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Countries don't go bankrupt: Sovereign debt crises and perceptions of sovereignty in an era of globalisation

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“Countries Don’t Go Bankrupt”:
Sovereign Debt Crises and Perceptions of
Sovereignty in an Era of Globalisation

Katharina Obermeier



“Countries Don’t Go Bankrupt”: Sovereign Debt Crises and Perceptions of Sovereignty in an Era of Globalisation

Katharina Obermeier¹

Abstract

This paper seeks to contribute to the debate on the impact of globalisation on sovereignty by analysing how sovereign debt crises affect perceptions of sovereignty in the countries where they occur. I argue that sovereign debt crises are perceived as threats to sovereignty by citizens and politicians due to the debtor government's inability to simultaneously meet expectations of internal and external sovereignty. I study changes in perceptions of sovereignty rather than using more conventional means of analysing sovereignty in order to take into account sovereignty's social context. The perceived loss of sovereignty in sovereign debt crises is important as it can undermine the legitimacy of the debtor government and of the international lenders involved in the crisis. I test this argument in three case studies – sovereign debt crises in South Korea, Argentina and Greece – using media analysis to gauge perceptions of sovereignty. In tracking changes in the discourse on sovereignty throughout the crises, I find support for my argument in all three cases. Finally, I explore the implications of my argument for proposed alternative mechanisms of managing sovereign debt at the international level.

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1. Introduction

Since the early days of globalisation, discussion has gone back and forth among those who consider sovereignty significantly compromised in the new era, those who maintain that sovereignty continues to endure, and those who argue that globalisation is creating new types of sovereignty without necessarily eroding it.² What has been missing from this debate is a theoretical and empirical analysis of perceptions of sovereignty and the expectations surrounding it. In much of the debate so far, authors choose a certain definition of sovereignty and make conclusions about its resilience (or lack thereof) based on their operationalisation of the aspects of sovereignty they consider the most important. This is problematic not only because of the amorphous nature of sovereignty itself, which lends itself to a wide variety of interpretations, but also because it removes the idea of sovereignty from its social context.

In this paper, I address this oversight by studying how perceptions of sovereignty are affected by sovereign debt crises. Specifically, I argue that *there is a perception of eroding sovereignty in countries experiencing sovereign debt crisis*. Debtor governments in sovereign debt crises are usually dependent on external emergency funding, accompanied by conditionality, in order to continue governing and providing public services. Due to these constraints, they face a trade-off between fulfilling their citizens' expectations of internal sovereignty (effective governance) and external sovereignty (independence from outside influence). This situation makes a perceived loss of sovereignty almost inevitable as at least one set of expectations associated with sovereignty will not be met.

I choose to focus on sovereign debt crises as they provide an exceptionally useful environment for capturing and studying changes in perceptions of sovereignty. This is because in the current era of globalisation, sovereign debt crises tend to feature a unique intersection of international and domestic forces, challenging the accepted boundaries between the two. Furthermore, sovereign debt crises are 'emergency' situations often accompanied by dramatic economic, political and social upheaval in a short period of time, in contrast to the more gradual changes associated with other aspects of globalisation. This means changes in the way sovereignty is perceived in countries undergoing sovereign debt crises are concentrated within the relatively short timeframe of a crisis and amplified due to the disruptive rather than evolutionary nature of the changes.

² For examples of arguments that globalisation undermines national sovereignty, see Thomas Ilgen, 'Conclusion,' in *Reconfigured Sovereignty: Multi-Layered Governance in the Global Age*, ed. Thomas Ilgen (Aldershot: Ashgate, 2003), 211, Keith Griffin, 'Economic Globalization and Institutions of Global Governance,' *Development and Change* 34, no. 5 (2003): 789-807, John Breuilly, 'Nationalism,' in *The Globalization of World Politics: An Introduction to International Relations*, eds. John Baylis, Steve Smith and Patricia Owens (Oxford: Oxford University Press, 2011), 409-10 and Jennifer Westaway, 'Globalization, Sovereignty and Social Unrest,' *Journal of Politics and Law* 5, no. 2 (2012): 132-9. For claims about sovereignty's endurance, see Stephen Krasner, 'Abiding Sovereignty,' *International Political Science Review* 22, no. 3 (2001): 229-51 and Colin Hay, 'Globalization's Impact on States,' in *Global Political Economy*, ed. John Ravenhill, 4th ed. (Oxford: Oxford University Press, 2014), 255-82. For examples of arguments that new forms of sovereignty are evolving, see David Held and Anthony McGrew, *Globalization/Anti-globalization: Beyond the Great Divide*, 2nd ed. (Cambridge: Polity, 2007), 212-4 and Anne-Marie Slaughter, *A New World Order* (Princeton: Princeton University Press, 2004), 266-71.

In developing my argument that sovereign debt crises are perceived as a threat to sovereignty, I first explain why I choose to focus on *perceptions of sovereignty over time*, an unconventional approach in debates about globalisation and sovereignty. In doing so, I contrast a static approach to analysing sovereignty with the approach I use here, which stresses the dynamic and intersubjective nature of sovereignty.³ I then discuss sovereign debt crises and show how they challenge conventional expectations of what sovereignty should entail. Governments undergoing sovereign debt crises face a trade-off: they have to choose between providing effective governance to their citizens (associated with internal sovereignty) and maintaining independence from foreign creditors and international institutions (associated with external sovereignty). The existence of this trade-off leads citizens to perceive a loss of sovereignty, as their expectations of how a sovereign state should act and how international and domestic forces should relate to one another are no longer being met.

I test this argument by comparing textual analysis of media reports before and during sovereign debt crises in South Korea, Argentina and Greece. For all three cases, I find evidence of both increased numbers of references to sovereignty as the crisis progresses, and narratives of eroding sovereignty that are directly tied to the crisis, suggesting a change in public perceptions of sovereignty.

Why do these changes in perceptions of sovereignty matter? I argue that the failure to fulfil expectations of sovereignty makes it difficult for governments and international lenders involved in the crises to maintain legitimacy. This in turn has ramifications for how sovereign debt crises should be handled at the international level, which I explore in the final section of this paper.

³ The focus on change and perceptions in relation to sovereignty is inspired by Patrick Jackson's framework for analysing the concept of civilisation. See Patrick Jackson, 'How to Think about Civilisations,' in *Civilizations in World Politics: Plural and Pluralist Perspectives*, ed. Peter Katzenstein (London; New York: Routledge, 2010), 176-200.

2. Sovereign Debt Crises as Perceived Threats to Sovereignty

Sovereignty and Perceptions of Sovereignty

As one of the fundamental principles underlying international relations, sovereignty has been the subject of a great deal of scholarly attention. While the parameters of the concept remain contested, there is a broad consensus that sovereignty entails both a supreme political authority over a territory and population, as well as the recognition of this fact by other actors internationally. These two facets are often referred to as *internal* sovereignty (control or ability to govern) and *external* sovereignty (recognised independence from interference by a foreign or international authority). In this way, sovereignty is seen as the principle separating the domestic from the international level by simultaneously establishing and legitimising authority within states and anarchy outside of them.⁴

Beyond this basic, relatively uncontroversial definition, however, there is little agreement on the parameters of sovereignty or how it manifests itself. Many scholars have pointed out how the meaning of sovereignty has evolved historically and changes depending on context.⁵ The differences in the way sovereignty has been characterised over time point to the challenges when it comes to analysing or 'measuring' it. In much of the debate on globalisation and its effect on sovereignty, a *static* approach is adopted, operationalising sovereignty as the range and quality of policy options available to a state or the extent of its regulatory control. This approach treats sovereignty as a fixed list of characteristics, such as international recognition, the ability of the state to control cross-border flows of goods, capital or people, or the ability to make economic policy, including determining interest and currency rates.⁶ While this is a useful tool for analysing the effect of globalisation on the

⁴ See, for example, Jens Bartelson, *A Genealogy of Sovereignty* (Cambridge: Cambridge University Press, 1995), 17-25.

⁵ For instance, J. Samuel Barkin has traced the evolution of the different elements constituting sovereignty from the Westphalian to the post-Cold War era, arguing that different aspects of sovereignty have been emphasised in various historical time periods to justify different state systems (see 'The Evolution of the Constitution of Sovereignty and the Emergence of Human Rights Norms,' *Millennium – Journal of International Studies* 27.2 (1998): 229-52). Similarly, Jo-Anne Pemberton identifies the changes in the conception of sovereignty in the imperial to the post-imperial age, linking it to other principles such as the standard of civilisation or legitimacy (see *Sovereignty: Interpretations* (Basingstoke; New York: Palgrave Macmillan, 2009)). With reference to forces of globalisation and European integration, Maarten Smeets focuses on the evolution from traditional conceptions of sovereignty to ideas of shared sovereignty (see 'Globalization of International Trade and Investment,' in *Globalization and the Nation-State* (Cheltenham: Elgar, 2000), 7-35). Yongjin Zhang describes the particularities of Chinese understandings and practices of sovereignty, grounded in China's historical experiences (see 'Ambivalent Sovereignty: China and Re-imagining the Westphalian Ideal,' in *Re-envisioning Sovereignty: The End of Westphalia?* eds. Trudy Jacobsen, Charles Sampford and Ramesh Thakur (Aldershot, Hampshire; Burlington, V.T.: Ashgate, 2008), 101-15).

⁶ For differing accounts of attributes associated with sovereignty, see, for example, Stephen Krasner, *Sovereignty: Organised Hypocrisy* (Princeton, N.J.; Chichester: Princeton University Press, 1999), Brad Roth, 'The Enduring Significance of State Sovereignty,' *Florida Law Review* 56 (2004): 1017-50, Elmar Altvater and Birgit Mahnkopf, 'The World Market Unbound,' in *The Limits of Globalization: Cases and Arguments*, ed. Alan Scott (London: Routledge, 1997), 306-26, William Tabb, *Economic Governance in the Age of Globalization* (New York: Columbia University Press, 2004), Nadir Eroğlu, 'The Effects of Financial Globalization on Economic Policies,' *International Research Journal of Finance and Economics* 47 (2010): 90-5, and Ross Buckley, 'Re-envisioning Economic Sovereignty: Developing Countries and the International Monetary Fund,' in *Re-envisioning Sovereignty: The End*

ability of a state to fulfil these criteria, it is less illuminating as a means for assessing how international forces can impact the way sovereignty is conceptualised and understood.

