

# LOOKING BEYOND THE PERIPHERY: PLENARY PRESENTATIONS

1996 International Summer Institute, August 1-10, 1996  
University of Prince Edward Island, Charlottetown, Prince Edward Island

## PLENARY PRESENTATION I

### EXPLOITING JURISDICTION AS A RESOURCE IN VERY SMALL TERRITORIES

#### BARRY BARTMANN AND DAVID MILNE

Atlanta is a fine and timely setting to introduce our discussions in this session. Apart from spectacular costumes and typically captivating special events in the opening ceremonies, we witnessed in Atlanta an unprecedented parade of some 197 national teams, many representing some of the smallest jurisdictions in the world. From tiny principalities in Europe to condominium-size republics in the South Pacific, national colours and uniforms were worn with defiant pride despite the media-centred attention given to the major states.

Over fifty of the national teams participating in this summer's Olympics represent very small communities not unlike the island societies which are the focus of this programme. Their presence at such an international gathering speaks to the astonishing post-war phenomenon of localism. This powerful force has emboldened sub-national jurisdictions as much as it has these new, very small states among the international comity of nations.

What is the relevance of small size in all of this? There are two trends which should underscore these discussions. The first is the re-assessment of small size as a structural barrier to self-government. The second is the notion that the global laws of economics preclude options for very small economies, no matter how generous their jurisdictional powers may appear.

The first question is very much a political science question. What are the limitations, if any, on small, even diminutive jurisdictions exercising genuinely autonomous policies in policy areas central to their interests? Can small jurisdictions shape their own agendas or does very small size preclude all but the ceremonial trappings of self-government? In the literature, this question is raised as much with sovereign micro-states as it is for sub-national jurisdictions seeking to ensure their own priorities in relationships with central or metropolitan governments.

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Much of this discussion has been animated as much by intuition as it has by informed argument and evidence. In the rash of small state studies following the great wave of decolonization in the 1960s, the impotence of such jurisdictions seemed axiomatic. In some cases, as in David Vital's landmark works, for example, such jurisdictions were dismissed as "pseudo-states." In most of the literature these very small jurisdictions were seen to be chronically "porous," "penetrable,"

"vulnerable," and "dependent." Sovereignty and constitutional autonomy merely cloaked the realities of continuing metropolitan authority or international sufferance and support. Moreover, smallness not only meant enduring ties of dependence to other governments or to the international community at large. It also suggested that governments of such small entities would be powerless as architects of their own agendas when faced with the demands of huge, multinational corporations.

The second question is one of economics. If impotence and constitutional pretension have so often been associated with very small jurisdictions, so marginality and vulnerability have been viewed as the bane of very small economies. Small economies are said to be typically dependent on limited areas of economic activity. In some cases this may be tourism or other service industries. In all too many very small jurisdictions, the economy is centred on primary production. In the worst cases they are monocultural, dependent on a commodity of little value in the world market. To some extent, these characteristics are evident in the small economies of the North Atlantic islands, though the potential for diversification is, in some instances, more promising than might be expected. In others, particularly continental jurisdictions such as Luxembourg, the economy in its structure more closely resembles that of larger neighbours.

Limited resource development is allegedly compounded by the burden of diseconomies of scale. Indeed, William Demas, one of the pioneering students of post-war small state studies, argued that economies of scale were impossible even in public administration in jurisdictions of fewer than three million people. Once again, it is useful to examine the experience of these North Atlantic islands and other very small economies to test these arguments. What areas of economic activity seem to be most promising in very small and typically peripheral jurisdictions? What scope for diversification is possible in those areas of economic activity which seem less disadvantaged by the constraints of small size, limited infrastructure and remote location? To what extent have small jurisdictions adopted pro-active policies to meet head-on these familiar constraints? And, without prejudicing the discussion of a later session on regional trading blocs and the challenge of globalization, can governments use their jurisdictional capacities imaginatively to attract outside capital and to support home-based industries in overcoming traditional disabilities by exploiting niche opportunities in a changing regional and global economic environment? These arguments against the wisdom of very small jurisdictions prevailed in both academic and public policy communities for a very long time. Yet, in spite of these bleak assessments, the demand for autonomy and constitutional devolution has continued unabated in all regions of the world: from the last fragmentary colonial territories in New Caledonia to would-be secessionist republics in Abkhazia or Chechnya; from emboldened sub-national regions in Europe to restless provincial jurisdictions in Canada. And this appeal for greater self-government has touched even the smallest communities of indigenous peoples from Nunavut to Chiapa. In very few cases have aspirations for greater self-government been thwarted by appeals to the logic of viability and the notion that such expectations are unrealistic because of small size.

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*A Constitutional Smorgasbord?*

The small island jurisdictions which are the focus of this programme represent a very broad continuum of devolved powers and varying models of constitutional status. In all cases except Iceland, the dynamics of the relationship with the metropolitan government have changed dramatically in the post-war years, as much by informal accretion at the local level as by formal constitutional change through the centre. Of course, Iceland as a sovereign state represents one end of the continuum as a wholly self-contained constitutional entity. Though it has been fashionable in the literature for some decades now to see the legal status of sovereignty as more aspiration, or, indeed, fiction, than genuine independence, the experience of Iceland may be a sobering reminder that formal sovereignty can still substantially affect the degree of real autonomy.

In two key areas at least, Iceland's national interests were profoundly determined by her status as a sovereign state. First, Iceland was able to assert her own territorial waters, and therefore her marine resources, through a series of unilateral declarations during the first three decades of the post-war period. This was a high-risk strategy, to be sure, and not without cost in terms of commissioning high-speed coast guard vessels to lend credibility to Iceland's unilateralism. Through various "Cod Wars," Iceland was able, as a David against a Goliath, to prevail eventually over the most powerful European states and to set maritime territorial limitations that would eventually be accepted within the new regimes of the Law of the Sea. Second, Iceland, as a sovereign state with its own central bank could set for itself a monetary policy which would reflect Iceland's particular interests and needs. Some Icelanders, such as Ragnar Arnason, have suggested that this independent monetary policy was absolutely critical in ensuring Iceland's export competitiveness and her capacity to adjust to fluctuations in the global economy. And there are other powers, particularly in terms of international representation, which Iceland alone enjoys among this group of cold-water jurisdictions. Perhaps we should consider in our workshop discussions Iceland's position along with that of other very small sovereign jurisdictions within Europe, some of which are considerably smaller than Prince Edward Island. All are smaller than Newfoundland and Labrador. Is full sovereignty a substantive advantage in these comparably sized societies?

None of this is to suggest that sovereignty is the prescription of choice for all small territories. Most of the jurisdictions within this study have chosen autonomy models short of sovereignty and many have thrived within those parameters. This more reticent approach to self-determination is apparent across the world. Aruba and the Netherlands Antilles, for example, have asked the Netherlands government to waive the earlier commitments to independence in 1996 in favour of ongoing participation within the Dutch realm instead. Their demands for autonomy and dignity have thus far been satisfactorily met within the very liberal devolution policies of the Dutch government. In Bermuda, too, there is reluctance to embrace formal independence as long as continued formal links to Great Britain provide security for nervous investors, while conceding to the government in Hamilton *de facto* control over their own affairs. Cook Islanders have the right to change unilaterally the terms of association with New Zealand, as do the people of Montserrat with Great Britain. There is a level of satisfaction and trust in both cases that supports the notion that models of autonomy short of sovereignty can work to ensure workable arrangements of autonomy for many very small jurisdictions.

Clearly then, Iceland is a special case. Nevertheless, it is doubtless a benchmark for assessing degrees of autonomy for other jurisdictions even where full sovereignty may not, in the end, be regarded as either appropriate or desirable.

There is another factor which must be considered in any attempt to assess appropriate models of devolution for small societies. In Greenland and the Faroes there is a powerful national and cultural underpinning to any discussion of autonomy. Although there are large constituencies in both nations who see their own national identities as compatible with loyalties to the Realm, a vibrant sense of nationalism underscores all discussions of functional or economic advantage in any debate over devolution. In that respect, the nationalist position of the Inuit Greenlanders or the Faroese has less ambivalence than that of the Åland Islanders or even the Manx, many of whom have roots in the U.K. mainland. And certainly the same is true of islanders in Prince Edward Island and Newfoundland, even though Island culture and identity is profound in both communities.

