more on internal, rather than international, trade; a bad harvest in one province can be balanced by a good harvest in another. To pay for all the necessary imports, a small state has to export a much larger portion of its national product.

If we look at the economic and military disadvantages of a small state compared to a large one, it is surprising that any small states have survived throughout human history. Yet, many reasons for their survival can be found: for instance, small states, like small companies, are easier to manage and are more flexible and often more open to innovation. The era of the small city-state in ancient Greece or in Italy during the Renaissance were extremely productive in most areas of human activities, despite the fact that those states, with few exceptions, had fewer than one hundred thousand inhabitants.

A more important reason might be human nature. Over millions of years humans have evolved in small groups and not in big herds. Of course, a certain degree of the herd instinct is also present in human beings; thus, we can briefly enjoy “herd feelings” in football stadiums and other places. Nevertheless, in politics, as in most other human activities, mass movements are seldom known to be very productive. They are not very stable and have a tendency to be more useful for questionable leaders than for humanity in general.

Over long periods of time, the average size of states seems to change in cycles. Small states or loose federations dominate during periods of free trade and whenever military technology or other factors favor the defender. Unfortunately, even without changes in military technology, this is not a stable situation for the small state. Small states fight each other, protectionism creeps in, and free trade breaks down. Large states, less dependent on free trade and having a protected internal communication and transportation system, become more competitive. Loose federations have to remove internal trade barriers and centralize if they want to remain competitive with the new expanding states. Wars usually accelerate the trend toward more centralization; the government needs more money and increases taxation. The bureaucracy grows and the state becomes more difficult to manage. There is a growing impression in the province that a large part of taxation is used to finance an inefficient bureaucracy or unnecessary wars or that a decentralization of power is necessary. Unfortunately, it is even more difficult for a large state to reduce an inefficient bureaucracy and to decentralize than it is for a large company. Political decentralization very often means an additional layer of bureaucracy and a slowdown in the decisionmaking process. Finally, the large state collapses into smaller units or is taken over by a new, more decentralized large state, and the whole cycle starts again.

At the end of the Middle Ages, a new trend toward large centralized states began in Europe, which, by the end of the nineteenth century, had spread over the entire world. In my opinion, the decisive factor that started this trend was the development of artillery. Throughout history the high walls that had given the city-states at least some protection even in bad times became more or less useless.

The military revolution was dramatic but was soon to be reinforced by the industrial revolution. Large states started to improve their internal transportation system, which had been in poor shape since the collapse of the Roman Empire; they removed internal barriers and centralized decisionmaking in the capitals. Up to that point, economic development had followed the usual pattern. Finished goods were still produced in small quantities by artisans. The introduction of large-scale industrial production dramatically reduced the prices of those products, but this type of production was only possible in a state with a large population. For the first time in known history, the small city-state had lost not only its military protection because of artillery innovations but also its economic base because of the industrial revolution.
In contrast, the large European states secured their supplies of cheap raw materials through expanding their colonial empires.

The wars of independence in the British and Spanish colonies of North and South America at the end of the eighteenth and the beginning of the nineteenth centuries showed that this system had its natural limits. Still, the new independent states were modeled, more or less, after the successful European example of a rather centralized large nation-state. Nationalism replaced religion, to a great extent as a binding force that gave those large states a certain political stability. Nationalism became the size-limiting factor for those large states and destroyed not only the Hapsburg and Ottoman, but also the colonial, empires.

The end of the colonial empires was not only caused by emerging nationalism in the colonies and a favorable political situation after World War II. Those large centralized empires lost the competitive edge they enjoyed throughout the nineteenth century and well into the twentieth. Worldwide economic integration through free trade and the free markets, which opened up in many parts of the world, deprived the large empires of their economic advantage. Those empires proved too small to compete in the world market and too large and bureaucratic to adapt to the new situation. Military power was not enough to hold them together.

About twenty years ago I realized that a worldwide historical trend, which began in Europe around 1500, had come to an end after World War II. When the large nation-states concluded that free trade was in their own economic interest and trade barriers had to be removed worldwide, the situation began to change dramatically for the surviving small states that were able to take advantage of the new situation. This was the major reason for the industrial boom that Liechtenstein enjoyed after World War II. Another reason was that raw materials and traditional industrial goods produced in large factories lost their importance in international trade. The demand for innovative specialized products, which could be better produced in small factories, grew much faster. The economics of scale and the protected domestic market were of less importance in many sectors of the service industry. The economic balance between small and large states had been restored to at least the same level that existed before the industrial revolution—one could even argue that it was now more favorable to the small state.

