

SOVEREIGNTY VS. FOREIGN AID AND INDUCEMENTS

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ABSTRACT From legacies of colonialism to climate change, various circumstances come together to shape the issues sovereign nations face and addressing these issues requires inter-state cooperation. The intricacies of power lay within these international interactions, demanding an investigation. In compliance with the demands of international relations, this paper aims to discuss foreign aid and inducements in relation to sovereignty: central concepts in inter-state cooperation. Discussing the roles of lender states, receiving states, conditions of aid, the principle of non-intervention, and power asymmetries, this paper theorizes that the processes and power asymmetries within inducements and foreign aid necessitate infringement on the receiving state's sovereignty. This paper uses two case studies—the United Nations' inducements to North Korea in relation to the nuclear Non-proliferation Treaty (NPT) and foreign aid as soft power battle in the Cold War—to illustrate the relationship that the intersection of sovereignty with foreign aid and inducements reveals.

INTRODUCTION

Potential threats and signals are the language of international relations. This language of international relations is typically economically based, using economic tools to display or respond to potential threats and signals, known as economic statecraft. These economic tools consist of sanctions and inducements or positive sanctions, aid, and debt. This paper will direct its attention to the economic tools of foreign aid and inducements—unreciprocated economic giving and economic giving with conditions, respectively. A point of tension in the often-heated political discourse regarding whether foreign aid and inducements are beneficial or ineffective revolves around sovereignty. Scholars are divided claiming either that foreign aid and inducements infringe on the sovereign rights of the receiving nation or that no infringement on sovereignty occurs. Each camp of scholars is further divided on whether infringement on sovereignty—or non-infringement—proves effective in foreign aid and inducements. Evidently, the role of sovereignty within foreign aid and inducement discourses varies.

This paper attempts to answer the following question: Do foreign aid and inducements infringe on the sovereign rights of the receiving nation-state? This paper posits that the processes and power asymmetries within inducements and foreign aid *necessitate* infringement on the receiving state's sovereignty. However, establishing this statement requires an individual analysis of the relevant topics, examination of the intersection of the two topics, and exploration of pertinent examples. Firstly, this paper will individually analyze the topics of sovereignty and economic statecraft—specifically, foreign aid and inducements. Secondly, this paper will work to construct its argument based on an analysis of how the two topics work in conjunction. Lastly, this paper will discuss two case studies: the United Nations' inducements to North Korea for nuclear non-proliferation purposes and foreign aid in the Cold War.

THE COMPLEXITIES OF SOVEREIGNTY

The concept of sovereignty is central to international relations. Many claim the idea of sovereignty was first legally established in the Peace of Westphalia. However, as Oisander states, the modern interpretive and normative conception of sovereignty emerged following events such as the French Revolution and the Industrial Revolution (2001, 281). Modern understandings of sovereignty label it as the international recognition of sole control over a population in a specific land: an internationally acknowledged monopoly on a political jurisdiction over a population within the boundaries of a specified territory (Krasner 2001, 21; Oisander 2001, 281-284; Thomson 1995, 215-219).

However, attaining an accurate understanding of sovereignty requires discussing the critiques inherent in the current approaches to the topic. A significant issue in the current definition of sovereignty is its operationalization regarding state control, as states have never had full control over their own affairs (Thomson 1995; Krasner 2001). For example, the new age of technology has increasingly challenged the ability of sovereign states to control in terms of movement across their borders of “all kinds of material things (from coffee to cocaine) and not-so-material things (from Hollywood movies to capital flow)” (Krasner 2001, 21). Therefore, it is not that sovereign states have full *control* over their affairs, but that sovereign states have full *authority to control* their affairs: that no other sovereign state has the right to control another’s affairs—commonly associated with the principle of non-intervention (Thomson 1995; Krasner 2001). Note that sovereign states may have full authority to control their affairs, but this does not guarantee success in their attempts to control. Other issues regarding the mainstream approach to sovereignty involve the common functionalist perspective. Often, political discourse takes a functionalist approach to sovereignty, claiming that it was developed mainly to serve societal needs such as economic growth and protection from military attacks (Thomson 1995). On the contrary, sovereignty was established to make war and to build power amongst other sovereign states

(Thomson 1995). Sovereignty was built as an enabler and function of politics rather than a server of society. Another issue relating to sovereignty is the grey area in the literature regarding the causal relationship between interconnectedness and sovereignty: is increased interconnectedness eroding sovereignty, or is eroding sovereignty increasing interconnectedness (Thomson 1995)?