Even the most cursory examination of these various arrangements will suggest a complex picture of devolution, with some jurisdictions enjoying surprising latitude in certain areas while facing major constraints in others. Because of the international guarantees which attend the status of the Åland Islands, for example, this tiny community enjoys a degree of international status and even representation which the Crown dependencies of Great Britain do not. The Ålanders were free to determine their own relations to the European Union and could have voted differently from Finland had they chosen to do so. Like the other Nordic Home Rule territories, they enjoy separate representation in the Nordic Council. Yet the Åland parliament, the Landsting, cannot raise its own revenues. While it enjoys considerable latitude in terms of expenditure, it must work within the block grant provided by Helsinki.

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Similarly, the governments of the Isle of Man and the Channel Islands have taken advantage of their powers of taxation and their relative freedom from Westminster to promote a thriving offshore financial services sector. Yet, their governments have virtually no capacity for external representation. Indeed, they must deal with the outside world through the British Home Office which historically, and even now, from time to time, can be intrusive and difficult. The position of Canadian provinces, on the other hand, might seem enviable in comparison when one examines the *de facto* role they have assumed in promoting their own trading relations, tourism and investment portfolios. Many of the provinces maintain overseas missions, some of which, particularly in the case of Quebec, are virtually diplomatic in character. Meanwhile, the Faroese and Greenland governments also enjoy separate representation in the Nordic Council and are invited to participate in Danish negotiating teams with third parties whenever their interests are at stake.

If we look at the control of territorial waters, marine resources and sub-surface rights, we again see varying patterns and some areas of uncertainty. The government of Newfoundland might appreciate the rights of the Faroese or Manx governments in their own territorial waters. Indeed, the Government of the Isle of Man has been able to collect pipeline levies as natural gas passes through its waters.

In short, some of our jurisdictions may seem to be wanting in certain areas while possessing real advantages in others. One might argue, therefore, that the question is not one of an ideal mix of powers which might serve all of these small societies equally well. Rather, the question is which powers, present or potential, are most likely to serve the particular interests of particular island communities and to support the efforts of those governments to exploit their status and their jurisdictional capacity in the service of self-directed policies of economic development. On the other hand, if lessons are to be learned from comparative study among these islands facing common challenges, there may be a case for defining a circumference of key powers and for exploring how these might be uniquely addressed in each island.

In any event, it cannot be assumed that the maximum package will always serve an island community the best. We have already stressed that in many situations the governments and electorates of small jurisdictions are quite happy to see certain functions exercised at a higher level, and perhaps even at a regional level through institutions of integration. Nor, conversely, can we assume that the status quo is everywhere the best situation. Most Åland Islanders, for instance, support a change in the present tax arrangements with Finland to permit them to raise their own revenue. The existing Home Rule arrangements in the Faroe Islands are being questioned across the political spectrum. And Newfoundlanders on both sides of the Chamber would like to see some changes in the management of marine life resources.

Workshops might then begin by looking at the most critical jurisdictional competencies for each of these islands in terms of advancing economic development. What areas of policy are truly vital for effective autonomy in very small jurisdictions? Which powers in the following list, for example, do very small jurisdictions truly need in order to address effectively the challenge of self-reliant economic development? Power over natural resources? over the fishery? agriculture? over taxation, or internal trade and economic development? over external trade within a jurisdiction's own larger system of law? over trade outside it, especially rights to direct or indirect representation in international trade and treaty matters in vital areas of concern?

Conversely, what areas can be sensibly left to a wider community of law, or passed up to regional or international agencies? Which powers and issue-areas -- monetary policy for example, or effective international representation -- may seem beyond reach for many jurisdictions if only because of the constraints of functionality or of small size?

In terms of the key economic sectors for small states that have been identified in our Summer Institute programme -- tourism, primary industries including aquaculture, small-scale manufacturing, and the export of knowledge-based services -- what unique constitutional opportunities and constraints face our group of North Atlantic jurisdictions? What has been the actual experience of our small jurisdictions and of others in these sectors? How far has the economic development and performance of these jurisdictions been affected by formal and informal powers and practices? In light of this experience, what leverage might our small jurisdictions have to *recover* or *enhance* their autonomy to challenge dependent relationships? What scope may need to be seized or exploited in order to give substance in practice to the constitutional status enjoyed in law?

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As suggested at the outset, arguments for self-government and greater autonomy in very small jurisdictions are often met with incredulity or bemusement, particularly from a metropolitan view. The apparent absurdity of Prince Edward Island's status, much less its aspirations, are recurrently treated with condescension in the editorial and letters pages of Central Canadian newspapers. Similar reactions are likely to be found wherever centre-focused individuals consider the fate of peripheral and small communities either within their own constitutional families or as small neighbours. Moreover, these sentiments can be internalized, deepening a sense of helplessness and despair. The sad consequences of such psychological handicaps can be reflected in local government timidity, and even worse in an inability to consider let alone undertake bold and imaginative initiatives.

This metropolitan state of mind challenges the viability of small jurisdictions. Both in terms of genuine jurisdictional competence and self-reliant economic development, very small societies are assumed to be non-viable in all but a cosmetic sense. We might consider in our workshops the usefulness of this notion of viability for very small jurisdictions. A relative and contextual concept, to be sure, we will want to ask whether it is a useful analytical tool at all in assessing the prospects for very small jurisdictions.

In short, what does it really mean to be small? How small is small in a world characterized by both powerful centrifugal patterns of devolution and emerging forces of regional and global integration? Does the experience of very small jurisdictions, both sovereign and sub-national, suggest that small size is a highly salient factor in terms of jurisdictional competence and self-reliant economic development?

Finally, we may want to address how far economic self-reliance for these jurisdictions finally turns upon a community's identity, its will and its state of mind. In short, exploiting opportunities and employing jurisdiction imaginatively may not really be a function of inherited "objective" factors like size or formal jurisdictional status. Elusive cultural and historical factors that place different community values upon education, entrepreneurial activity, or one's collective identity may count for far more than size or jurisdictional status in explaining the performance and survival of small jurisdictions. If this is so, how should an international and interdisciplinary research programme that wishes to address such questions seriously proceed to do so? In taking up this challenge, the workshops should consider both the relationship of all these factors and the methodological issues which they raise.

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## **PLENARY PRESENTATION II**

### **TOURISM IN THE SMALL COLD-WATER ISLAND ENVIRONMENT**

## **TOM BAUM**

Perhaps alone among the four sectors "under the microscope" at this Institute, tourism is an economic activity with which we are all intimately familiar as very direct and participative consumers. Indeed, the host community excepted, all of us attending this Institute are tourists to Prince Edward Island, conventioners, perhaps, with leisure tourist families. Some of us are international guests while others are domestic tourists from elsewhere in Canada. Unlike the "production" processes in land-based, knowledge-based and small-scale manufacturing industries which are, largely, detached from the consumer's direct experience, tourism's production delivery is highly visible and, frequently, involves direct participation from the customer. We all know what happens within tourism and this impacts on our perceptions of the industry. In addition, many of us will have worked in some form of tourism-related employment, whether seasonal, part-time or as an early career stepping stone, and this exposure to tourism, like that of the consumer, is increasing in most developed and industrializing countries.

This familiarity with tourism, to some extent, may breed contempt for the industry, and the recruitment problems which some sectors face in developed countries bears witness to this. It also creates instant experts in the field and undermines the credibility of those of us who aspire to "profess" tourism! One of the benefits, however, of this public wealth of knowledge about tourism is that there can be no excuses from the participating audience at the Institute -- I look forward to quality and insightful contributions from all of you!

### *What is Tourism?*

One of the intriguing things about tourism is its breadth. Official definitions include all forms of travel for twenty-four hours or more, for whatever reason:

- leisure
- business
- conference
- health
- religion
- sport
- family (VFR) purposes.

In relation to each, it is important to recognize both domestic and international variants. There is a common tendency to ignore the former, but, in many countries (for example, the United States and, I would suspect, Canada as well), its scale and value far exceed that of the latter.

International tourism arrivals are estimated to be in excess of 500 million per year across the globe. Domestic travel, while unenumerated with any accuracy, far exceeds this figure although it must be said that its per capita monetary value is considerably lower.

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This diversity of motivations creates interesting marketing and product development challenges for the tourism industry. Tourism industry? To talk about tourism as an industry, in itself, is not

without problems. Some sections of activity come readily to mind -- hotels and other forms of accommodation; food service; retail outlets; transportation, especially airlines; travel facilitators in the form of government promotional agencies, tour operators and travel agents; culture and heritage; the natural environment; and attractions such as theme parks. However, if we analyze the pattern of tourist consumption, it is readily evident that, on the one hand, tourists avail of facilities and resources which are designed for their dedicated use, some of which we listed above. At the same time, much tourism consumption may be common to and indistinguishable from that of the local community. This is particularly true of domestic tourist consumption where it is virtually impossible to distinguish between visitor and local usage of supermarkets and other retail outlets; banks; petrol stations; cinemas, museums and other leisure facilities. This inseparability can also apply to international visitors, especially in relatively developed host economies such as those within our Islands project. In effect, this means that the tourism industry can also, and frequently does, include a wide range of areas which we would not normally associate with it -- agriculture (farm or agri-tourism); heavy industry (the Sellafield nuclear reprocessing plant is one of the main tourist attractions in the northwest of England); light industry (whisky distilleries in Scotland); and service industries (film studios such as Universal or Granada in the U.K.).