The plethora of elements through which sovereignty can be captured means there is wide disagreement among authors whether globalisation undermines sovereignty or not, based on which manifestations of sovereignty they consider essential. For instance, Manuel Pastor argues that in the Mexican peso crisis, the debtor government retained its ability to make 'sovereign choices' even though its control over economic planning was reduced, while authors such as Ross Buckley consider this very reduction of control an erosion of sovereignty itself.⁷ Without broad agreement on how these different aspects of sovereignty should be considered and weighted (which seems unlikely given the current range of ideas in the literature), it is impossible to conclude that either Pastor or Buckley is wrong. An approach that focuses on static elements of sovereignty will therefore neither give us conclusive answers to the question of how globalisation impacts sovereignty, nor generate insights about qualitative changes in the way this contested concept is understood.

The alternative to this perspective of sovereignty is to adopt a *dynamic* approach that allows for changes in the way sovereignty is understood. Rather than attempting to evaluate sovereignty by analysing the extent to which a state fulfils certain fixed criteria, a dynamic approach views sovereignty as a series of processes and discourses that keep constructing, perpetuating and contesting the meaning of the concept from one moment to the next.⁸ In using this approach, the goal is not to evaluate whether or not sovereignty is retained or undermined during globalisation, but rather to capture qualitative changes in the way it is conceptualised or practiced. For my purpose of exploring conceptualisations of sovereignty under the 'emergency' situation of sovereign debt crises, therefore, an approach that allows for dynamism is better suited to taking into account potential changes in the meaning of sovereignty.

Besides its changing parameters, a related aspect of sovereignty is its *intersubjective* nature. Thomas Biersteker and Cynthia Weber describe how the meaning and parameters of sovereignty are constantly being negotiated among actors and are therefore not reducible to a single perspective.⁹ As recent authors on the subject tend to note, 'sovereignty means different things to different people.'¹⁰ Given the intersubjective qualities this concept inevitably entails, research that focuses only on practices or elements the individual researcher believes constitute sovereignty seems problematic, as it will almost necessarily disregard the social context in which the meaning and parameters of the concept are constructed. This points to the need for an approach that does not artificially predetermine how sovereignty manifests itself.

Adopting an approach that emphasises both the dynamic and intersubjective aspects of sovereignty, I study *perceptions of sovereignty over time* as a way of capturing changes in

of Westphalia? eds. Trudy Jacobsen, Charles Sampford and Ramesh Thakur (Aldershot, Hampshire; Burlington, V.T.: Ashgate, 2008), 267-83.

⁷ Manuel Pastor, 'Globalization, Sovereignty and Policy Choice: Lessons from the Mexican Peso Crisis,' in *States and Sovereignty in the Global Economy*, eds. David A. Smith, Dorothy J. Solinger and Steven C. Topik (London; New York: Routledge, 1999), 224 and Buckley, 'Re-envisioning Economic Sovereignty.'

⁸ For a more detailed description of this type of approach to sovereignty, see also Christian Reus-Smit, *The Moral Purpose of the State: Culture, Social Identity, and Institutional Rationality in International Relations* (Princeton, N.J.: Princeton University Press, 1999), 157-9.

⁹ See Thomas Biersteker and Cynthia Weber, 'The Social Construction of State Sovereignty,' in *State Sovereignty as Social Construct*, eds. Thomas Biersteker and Cynthia Weber (Cambridge: Cambridge University Press, 1996), 1-21.

¹⁰ For example, Michael Byers, *Who Owns the Arctic? Understanding Sovereignty Disputes in the North* (Vancouver, B.C.: Douglas & McIntyre, 2009), 5.

the way sovereignty is viewed and understood. I analyse how the actors involved in the relevant social context see sovereignty and its relationship to their political communities. For the purpose of this paper, this means looking at changes in conceptions of sovereignty from the perspectives of citizens and governments.

Sovereign Debt Crises and the Perceived Threat to Sovereignty

Sovereign debt crises are a particular type of financial crisis, in which international and domestic forces tend to intersect due to the presence of international creditors and organisations such as the IMF acting as lenders of last resort. Financial crises in general are defined as ‘sharp, brief, ultracyclical deterioration[s] of all or most of a group of financial indicators – short-term interest rates, asset ... prices, commercial insolvencies and failures of financial institutions.’¹¹ Financial crises are generally preceded by asset and credit bubbles, and associated with the bursting of these bubbles.¹²

The key element of sovereign debt crises is a sudden inability (or unwillingness) of a national government to service its external sovereign debt. In a typical sovereign debt crisis, a credit or asset bubble bursts, often accompanied by large outflows of foreign capital as international investors lose confidence in the viability of the economy and the ability of the government to service its debt. Particularly in cases of fixed exchange rate regimes, this capital flight is frequently exacerbated by speculative attacks on the foreign exchange value of the country’s currency, thus igniting a currency crisis. The country in crisis typically attempts to defend its currency peg by selling foreign exchange reserves, thereby reducing its ability to finance its international trade and service its debt commitments, or raising domestic interest rates, thereby reducing the availability of credit in the domestic economy. These factors spark illiquidity and an economic downturn, further weakening investor confidence in the economy. When the country in question is no longer considered credit-worthy, it is shut out of international capital markets and is unable to borrow funds to run its day-to-day operations or service its existing debts. In this situation, most countries in modern sovereign debt crises turn to an organisation acting as international lender of last resort, which provides loans to countries incapable of accessing other types of credit and oversees debt restructuring.¹³ Importantly, while a government could conceivably continue servicing its external debts in its own currency by simply issuing more currency (an element of internal sovereignty most countries possess), external debts tend to be denominated in foreign currency, which the debtor government is unable to reproduce.

In non-crisis circumstances, perceptions of sovereignty tend to be stable. This means that the practices of the state, such as providing services for citizens and interacting with external actors, are seen as maintaining the parameters of sovereignty to which citizens are accustomed. Stable perceptions of sovereignty imply a general lack of concern with the country’s ability to maintain its sovereignty. When citizens’ expectations of sovereignty are met, practices of sovereignty are able to continue normally as well, without being challenged on the grounds of perceptions of sovereignty. In this way, stable practices and perceptions of sovereignty reinforce one another. While changes in the meaning and parameters of sovereignty may be negotiated among the relevant actors under non-crisis circumstances,

¹¹ Raymond Goldsmith, quoted in Meghnad Desai, ‘Financial Crises and Global Governance,’ in *Global Governance and Financial Crises*, eds. Meghnad Desai and Yahia Said (London: Routledge, 2003), 8.

¹² See Stijn Claessens and M. Ayhan Kose, ‘Financial Crises: Explanations, Types, and Implications,’ in *Financial Crises: Causes, Consequences, and Policy Responses*, eds. Stijn Claessens et al. (Washington, D.C.: International Monetary Fund, 2014), 3-59.

¹³ See Charles P. Kindleberger and Robert Z. Aliber, *Manias, Panics and Crashes: A History of Financial Crises*, 6th ed. (Basingstoke: Palgrave Macmillan, 2011).

the evolution will be gradual enough that practices and expectations of sovereignty will continue to correspond to one another.

By contrast, sovereign debt crises present challenges to practices and expectations associated with sovereignty. In many ways, they are 'emergency' situations, in which the conventional rules and mechanisms for reproducing sovereignty are suspended or questioned.¹⁴ As the maxim referenced in the title of this paper states, 'countries don't go bankrupt.'¹⁵ The 'normal,' expected condition of a sovereign state is solvency and entails the ability and willingness to service international debts.¹⁶ In this sense, sovereign debt crises present a unique set of circumstances for exploring how understandings of sovereignty are affected by international forces. In contrast to non-crisis situations, when perceptions and practices of sovereignty tend to reinforce one another's stability, crises constitute moments of uncertainty, in which unfamiliar circumstances are assessed against familiar standards of behaviour expected of sovereign states.¹⁷

Against this backdrop of uncertainty, governments experiencing sovereign debt crises face a trade-off between meeting their citizens' expectations of internal sovereignty on the one hand and external sovereignty on the other hand. This is because they are dependent on the assistance of an international lender of last resort in order to be able to maintain their day-to-day operations. With regard to internal sovereignty, modern states are expected to fulfil the role of supreme authority in their jurisdictions, maintaining effective governance and, increasingly since the beginning of the 20th century, managing the economy and providing basic public services such as social security programmes. The inability to live up to these expectations due to a lack of funds would seriously undermine citizens' sense of sovereignty and delegitimise the government in question. The common response, therefore, in financial crises is to seek assistance from an external organisation in order to regain the financing necessary to fulfil expectations of internal sovereignty.

Being placed under this type of emergency funding programme, however, is often viewed as a concession of external sovereignty in the sense that the government is seen as bowing to external demands and permitting interference by international actors. The conditions that are part of the programme are considered particularly threatening to a country's policy-making autonomy, as they are seen as being imposed on the country in question against the will of the government or its citizens. This perception can be strengthened by debtor governments'

¹⁴ Of course, similar conditions may apply in other emergency situations, such as during revolutions or natural disasters, but the logic of government trade-off outlined below is not generally applicable to emergencies other than sovereign debt crises.

¹⁵ It can be argued that this (in)famous quote by former Citicorp Chairman and CEO Walter Wriston has been misinterpreted, as he intended it to mean that a country's assets (land, human resources, infrastructure, etc.) would always outweigh its liabilities, and that therefore it was technically impossible for countries to go bankrupt. However, the fact that this quote became so well known can be seen as testament to the normative weight behind the idea that countries *should not* go bankrupt, and that a country's expected status is solvency. 'International Finance: An Interview with Walter B. Wriston,' *Fletcher Forum of World Affairs* 8 no. 2 (1984): 249.