There are numerous conceptual complexities associated with modern understandings of sovereignty. This essay will define sovereignty accounting for the critiques of the operationalization of sovereignty and the functionalist perspective to achieve a more accurate understanding of the concept: sovereignty as internationally acknowledged political *authority* over a particular territory—a right that no other state possesses—that serves to exercise power concerning its own society and with respect to other states. With this working definition of sovereignty, this essay recommends keeping the issue of interconnectedness and sovereignty in mind.

FOREIGN AID AND INDUCEMENTS

As stated in the introduction, economic statecraft—using economic tools to display and respond to potential threats and signals—is the language of international society. These communicatory economic tools consist of sanctions or inducements or positive sanctions, aid, and debt. The focus of this essay will be on foreign aid and inducements.

Before discussing these economic statecrafts, it is imperative to note the anarchic ordering of international society. At its core, the anarchic nature of the international stage refers to the fact that there is no hierarchical sovereign power ruling over all nation-states promoting international cooperation and altruism: there is no formal order to the system of international politics. States act only in ways that align with their best interest. Discussions of the role of the United States’ enforcement of intellectual property in the resurgence of American power

in the global political economy exemplify the anarchic nature of international politics in relation to self-interested states (Gill 2003, 23-24).

IMPACT OF INDUCEMENTS AND FOREIGN AID ON SOVEREIGNTY

Baldwin defines inducements—also known as positive sanctions—as actual or promised rewards to a receiver in exchange for compliance (1971, 23; also refer to Nincic 2010, 139-149). In other words, inducements are assured economic rewards given to the receiver state in exchange for their participation, cooperation, and compliance with the demands of the lender state. Baldwin identifies pitfalls in the logistics behind the theoretical composition of positive sanctions, one of which states: “In any given power relationship, A may perceive himself as employing carrots, while B may perceive A as using sticks” (1971, 24). The theory of positive sanctions must account for power relations/imbances and the importance of perspective. Understanding the dynamics of complex positive sanctions/inducements requires consideration of political context and accounting for different perspectives.

Foreign aid is a form of resource allocation defined as “*unreciprocated giving*” (Hattori 2001, 636-639). In other words, a state provides another state with resources—typically economic resources—and expects to receive nothing in return. Furthermore, Hattori emphasizes the prevalent power asymmetries in this form of economic statecraft: foreign aid is a symbol of domination in the form of material inequality between the donor and recipient (2001, 639).

In sum, positive sanctions—or inducements—entail providing rewards to a receiver in exchange for compliance with the donor’s demands. Foreign aid entails a donor providing resources to a recipient without the expectation of any reciprocation. Moreover, considering the anarchic international sphere and self-interested nations, these principles encourage

the conclusion that states only employ inducements or foreign aid if it is in their interest to do so. However, what are the implications of this underlying self-interest?

This section will bring together the previously well-defined concepts of inducements and foreign aid to argue that the processes and power asymmetries within both *necessitate* infringement on the receiving state’s sovereignty.

Firstly, proving this statement requires examining the relationship between sovereignty and, specifically, inducements—or positive sanctions. This aid with conditions entails complying with the lender state’s demands. Recall that central to a state’s sovereignty is the political authority to control its affairs without having another state possessing the right to interfere with their internal affairs. This principle of non-intervention—an essential element of sovereignty—contradicts the conditions necessary for a receiver state to comply with the demands of a lender state to receive conditional aid: a state must relinquish its monopoly on political authority over its internal affairs to a separate international actor to receive conditional aid. Political literature reflects this perspective on the dynamic between inducements and sovereignty: “if the activity is a measure of economic compulsion or pressure in order to dictate the policy of another state, there is an invasion of the protected sphere of interest of that state and it becomes intervention” (Kilby 1999, 85). Simply put, states must hand over their political authority—and consequently their sovereignty—in service of a lender state’s demands as a precondition to receiving aid offered through economic inducement. “[A]id with conditions violates sovereignty” (Kilby 1999, 85).