Tourism is readily associated with major "honeypot" destinations -- key cities such as Athens, London and Paris; historic sites such as the pyramids in Egypt, the Taj Mahal in India and Stonehenge in England; cultural centres including the great renaissance cities of Italy or St. Petersburg in Russia; natural wonders such as Australia's Great Barrier Reef, the Alps, and the Grand Canyon in Arizona, U.S.A.; beach resorts typified by Phuket, Thailand, Bournemouth in England and, indeed, here in Prince Edward Island itself; and entertainment centres such as Las Vegas and Orlando, Florida. However, tourism is also an economic activity of small and isolated communities, often the only major income source for remote and inaccessible societies. It is truly an "industry of every parish" and has, for some time, been recognized as an important component in the regional development policies of many countries.

Tourism, then, is an area of economic activity which is highly fragmented, both in terms of its geographical distribution and in the business structure of many of its sub-sectors. Although it is tempting to equate tourism with some of its large and well-known multinational companies such as the Disney Corporation, Holiday Inn, British Airways, American Express Travel and CP Hotels, in reality the sector is dominated by its micro- and small- to medium-sized enterprises (MSME) -- guesthouses, craft shops, water sports facilitators, independent travel agents and small-scale heritage centres.

Tourism development is not without its problems. That the industry can bring clear economic benefit to communities is not a matter for dispute, both in terms of employment generation and foreign exchange earning. This, however, is not always the case as the experience of some developing countries demonstrates when there is excessive reliance on multinational as opposed to local investment and development. Tourism can also contribute to wider understanding between peoples and can support the preservation and development of historic artifacts and cultures which might otherwise be at risk. However, tourism can also have negative impacts in terms of the physical and cultural environment.



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### *Tourism and the Small Island Context*

One of the most powerful visual images which tourism evokes is of the remote, sun-drenched island, palm-fringed and offering somnambulant opportunities for hedonistic indulgence in the sun, in the sea and on the sand. This is certainly one aspect of island tourism and much of the academic literature concentrates on islands which offer such vacation opportunities, considering locations such as Bonaire, Lanzarote, Malta, Penang, St. Lucia and Vanuatu.

Our main concern at this Institute, of course, is with islands which do not have the clear-cut climatic advantages of the above sun-drenched paradises. Cold-water islands, whether in the northern or southern hemispheres, face challenges, from a tourism perspective, which are very different from those in the tropics or sub-tropics. There are common problems, of course, which many islands, whatever their location, face -- the time, logistics and cost of access; a limited tourism inventory reflecting the size of the community and the island; and limited overseas investment in tourism and a lack of local resources to compensate for this. There are common benefits, too, notably the preservation of local culture and language which "islandness" can ensure; an attractive pace of life which can contrast markedly with the hectic speed of mainland living; and a general sense of interest or fascination with the concept of the "island" which draws visitors over the water, whether this is fifteen miles to the Isle of Wight or thousands of miles to Tahiti. *This* fascination with islands is addressed in more detail in a paper which accompanies this introduction.

Cold-water islands, along with other tourism locations "at the periphery," do not have the natural climate advantages of their tropical and sub-tropical counterparts. They tend to survive on relatively short tourism seasons and the whole issue of seasonality and how its impact can be reduced is one of the recurring themes in this branch of island tourism studies. There are few if any simple answers. Some cold-water islands, especially those located in close proximity to more densely populated mainlands, have passed their peak in terms of touristic activity and their traditional markets have deserted the Isle of Man and Gotland for warmer climates to the south, aided by cheap and fast air transportation. Other islands within this category have only recently turned to tourism as an alternative to declining traditional industries -- for example, fishing in the case of Newfoundland -- and they may lack the infrastructure, facilities or expertise to compete in what is becoming an increasingly competitive international tourism marketplace.

Many more remote, cold-water islands do have the advantage of being "the last kids on the block" in tourism terms and are thus in a position to learn from the mistakes of others and develop tourism in a way that is sustainable within the local environment, culture and wider economy. Learning from this experience of others, while central to the *Lessons from the Edge* Programme, is not always the strong point of those committed to tourism development at either the national or local level. Recognition of the role of the community (however small) in tourism development is a key component within this process so that it is the community which is the ultimate beneficiary of any tourism development and it is the community which has the final "say so" with regard to new product and infrastructure development and marketing initiatives.

Islands (especially cold-water) and their relationship with tourism presents a significant but also very attractive field for study. It is to be hoped that this Institute will contribute to our understanding of this area of study and research. ▲

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## **WORKSHOP THEMES**

The purpose of the tourism theme within the Summer Institute will be to:

- explore themes and issues in international tourism development, with particular reference to "Peripheral" regions;
- consider these issues in the context of small, cold-water island communities, drawing both on existing published research in this field and on initial outcomes of the "Lessons from the Edge" project;
- identify models of sustainable tourism development which are suitable for the small island context;
- facilitate contributions from island participants on the role, potential and problems which tourism has in relation to small island communities;
- explore links between tourism and the three other sector areas in the context of small island economies; and
- review the presentation of "islandness" in tourism marketing and promotion.

The approach to the tourism component of the Summer Institute will be workshop and participation-focused.

Institute participants, especially those from small islands, are invited to bring examples of tourism marketing and promotional "collateral," especially anything which uses "islandness" as its centrepiece.

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## **PLENARY PRESENTATION III**

### **CONFRONTING THE PROBLEMS OF PERIPHERALITY**

**LARRY FELT**

**periphery:** circumference; perimeter; the outside.  
-- *Webster's Dictionary.*

In the late 1950s, the J.R. Smallwood government devised an ingenious response to the cognitive and geographic isolation of his island province. Tired of having Newfoundland described as remote, equidistant from Britain and central Canada, the government promoted a new map projection in which Newfoundland was located at the very centre. Promotional brochures displayed the map prominently and extolled the province's location in the North Atlantic, equidistant from Toronto and London. While such an innovative twist on the old conundrum about whether a glass of water filled to its mid-point is half-full or half-empty has not led to successful economic development, it is instructive, I think, for how one might fruitfully approach the condition of geographic peripherality of other small North Atlantic islands.

### *Peripherality as a Cognitive and Geographical Condition*

Peripherality, or a sense of being on the outside or margin, is, as the Smallwood government recognized, both a mental and a geographic condition. While obviously interrelated, it would be incorrect to deny at least some partial independence of each. It seems perfectly possible to be geographically close to something, yet feel quite distant. I experience this every year when I return to my parents' residence in upstate New York. Although within thirty miles of the Canadian border, the relevance and salience of Canada would not be appreciably different if it somehow could switch places with India. Inversely, two years ago during a trip to Alaska, I was struck by the cognitive closeness of Alaskans to other Americans even though several hundred miles of British Columbia separates it from their nearest American compatriot. To make such cognitive leaps across physical space, it is important that not only those living in the marginal region possess a sense of identification with others, but that this recognition be reciprocated. This, too, was vividly reinforced on a trip to Seattle, Washington, last spring. A rather nasty "salmon war" was escalating among Alaska, Canada and the Northwestern states of Washington and Oregon. In the Seattle media, there was the clear impression that Alaska was cognitively closer and far less exotic than the adjacent Canadian province of British Columbia. In the media, disagreements among American states were, after all, amongst political units who shared a great deal and could be much more easily resolved than with a foreign, "distant" (Canadian) government.

The above discussion does not imply that one can simply think away actual and potential constraints linked to geographical peripherality. Rather, my intent is to demonstrate that at least some of our thinking about peripherality is a result of social relationships and historical processes which cannot be subsumed under spatial considerations. Moreover, the perception of peripherality can, at least to some extent, be potentially manipulable. My examples have illustrated how geographic scale has been cognitively reduced through social relationships. One could also argue in the other direction. There may be good reasons why a particular society might want to reinforce its peripherality and promote a process which cognitively expands its distance from others. One possible reason for such a strategy might be to extol the exotic, special qualities which make the place a desirable destination for tourists. Current Newfoundland tourist literature, in fact, tries to have things both ways by portraying the province as "so near, yet so far!!" Perceptual manipulation need not be limited to tourist promotion. An island government

might desire to project a place as a neutral, close-yet-distant location between two powerful countries or trading blocs in which companies from either bloc might establish business. In fact, several small societies have tried to negotiate "free trade" arrangements with trading blocs without full incorporation for exactly such a reason. To the extent such a perception was successfully conveyed, it might play some role in a society's development policy.