¹⁶ The strength of the norm that sovereign states should be able and willing to pay their foreign debts can be seen in the recent descriptions of Argentina as a 'financial rogue state' for refusing to comply with a US court ruling ordering the Argentine government to pay its US hold-out creditors. 'Argentina Defaults: Eighth Time Unlucky,' *Economist*, August 2, 2014, <http://www.economist.com/news/leaders/21610263-cristina-fernandez-argues-her-countrys-latest-default-different-she-missing>.

¹⁷ This is akin to Alexander Wendt's notion of norms becoming increasingly deeply internalised in the absence of external shocks. I argue that sovereign debt crises constitute this type of external shock that challenges the continued internalisation of norms. See Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), 311-2.

use of international organisations as scapegoats for unpopular policies and reforms.¹⁸ In this way, governments faced with a sovereign debt crisis are fundamentally incapable of adhering simultaneously to the demands of internal and external sovereignty that are met (or perceived to be met) in non-crisis circumstances. This inability to satisfy expectations surrounding sovereignty negatively affects citizens' perceptions of the extent to which their state is sovereign. Sovereign debt crises impact perceptions of sovereignty in debtor countries by putting expectations of internal and external sovereignty in conflict with one another, meaning a perceived loss of either internal or external sovereignty is almost inevitable as at least one set of expectations surrounding sovereignty is no longer being met.

A perceived loss of sovereignty is especially likely under these circumstances due to the fact that sovereign debt crises - as opposed to, for example, a mainly domestic banking crisis - tend to shift and draw attention to the boundaries between domestic and international domains. The government's sudden inability to maintain the value of the country's currency in international markets, for example, emphasises the power of international over domestic forces in liberalised capital markets, to which citizens may previously have been oblivious. Unsustainable external public debt means ever larger portions of government expenditures are used to service it, putting the imperative to make payments on the foreign debt in direct competition with domestic spending needs. The conditionality that comes with external emergency financing can bring international interests and concerns into the domestic policy-making process, often in a way that is much more visible to citizens than other international pressures on the country. Viewed as the organising principle that divides the domestic domain from the international, sovereignty is invoked as a response to the unexpected changes that are perceived as violating the established norms for these boundaries.

In particular, the dichotomisation of domestic needs (in the form of public services) as opposed to external demands (in the form of conditionality or repayment to creditors) in sovereign debt crises can prompt concerns that external interests are being privileged over domestic ones. This type of concern can easily - and persuasively - be framed as a challenge to the debtor country's sovereignty. If expectations surrounding external sovereignty are chiefly concerned with how a sovereign state should act in relation to international forces, it makes sense that (perceived) yielding to external demands at the expense of domestic interests will be seen as a concession of sovereignty. In this way, the threat to sovereignty can be characterised in different ways, with, for example, reference to the IMF or foreign speculators. In either case, it represents the discrepancy between the situation at hand and expectations of what the relationship between the state and the international realm should look like.

¹⁸ For a discussion of the ways in which debtor governments can use IMF assistance as a political tool or 'lock-in' strategy, see Graham Bird and Dane Rowlands, 'The Demand for IMF Assistance: What Factors Influence the Decision to Turn to the Fund?' in *Globalization and the Nation-State: The Impact of the IMF and the World Bank*, eds. Gustav Ranis, James Vreeland and Stephen Kosack (London: Routledge, 2006), 231-62.

3. Implications: Why Do Perceptions of Sovereignty Matter?

As a result of its normative component, the concept of sovereignty is closely tied to the question of legitimacy. According to David Beetham's framework of legitimacy, the exercise of authority has to be justifiable based on participants' beliefs and norms in order to be legitimate.¹⁹ In other words, the rules and actions of the authority or institution in question have to correspond, to at least some extent, with the belief-system of the participants in order to maintain legitimacy. This suggests an important connection between sovereignty as a collection of normative expectations of what a state and its relationship with external actors *should* be and the legitimacy of the state in question. If a state acts in accordance with its citizens' expectations of how a state should act – that is, in accordance with the expectations surrounding sovereignty – it is legitimate in the sense that its authority can be justified on the basis of its citizens' beliefs.

A perceived loss of sovereignty in a sovereign debt crisis can therefore spark or exacerbate an erosion of legitimacy for the debtor government. A legitimacy deficit lies in the 'discrepancy between rules and supporting beliefs.'²⁰ In sovereign debt crises, this occurs when new rules (such as the conditions an agreement between the IMF and the debtor government entails) no longer align with citizens' supporting beliefs, i.e. the expectations surrounding sovereignty. When the authority of the government is less justifiable by citizens because it does not fulfil expectations of sovereignty, the government suffers from a (greater) legitimacy deficit. This situation in sovereign debt crises can be described as states' 'struggle to maintain their domestic political legitimacy in a context where their populations expect them primarily to serve the domestic interest and hold them accountable for the domestic effects of the international agreements they make.'²¹ These types of legitimacy crises are not unique to governments facing sovereign debt crises or perceptions of eroding sovereignty, of course, but sovereignty's role as a fundamental legitimising factor for the state lends it particular significance in this context.

The legitimacy deficit in a sovereign debt crisis manifests itself in, and can be reinforced by, instances of *delegitimation*, the active withdrawal of citizens' consent to maintain the government's authority. In the same way that legitimacy requires the practices of an institution to be justifiable, it also requires practices of consent on behalf of the participants (i.e. compliance with the institution's rules and participation in their development, for example by voting in elections).²² The opposite of this is *delegitimation*, which can further erode legitimacy by demonstrating the lack of support for the institution and even hampering its activities.²³ Instances of delegitimation tend therefore to be public in nature, such as mass demonstrations, strikes or acts of civil disobedience. In a sovereign debt crisis, a legitimacy deficit can be expressed through instances of delegitimation such as demonstrations against the government, general strikes that can undermine the government's ability to govern effectively, or widespread unwillingness to participate in elections. This type of delegitimation can, in turn, cast further doubt on the government's legitimacy (and also on its ability to fulfil expectations of internal sovereignty, in the form of effective governance).

¹⁹ See David Beetham, *The Legitimation of Power*, 2nd ed. (Basingstoke: Palgrave Macmillan, 2013), 17.

²⁰ *Ibid.*, 20.

²¹ Ben Thirkell-White, *The IMF and the Politics of Financial Globalization: From the Asian Crisis to a New International Financial Architecture?* (Basingstoke: Palgrave Macmillan, 2005), 29.

²² See Beetham, *The Legitimation of Power*, 18.

²³ See *ibid.*, 209.

Unlike in a purely domestic crisis, however, we can also see instances of delegitimation aimed at international institutions during sovereign debt crises, as these institutions are also perceived as exercising authority in (or over) the debtor country. This international dimension of the legitimacy deficit is particularly significant, since it cannot easily be remedied through elections – the usual means of re-establishing legitimacy in democracies. While of course these acts of delegitimation against the authority of international lenders tend to be limited to the debtor country in question, the lenders' legitimacy deficit can still have significant repercussions, both within the country and beyond its borders. As increasingly acknowledged in IMF working papers, reform programmes under IMF supervision are more likely to be successful if there is a sense of 'country ownership,' reflecting 'a firm commitment from the government and other relevant constituencies' in the country to the programme.²⁴ Such a sense of country ownership is unlikely to develop under circumstances where external lending is widely viewed as an infringement of national sovereignty and even debtor governments publicly express criticism of the lenders' conditionality. Going beyond individual sovereign debt crises, some authors argue that the IMF's general legitimacy crisis since the early 2000s is in part due to the unpopularity of its conditionality among potential borrowers.²⁵ Others connect the mass demonstrations of discontent with the EU's role in the euro zone crisis, particularly in Greece, with its declining legitimacy overall.²⁶ With increasing focus on the role of public opinion in lending legitimacy to institutions such as the IMF and the EU, citizens' perceptions of how these institutions affect national sovereignty become more relevant.

²⁴ Moshin Khan and Sunil Sharma, 'IMF Conditionality and Country Ownership of Programs,' IMF Working Paper 01/142 (Washington, D.C.: International Monetary Fund, 2001), 3.

²⁵ See Eric Helleiner and Bessma Momani, 'Slipping into Obscurity? Crisis and Reform at the IMF,' Working Paper no. 16 (The Centre for International Governance Innovation, 2007): 3-6.

²⁶ See Paul Statham and Hans-Jörg Trenz, 'Understanding the Mechanisms of EU Politicization: Lessons from the Eurozone Crisis,' *Comparative European Politics* (2014): 1-20.

4. Case Studies: Crises in South Korea, Argentina and Greece

Methodology

In order to test my argument, I conduct textual analyses of articles from national media surrounding sovereign debt crises in South Korea, Argentina and Greece. If sovereign debt crises are associated with perceptions of declining sovereignty, as I argue, this should be reflected in more media attention paid to the idea of sovereignty. After all, narratives of sovereignty are constructed in part through public discussion and the media outlets both shape and reflect public discourses.²⁷

I test my argument in three cases of sovereign debt crises – South Korea in 1997/1998, Argentina in 2001/2002, and Greece in 2011/2012. These cases were chosen as they involve sovereign debt crises that occurred within the recent context of globalisation and took place in democratic countries.²⁸ They also display a considerable degree of variation with regard to political culture and responses to the crisis. South Korea, for example, is often considered the ‘model’ country in handling its crisis of 1997/98, rapidly implementing wide-ranging reforms and returning to economic growth within a few years after the start of the crisis.²⁹ In contrast, Argentina’s crisis of 2001/02 is known for the debtor government’s unorthodox approach in dealing with its creditors, as well as a radical breakdown in domestic order at the height of the crisis.³⁰ While in both of these cases it was the IMF that intervened as lender of last resort, the recent crisis in Greece has taken place in an entirely different situation due to the country’s membership of the EU and euro area.

For each case, I examine articles from a major English-speaking national news outlet – namely, the *Korea Times* for South Korea, the *Buenos Aires Herald* for Argentina, and the *Athens News Agency* for Greece.³¹ I compare articles from the six months before the peak

²⁷ For an overview of the relationship between media and discourse, see David Altheide, ‘Tracking Discourse and Qualitative Document Analysis,’ *Poetics* 27 (2000): 287-99.