The previous statement leads to the exploration of aid without conditions: Does aid without conditions, or foreign aid, also violate sovereignty? Reiterating Baldwin’s ideas, Kilby states that “the concept of aid without strings

implies both that aid would be distributed randomly and that aid would continue to be allocated regardless of the behaviour of the recipient states” (1999, 86). If foreign aid is sincerely provided with no strings attached, it should not infringe on a state’s political authority to control and, consequently, their sovereignty. Therefore, *in theory*, the practice of foreign aid and sovereignty are parallel lines that never cross. However, akin to most concepts in international relations, the actualization of foreign aid differs drastically from its romantic theoretical composition. No state is willing to provide sincerely strings-free aid as that goes against the ordering of international relations. In a state of anarchy, states act only in ways that benefit them - a state will only provide foreign aid if it is in their interest to do so. In practice, foreign aid is never strings-free. Despite the fact that a receiving state’s interests and intentions with aid may align with a lender state’s interests, a lender state providing foreign aid to change the conditions within a receiving state infringes on the receiving state’s monopoly on political authority to control internal affairs. It is the lender state’s resources that dictate and incite change within the internal affairs of a receiving state serving the interest of the lender state. Note that the benefit reaped by the lender state can be minor or trivial, but it is a benefit nevertheless. Therefore, foreign aid allows external international actors to infiltrate the internal affairs of the receiver nation with the power of resources to actualize outcomes beneficial to the lender, infringing on the political authority and sovereignty of the receiving state. Evidently, the theoretical assertion that foreign aid does not violate the receiving state’s sovereignty fails to hold. The international relations axiom of states acting only in their best interest explains this discrepancy between the theory and application of foreign aid.

Many authors rebut this argument, claiming that states are rational actors capable of declining inducements and foreign aid and, therefore, these promises of aid—conditional or non-conditional—are not coercive or infringe on sovereignty (Kilby 1999, 85). However,

states that become prey to sovereignty-infringing inducements and foreign aid are in no position to decline aid. For example, consider the situation of HIPC’s (highly indebted poor countries) which are in no economic, political, or social position to decline any aid. Lender states have resources that receiver states are in dire need of. It is due to this power asymmetry characterized by material inequality that receiver states are forced to give up their political authority over their internal affairs and their sovereignty in attempts to improve the welfare of their citizens (Kilby 1999, 84-85).

In sum, the process and power asymmetries within inducements and foreign aid *necessitate* infringement on the receiving state’s sovereignty. Inducements infringe on the political authority of vulnerable states through overt interference in internal affairs; foreign aid infringes on the political authority of vulnerable states through covert and seemingly strings-free interference; and vulnerable receiving states are in no position to decline any form of aid due to material inequality within power dynamics.

CASE STUDY: U.N. INDUCEMENTS TO NORTH KOREA

This case study will examine inducements towards North Korea as relating to the ‘nonproliferation’ principle of nuclear weapons. The signing of the United Nations’ Non-Proliferation Treaty (NPT) in 1968 marked a time when attitudes towards nuclear weapons shifted towards disarmament— but ambiguity remains in to whom the disarmament applied. The NPT is more often enforced in the direction of countries with nuclear power that the West believes either poses a threat to them or whose power is undeserved: for example, the UN’s adamance in controlling the nuclear activities of Iran, an alleged threat to the West, but not Saudi Arabia, a close ally of the US with greater or equivalent nuclear capabilities compared to Iran (Amuzegar 2006, 98). Therefore, it is unsurprising that North Korea falls within the path of this disarmament principle. However, as a result of North Korea’s infamous

withdrawal from this treaty, the UN looks to inducements as their vessel to promote disarmament.

Babson details a plan to approach North Korea with economic inducements to induce cooperation, highlighting using North Korea's vulnerable economic position as leverage negotiations (2015, 11-17). Babson recommends that inducements include the strategic removal of sanctions, the promise of agricultural technology and training assistance, aid in overcoming energy vulnerabilities, support in integration in the international financial system for long-term economic security, and aid in establishing connections with global financial institutions such as the Asian Infrastructure Investment Bank (AIIB), International Monetary Fund (IMF), and the World Bank to make the decrease in nuclear weapons development in favour of economic security more appealing (2015, 14-17). "[T]he ultimate objective is for North Korea to *believe* [emphasis added] that its economic security interests have been significantly enhanced" (Babson 2015, 17). This comprehensive coercive plan hides under the altruistic guise of economic security and improved quality of life in exchange for peace, covering the true aim of eliminating an unwanted threat.