### *Technology and Peripherality*

Historically, time has been perhaps the most important determinant of distance. The longer it took for people, letters or products to get from one location to another, the more distant the locations were. As we are all well aware, however, the time scale itself has become dramatically compressed. Instead of days or weeks, distance is increasingly expressed in hours or, in the case of electronic communications, in fractions of seconds. Moreover, any linearity between places has also been reduced. Thus, it may be faster to travel between two more distant points by airline if there is a direct route than a more "nearby" destination which requires two or more plane switches. In other words, time and distance no longer have quite the same relationship they once did to each other. Technology does not make distance disappear (despite some airline advertising hype!). It does, however, alter our perception of it.

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### *Contemporary Issues of Peripherality*

Historically, distance from metropolitan cores, particularly when combined with small populations, has posed a number of obstacles for creating and sustaining modern societies on the periphery. Among these obstacles have been high transportation costs (both psychic and monetary) to and from the island, a limited local market to promote and sustain manufacturing, as well as an all-too-frequent perception by foreign, powerful interests that the area was irrelevant to their own plans unless a valuable natural resource such as oil was present. The result has been small societies highly dependent upon exporting a limited number of resource "staples" with standards of living well below those regions or societies to which they are either politically or culturally most closely linked. As populations grew, people oftentimes rivalled natural resources as a major export crop! There are notable exceptions to this view, for example, Iceland and the Åland islands. Even in the case of Iceland, however, until recently, between 60 and 75 per cent of foreign earnings came solely from catching and processing fish, and emigration has been extensive. In the last forty years, a number of approaches for combatting peripherality have appeared in academic as well as government circles. Four of the most important might be termed the "export-led linkage" approach, the "small is beautiful" approach, the "footloose and fancy free" approach and the "high-tech export niche" approach. While analytically distinct, actual government policies have more often than not interwoven key components from each into any particular policy. In the rest of this presentation I would like to briefly summarize each view, assess its success and conclude with what I feel are among the more important questions for policy which might be raised about the issue of geographical peripherality in light of past efforts and current understanding of the condition.

### *Living with Peripherality: Past and Present*

Since peripherality has been highly correlated with lower living standards in much of the world, it is not surprising that modern states have developed and promoted policies for mitigating the effects of peripherality both within their own boundaries as well as throughout the world. Ameliorative efforts have been based on a number of different models of how high-income, sustainable economies evolve AND whether such a strategy(ies) is (are) possible in a geographically peripheral setting. To the extent that high living standards can only be achieved in massively urban contexts, the plight of isolated mini societies such as the North Atlantic islands might seem hopeless. Therefore, attention quickly focused upon how living standards could be improved without the urban agglomeration advocated in some approaches. Canadian economic historians such as Innis and Archibald began to explore this issue in the 1940s and 1950s within the Canadian context. Their well-known "staples thesis" emphasized the necessity to develop economic linkages from an export base. Three types of linkages were identified: backward, forward and final demand. Backward involved taking rent captured through the sale of a resource to invest in capital production necessary for the staples harvest (nets, boats, combines, etc.); forward linkage involved capital inputs used to further process/refine the staple before leaving local boundaries; final demand linkage referred to what has come to be termed "import substitution" inputs such as consumer durables, goods and services. The authors identified a number of factors associated with successful linkage development including the mix of the staple production function, the distribution of income around the staple, the education level of the local population as well as government policy promoting linkage development. Ironically, it has been Iceland rather than the staple-producing areas of Canada which appears to have promoted linkage development policies. Moreover, as regional trading blocs have arisen and free trade has become more of a reality, small societies such as Iceland have found it more and more difficult to retain, let alone expand, their own linkages.

The "small is beautiful" approach includes a number of variations, from highly romantic, syndicalist notions of rural life to more pragmatic, policy-based ones which provide a foundation for "footloose" and "high-tech niche" approaches. This approach rests upon two beliefs. First, there are numerous strengths to living in less dense, peripheral areas, and second, that any success path to higher standards of living which are sustainable cannot be found in trying to duplicate more urban, less distant areas. Such strengths have been well stated by my colleague at this workshop, Dr. Doug House, in his Royal Commission report to the government of Newfoundland and Labrador in 1986, as well as in several papers. From these strengths, a number of economic development foci have been identified which potentially provide a comparative advantage for the island of Newfoundland, and in particular the smaller, more rural communities within it. The logic of this argument is that other peripheral areas, depending upon their mix of resources, history and people may also have their own strengths which could provide the foundation for longer-term, sustainable development.

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The "footloose" and "high-tech niche" approaches both emphasize the role of technology in manufacturing and/or providing services to densely populated metropolitan areas from the periphery. "Footloose" industry promotion became quite fashionable in the 1960s as new manufacturing processes led to miniaturization of components and less need for highly specialized workforce. Thus, silicon chips, wiring harnesses and any number of electronic

components, for example, could be manufactured anywhere and, due to their low weight, shipped to central assembly areas at competitive costs (particularly if labour costs were lower in the peripheral areas). Thus, during the 1960s and 1970s, a rapid proliferation of component manufacturing dispersed to the Third World as well as more geographically remote areas of industrial societies. Without detracting from the employment that has resulted, the evidence is quite clear that there has been no bonanza in employment as a result. At best, "footloose" industries have made some contribution to increased employment opportunities locally but should be seen as a fairly modest factor in raising living standards in more geographically remote areas. "High-tech niche" industries which deal with services and/or intellectual products such as computer software have become something of the new kid on the block as a strategy to overcome geographical isolation. Several of the North Atlantic islands have become alleged success stories in either "offshore financial services" (Isle of Man) or in specialized transportation services (Åland). Every peripheral area seems to have its own story of successful companies in computer software. High-speed computer access through regular telephone lines or satellite links certainly make such events possible. It is still far too early, however, to see how extensive and sustainable such efforts may be.

In closing this overview, it is critical, I think, to understand that these four approaches are not necessarily incompatible. It is possible to pursue various elements of each simultaneously within the particular context of a given society. Indeed, the biggest challenge we face in the islands of the North Atlantic is finding which particular mix of strategies makes most sense for each island (or part of an island) within the context of rapid economic, political and technological change. I would hope that our workshops will address this issue in greater detail than the cursory treatment I have been able to give it here.

### *Living with Peripherality: the Future*

What is the relevance of geographical peripherality for these North Atlantic islands in light of the profound changes to which I have alluded? To focus an answer, let me try to raise what seem to me to be particularly relevant questions for your workshop consideration. ▲

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## **WORKSHOP THEMES**

1. To what extent are conventional notions of peripherality still relevant in assessing development prospects in these island societies?
2. How important is the perception of peripherality an asset or a liability in promoting certain varieties of economic policy?

3. To what extent can perceptions of peripherality be manipulated? Should they be?
4. What lessons have been learned through previous policies designed to respond to peripherality?
5. What role(s) will primary resources (staples) assume in future development policies for peripheral areas?
6. Is local ownership and control of the economy an important issue in coping with peripherality?
7. Each island society is likely to need to craft a particular response-base to peripherality drawn from its unique history and culture as well as more generic factors. How might each society go about this and what particular elements might be emphasized in the particular societies?

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## **PLENARY PRESENTATION IV**

### **CHALLENGES OF REGIONALIZATION AND GLOBALIZATION FOR SMALL ECONOMIES AND SMALL JURISDICTIONS**

#### **LISE LYCK**

In the early post-war years, liberal internationalists looked with hope to new institutions of inter-state co-operation that would finally usher in a peaceful and ordered global community. Many of these essentially Anglo-American initiatives were focused on the United Nations system, particularly its functional agencies and development programmes. While the Cold War ensured that the United Nations itself fell disappointingly short of securing decades of confident peace, these institutions and programmes did much to support the independence and the development of newly decolonized states, offering unprecedented global channels and information sources for governments both individually and in regional co-operation. Though the excesses and the inefficiencies of the United Nations system are all too well known, nevertheless the accomplishments have been dramatic in creating both a global agenda and increasingly a global consensus even in such jealously guarded areas as human rights.