²⁸ As we cannot assume that either media coverage or perceptions of sovereignty will be comparable in autocratic and democratic countries, it is best to limit the analysis to democratic countries.

²⁹ See ‘Ten Years On,’ *Economist*, 4 July 2007, <http://www.economist.com/node/9432495> and Lee Kyu-Sung, *The Korean Financial Crisis of 1997: Onset, Turnaround, and Thereafter* (Washington, D.C.: World Bank, 2011), 399-402.

³⁰ See Maria Pia Riggirozzi, ‘Argentina: State Capacity and Leverage in External Negotiations,’ in *Power and Politics after Financial Crises: Rethinking Foreign Opportunism in Emerging Markets*, ed. Justin Robertson (Basingstoke: Palgrave, 2008), 123-143.

³¹ Naturally, media bias is a legitimate concern in any analysis of news sources. In this case, the question of whether English-language media in South Korea, Argentina and Greece is truly representative of the average citizen’s perceptions in these countries is a particularly valid one. After all, one would expect English-language media to cater first and foremost to expatriates and diplomats within the country, or at least to a well-educated elite with a more international outlook. My decision to look at only English-language media is mainly intended to avoid translation issues. However, I also believe that any evidence of sovereignty-related language in the context of the crisis in English-language media will indicate stronger support for my argument than similar discourses in national-language media. This is because one would expect a news source with a more international perspective and readership to be less likely to portray a sovereign debt crisis in terms of a conflict between domestic and international interests, or invoke the concept of national sovereignty as a means of expressing discontent with the effects of the crisis. In this way, discussions about the implications of sovereign debt crises for sovereignty in English-language media are likely to be diluted reflections of stronger, more nationalistic rhetoric in populist media. The fact that – as described

of the crisis (operationalised as the date of the bailout, or one of the bailouts) with articles from the six months following this point.³² If there is a marked increase in articles referencing sovereignty in a non-territorial context in the crisis-era compared to the pre-crisis era, as well as evidence of sovereignty-related language being used to describe the sovereign debt crisis, I consider the findings to support my argument. I distinguish references to sovereignty in a non-territorial context (e.g. border disputes) from those in a territorial context in order to isolate my findings from instances involving territorial disputes.³³ In addition to *explicit* references to non-territorial sovereignty, I also track references to related concepts such as ‘independence,’ ‘autonomy,’ or ‘national subordination.’

Findings

In general, I find support for my argument across all three cases, though the results with regard to the number of articles referencing sovereignty are clearer for the case of South Korea than for the others.³⁴ Analysis of Argentina and Greece is more complicated, partly due to the fact that they each received more than one bailout. As Table 1 below shows, references to sovereignty in a non-territorial context increase significantly during the crisis period compared to the pre-crisis period, most notably by 245% in South Korea. In all three cases, I also find numerous examples of discussion on the sovereign debt crisis being couched in the language of sovereignty, drawing direct connections between the crisis and notions of sovereignty. Within the time periods examined, very few issues, aside from territorial disputes, elicit this type of language, and the vast majority of references to non-territorial sovereignty allude to the respective crisis.

	Case	Pre-crisis period	Crisis period	Change
References to non-territorial sovereignty and related concepts	South Korea	31	107	245%
	Argentina	52	70	35%
	Greece	41	70	71%

Table 1: Number of articles referencing non-territorial sovereignty and related concepts related to sovereignty

below – these media sources *do* cite public figures engaging in discourses of sovereignty underlines their suitability for my analysis. Unfortunately, due to limited access I was only able to restrict my analysis to one source per country.

³² As both Greece and Argentina had more than one bailout during the crisis examined here, I have chosen the bailout that occurred during the time of greatest financial and political turmoil as the marker for the peak of the crisis – the second bailout, in both cases.

³³ I track references to non-territorial sovereignty separately and find that they do not follow the same pattern as references to territorial sovereignty, confirming my assumption that these should be treated separately from references to sovereignty in a non-territorial context.

³⁴ Importantly, there is a similar increase for all three cases when only *explicit* references to sovereignty are taken into account.

South Korea

The Crisis: From Korean Globalisation to the 'Day of National Shame'

After several decades of rapid economic growth, South Korea was plunged into turmoil in 1997, when a string of high-profile corporate bankruptcies and contagion from the Thai currency crisis resulted in a full-fledged sovereign debt crisis for the country. Prior to the crisis, South Korea had been practicing *seggyehwa*, its own form of globalisation that included the increasing liberalisation of its financial markets. This allowed South Korean companies to implement ambitious expansion projects backed by foreign funding, at the same time as the country's rapid economic growth began to abate and its export prospects to suffer. In the first half of 1997, several of the country's large business conglomerates (*chaebols*) faced insolvency due to their precarious financing situation, with severe ripple effects throughout the economy. When Thailand was forced to adopt a managed floating exchange rate due to a speculative attack on its currency in July 1997, investors started to flee the entire region, compounding South Korea's problems. Borrowing conditions for banks grew steadily worse, and the overvalued Korean won began depreciating rapidly as foreign exchange reserves were drained. By late November 1997, the country no longer had the reserves to finance its imports and faced imminent default. When its request for assistance from Japan was denied, the government entered into an agreement with the IMF for a US\$21 billion emergency credit.³⁵

The IMF's programme in South Korea was highly controversial, both among South Korean citizens and in the academic community. Critics charged the IMF with misdiagnosing the crisis and prescribing overly harsh measures with regard to monetary policy and reforms in the industrial sector and labour market. They argued that the recession was deepened by IMF-recommended policies.³⁶ While South Korea returned to economic growth by 1999, the crisis had severe social impacts in the form of high unemployment rates and a sobering increase in the number of suicides across the country.³⁷

Perceptions of Sovereignty in the Pre-Crisis Months (June – November 1997)

There are very few references to sovereignty outside of a territorial context in the *Korea Times* prior to November 1997, when rumours first emerged that the government might seek emergency assistance from the IMF. When the topic is mentioned, sovereignty is discussed in reference to the pressures of globalisation and the country's relationship with Japan. One article argues that because 'globalization has the undisputable effect of diminishing a government's ability to act in the best interests of its people at large,' it has 'warped the very concept of what it is that constitutes a nation.'³⁸ Another states that 'the fact of the matter is that Korea is dependent on Japan for virtually all aspects of its major industries ... Korea must recognize that it is in critical danger of losing its economic sovereignty.'³⁹ While these statements indicate concern about the country's ability to maintain its sovereignty under pressure from external forces, they are isolated incidents during the time period examined.

³⁵ For a full overview of the South Korean crisis, see Lee, *The Korean Financial Crisis of 1997*.

³⁶ See Charles Harvie, 'The Korean Financial Crisis: Is Bail-out a Solution?' in *The Causes and Impact of the Asian Financial Crisis*, eds. Tran Van Hoa and Charles Harvie (Basingstoke: Palgrave Macmillan, 2000), 80-92.

³⁷ See Lee, *The Korean Financial Crisis of 1997*, 314-5 and 'Economic Woes Drive More to Suicide,' *Korea Times*, April 27, 1998.

³⁸ Russ Jackson, 'Thoughts of the Times: A Chance to Rethink Globalization,' *Korea Times*, October 29, 1997.

³⁹ Lee Kun-hee, 'Competition, Treason,' *Korea Times*, September 6, 1997.

By contrast, when the burgeoning crisis in November begins to be reflected in the discourse, fears about economic sovereignty become more concentrated. Reports that the South Korean government applied for an IMF bailout are accompanied by explicit concern for sovereignty: 'Requesting IMF assistance interferes with the nation's "economic sovereignty"' and 'needless to say, [IMF measures] are heavy prices to pay for the stability of liquidity, compromising our economic sovereignty' are some of the comments.⁴⁰ A particularly interesting observation was made by a *Korea Times* reporter when it emerged that the South Korean government had turned to Japan for emergency loans before seeking IMF assistance: 'Asking Japan, its former colonial ruler, was almost as galling as going to the IMF.'⁴¹ The insinuation that an IMF programme would be more damaging to national pride than financial help from the former coloniser is an indication of the depth of South Korean fears surrounding IMF supervision.

Perceptions of Sovereignty in the Crisis Months (December 1997 – May 1998)

During these months, the crisis very clearly dominates the *Korea Times* discourse, and discussion on the IMF programme in particular is couched in the language of sovereignty. The 'IMF trusteeship' is considered 'tantamount to surrendering economic sovereignty' and there are fears South Korea is becoming 'an economic colony.'⁴² Most striking are comparisons between the day the government first requested IMF assistance and the beginning of Japanese colonial rule in Korea: 'Nov. 21 is designated by some as the second "kukchi-il" (the day of national shame). The first "kukchi-il" was the day when the "Ulsa Treaty" (the protectorate treaty forced on Korea by Japan in 1905) was proclaimed.'⁴³ Despite some arguing that the bailout was a positive development for the country, these statements plainly demonstrate that expectations of external sovereignty are not met during this time period.⁴⁴

The domestic-foreign dichotomisation discussed in the theory chapter is also visible in the *Korea Times*' coverage of the crisis. Interestingly, it often casts Japanese or US interests in opposition to South Korea's concerns. This is evident from a government official's comment that 'the U.S. side may attempt to pursue their goal for opening the Korean market through the IMF' in order to solve their trade dispute with South Korea, as well as the claim that 'foreign lenders and investors joined in a collective sabotage against Korea' to bring about the sovereign debt crisis.⁴⁵ One comment cites reports from other South Korean media sources 'alleging that Japan and the United States ... orchestrated the financial crisis in order to "colonize" Korea.'⁴⁶ The most obvious example of this type of dichotomisation is a statement by President Kim Dae-jung, arguing that 'innocent people and businessmen in Asia are being sacrificed by the "impure international forces, including currency

⁴⁰ 'Candidates Vary over Solicitation of IMF Aid,' *Korea Times*, November 21, 1997 and 'IMF Bailout,' *Korea Times*, November 24, 1997.