It was very gratifying for me to see that Liechtenstein had a bright economic future, brighter probably than most large states. A further economic integration of Europe with the rest of the world would not only secure, but improve, the economic situation for Liechtenstein. Other small states would be able to take advantage of this opportunity. Unfortunately, I also realized that this changing historical trend, away from a large centralized state modeled on nineteenth-century ideas, would bring further political unrest to Europe and the world. Changes in this historical cycle can cause an increase in wars: civil wars when large states collapse, wars of aggression when states grow in size. Ironically, the bright economic future of Liechtenstein would be threatened by the trend toward smaller states. There was little doubt in my mind that the Soviet empire would collapse one day and with it, in all probability, the longest period of peace in Europe since the end of the Roman Empire.

Intellectual curiosity, more than anything else, pushed me to look for solutions. In the beginning I concentrated on the military side of the problem. My fear was that the Soviet empire, faced with economic and political collapse, might try to use its military power to occupy rich Western Europe in a surprise attack. We have to thank Mr. Gorbachev that he did not choose this high-risk solution to his problems, as did many leaders in history before him, but that he tried in vain to reform the empire.

My theory was that if military technology and strategy would evolve into a direction that favored the defender and the small states again, there would be at least some hope for more stability. Artillery, tanks, and airplanes had tipped the balance toward the aggressor for over four hundred years of military history. This has influenced military thinking to such a degree that an attack is still seen as the best defense. As long as the one who shoots first has a good chance of winning the war, the balance is tipped in favor of war; whereas if the one who shoots first is much more likely to lose the war, the balance is tipped in favor of peace and stability. Personally, I believe that modern military
technology favors the defender, but it is a very
difficult and slow process to change military
thinking. Whenever military leaders applied
some type of guerrilla strategy, they were able
to defeat the superpowers, although at high
cost—such as in Vietnam, Afghanistan, and,
perhaps one day, Chechnya. There can be much
room for improvement if modern technology
would be applied more consistently to this
strategy.

Even if a military solution can be found
and implemented soon, I am convinced that it
is more important to look for a political solu-
tion on handling the changing size of states in a
peaceful way and not on the battlefield, for two
reasons:

First, technology today gives us weapons
that are far more destructive and dangerous
than those in the past, and there is good reason
to believe that mankind will be able to develop
even more terrible weapons in the future. Mili-
tary technology is very difficult to control.
Most of our technology can be used in a dual
way, either peacefully or for war. The last four
hundred years were bloody enough when the
balance was tipped in only one direction. We
do not want to test where the military balance
is now or guess where it will be in twenty or
forty years. At any rate, leaders who start a war
are usually convinced that the balance is in
their favor.

Second, war in the past was a very local-
ized business: it was terrible for those directly
affected, but the rest of the world could go on
as usual. Globalization of communication and
transportation will make war not merely a local
problem. Unrest in one part of the Middle East
can bring bombs, terror, and refugees to Europe
or the United States. Public pressure will in-
crease in those parts of the world to influence
other countries to intervene in the conflict. This
will accelerate the trend toward globalization
of local conflicts.

A political solution cannot simply be to
freeze the present borders of the existing states
worldwide. Similar solutions have failed in the
past, and there is no reason to believe that they
will work in the future.

The present policy of the international
community is not much better. Peoples of the
world are told that they have a right to self-
determination, and if this right is suppressed by
a state, the international community will sup-
port their territorial integrity until a war of in-
dependence is successful. As it was in the past,
the entire problem is still settled on the battle-
field. As long as civil wars remain local affairs
and military technology favors the large state,
this policy is rather cynical—but it maintains a
certain stability in the world. There are indica-
tions, however, that military technology, if cor-
correctly applied, can shift the balance toward the
small state, which increases the chance for a
breakaway region to be successful in a civil
war. If the international community does not
change its present policy, we will probably
soon see the collapse of more large states in
civil wars.

In my opinion, the ideal and most democ-
ratic solution would be that the people them-
selves, down to the smallest community, should
decide if they want to have more autonomy, be-
long to another state, or become independent.
Are not states created by people in order to
serve the people and not the other way around?
Is it not much safer and more humane to re-
place the power of the weapon by the power of
the vote, and the decision of the battlefield by
that of the ballot box?

Ten years ago I started to work on a first
draft for a convention on self-determination.
With the help of Sir Arthur Watts and others,
this first draft was much improved and we de-
cided to publish it now so that it can be dis-
cussed. Sir Arthur Watts comments on the draft
convention in more detail, but perhaps it is of
interest to explain why I have chosen this ap-
proach for a draft convention.