These early efforts to stretch beyond both the capacities and the self-view of nation-states were particularly emphasized in various movements towards regional integration, most dramatically in Western Europe. The Treaties of Rome, driven by a desire finally to end European internecine conflict, and sustained by the powerful post-war partnership of Germany and France, were seen and adopted as a model in regional communities around the world. The architects of the European Union believed that this process would eventually lead to a federal Union, albeit federalism without tears, or federalism through the back door. Its contemporary champions, such as Chancellor Kohl, still hold to that dream, namely to go beyond the nation-state altogether toward an entirely new, inclusive and democratic Europe *sans frontières*.

In the same spirit, metropolitan governments and local political leaders were seeking to create through federalism new communities out of fragments of empire: in Malaysia, Nigeria, the Trucial States, the West Indies, indeed India itself. In some successful cases, like India, for example, sceptics and nay-sayers have been defied by this country's remarkable durability. In others, these efforts are secured only by the spectre of recurring civil war or by resort to despotism. In areas such as the West Indies, ambitious initiatives toward federalism have foundered on the shoals of personality conflicts, historical rivalries and accentuated identity differences.

Efforts to create political community beyond the nation state have continued in spite of an equally dramatic process of international fragmentation. The European Union has experienced periods of relapse, at the time of the Luxembourg Compromise, for example, and long years of plateau. But it has also witnessed renewed integrationist conviction as the early agreements on Maastricht and the continuing commitments of European governments to monetary union would attest. Similar convulsions of sentiment are evident among partners to regional integration regimes in North America, Southeast Asia, the South Pacific, Southern Africa, Latin America and the Caribbean. The long-run momentum is cumulatively integrating, though the process is punctuated by periods of anxiety, self-doubt and sensible caution on the part of member states, their governments and their electorates.

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Though there is increasingly the sense that high levels of collaboration may be achieved and expanded, it is now increasingly clear that this process will fall well short of creating the new regional states that so inspired the architects of European Union. The European Union, and similarly the North American Union or Southeast Asian Union, may well support collaboration across their constituencies far beyond the initial expectations of those first signatories in Rome, but they may never reach the promised land of a United States federation. Supranationalism, then, may be more than opponents and critics would have it, but less, perhaps far less, than its committed disciples would have hoped.

Similarly, advocates of federalism, a long-admired formula which seeks to reconcile the irreconcilable in institutions of civility and good faith, may also have its limits. It has been remarkably successful in more doubtful situations -- India, Malaysia and the United Arab Emirates -- but it lost out in the Commonwealth Caribbean to looser arrangements of regional co-operation which may themselves be viewed as crypto-federalist in character. In Spain, Belgium and Canada, these arrangements are under stress, ironically because appeals to regional integration beyond the national state might seem to support the claims of subnational governments for enhanced constitutional status.

In short, the long-term objective of promoting important and broad-ranging inter-state, and inter-jurisdictional subnational collaborative arrangements, grows despite setbacks and hiatuses. At the same time, participating jurisdictions at all levels seek to protect their prerogatives and to enhance their opportunities by manipulating these processes in alternating and varying patterns of collaboration, resistance and even defiance. In some instances, collaboration and bargaining will result in greater influence and status. In others, resistance and defiance, whether it be



protection of Italian wines, French mutton or British sausages, motivated as they are by legitimate domestic constituencies, may frustrate Cartesian aspirations to more rational solutions. Built into the neo-functionalist logic and the existing institutional arrangements is an ongoing tension and competitive dynamic between local and supranational interests, policy communities and, above all, electorates.

Where, in all of this, do the choices and options for very small island jurisdictions arise? Small jurisdictions in Europe have approached the European Union with guarded ambivalence. The smallest sovereign states have all negotiated separate agreements with Brussels which give them access to the Union without being subject to such agreements as the Common Agricultural Policy. Two of them, Malta and Cyprus, have enthusiastically pursued full membership and are now poised to enter final negotiations for full membership. Iceland, on the other hand, has been more wary, preferring to enjoy the benefits of access to the continental market through membership in the European Economic Area, the agreements between the remaining EFTA states and Brussels. This ensures continued exclusive control of her territorial waters and her fishery which is the lifeblood of the nation. With the exception of the Åland Islands, the very small Home Rule territories have chosen to stay outside of the Union.

Arguments in all potential European Union states are both emotional and practical. In Central and Eastern Europe, of course, there is little ambivalence. Union membership seems to offer closure to a sad history of totalitarianism, and the promise of security, as well as some measure of prosperity for "normal" states returning to Europe. In every domestic debate over the Union, an appeal to be "inside" of this great partnership, to participate shoulder-to-shoulder with other Europeans, has won emotional support among a wide constituency of the electorate. Even in Iceland, where polls have generally supported the "No" side, there was a shift toward support for membership when it appeared that all of Iceland's Nordic partners would be in the Union, leaving Iceland outside and aloof. Nordic solidarity was a powerful factor in this debate. With Norway's "No" vote, this pressure was removed to the considerable relief of many Icelanders.

In some of these jurisdictions, the Union's Regional Development Fund is a powerful incentive for membership. Many of the small islands of the European Union's Conference on Peripheral and Maritime Regions have benefited immensely from RDF largesse. But in others, RDF grants would hardly compensate for the loss of exclusive jurisdictional competence in critical areas of the economy unless there were significant derogations in key sectors, such as those won by the Ålands. For the Isle of Man to be in the Union, there would have to be derogations in banking and financial regulations; for the Faroes, Greenland and Iceland the derogations would be required in the fishery. Though the Faroes negotiated a free trade agreement with Brussels in 1975, they have since sought to broaden the terms of that agreement. These efforts, particularly the demand for free export of fish, have been met with resistance as long as the Faroese continue to protect their own fishing grounds. The fishery was also a stumbling block for Greenland, when its people discovered that their distant waters were open to competitors from the European mainland. In a 1985 referendum, a large majority of the electorate voted to withdraw from the European Community, the only jurisdiction thus far to secede.

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There has also been fear that, in all these jurisdictions, that membership, or association tantamount to membership, would mean being subject to a comprehensive set of rules and constraints without adequate representation at the table. In the Home Rule territories, that representation would depend largely on the metropolitan state. But even in Iceland, the argument that Iceland's small size would give her little influence at the table is a recurring one. Pro-Union forces, of course, argue that it is better to be inside and at the table rather than outside, when in most areas you are subject to the terms set by the fifteen in any case. Concern over the "democratic deficit" in the current Union's institutional arrangements is acute in these small societies with their long parliamentary traditions, powerful local governments and political cultures resistant to administration "from away." For most of them, more localized institutions of co-operation are preferred, within the Nordic world or even among West Nordic communities. Yet, such arrangements cannot substitute for or circumvent the European Union itself which is still the principal market and the most powerful actor in determining the economic milieu of these small jurisdictions.

While the situation facing the small Atlantic jurisdictions in Canada is somewhat different, the challenges of adjusting to larger regional trading regimes remain. The Free Trade Agreement in 1989 between the United States and Canada, followed quickly in 1994 with the North American Free Trade Agreement among Canada, the United States, and Mexico, has accelerated the move toward continental economic integration in North America. The grand design of uniting all of the Americas lies tantalizingly ahead, with many South American states already pressing vigorously for entry. Although provincial governments were "consulted" by the Canadian government during these international negotiations, and most of them expressed satisfaction with their terms, there is of course no mechanism by which provinces can independently decide whether to join NAFTA or to cut their own asymmetrical arrangements. Provinces such as Ontario and Prince Edward Island, whose governments opposed the FTA and contemplated legal action against Ottawa, have nonetheless been brought within its ambit. While there remain uncertainties in Canadian constitutional law concerning the precise scope of the federal power over international trade and the treaty-making power, provincial governments to date have had no latitude whatsoever as to the application of the North American Free Trade Agreement. Moreover, to the extent that they may be affected by NAFTA provisions, they have had to look to the federal government to represent their interests.

In that respect, therefore, it is worth underlining the sharply different constitutional arrangements and practices among our small North Atlantic jurisdictions and the consequences that they have for each jurisdiction's ability to meet economic integration on its own terms. The debate over economic integration in Canada has also focussed our attention more generally on the corporate interest in continentalism and in its neoliberal ideological agenda to contain and limit the state. In such a climate, the legitimate question of the appropriate role of government in a more integrated economic world does not receive the thoughtful attention that it might. Our workshops, drawing upon the experience of Europe and North America, might usefully confront that question.

In Atlantic Canada, too, as in the Nordic countries, there is considerable interest in deeper co-operation within the region. Arguments for Maritime Union, and for economic integration among the four Atlantic provinces, have again resurfaced. Many of the arguments echo the integration debate in Europe. Union would end the costly duplication of government services, create healthy

conditions for a single market, offer improvements in infrastructure, and serve as an incentive for investment. Resistance, particularly from some of the smaller players, is not surprisingly focused on the loss of jurisdictional capacity and fears for constraints on provincial governments.