⁴¹ Sah Dong-seok, 'Seoul Applies for IMF Loan,' *Korea Times*, November 22, 1997.

⁴² Sah Dong-seok, 'IMF Rescue Fund Signals Hard Times Ahead,' *Korea Times*, December 4, 1997 and Hong Sun-hee, 'Citizens Resolve to Tighten Belts to Pay Back IMF Loan Soon,' *Korea Times*, December 5, 1997.

⁴³ Kim Byong-kuk, 'Location of Responsibility,' *Korea Times*, December 3, 1997.

⁴⁴ For an argument on the benefits of the IMF assistance, see Lee Chang-sup, 'Kim to Urge People to Shed Anti-Foreign Sentiment in TV Talk Show on May 10,' *Korea Times*, April 18, 1998.

⁴⁵ 'Korea-US Auto Dispute Enters New Phase,' *Korea Times*, December 7, 1997 and Lee Chang-sup, 'Can Kim DJ Revive "Builder's Ideology?'" *Korea Times*, January 1, 1998.

⁴⁶ Paul Hanley, 'Thoughts of the Times: The Asian Tiger Not Dead but Ill,' *Korea Times*, January 25, 1998.

speculators.”⁴⁷ This anti-international rhetoric complements the perception of a loss of external sovereignty in the sense of independence from international or foreign influence.

As in the pre-crisis months, there are a few references to non-territorial sovereignty outside of the discourse on the crisis. One of these occurs in an article on the planned free trade agreement between South Korea and the US, stating that South Koreans tend to view an agreement of this nature as ‘economic colonization.’⁴⁸ The other concerns the liberalisation of agricultural markets, arguing that agricultural self-sufficiency ‘is related to the national security and sovereignty.’⁴⁹ Like the references to globalisation and dependence on Japan undermining sovereignty in the pre-crisis period, however, these issues do not seem to gain any traction in the broader discourse.

Argentina

The Crisis: From Free-Market Poster Child to Rogue Nation

The development of Argentina’s crisis is more complex than that of South Korea’s. For one, the IMF’s involvement in Argentina had been almost continuous since 1991, when the country adopted a currency board fixing the peso to the US dollar in an effort to fight hyperinflation. Under this convertibility regime, Argentina experienced strong economic growth and enacted market-oriented reforms, quickly becoming the IMF’s ‘star pupil.’⁵⁰ However, the ease of international borrowing also meant that the country accumulated significant debt, frequently missing the fiscal targets the IMF had set for it. When the economy entered a period of prolonged recession in 1998 on the heels of the Russian default, convertibility prevented the appropriate depreciation of the peso, widening the current account deficit and increasing the debt. By 2000, the situation had worsened to the point that the government sought a non-disbursing ‘precautionary’ IMF stand-by agreement in March and received US\$15 billion in financing from the IMF, augmented by loans from other international organisations.⁵¹ This first bailout did little to shore up the country’s finances, as debt spiralled out of control and the government was paralysed by political crisis. A second IMF emergency loan of US\$6 billion was received in August 2001, with the government increasingly falling behind on its domestic financial commitments. When the government imposed banking restrictions and capital controls in a desperate attempt to prevent bank runs, it exacerbated the already fomenting social unrest, and widespread protests, riots and looting resulted in the administration’s resignation in December.

In the aftermath, Argentina defaulted on its external debt and abandoned the currency board. Tensions with the IMF continued as Argentina was denied further funding until 2003, but the economy gradually started to recover in 2002. The new administration under Néstor Kirchner followed an unconventional approach by renegotiating the country’s foreign debt with its private creditors without IMF involvement. Dealing with private creditors individually rather than *en bloc*, Argentina was able to restructure the majority of its outstanding debt in 2005, with creditors taking considerable losses.⁵² While the restructuring was declared a

⁴⁷ ‘Is Kim Sympathizing with Mahathir’s View?’ *Korea Times*, April 6, 1998.

⁴⁸ ‘Is Rok-US FTA Accord Feasible?’ *Korea Times*, May 13, 1998.

⁴⁹ ‘Pressure to Open Agro-Mart Mounts,’ *Korea Times*, May 13, 1998.

⁵⁰ Michael Mussa, *Argentina and the Fund: From Triumph to Tragedy* (Washington, D.C.: Institute for International Economics, 2002), 27.

⁵¹ Andrew Cooper and Bessma Momani, ‘Negotiating out of Argentina’s Financial Crisis: Segmenting the International Creditors,’ *New Political Economy* 10 no. 3 (2005): 308.

⁵² For an overview of the Argentine crisis, see Mussa, *Argentina and the Fund*, Cooper and Momani, ‘Negotiating out of Argentina’s financial crisis,’ and Brad Setser and Anna Gelpern, ‘Pathways through Financial Crisis: Argentina,’ *Global Governance* 12 (2006): 465-87.

success at the time, hold-out creditors who refused to accept Argentina's terms won an injunction from a US court in 2014, prohibiting the country from continuing repayments on bonds that had been renegotiated before the hold-out creditors were paid and pushing it into technical default.⁵³

Perceptions of Sovereignty in the Pre-Crisis Months (February – July 2001)

The discourse on sovereignty in the pre-crisis period is marked by the non-linear nature of the Argentine crisis. The fact that the country is quite obviously already on the brink of a sovereign debt crisis during this period, as demonstrated by the first bailout in December 2000, is reflected in the *Buenos Aires Herald's* discourse during these months. Anti-international rhetoric is already discernible, particularly in statements by unions, claiming that 'pensioner policy [is] subject to the wishes of the International Monetary Fund and the World Bank' and that 'President de la Rúa is merely "an instrument of the International Monetary Fund."' ⁵⁴ This is not surprising given the fact that the government had received the first IMF bailout at this point and was therefore already falling short of expectations surrounding external sovereignty.

However, it is interesting to note that at this point, before the full-fledged onset of the crisis, most of the language surrounding the first IMF bailout is still relatively soft. Instead of references to the IMF imposing conditionality on the government, the bailout is characterised as a '*blindaje*' – a 'shield' – and an 'IMF-led financial lifeline.'⁵⁵ This is much less antagonistic phrasing than is used in the crisis era, as shown below. The emphasis on funding received, rather than on attached terms and conditions, suggests that the first bailout was perceived as a preventive measure taken by a still-autonomous government, rather than a last resort forced on an incapacitated country.

As the country moves closer to the second bailout, there are more explicit references to the threat to sovereignty the crisis is perceived to pose. Comments such as 'the time has come for Argentina to reassert its economic sovereignty' are indicative of this growing perception.⁵⁶ The discourse in the *Herald* also explicitly questions Argentina's continued ability to demonstrate statehood based on its indebtedness: 'For the last year or so, Argentina has been edging nearer to the queue that is awaiting its turn outside the knacker's yard where "failed states" are broken up ... Last week, a former president of Uruguay, no less, titillated Spaniards with an article in *El País* in which he posed the question: Does Argentina still exist or has it already left us?'⁵⁷ This suggests the notion that the crisis is undermining Argentina's very capacity to *exist* as a state.

The discourse also very clearly shows the dichotomisation of domestic needs as opposed to external demands that forms part of my argument. This can be seen in comments discussing 'Economy Minister Domingo Cavallo's struggle to please "the markets" and voters at the same time,' where 'the markets' refer to international creditors expecting the government to implement tighter fiscal policy in order to avoid default.⁵⁸ *Herald* reporter Martín Gambarotta makes this sentiment even more clear when he argues that the government 'is caught

⁵³ See Davide Scigliuzzo, 'US Bond Investors Balk at Argentina Swap Offer,' *Reuters*, December 10, 2014, <http://uk.reuters.com/article/2014/12/10/argentina-debt-exchange-idUKL1N0TU2OT20141210>.

⁵⁴ 'State Workers Blast PAMI,' *Buenos Aires Herald*, February 23, 2001 and 'Both CGT Groups Threaten to Strike,' *Buenos Aires Herald*, March 9, 2001.

⁵⁵ Dan Krishock, 'Birds of a Feather,' *Buenos Aires Herald*, February 21, 2001 and Jacqueline Behrend, 'Daer Hints at Strike U-Turn,' *Buenos Aires Herald*, February 23, 2001.

⁵⁶ Dan Krishock, 'Things Fall Apart,' *Buenos Aires Herald*, May 30, 2001.

⁵⁷ James Neilson, 'On the Eve of Destruction, Perhaps ...,' *Buenos Aires Herald*, June 28, 2001.

⁵⁸ Martín Gambarotta, 'Play it Again, Erman,' *Buenos Aires Herald*, May 13, 2001.

between the markets and a hard place. The name of the hard place varies. Sometimes it is called Jujuy, the poverty-ridden province in the north, sometimes it goes by the name of La Matanza, the giant district in the Greater Buenos Aires area where unemployment is rampant.⁵⁹ The external demands on the country (in the form of ‘the markets’) are cast in opposition to the needs of the country’s poorer regions and neighbourhoods, where social unrest was growing at this point.⁶⁰

With regard to references to sovereignty that are unrelated to the crisis, there is only one mention of sovereignty in a non-territorial context during this period. When national airline Aerolíneas Argentinas went into administration and was bought by a Spanish consortium, the *Herald* reports that a prominent Argentine union leader decried the buyers as ‘modern colonialists’ and called for a boycott of Spanish companies in Argentina.⁶¹ These findings suggest that even at this early stage, the crisis is the most important factor in determining the discourse on the perceived loss of sovereignty.

Perceptions of Sovereignty in the Crisis Months (August 2001 – January 2002)

During the period of rapidly intensifying crisis following the August bailout, the discourse reflects more dramatic and explicit fears about the country’s ability to maintain its sovereignty, as well as stronger rhetoric against international institutions, financial markets and the US as personification of international interference and Wall Street capitalism. The second IMF bailout is sharply contrasted against the first one in December 2000: ‘This time, unlike in the case of last year’s *blindaje*, the money came with a message: the IMF (and the US) will only help those who help themselves. In other words, if Argentina fails to uphold its end of the bargain, particularly in terms of achieving zero deficit, the deal’s off.’⁶² This represents a clear shift in the discourse from the IMF helping to ‘shield’ Argentina from the turmoil of the financial markets towards the IMF infringing on the government’s policy-making ability – an attitude that is reflected in the increased references to the country’s diminishing sovereignty.