Through the view of material and economic inequality, the balance of negotiation power sits in favour of the UN. However, some argue that the balance of negotiation power sits in favour of North Korea as they currently have an uncontested monopoly on the political authority to control nuclear weapons production. Moreover, many claim North Korea also has the power to accept these inducements and not follow through with their end of the bargain. However—under the assumption that North Korea and countries in the UN are intelligent and rational actors—it is unlikely that North Korea would be easily coerced into accepting inducements, nor would the UN be easily tricked into a deal that North Korea does not intend to uphold. It is more likely that the UN vs. North Korea disarmament battle will result in a prolonged stalemate.

Varying predictions related to this disarmament affair do not change the fact that Babson's recommended inducements entail infringement on North Korean sovereignty. The example of North Korea shows the complex art of coercion in which inducements play a role in serving the interests of the UN by leveraging North Korea's vulnerable economic situation to overtly interfere in the internal affairs of the country, infringing on their political authority to control their nuclear weapons capabilities and, consequently, their sovereignty.

CASE STUDY: FOREIGN AID IN THE COLD WAR

This case study will examine foreign aid from the United States to the Soviet Union. The Cold War was a time in which any fight that could be fought was fought, from space travel to weapons manufacturing to soft power. As opposed to hard power, which refers to military and economic capabilities, soft power refers to the ability of a country to spread its ideologies. During the Cold War—the battle of ideologies—it comes as no surprise that advantages in soft power held were highly pursued. The party with the most soft power was able to naturalize their hierarchical position as opposed to relying on symbolic domination (Hattori 2001, 642). In pursuit of spreading their soft power, the US would grant 'gifts' in the form of foreign aid and development assistance to Soviet Russia or other developing countries with the expectation of no direct economic reciprocation. For example, during the Debt Crises of the late 20th century, developing countries received unpayable high-interest rates on loans from international financial institutions. The US offered 'concessional loans' to developing countries which gave below-market interest rates to countries and grace periods for debt repayments (Hattori 2001, 643-645).

Moreover, in the 1970s, the US switched from giving grants to loans as another method of consolidating the image of the US as a world saviour and deepening the third world's dependency on US capital and resources

(Hattori 2001, 641-643). These 'gifts' allowed the US to emphasize their superior position, demonstrate their generosity, and attach 'greatness' to their Western ideology. The Soviet Union and developing countries, especially in times of economic hardship, were in no position to decline the economic and developmental aid and were forced to accept the aid with all strings attached. The not-so-invisible strings of this foreign aid served to significantly spread the soft power of the US by painting a rosy picture of Western liberalism. Soviet Russia attempted to match the 'gifting' capabilities of the US, but their distributable economic resources were not comparable to that of the US (Hattori 2001, 641-643). However, Soviet Russia was able to gain a soft-power advantage through Leninist and Marxist perspectives on gender equality. These perspectives of gender equality resonated with Western feminism, and these ideas proliferated in second-wave feminism, becoming underlying ideologies of Marxist feminists and Black feminists.

This battle of soft power, specifically in terms of foreign aid, profits from global material inequality as a vessel for spreading ideological influence. Simply put, the power to influence the political ideologies of countries requires the ability to control their politics. In the Cold War,

foreign aid worked to give the global superpowers control over the politics of developing countries by providing them with 'gifts' entailing significant influencing power: foreign aid serves as a middleman in the pursuit of spreading ideologies. Both the US and Soviet Union used foreign aid to infiltrate the political authority of vulnerable developing countries, and consequently their sovereignty, under an altruistic guise aiming to consolidate global dependency on their countries and establish political and ideological domination.

CONCLUSION

This paper discusses how the sovereignty of poor countries falls victim to inducements and foreign aid. This paper first examined the individual concepts of sovereignty and inducements and foreign aid; second analyzed the intersection of sovereignty with each form of economic statecraft; and, last, provided two case studies that exemplify the image of inducement, foreign aid, and sovereignty this paper paints. Ultimately, this paper argues that processes and power asymmetries within inducements and foreign aid *necessitate* infringement on the receiving state's sovereignty. This paper simply reveals the dynamics of predator and prey in the realm of international relations.

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