In all of these situations, small jurisdictions seek to accommodate trends toward economic integration, while protecting their jurisdictional autonomy and the key sectors of their economies. Clearly, autarkic policies of disengagement are not seriously entertained in any quarter. The question then becomes more nuanced: how far to engage larger agreements and larger players? In short, these small jurisdictions seek to protect and extend their economic space within the context of regional and global processes of integration.

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## **WORKSHOP THEMES**

Workshops might first address the experience of the island jurisdictions in this programme.

1. To what extent and in what key areas have relations with the European Union or NAFTA impinged on the economic life of these small societies? How might we assess the consequences of these relationships both for the economic well-being and the jurisdictional autonomy of these societies?
2. Is the process of closer collaboration one of ongoing momentum? In what key areas are further adjustments likely?
3. What ought to be the role of small governments in these jurisdictions in this more economically integrated world?
4. If activism is called for, how can the governments of small jurisdictions exploit niche openings in these agreements to expand their economic space? At the same time, how might they protect themselves from negative endogenous factors arising out of these arrangements?

5. Are small or more localized regional groupings effective as either counterweights or alternatives? Would such groupings enhance the bargaining stature of the small jurisdictions?

6. Above all, how might these jurisdictions confront the enormous problems of asymmetry in their relations with the powerful actors at the centre of these associations? How can they ensure the effective representation of their interests?

Related to this theme of engaging the forces of regional economic and political integration is the question of adjustment to the momentous forces of globalization. Of course, regionalism itself may not be compatible with a more liberalized and integrated global economy. Critics of Brussels, like Lady Thatcher, for example, fear that the Union may simply be replacing one set of national barriers with another, a danger inconsistent with the objectives of the World Trade Organization.

7. Does the process of globalization threaten the economies of very small jurisdictions? In what way might it offer new niche opportunities? What kinds of measures might small jurisdictions take to exploit a changing global economic environment?

Clearly, the questions raised in these workshops echo and speak to themes considered in earlier sessions. And they will undoubtedly surface again in the sectoral sessions to follow.

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## **PLENARY PRESENTATION V**

### **PRIMARY RESOURCES IN SMALL ISLAND ECONOMIES**

#### **RAY ANDREWS, PETER FRIIS AND LARRY HAMMELL**

Perhaps the most lucrative and critical dimension of an island's life is its territorial sea, especially the extended 200-mile economic zone of marine wealth. The importance of the sea may not always seem to be so commanding, of course, particularly in those island societies such as Brunei or Bahrain, where "black gold" drives the economy, or the spice islands of the Caribbean or the vanilla-rich groves of the Comoros. Indeed, some islanders have been indifferent to the sea, even in the absence of lucrative minerals or exotic crops. Both the Icelanders and the Faroese were, and to a great extent remain, agricultural peoples. Indeed, the Falkland Islanders still have little interest in fish or anything else in the rich sea around them. This remains a community of sheep farmers.

In the post-war years, however, there has been a growing interest in maritime resources and long years of protracted conflict over access to those resources in the Law of the Sea negotiations. These debates are primarily about the fishery, particularly given the patterns of diminishing stocks and growing demand, especially in the new wealthy markets of Asia. Though the fishery is critical there have also been fierce arguments over offshore minerals and deep-seabed mining. They have pitted seaborne states against landlocked countries, and historical long-distance

maritime nations against coastal states which have become ever more conscious of the value of their own waters.

Moreover, recognition of the dangers now facing the world fishery has produced everywhere an excitement in the potential of aquaculture, particularly in those states with fjords and lagoons which can readily support this new industry. Chile, for example, with its highly indented coastline stretching over so many temperature zones, has enormous potential in aquaculture as a major export industry, particularly given its proximity to Asian markets.

For almost all island societies the local fishery remains an important part of the economy, even if, in some cases -- the Mediterranean and Caribbean islands, for example -- the principal value of the sea lies in the tourist potential of their beaches. In many cases, fishing is confined to subsistence levels and local markets. The smallest and poorest island states have little means of policing and protecting their waters from long- distance fleets even as they have little capacity yet to build a significant export industry themselves. Tuvalu, for instance, had to return the gift of a single coast guard vessel to monitor its waters because it was simply too expensive to run!

Of course, for some small island communities, dependence on the sea has acquired new meaning because of lucrative mineral resources. For Newfoundland, the Scottish Islands, the Faroes and the Falklands, offshore oil offers the promise of long-term prosperity and security. In others, there is potential in undersea farming: kelp, for example, in the Falklands. In a number of South Pacific coral atoll societies great attention has been given in recent years to the cultivation of a variety of undersea crops. In some of these societies, particularly the small archipelagic states, territorial waters are many thousands times larger than the few square miles of land which the islands claim. Indeed, these cases suggest a "Waterworld" scenario with islanders exploiting all the resources of the sea in hitherto unimagined ways to sustain life on small patches of dry land.

In these workshops we are focusing on the fisheries, both natural and cultivated. While other sea-based resources hold immense potential as indicated, the fishery has been central to the economies of at least five of these islands throughout this century, if not longer. In Prince Edward Island, the shell fish industry has remained strong though the fin stocks of the Gulf of St. Lawrence and the Atlantic have declined alarmingly. In the other four islands the crisis of stocks in the North Atlantic has posed enormous challenges of adjustment and reorientation.

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Now, both within the industry and in government circles, there is every effort to confront the challenges of a diminishing stock and the obvious implications of that decline for the numbers engaged in the industry. It is not, however, decline management in the simple terms of winding down the industry and turning fishermen into inn keepers, garage mechanics and computer technicians. It is also a question of species diversification and, accordingly, the cultivation of new markets. It is, as Sigfús Jónsson has suggested, a question of exporting expertise and knowledge and not just fish in all aspects of the fishery, from trawler technology to stock management, to countries, particularly in the developing world, which are just now becoming aware of the potential of their offshore resources.

The workshops in these sessions, then, should focus first on the consequences of the rapid decline of North Atlantic stocks combined with the imposition of exclusive zones which have severely limited opportunities for long-distance fishing. How have these changes affected the industry itself: the role of the fishers, their relationships to onshore processors and multi-national retailing giants? How have the public policy communities on these islands responded to these changes in order either to protect their own fishing constituencies or to make them more adaptive and more competitive in a changing milieu? What potential areas of change might be pursued by the fishers themselves, the indigenous processing and marketing industries and the governments of these communities to ensure a viable, if manpower-reduced, future for their fishing communities? What potential might there be for promoting regional and international regimes to recoup the North Atlantic fishery while ensuring a satisfactory allocation among jurisdictions during this period of retrenchment? Are there lessons in fin fishery management among these five islands over these years of crisis which might speak to one another?

Finally there is the question of aquaculture, perhaps not as a substitute, though some enthusiastic proponents speak of it as the fishery of the future, but as a supplement to the traditional fishery. What are the initial problems of infrastructure and capital investment which must be overcome during the long gestation period of what is still, at least in much of the fin fishery, a tentative enterprise in these North Atlantic islands? Are there imaginative ways in which governments can create congenial conditions for private sector investment? Are there opportunities for co-operation and collaboration across the North Atlantic islands in the development of vibrant aquaculture industries in everything from joint management and marketing to common health management services?

With this general introduction in place and these questions in mind we might now turn to some general patterns of the North Atlantic fishery, particularly the changes wrought in the structure of the industry itself from the fishers to the giant retailers, from small boats in the outports of Newfoundland, the Faroes and Iceland to the frozen food shelves of Loblaws and Marks and Spencer and the very demanding fish mongers of Tokyo and Osaka.

### *The Current State of the North Atlantic Fishery*

The fact that the North Atlantic fin fishery is in decline, with the exception of aquaculture, especially in relation to employment numbers, does not mean that the fishery does not have a very decisive and central importance for the inhabitants of the North Atlantic islands and that it will not continue to be important into the distant future. But a restructuring process of the sector is clearly needed in order to fulfil the demands from the international market and to respect resource limits. And such a strategy must be pro-active, not the more reactive strategy of today: it must be built upon a sound appreciation of the preconditions for collaboration between fishery-dependent islands.

For the fishery-based North Atlantic islands it is obvious that there is a deep need to relieve their dependency on an "unreliable" and fluctuating resource. Much energy has been devoted to strategies of diversification in these economies. But it is worth emphasizing that even small improvements in the backbone of the fishing industry can often result in wider and more rewarding consequences than large improvements in an experimental or less critical sector. It is

often easy to underestimate the value of low-technological production in industrialized countries as researchers look for potential in advanced high-technology. Moreover, many of the sectors with potential to develop now and in the future, within services or small-scale manufacturing for instance, will build and depend upon the primary sectors.