Several aspects of the crisis are clearly portrayed as a threat to sovereignty during these months. The bailout, in particular, is summarised by one politician in the words ‘Argentina has handed its sovereignty to the US and the IMF.’⁶³ Mass protests were organised against the bailout, at which a union leader declared that ‘those of us who feel strongly about national sovereignty can’t stand any more and we are not going to put up any longer with them carting off our fatherland.’⁶⁴ Pressure to give up the currency board and instate the US dollar as the official currency, touted as the only means of injecting confidence into the economy, is also received with concern about sovereignty. As *Herald* columnist Dan Krishock notes, ‘many politicians ... believe that dollarization would be nothing less than a surrender of sovereignty.’⁶⁵ In this context, Argentina’s ability to have its own currency is

⁵⁹ Martín Gambarotta, ‘The Battle of General Mosconi,’ *Buenos Aires Herald*, June 24, 2001.

⁶⁰ For discussion of the social unrest, see ‘Ruckauf Says Protests Are “Social Outbursts,”’ *Buenos Aires Herald*, May 17, 2001.

⁶¹ Marcelo García, ‘Moyano’s CGT to Strike on June 8,’ *Buenos Aires Herald*, June 1, 2001.

⁶² Dan Krishock, ‘A Sense of Realism,’ *Buenos Aires Herald*, September 5, 2001.

⁶³ Marcelo García, ‘The Left Has Underestimated People,’ *Buenos Aires Herald*, September 1, 2001.

⁶⁴ ‘Thousands in Plaza de Mayo Rally,’ *Buenos Aires Herald*, November 21, 2001.

⁶⁵ Dan Krishock, ‘The Default Express?’ *Buenos Aires Herald*, October 24, 2001. Similar statements include ‘for sovereignty reasons, I don’t agree (with dollarization)’ (‘No Devaluation, Says De la Rúa,’ *Buenos Aires Herald*, October 6, 2001) and ‘Dollarization would mean giving up any possibility of economic policy independence’ (Guillermo Háskel, ‘Closer to Default and Devaluation,’ *Buenos Aires Herald*, November 4, 2001).

perceived as a marker of statehood that is under attack from the crisis, even though the country's ability to conduct monetary policy is already constricted by the currency board.

The perceived opposition between domestic and international interests in the context of the crisis can also be seen during these months. As put rather bluntly by the then-governor of San Luis, 'the nation has no cash to pay its debts. It faces a dilemma of how to find a solution and at the same time abiding by the IMF's demands.'⁶⁶ After President De la Rúa is forced to resign by escalating riots in December 2001, this rhetoric can increasingly be seen in statements by the new administration. While De la Rúa insisted that Argentina would 'honour its commitments' to foreign creditors, interim President Adolfo Rodríguez Saá advocates 'the suspension of payments of the public debt until all Argentines have a job' and the diversion of 'money saved from debt payments ... to labour and social projects.'⁶⁷ His successor, Eduardo Duhalde, continues this rhetoric, declaring 'before any foreign commitment we have to look after our people.'⁶⁸ After the breakdown in social order (associated with internal sovereignty) in December, the government is clearly attempting to rectify the perceived imbalance between domestic and external interests.

During this period, the only other issue that elicits references to sovereignty in a non-territorial context concerns criticism of the country's political institutions by the United Nations High Commissioner for Refugees (UNHCR), in response to which a politician 'accused the United Nations and the UNHCR of being "an instrument of imperialism."⁶⁹ As with the previous period, therefore, the crisis is clearly the most important factor in the perceived loss of sovereignty experienced over these months.

Greece

The Crisis: From the Political Establishment to the Upstarts

In the wake of the global financial crisis of 2007/08, the crisis in Greece was triggered in late 2009 when the new government revealed that the budget deficit was significantly larger than had previously been reported. Substantial levels of debt had been accumulated by Greece's political establishment in order to maintain its clientelistic networks, while the structure of the euro zone allowed for neither currency devaluation nor appropriate enforcement of its deficit rules. With borrowing costs increasing as investors feared a Greek default on its debts, the government sought assistance from its fellow EU member states. However, the EU lacked the necessary institutional capacity to provide rapid emergency loans and did not develop a borrowing scheme for Greece until April 2010. By this time, the government had effectively been shut out of capital markets and agreed to a first bailout of US\$147 billion, financed by euro zone member states and the IMF. With the economy sliding into deeper recession following the implementation of austerity measures, it became clear in 2011 that Greece's debt was unsustainable. As a result, a bond exchange was agreed with Greece's private creditors, who took a considerable 'haircut' in 2012, accompanied by a fresh US\$173 billion emergency loan from the newly created European Financial Stability Facility (EFSF) and the IMF.⁷⁰

⁶⁶ Guillermo Háskel, 'The Last Mohican?' *Buenos Aires Herald*, November 18, 2001.

⁶⁷ 'De la Rúa-Ruckauf in Battle of Words,' *Buenos Aires Herald*, December 13, 2001, 'Rodríguez Saá Interim President,' *Buenos Aires Herald*, December 22, 2001 and 'President R. Saá Orders Default,' *Buenos Aires Herald*, December 24, 2001.

⁶⁸ 'Congress Set to Approve Emergency Bill,' *Buenos Aires Herald*, January 5, 2002.

⁶⁹ 'UNHCR Protests against Legislature Abuse,' *Buenos Aires Herald*, December 15, 2001.

⁷⁰ See Yannis Palaiologos, *The 13th Labour of Hercules: Inside the Greek Crisis* (London: Portobello Books, 2014), Sofia Vasilopoulou, Daphne Halikiopoulou and Theofanis Exadaktylos, 'Greece in Crisis: Austerity, Populism and the Politics of Blame,' *Journal of Common Market Studies* 51, no. 2

While Greece's economy started recovering in 2014, the impact of the crisis lingers on. Amid growing social unrest and record unemployment rates, especially for young Greeks, the far-right Golden Dawn party has received increasing support and the country has undergone a series of political crises. Following the Parliament's failure to elect a President, 'upstart' party SYRIZA came to power in 2015, breaking the dominance of the traditional parties and adding new complications to Greece's relationship with its international lenders.⁷¹

Perceptions of Sovereignty in the Pre-Crisis Months (August 2011 – January 2012)

The references to non-territorial sovereignty during this time period are made exclusively in the context of the sovereign debt crisis – somewhat unsurprisingly, given that Greece was already under an EU Economic Adjustment Programme at this point, following the first bailout by EU member states and the IMF in May 2010. In addition to this, the second bailout had already been proposed a month before this period started, and was the subject of much political debate within the country at this time. In all instances, the references to non-territorial sovereignty or concepts related to sovereignty are linked to comments either decrying the prevailing loss of sovereignty or stressing the importance of maintaining it in the face of the crisis. Opposition politicians are particularly insistent on the harmful effects of the crisis and bailout, with one declaring that he will not recognise decisions made by a government which 'does not hold the country's sovereignty in its hands' and another denouncing the 'demands [by creditors] to substantially abolish Greece, democracy and the popular sovereignty.'⁷² Similarly, Finance Minister Evangelos Venizelos agrees that the sovereign debt crisis has resulted in a 'condition of reduced fiscal sovereignty that hurts the pride of the Greeks.'⁷³ These statements demonstrate the broad consensus over the loss of sovereignty among politicians, spanning opposition leaders and government officials.

Several direct comparisons are made between the crisis and historical instances of oppression and surrender, with clear overtones of fear for eroding sovereignty. An article describing opposition politician George Karatzaferis' criticism of the Greek government's implementation of EU-IMF conditionality states: 'Standing outside the house where the former Greek prime minister Ioannis Metaxas had uttered the famous "no" to Italy's ultimatum in 1940, plunging Greece into war with the Axis powers, Karatzaferis stressed that "71 years later [Greek Prime Minister] George Papandreou has replied with a cowardly 'yes'."⁷⁴ In a similar vein, another article reports on 'hundreds of protestors [shouting] slogans such as "Bread, Education, Freedom: the junta did not end in '73" and banners displaying the infamous Nazi slogan displayed at the entrance of concentration camps "Arbeit macht Frei."⁷⁵ These parallels drawn by politicians and citizens between historical instances of dictatorship and foreign occupation on the one hand, and the country's circumstances during the sovereign debt crisis on the other hand, are striking examples of

(2014): 388-402 and Jeromin Zettelmeyer, Christoph Trebesch and Mitu Gulati, 'The Greek Debt Restructuring: An Autopsy,' *Economic Policy* (July 2013): 513-63.

⁷¹ Ian Traynor and Helena Smith, 'Syriza's Historic Win Puts Greece on Collision Course with Europe,' *Guardian*, January 26, 2015, <http://www.theguardian.com/world/2015/jan/25/syriza-historic-win-greece-european-union-austerity>.

⁷² 'LA.O.S. to Challenge Constitutionality of Gov't Decisions,' *Athens News Agency*, October 10, 2011 and 'SYRIZA Leader Foresees that Date of Elections Will Be Delayed,' *Athens News Agency*, November 24, 2011.

⁷³ 'FinMin: Government's Measures Have Created "Very Positive Impression,"' *Athens News Agency*, September 26, 2011.

⁷⁴ 'LAOS Leader Criticises Brussels Agreement, Calls for Elections,' *Athens New Agency*, October 28, 2011.

⁷⁵ 'Angry Protests Mar Oct 28 "Oxi" Day Parades throughout Greece; Thessaloniki Parade Cancelled,' *Athens News Agency*, October 28, 2011.

the dramatic rhetoric used during this time period, demonstrating the depth of feeling generated by the crisis and the issue of sovereignty.