As much as I hope that the vision of full
self-determination will be realized one day
worldwide, at the moment this is not a realistic
goal. A convention on self-determination has to
be a compromise; otherwise, it has no chance
of being accepted by the international commu-
nity. For many states, the present draft will al-
ready offer far too much self-determination to
their population; but for the people fighting for
independence now, such a convention will be a
disappointment.

There is room for a compromise only if
one accepts the idea of autonomy as a solution
to the problem. In many cases, neither the en-
forcement of minority rights nor democratic
rights nor other human rights are sufficient to
solve the problem. Even a democracy can become a dictatorship by the majority and can lead to civil war. A decentralization of power is often the only solution to bring decisions nearer to the people and make the state itself more efficient. A large state's chances of survival within its borders are not only better with a federal system such as those of the United States, Switzerland, or Germany, but those states also seem to be more successful economically. Different levels of autonomy can give the state and the people time to adapt to a new structure. Political leaders who ask for more self-determination or even independence for their people have to first prove at different levels of autonomy that they can fulfill their promises and meet the expectations of the people. A gradual approach to self-determination avoids the problem of new states being created with no experience in self-government.

A major problem in the past was the creation of new states with new minorities, whose right of self-determination had not been respected and who would have preferred to remain in the old state or to create their own state. German minorities, whose right to self-determination was not respected after World War I, were integrated into newly created states and were one major reason why Hitler was able to lead Germany into World War II. Croatia and Bosnia-Herzegovina are other examples in which minorities were created, leading to further military conflicts. It is therefore extremely important to bring self-determination to the smallest community. To grant the right of self-determination exclusively to those people who have a distinct ethnic, religious, or cultural background not only creates the danger of ethnic or religious cleansing but also increases the danger that existing states will be destroyed rather than decentralized.

The old wisdom of successful empires in the past, "divide and rule," has been somewhat forgotten by many elites in modern states. Croatia might not have chosen the path of independence if the right of self-determination had been established on the community level, rather than in a limited way on a much larger regional level. The Serbian minority inside Croatia would have chosen to remain in Yugoslavia, and Croatia would have lost a large part of its territory through independence. With the exception of Slovenia, all of the states that emerged after the collapse of Yugoslavia have large minorities that probably would have preferred to stay inside a modern decentralized Yugoslavia, rather than experience the present situation with its political and economic problems. Small communities quickly realize that they cannot solve all their problems alone but that they have to cooperate with other communities and delegate some of their authority to higher levels. It is unfortunately quite easy for nationalistic leaders to convince masses of people who are inexperienced in self-government that independence is the only solution.

There is another reason to give communities the right to self-determination. Communities and their inhabitants are much easier to define than the rather theoretical concept of citizens. The inhabitants of Sarajevo are registered and the city limits have probably been drawn quite some time ago, but where does someone belong if his mother is Serb, his father Muslim, and his spouse Croatian? The various ethnic or cultural mixtures in a city or village can give its entire population an identity and cultural richness that is destroyed when borders are drawn according to a theoretical definition of peoplehood, rather than according to the wishes of the population in each community.

For quite some time, I have been asking myself whether a small country such as the Principality of Liechtenstein should get involved in this very difficult question of self-determination. Consequently, I discussed this with our government and several public figures. We came to the conclusion that for a very small country with no army to defend itself (such as Liechtenstein), it is more important that solutions be found than it is for larger and more powerful countries that can better defend their independence and interests. Such a tiny country has the additional advantage of presenting no threat to another state when it raises questions and makes propositions on self-determination. When larger states raise the question of self-determination, they often have difficulties with their neighbors or experience internal problems.

It became clear that we should begin our endeavors in the United Nations as soon as Liechtenstein became a member, because self-determination is not only of interest to Europe
but also to the entire world. We felt that it would also be an advantage to have other countries’ viewpoints from the inception. Since we first raised the matter at the United Nations in 1991, we have received valuable contributions from member states of all continents. We were even able to organize a small conference on self-determination in Liechtenstein in spring 1993. What resistance we encountered more or less met our expectations. Personally, I was even more pessimistic and feared that we might be faced with diplomatic pressure against pursuing the matter further.

We feel that the time has come to include not only the diplomatic, but also the academic, world in the discussion on self-determination and to publish for the first time our draft convention on self-determination through self-administration. If we want to make progress on the subject, we need broad discussion and additional research. I am very grateful to Princeton University for deciding to get involved in this research task, and I am confident that we will make progress. Nevertheless, I have no illusions and know that it will take many years and much effort before a solution to these problems is found and implemented.

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