Until recently the quantity of the resources and quotas have governed the activities of the fisher. Maximizing individual returns has meant harvesting more fish, but clearly this strategy does not work anymore. Today and in the future, the industry must be built upon "less quantity but higher quality," with the international market rather than domestic constituencies influencing production. Put another way, the market will send out strong signals, requiring successful producers to listen and to make institutional and production changes accordingly.

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Fishermen are getting less for their catches and their catches are diminishing. This has been the trend across the North Atlantic since 1989-90, a trend consistent with the fact that there are still fewer fish per capita globally. The Western European market, itself far from self-sufficient, has demonstrated rising consumption patterns in this period. Fishermen now take a decreasing share of the price paid by the end-user. Indications based on Danish figures show that fishermen receive about 20 per cent of the price paid by the consumer. And this trend has been accelerating in recent years. Indeed, the fisherman's share of the consumer dollar compares very unfavourably with that of farmers who receive about 30-35 per cent of the consumer dollar.

Fishermen receive less for their landings because of the share that goes to fish processing plants with their less valuable products of frozen block whitefish, a semi-manufactured product. And the North Atlantic producers of frozen block whitefish and part-processed fish are getting less in turn for their products because of cheaper substitute species such as Alaska pollack and hake and other less expensive species from Argentina, Chile and South Africa. Stagnant or falling prices are also the result of competition from other food products and from the growing power of large retail chains which market more of the fish and thus force down prices for all products. As the mass-produced industrial market for whitefish grows, there is increasing pressure to reduce the costs of labour and raw material. Production gradually shifts to areas of cheap labour, such as China or Poland for example. The buyers of frozen fillets in blocks are fish processors in the United States and the European Union. Fish processors in countries such as Germany and Great Britain hardly use raw fish any longer, depending instead on frozen blocks. Clearly the thrust of marketing is quantity-oriented.

Although this quantitative industrial model is obviously inappropriate for the fisheries of the North Atlantic islands, it continues to predominate. Yet it is the high-value consumer market for very fresh, high-quality boneless and skinless fish, carefully packed for the refrigerator shelf, that should command our attention. In the development of the product it is essential to respond to the new retail chains who know precisely what consumer requirements are, and who wish to work with knowledgeable producers able to work in this computer-based knowledge and information exchange.

Although North Atlantic fishermen have proven remarkable in applying and using technology in vessels and in the catch, they have generally stopped the learning process once their vessels unload at the wharf. This is in part due to the traditional and rigid functions of fishermen's organizations. However, change is beginning to take place in France and Denmark as fishermen's organizations begin to take up the challenge of new functions in order to achieve better prices for their members. In France, for example, these organizations are negotiating with large retail chains about delivering direct supplies of fresh fish. In Denmark, too, there have been some recent similar examples of learning by doing. Such a learning process building on existing competencies is directed toward improved levels of productivity within the new technology. This means new approaches to training and education and the organization of work.

Still, today, much of the important information about the consumer market is lost in the fishing activities in the North Atlantic islands. The information on the time and location of the catch, the vessel itself, the kind of gear, etc. is not retained: the fish is treated as bulk and paid as such. The reason is that the chain of interaction from producer to user is not well-established. Institutions on-shore still act as if the fish is a bulk product. The missing qualitative demands from local processors and first-hand buyers permit North Atlantic fishermen to behave as they did fifty years ago; namely, to place the fish on the wharf and leave the fate of the product to others. Catches are treated as a low-quality product with little incentive in the system for fishermen to strive for high quality. In effect, the North Atlantic fisherman is caught in the quantitative paradigm that reigns in many North Atlantic island harbours instead of the qualitative.

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How then might this situation be addressed, both within the industry and within the public policy communities in these islands?

1. If fishing is no longer an occupation for the relatively uneducated, how can new education systems be put into place?
2. How can the fishing industries in North Atlantic islands respond to the knowledge-based and qualitative demands of the industry?
3. In what precise ways can traditional and conservative industries be weaned away from the frozen block market and redirected to high-quality niche marketing?
4. Who should take primary responsibility for reorganizing the fishery sector:
  - ▶ the fishermen or their organizations ?
  - ▶ the national or local authorities ?
  - ▶ the exporting firms ?
  - ▶ the processors ?



► the institutions among the first-hand buyers ?

These are only some of the pressing questions which dauntingly face those engaged in the painful process of restructuring and renewal.

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## **PLENARY PRESENTATION VI**

### **SMALL-SCALE MANUFACTURING AND THE EXPORT OF KNOWLEDGE-BASED SERVICES**

#### **ROB GREENWOOD**

Clearly, small North Atlantic islands face an urgent need to diversify their economies. Not only is more value-added production necessary to escape the vulnerability of resource dependence, but wherever possible, it should extend beyond the simple further processing of fish, forest, agricultural and other resource staples. This joint workshop looks at two different and challenging areas in which diversification can be usefully pursued, small-scale manufacturing, and the export of knowledge-based services.

#### *Small-scale Manufacturing*

The emphasis on small-scale manufacturing is in recognition of the growing importance of small and medium-sized enterprises (SMEs) in diversification opportunities. Indeed, manufacturing has traditionally been considered beyond the reach of peripheral regions, unless it involved "mega project" developments such as pulp and paper mills, or branch plants attracted in by tax incentives and low wages. High value-added manufacturing was considered the purview of urbanized regions, close to large markets and enjoying access to pools of skilled and unskilled workers. Island economies simply did not enjoy the economies of scale necessary to succeed in manufacturing.

Changes in the organization of production, new information and production technologies, and globalization of production systems have turned these assumptions on their head. Large corporations now focus on their areas of "core competence" and out-source services and components production to smaller suppliers. For adherents of the epoch-shaking post-industrial, information age economy, one would almost be led to believe that manufacturing was a thing of the past. Information technology would somehow conjure value added into being through computer chips and over the internet!

Nothing could be further from the truth. Production of "tradeables" still matters, but when the accounting, clerical, janitorial and catering services are outsourced, they no longer appear as "manufacturing employment," but as services -- usually lower paid, non-unionized, part-time employment. When components and services are outsourced globally, transportation and communications services take on increased importance. When new production technologies and fragmenting consumer markets undermine the dominance of mass production and replace it, wherever possible, with small batch production, design, sales and marketing take on added stature in the value chain. There is nothing post-industrial about this picture; industry is simply adopting new techniques to maximize competitiveness in the face of producers in Newly Industrializing Countries who can beat us on price every time.

What these changes do provide are opportunities in small-scale manufacturing for peripheral regions -- islands included -- which never previously existed. All of us know success stories of manufacturers producing components or consumer goods in our home islands which would have been considered impossible ten to fifteen years ago. The challenge, for academics, policy makers, community leaders and entrepreneurs, is to understand how these success stories happen and how we can foster more of them. Much research has been done on the regional production systems of the "Third Italy;" we are all familiar with the American "hot spots" -- led by Silicon Valley; studies of the Japanese and German systems of out-sourcing and supplier development have become industries in themselves. But how much of this is transferrable to the manufacturing opportunities in island economies?

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We can learn from the detailed research that has been conducted in more urbanized regions, as well as from significant work that has been done on rural industrialization in North America and Europe. Only by pursuing indepth analysis of the forces at work in the seven islands, however, can we determine which practices and processes are generalizable -- within and amongst islands, and between islands and continental locations. There is no reason to believe that there will be significant differences in the opportunities and constraints faced by individual island firms compared to firms in other rural or peripheral locations, as long as they enjoy basic access to core communications and transportation infrastructure. If existing research is any indication, though, how they deal with these opportunities and constraints will be greatly affected by their relations with other firms, community institutions such as educational and industrial supports, and with government.

Large firms were never immune to the politics of development. Small firms, whether they like it or not, depend upon it. Study after study has indicated that competitive advantage is forged through the regional interactions and synergies fostered -- or hindered -- by governmental and non-governmental institutions. Because island jurisdictions, by virtue of their islandness, enjoy -- or suffer -- from historically mediated political structures, identities and conventions, the opportunities for effective intervention in fostering small-scale manufacturing are subject to variation from island to island and compared to continental locations.