During this period, there were no references to non-territorial sovereignty outside of the context of the sovereign debt crisis – this was clearly the defining element in the discourse on sovereignty at this time, even before the second bailout was formalised. Though one might expect the EU to be portrayed as infringing on national sovereignty outside of discussion about the crisis, such criticism is conspicuously absent during these months.

Perceptions of Sovereignty in the Crisis Months (February – July 2012)

In the wake of the second bailout, the discourse on sovereignty continues to be centred around the crisis and its manifestations. While Finance Minister Venizelos emphasises that ‘the unbearable public debt is that which decreases national sovereignty,’ opposition politicians and civil society leaders focus on the bailouts themselves as the cause for the erosion of sovereignty.⁷⁶ Archbishop Ioeronymos criticises the bailout conditions by arguing that Greeks ‘are being demanded to undertake commitments that do not solve the problem ... while, at the same time, we surrender our national sovereignty.’⁷⁷ By this time, the presence of the European Commission’s Task Force in the country, and EU-IMF conditionality in general, are commonly referred to as ‘the occupation,’ indicating the pervasiveness of the mentality linking the crisis to a loss of national independence or sovereignty.⁷⁸ The results of an opinion poll published in the *Athens News Agency* confirm the importance of this discourse, with 11% of respondents citing the ‘concession of Greece’s national sovereignty’ as their ‘biggest fear for the future,’ while a further 5% reported fearing ‘the aspirations of the foreign lenders’ most.⁷⁹

There is also some evidence of the dichotomisation of domestic needs as opposed to international demands, manifesting itself particularly in anti-German rhetoric. For instance, Tsipras claims that ‘[German Finance Minister] Schaeuble is playing the same role as that played by the tanks in WWII. We’ve reached the point of having the Germans as hegemony of a different era,’ clearly referencing not only Greece’s history with German occupation, but also the prevailing perception of German policy-makers as the driving force behind the austerity measures agreed in the Economic Adjustment Programmes.⁸⁰ Reports that German Chancellor Angela Merkel suggested Greece hold a referendum on its continued membership of the euro zone are met with condemnation by Greek politicians fearful of German interference in national politics, with one commenting that ‘Mrs. Merkel is used to addressing the political leadership of Greece as if it is a country-protectorate.’⁸¹

⁷⁶ ‘“Until Sunday Night We Must Win the Wager of the Next Decade,” FinMin Venizelos Says,’ *Athens News Agency*, February 2, 2012.

⁷⁷ ‘Archbishop Issues Appeal towards PM over Economic Depression, Warns of Social Upheaval,’ *Athens News Agency*, February 2, 2012.

⁷⁸ See, for example, ‘Independent Greeks Party Leader Addresses Party MPs,’ *Athens News Agency*, May 17, 2012 or ‘KKE Leader Addresses [sic] Event in Athens for Greek and Foreign Workers,’ *Athens News Agency*, July 13, 2012.

⁷⁹ ‘Opinion Poll: Unemployment Greeks’ Biggest Fear,’ *Athens News Agency*, April 7, 2012. Unsurprisingly, unemployment was the highest ranked concern, with 42% of respondents listing it as their biggest fear, but the fact that 11% of respondents feared loss of national sovereignty more than unemployment is illuminating.

⁸⁰ ‘Tsipras: Eurogroup Turning into Procrustes of Democracy,’ *Athens News Agency*, February 16, 2012.

⁸¹ ‘Greek Political Parties React Strongly to Referendum Proposal,’ *Athens News Agency*, May 18, 2012.

During the crisis period, there is some evidence of other external forces, besides the crisis, being perceived as (potential) infringements of non-territorial sovereignty. An opposition politician calls the European Stability Mechanism, an EU response to the euro zone crisis that is intended to institutionalise future emergency financial assistance programmes to members of the common currency, a ‘concession of national sovereignty.’⁸² Going further, Communist Party leader Aleka Papatoufaki argues that ‘concession of sovereign rights’ to EU institutions already occurred in the wake of the Maastricht Treaty.⁸³ There is also a description of the proposed Anti-Counterfeiting Trade Agreement (ACTA) as ‘global legislation’ that could interfere with Greece’s policy options.⁸⁴ Apart from these very sporadic comments, all references to non-territorial sovereignty in these months relate to the crisis.

Discussion of Findings across Cases

Overall, the three case studies support my argument that sovereign debt crises are perceived as threats to national sovereignty in the countries where they occur. In each case, the articles examined clearly construct a discourse about discontent with the (perceived) shifts of international-domestic boundaries as a result of the crisis. This discontent is frequently expressed using language related to sovereignty, suggesting wide-spread concern about the country’s ability to maintain sovereignty under the crisis circumstances. Though there is some variation in the way the crisis is discussed in each case, the discourse in each of the crises has strong common themes such as the opposition of external and domestic interests and anti-international rhetoric.

The qualitative analyses complement the quantitative findings by demonstrating the predominance of the sovereign debt crises in each of the discourses on non-territorial sovereignty. There were only a few references to non-territorial sovereignty in the context of discussions on other topics – such as trade, international organisations, or foreign direct investment – for each of the cases, with the vast majority directly connected to the crisis. This indicates that the increases in language related to sovereignty during these crises are not just circumstantial, but actually driven by perceptions of the sovereign debt crisis.

The key finding from the qualitative studies is the sense of a threat to national sovereignty across all cases, with few dissenting voices. Criticism of the economic and social impacts of the crisis, such as increasing unemployment and poverty rates, are intertwined with appeals to protect or reaffirm the country’s sovereignty. This invoking of sovereignty, especially by opposition politicians, can be seen as a means of lending greater emotional weight to the criticism, but also as a genuine expression of dissatisfaction when expectations of how a state should act and be treated are not met as a result of the crisis. Both of these elements of the discourse can be seen in the articles examined here.⁸⁵

The general uniformity of the discourse across cases is noteworthy. Fundamentally, it is concerned with the relationship between international and domestic forces in sovereign debt crises, expressed in the form of references to sovereignty, colonisation, historical injustices,

⁸² ‘LAOS Leader Attacks ESM as “Concession of National Sovereignty,”’ *Athens News Agency*, March 28, 2012.

⁸³ ‘Papatoufaki: Crisis in Spain Could Impact Latin America, Turkey,’ *Athens News Agency*, June 10, 2012.

⁸⁴ ‘Tsipras Demands Greece Rescind Signature from ACTA,’ *Athens News Agency*, April 4, 2012.

⁸⁵ An example from the former category would be Karatzaferis’ accusation against the two main Greek parties for having ‘handed over Greece’s national sovereignty to its European partners.’ ‘LAOS Leader Attacks PASOK, ND as “Subjugated,”’ *Athens News Agency*, April 23, 2012. Perhaps the best example from the latter category is a message from an anonymous hacker of a government website, citing the ‘turnover of the country to the IMF’ as their motive. “Anonymous” Hackers Seize Justice Ministry Website for 2nd Time,’ *Athens News Agency*, February 22, 2012.

anti-international sentiments, vulnerability to international speculators and antipathy towards conditions attached to external loans. Attacks against perceived hallmarks of sovereignty – such as a national currency for Argentina, the ability to regulate capital markets for South Korea, and fiscal autonomy for Greece – are condemned, as they threaten to shift the relationship between domestic and international forces in ways to which citizens are not accustomed.⁸⁶ For each of the cases, this tension is expressed in anti-international rhetoric that draws on regional rivalries or historical injustices. These expressions of discontent clearly show the gap between the ‘normal’ functioning of the state within its international constraints – including elements such as a lack of monetary autonomy due to the currency board in Argentina, or EU and euro zone membership for Greece – and the ‘abnormal’ reconstituting of the domestic-international nexus that occurs outside of accepted, institutionalised practices.

⁸⁶ See Sah Dong-seok, ‘Wider Opening of Capital Markets Heralds Complete Dismantling of Gov’t Shields,’ *Korea Times*, December 5, 1997, ‘Duhalde Backpedals on Dollars,’ *Buenos Aires Herald*, January 20, 2002 and ‘Papandreou: Each Country Should Be Responsible for Its Own Policies, Otherwise Democracy in All of Europe Will Be Undermined,’ *Athens News Agency*, January 30, 2012.

5. Policy Recommendations

Given the potential repercussions of the perceived loss of sovereignty in sovereign debt crises for legitimacy discussed above, it makes sense to look at alternatives to the current means of addressing these crises at international level. In the wake of the global financial crisis of 2007/08, and particularly its ramifications in the euro zone, there has been a renewed interest in developing a new international or European mechanism for sovereign debt restructuring. Proposals have ranged from the recently adopted United Nations resolution 'Towards the Establishment of a Multilateral Legal Framework for Sovereign Debt Restructuring Processes' to the recommendation for a 'European Crisis Resolution Mechanism' by the think tank Bruegel.⁸⁷ At the same time, recent efforts undertaken by EU leaders in response to the euro zone crisis, such as the push towards fiscal integration and the establishment of a permanent crisis fund in the form of the European Stability Mechanism (ESM), would also affect future sovereign debt crisis management.⁸⁸ What impact, if any, would these proposals and initiatives have on the perceived loss of sovereignty in sovereign debt crises?

At first glance, one might argue that these attempts would only exacerbate perceptions of eroding sovereignty in the case of a sovereign debt crisis. After all, an international institution for sovereign debt restructuring would most likely require states to accept permanent, legally binding obligations in order to reduce uncertainty for all parties involved and facilitate negotiation.⁸⁹ This type of international authority might easily be interpreted as an infringement on national sovereignty. Similarly, at European level, the emphasis has been on strengthening EU supervision of national budgets, when independent budgetary control tends to be viewed as a traditional hallmark of sovereignty.⁹⁰ The establishment of the ESM serves mainly to formalise the mechanism of providing financial assistance (tied to conditionality) to troubled euro zone members, which one could argue essentially replicates the IMF's emergency lending capacity at euro zone level. It would seem, therefore, that none of these mechanisms would alleviate the perceived loss of sovereignty in sovereign debt crises.

⁸⁷ See United Nations General Assembly, '68/304. Towards the Establishment of a Multilateral Legal Framework for Sovereign Debt Restructuring Processes,' September 17, 2014, http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/68/304 and François Gianviti et al., 'A European Mechanism for Sovereign Debt Crisis Resolution: A Proposal,' (Brussels: Bruegel, 2010), http://iepecdg.com.br/uploads/artigos/101109_BP_as_jpf_jvh_A_European_mechanism_for_sovereign_debt_crisis_resolution_a_proposal.pdf.

⁸⁸ See European Commission, "'Two Pack' Enters into Force, Completing Budgetary Surveillance Cycle and Further Improving Economic Governance for the Euro Area,' European Commission Press Release, May 27, 2013, http://europa.eu/rapid/press-release_MEMO-13-457_en.htm, European Commission, 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union,' European Commission Press Release, February 1, 2012, http://europa.eu/rapid/press-release_DOC-12-2_en.htm and European Commission, *Treaty Establishing the European Stability Mechanism Signed*, http://ec.europa.eu/economy_finance/articles/financial_operations/2011-07-11-esm-treaty_en.htm.

⁸⁹ See Barry Eichengreen, 'Restructuring Sovereign Debt,' *Journal of Economic Perspectives* 17, no. 4 (2003): 75-89.

⁹⁰ For an example of criticism of the EU's budgetary surveillance on the grounds of sovereignty, see Anna Kocharov, 'The Fiscal Compact Treaty Disempowers National Parliaments and Undermines Trust between the Peoples of Europe,' *LSE Blogs – European Politics and Policy*, May 7, 2012, <http://blogs.lse.ac.uk/euoppblog/2012/05/07/fiscal-compact-disempowers/>.

However, it is still possible that these (potential) alternatives could lessen the perception of eroding sovereignty during crisis periods, if they are successful in normalising new parameters of sovereignty prior to the outbreak of a crisis. After all, sovereignty's parameters are malleable rather than fixed, suggesting that – at least conceptually – change in practices of sovereignty should be possible without triggering perceptions of receding sovereignty. In sovereign debt crises, this change normally occurs abruptly, in circumstances marked by intense urgency, with few established procedural norms on what will happen next. This does not allow expectations of sovereignty to gradually adjust to the new circumstances, but instead heightens the disconnect between the situation at hand and ideas about appropriate practices of sovereignty. The government's decision to not meet expectations of external sovereignty by accepting an international rescue programme is not exactly a choice, as often the only alternative is to disappoint expectations of internal sovereignty. By contrast, other developments in these countries that could conceivably be viewed as concessions to sovereignty are perceived as voluntary choices by autonomous governments.

This opens up the possibility that reforms in the way sovereign debt crises are handled at international or European level could normalise new forms of interaction between the state and external actors under non-crisis circumstances. Supervision of EU member states' budgets through the European Commission, for example, if seen as a voluntary choice, could adjust expectations surrounding external sovereignty over time, making this practice acceptable to citizens. In this way, institutionalising new relationships between the state and external actors *before* the outbreak of a sovereign debt crisis could prevent or alleviate perceptions of receding external sovereignty if and when a crisis occurs.

Since these reforms are aimed at reducing uncertainty and creating a higher degree of institutionalisation in the interactions between debtors and creditors, they could lessen the severity of the trade-off governments in sovereign debt crises face between meeting expectations of internal sovereignty on the one hand and external sovereignty on the other. For example, an international 'bankruptcy court' could impose a stay on litigation by creditors during the debt restructuring process, thereby alleviating the urgency of the situation. An orderly debt restructuring outcome that was binding for all parties would facilitate the government's renewed access to international financial markets by rendering its debt sustainable, lessening the dependence on international emergency loans.⁹¹ A predictable legal framework applying to both debtors and creditors could reduce the perception in debtor countries that international interests were unfairly privileged over domestic ones. These aspects of the proposals for a better management of sovereign debt crises could therefore make a perceived loss of sovereignty in crisis situations less likely, even though they could be seen *prima facie* as further infringements on sovereignty.

The capacity of these proposals and initiatives to lessen the impact of sovereign debt crises on perceptions of sovereignty, however, is far from guaranteed and would depend partly on the extent to which their implementation is viewed as an autonomous decision by the national government in question. This is far more likely to occur under non-crisis circumstances than during a crisis. This view is supported by the media analysis I

⁹¹ This would particularly be the case if the sovereign debt restructuring mechanism allowed for a guarantee that private financing provided to the government after the imposition of a stay would receive priority repayment status. See Anne Krueger, 'A New Approach to Sovereign Debt Restructuring,' (Washington, D.C.: International Monetary Fund, 2002), 14-8, <http://www.imf.org/external/pubs/ft/exrp/sdrm/eng/sdrm.pdf>.

conducted, which showed that governments' responses to international pressure in non-crisis situations did not elicit concerns about sovereignty.⁹²

If alternative mechanisms for addressing sovereign debt crises are successful in recasting expectations of how a sovereign state should act and be treated by external actors, a legitimacy deficit of the kind described above could potentially be avoided in a crisis. In the end, it is uncertain what effect new mechanisms for handling sovereign debt crises would have on perceptions of sovereignty and legitimacy deficits in a crisis. However, the seriousness of the implications discussed here would indicate that issues related to perceptions of sovereignty and legitimacy should be kept in mind when developing new frameworks for managing sovereign debt crises.

⁹² See Lee Chang-sup, 'OECD Seeking Comprehensive Regulatory Reform,' *Korea Times*, June 4, 1997, Nho Joon-hun, 'OECD Presses for Financial Mart Opening,' *Korea Times*, September 25, 1997, and 'Invocation of Super 301,' *Korea Times*, October 3, 1997.

6. Conclusion

In this paper, I have argued that sovereign debt crises are perceived and portrayed as a threat to national sovereignty by citizens and politicians in the countries in which they occur. I have based this argument on a reading of sovereignty which emphasises the dynamic and intersubjective aspects of sovereignty. Focusing on these aspects has allowed me to capture changes in perceptions of sovereignty, which are essential for maintaining recognition and acceptance of the practices of sovereignty. Sovereign debt crises disrupt the normal mechanisms whereby sovereignty is reproduced, and redefine domestic-international boundaries in ways that are inconsistent with the norms associated with sovereignty. When such a crisis makes it impossible for the debtor government to simultaneously meet expectations surrounding internal and external sovereignty due to its dependence on external financing, there is a perceived loss of sovereignty.

As I described in section 4, a media analysis of sovereign debt crises in South Korea, Argentina and Greece supports the argument that these crises are perceived as threats to sovereignty. In each of the three cases under analysis, there is an increase in the number of references to sovereignty or concepts associated with sovereignty during the crisis period as compared to the pre-crisis period. The argument that this increase is due to the crisis rather than merely circumstantial is supported by the finding that there are very few references to sovereignty that do not relate directly to the crisis. My analysis of the specific ways in which each of the crises is described in national media suggests that the (perceived) shifting of the boundaries between international and domestic realms in sovereign debt crises is seen as detrimental to national sovereignty. The question of the effect of sovereign debt crises on perceptions of sovereignty can therefore not be viewed as a purely domestic phenomenon, given the significance of the international dimension in this context.

While researchers in this area have been primarily concerned with the effect of international developments on sovereignty *per se*, where sovereignty is valued in and of itself, I have explored some of the potential implications of *perceptions* of eroding sovereignty in sovereign debt crises. In particular, due to sovereignty's normative claims for how a sovereign state *should* act, a perceived loss of sovereignty could be reflected in a legitimacy deficit for the authority of the government and the international lender within the country. Interactions between the debtor government and an external actor that can easily be interpreted as infringements on sovereignty, such as international financing tied to conditionality, may reduce the legitimacy of both institutions. The authority of the government and the external lender is no longer justifiable on the basis of citizens' beliefs about how sovereign entities should act and be treated.

This legitimacy deficit can be reflected in, and exacerbated by, public acts of delegitimation, such as mass demonstrations or strikes, examples of which can be found in each of the sovereign debt crises analysed in the empirical section of this thesis. The international institutions involved in these crises – the EU and the IMF – have suffered from legitimacy crises of their own in the wake of unpopular financial assistance programmes for countries facing sovereign debt crises. New proposals and reforms for the management of sovereign debt crises at international or European level may offer ways to reduce these effects, depending on their success in reshaping conceptions of how sovereign states and international institutions should interact. In this context, perceptions of sovereignty are

fundamental to popular acceptance of international-domestic boundaries and of the exercise of authority within the country by both the government and international institutions.

Focusing on perceptions could help open up the debate on globalisation's impact on sovereignty and generate new insights about this process. Specifically, my analysis suggests that thinking about sovereignty as relevant *only* at the state level does not capture the full picture. As the empirical examples of sovereign debt crises show, sovereign states (represented by national governments) can make and defend choices that its citizens perceive as infringements on sovereignty. This disconnect between governments and citizens suggests that thinking about sovereignty as a triadic relationship between international institutions, governments and citizens is likely to lead to a fuller, more nuanced understanding of how it changes over time. In this way, sovereignty may be as much, or even more, about what citizens require from their state and from the international system than about what the state requires from the international system. Perceptions of sovereignty are key indicators of the condition and success of this triadic relationship, and are therefore a promising subject of investigation.

As international forces become more prominent and visible in citizens' lives, whether through sovereign debt crises or other means, the need for further research into perceptions of sovereignty becomes more pressing. A better understanding of what specific types of interaction between national governments and external actors are likely to be perceived as a threat to sovereignty, and what circumstances are likely to heighten or mitigate a perceived loss of sovereignty, is needed. This would not only be relevant for devising or evaluating new mechanisms for handling future sovereign debt crises, but could also generate insights for other areas of global governance that require a degree of domestic legitimacy. The International Relations literature on globalisation's effect on national sovereignty has produced interesting new academic conceptions of sovereignty, but these are not necessarily reflective of citizens' or governments' views on the subject. More exploration of how conceptions of sovereignty change over time will help ensure that the academic debate on sovereignty remains relevant to the way international institutions, states and individuals understand their relationship to one another.

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