Consistent with the other three sectors being examined under the North Atlantic Islands Programme, the Small-scale Manufacturing research will provide opportunities to discern "best

practice" for individual SMEs. Through the interaction between private and public sector representatives in the seven islands, it may facilitate some immediate, tangible business opportunities. If it is to realize its full, potentially pathbreaking impact, however, it will delineate the forces at work in the following areas:

- the interaction between firms as they establish sub-contracting and supplier and distribution relationships -- how do SMEs establish these relationships? How do they survive the vulnerability of supplying outside firms or outside markets? How do they share resources within the region to access specialized equipment or expertise?
- the relations between firms and those local and regional institutions which have decisive impact on fostering the innovative milieu essential to the development of competitive advantage -- how do local educational institutions provide the trained workforces necessary for specialized SMEs? How does organized labour adapt to the realities of flexible workforces and SMEs? How can local government and community development organizations assist in the provision of pre-commercial development supports?
- the role of provincial or national governments in supporting small-scale manufacturing -- what financial assistance is most effective? What trade development works best? What regulatory frameworks conflict with the establishment of small-scale manufacturing?
- the opportunities and threats presented by supra-national trade agreements and institutions -- how can SMEs position themselves to benefit from NAFTA and the EU?

These issues transcend the day-to-day operations of the individual SME operator. Entrepreneurs and managers wrestle with the symptoms of each of them, but seldom do they have the time or perspective to look beyond their immediate production and sales concerns. Government policy makers and community leaders are little different, consumed by the challenges of doing more with less in the current fiscal environment. Yet, all too often, academia looks at the big picture and debates grand theory without grounding it in the experience and needs of practitioners.

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The goal of this research is to bridge this gap between research, policy and practice, while bridging the experience of related islands in the North Atlantic (and Baltic!). The Small-Scale Manufacturing research will also consider inter-connections with the other three sectors: production of aquaculture cages counts as small-scale manufacturing, while tourists visit the production and grow-out sites, and the SME operator sells her know-how in cage manufacturing to other regions as an export service. Far fetched? Ask Darrell Collier from Bay d'Espoir (the "Bay of Hope") when he attends the Summer Institute as one of the industry representatives from Newfoundland.

The opportunities are real. The lessons are there to be learned and applied. I look forward to seeing you in PEI as we explore "Beyond the Periphery."

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## **EXPORT OF KNOWLEDGE-BASED SERVICES**

### **MARK SHRIMPTON**

The second diversification strategy is to look to the export opportunities in knowledge-based industries. Since we are only now launched upon an international research programme on this subject with major funding from the Department of Industry of the Government of Iceland and from the Atlantic Canada Opportunities Agency, we look to the International Summer Institute to play a crucial role in shaping the priorities and implementation of the research. With business, government, community and academic representation, many perspectives and a considerable depth of experience can be brought to bear, ensuring that the research process is efficient and addresses issues of real interest and generates research products of real value to all stakeholders.

This overview paper is largely based on the successful research proposal. It briefly describes the rationale for the study of knowledge-based export services and research methodology that will be employed. As you will see, there are many similarities of concerns and approaches with the sectoral study of small-scale manufacturing. For this reason, we have decided to have a joint workshop on these studies, and many of the questions posed in the last section of this overview are common to both.

#### *Rationale*

The last few years have seen growth in knowledge-based export services activity, and interest in its potential, in many Atlantic islands. This has been fuelled by expansions in service sector activity and associated expertise, the limited nature of local opportunities in some sectors (leading companies to seek new national and international markets), increased entrepreneurship and rapid developments in information technologies. The growth in interest and activity has occurred in traditional resource-based sectors (e.g. through the export of knowledge and expertise related to agriculture and fishing), newer resource-based industries (e.g. aquaculture and offshore petroleum) and a wide range of health, environmental, engineering, tourism, business and other services, including the provision and use of information technology itself.

Knowledge-based export services have particular appeal for island economies because they combine high added value with low export cost, and some companies in North Atlantic islands are already successfully selling their services in many areas of the world. However, other companies have had great difficulty accessing international markets and often approach them with naivete and experience considerable frustration. Business-people commonly underestimate the levels of effort required and engage in un-focused and piecemeal initiatives, while companies are often daunted or defeated by the rigours of international financial institution registration

(which is often promoted as the main route to export services work but is in fact highly problematic for small companies).

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The study of knowledge-based export services is designed to build on this interest and address these problems. It will:

- analyze the knowledge-based export services sector, describing its scale, scope, major trends and workings, the potentials and opportunities it presents and the structure and range of financing available and accessible to the Program islands and similar jurisdictions; and
- describe and analyze export services initiatives by companies, consortia, business associations and governments and establish, in context, the nature of each initiative, its history, prerequisites, success factors and limitations.

These will lead to policy advice and recommendations to the respective governments, business associations and other stakeholders.

The intention is to facilitate, through both the research process and products, growth in such services. While firmly grounded in economic and business theory and using a rigorous research methodology, the project is not an 'academic' exercise. The research is designed to be of real and direct value to private- and public-sector stakeholders. Project meetings and workshops will raise awareness and knowledge of export services opportunities and successful approaches in pursuing them. They will also provide a crucial feed-back component of the research process, allowing stakeholders input to the development of findings and recommendations. And while there will be a conventional final report, the project will also generate a range of other materials, workshops and courses of direct value to business-people and policy-makers.

Lastly, the project will, in and of itself, help identify and illustrate the merits and difficulties of international knowledge-based work, linking as it will companies, institutions and personnel in Atlantic Canada and other North Atlantic jurisdictions. For this and other reasons, information technologies and distance learning will play an important role in the project and the general development of links between business-people, government officials and academics in the different islands.

### *Methodology*

As was noted above, the project has two main components: analysis of the international knowledge-based export services sector; and case studies examining export services initiatives by companies, consortia, business associations and governments. Reflecting the need for a rapid research process given the relatively short life of some opportunities, a total study duration of one year is anticipated, although there will be an interim production of, and reporting on, research findings.

The analysis of the knowledge-based export services sector will establish its international scale and scope, the major trends in and affecting the sector, its functioning, the potentials and opportunities it presents to the programme islands and the structure and range of international project financing available and accessible to Newfoundland, Prince Edward Island and similar jurisdictions. This will include the potentials and opportunities that are particular to each of the islands, and those that are or can be common to all.

This analysis will primarily be based on a literature review and interviews with key informants. The review will examine the limited but rapidly expanding international literature on globalization and the growth of the service sector, the importance and functioning of knowledge-based export services, international financial institutions (IFIs) and related issues. It will provide direct input to the research and reporting and help identify key informants.

These will include (i) international experts in fields related to knowledge-based export services and (ii) informants as to the developments in, and potentials for, the sector in each island. The former will include: the staff of IFIs, development agencies and non-governmental organizations; consultants with experience in this area; and academic researchers. Informants in each island will include business-people, government officials and academics.

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The case studies will examine knowledge-based export services initiatives by companies, consortia, business associations and governments in each of the islands. They will describe, in context, the nature of each initiative, its history, financing, prerequisites, success factors and limitations. This work will also provide regular and critical input to the sectoral analysis, identifying export services issues, potentials and constraints.

The sectoral and case study analyses will be integrated throughout the research process. This will include use of a research initiation meeting and regular exchanges during sectoral and case study work. In addition, the preliminary findings, conclusions and recommendations from the sectoral and case study analysis will be presented at a Review Workshop, attended by the research team, a selection of stakeholders and key informants, and selected academic experts in the field. It will be used to present, solicit input to and further develop the findings and recommendations.

The project Final Report will describe and discuss: the scope of work; the research approach and methodology; global changes that are leading to export services opportunities; the functioning of the knowledge-based export services sector; island-specific opportunities; critical factors to the success and failure of initiatives; limitations of international financing of knowledge-based export services; opportunities for inter- and intra-island collaboration, and; requirements for further action in each of the islands.

In addition, a programme of courses and workshops will disseminate the research findings. They will be directed towards both the private and public-sectors and provide a range of learning opportunities, extending from providing an introduction to knowledge-based export services to applied study of working with IFIs, the use of information technologies, and so on.

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## **WORKSHOP THEMES**

Now that research funding is in place, we are anxious to have help in shaping the priorities and implementation of the research. Some of the questions for consideration during the joint Workshop on Small-Scale Manufacturing and the Export of Knowledge-Based Services are:

- What are the key sources of information (literature, key informants) for the sectoral analysis of knowledge-based export services?
- How should the case studies be selected in each jurisdiction?
- Should the case studies focus on successes?
- What industries present the greatest knowledge-based export opportunities in each jurisdiction?
- What specific case studies would you suggest?
- How can case study research be made most effective?
- What are the concerns and limitations in seeking to generalize the experience of firms and agencies from one jurisdiction to another? How can they be overcome?
- How should the findings from the case studies be presented; case by case or integrated analytically?
- How best can the research process involve private, community and public sector representatives?
- How can the research products be packaged and disseminated to enhance their value to stakeholders?
- Is it important and possible to engage the public in the research process?

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