The 21st Century Maritime Silk Road

Islands Economic Cooperation Forum

ANNUAL REPORT ON GLOBAL ISLANDS 2017

Foreign & Overseas Chinese Affairs Office of Hainan Province, P.R. China
Institute of Island Studies at the University of Prince Edward Island, Canada

The 21st Century Maritime Silk Road

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Annual Report on Global Islands

2017

Boao, Hainan Island

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Preface

WANG SHENG, *Director General, Foreign and Overseas Chinese Affairs Office of Hainan Province; Director General, Hainan Provincial Leading Group Service Office for Boao Forum for Asia*

I am inextricably tied to islands. When I was young, I studied in New Zealand from 1988 to 1991. I have also lived and worked in Hainan for nearly three decades. As part of my job, I have visited many island countries and jurisdictions and have facilitated the twinning between Hainan and many foreign island provinces and states. My experience with so many islands sets me thinking: are there commonalities in island development? Are there any patterns to follow? Can development experiences be replicated? Can Hainan learn from other islands? When I tried to find answers to these questions, it turned out that the domestic literature was too scarce to offer a clue. Without "stones from other hills," how can I "polish the jade"? I couldn't help asking myself: as one of the most representative islands in China, is it possible for Hainan to be a "pioneer" in island studies? The answer is "yes."

In autumn of 2013, Chinese President Xi Jinping put forward the initiative of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road. To share development opportunities of the Belt and Road Initiative, enhance exchange and co-operation with island states and jurisdictions along the routes, and encourage those along the Maritime Silk Road and beyond to be part of the Initiative, the People's Government of Hainan Province started to host the "21st Century Maritime Silk Road Islands Economic Cooperation Forum" in 2016 as an important part of the Boao Forum for Asia Annual Conference. Here, prominent representatives from island governments, businesses, and academia around the world gathered to discuss key issues on island economic development. At the 2nd Annual Forum in 2017, the Foreign and Overseas Chinese Affairs Office of Hainan Province released the first Annual Report on Global Island Economic Dynamics 2016, making it a major first step for the province in island studies. This policy-based and forward-looking research on global island economies was well-received by those present at the Forum. Heartened by its success, we decided to turn the Annual Report into an authoritative document on island studies to inform decision-making by island governments and enhance policy co-ordination between and among islands.

As laymen in island studies, we knew that such a large project as the Annual Report would require the knowledge and expertise of a professional international team. It was at the 2017 Forum that we invited Prof. James Randall as a representative of academia. As a leading scholar on global island studies, Prof. Randall

currently serves as Chair of the Executive Committee of the Institute of Island Studies at the University of Prince Edward Island and co-holder of the UNESCO Chair in Island Studies and Sustainability. If he agreed to steer the writing and editing of the Report, the project would definitely adopt a more global vision and acquire more expertise and credibility. We were delighted that Prof. Randall agreed to co-operate with us on our island studies initiatives. Why not seize this "olive branch" and kick off our journey of international co-operation with the Report?

After over half a year of hard work, Prof. Randall's team published this Annual Report on Global Islands 2017. With major innovations in format and content, the 2017 Annual Report not only reviews and updates economic development of island states and jurisdictions over the past year, but also includes dedicated chapters on economic models, economic resilience and competitiveness, economic openness, agricultural development, and other important topics, offering a comprehensive and in-depth interpretation of development and changes in global island economies. The report will be a must-read for those interested in global island development. Of course, islands face multiple development challenges and the situation varies from island to island. Not everything can be covered in the limited space of a single report and much remains to be dealt with in the future. It is our hope that this Report will serve as a modest first step to attract more attention to island development.

This year is the first year to comprehensively implement the spirit of the 19th CPC National Congress. It also marks the 40th anniversary of China's reform and opening up and the 30th anniversary of Hainan as a province and a special economic zone. As China's largest special economic zone and one of the most representative island economies, Hainan is fully aware of the value of island studies. Globally, island studies has reached a considerable scale and is increasingly drawing international attention. Domestically, a few research institutes have conducted island studies, but their focus is mainly on eco-protection of islands rather than on economic and cultural issues. Island studies in Hainan is still in its infancy. We would like to take this opportunity to call for greater attention and efforts for island studies in Hainan. This includes formulating an integrated and open approach to development that puts islands in the broader context of land and sea development. We will translate the results of the studies into a robust catalyst for a new round of reform and openness that will embrace another three decades of prosperity and success in Hainan.

That brings me to write this preface.

February 11, 2018

PART I: A BACKGROUND TO ISLAND ECONOMIES

Introduction

JAMES RANDALL, *University of Prince Edward Island, Canada*

This 2017 Annual Report brings together the state of knowledge on island economic change and development. It includes a review of the contributions from the 2017 21st Century Maritime Silk Road Islands Economic Cooperation Forum (see below), an update to the key statistical indicators of island states and subnational island jurisdictions (Chapter 1), and the thoughts by some of the leading international experts on island economies (Chapters 2–8). As participants in this research, we value the contributions of this publication to better understand island economies and the role that islanders play to make islands more sustainable and prosperous.

SUMMARY OF THE 2017 21ST CENTURY MARITIME SILK ROAD ISLANDS ECONOMIC COOPERATION FORUM

As an important part of the larger Boao Forum for Asia, the 2nd Annual 21st Century Maritime Silk Road Islands Economic Cooperation Forum took place on March 25, 2017, on Hainan Island, China. The overarching purpose of this forum was to bring island economies into prominence through the development of the Belt and Road Initiative proposed by Chinese President Xi Jinping in 2013. This second event builds on the accomplishments of the first forum held in March 2016, where prominent representatives from island governments, businesses, and academia agreed on a manifesto to achieve a global island community. It would do so through six imperatives related to improving island interconnectivity, island tourism, marine industry, agriculture, science and technology, and the humanities. The theme of the 2017 Forum was to develop a "New Future for the Marine Economy: Opening and Cooperation." The goal of the Forum, organized by China's State Oceanic Administration and the Hainan Provincial People's Government, was to discuss important issues of island economic development and co-operation.

It was fitting that this event was held once again on the island province of Hainan. Although it may be one of the smallest provinces of China, Hainan is one of the most important islands in Asia and a key node in connecting island and mainland states and territories along the Maritime Silk Road. In this respect it shares a characteristic of many islands: an ability to make a difference in the world much greater than you might expect from its relative size. As a result of its leadership in events

Dongyu Islet, home to the permanent venue for Boao Forum for Asia; photo by Li Xiaogang

such as this, the many stakeholders and the people of Hainan showed the rest of China, Asia, and the world that this island is committed to building a platform for exchange and co-operation on issues related to island economies, not only along the Maritime Silk Road but throughout the "world of islands."

Although this session was only two hours long, it was a very productive and intense meeting. Moderated by Mr. Chi Fulin, President of China Institute for Reform and Development, it consisted of two sections. First, there was a series of short keynote speeches by the following prominent representatives:1) His Excellency Peter M. Christian, President of the Federated States of Micronesia; 2) Mr. Liu Zhenmin, Vice Minister of Foreign Affairs, China; 3) Mr. Wang Hong, Administrator of the State Oceanic Administration of China; 4) Mr. Liu Cigui, Governor of Hainan Province, China ; 5) Mr. Sami Koroilavesau, Minister of Fisheries, Fiji; 6) Mr. Wade MacLauchlan, Premier of the Province of Prince Edward Island, Canada; and 7) Mr. Jose CH Alvarez, Governor of Palawan, Philippines. The second part of this session consisted of a panel discussion with the objective of obtaining experts' responses to the question of how island economies could develop pragmatic strategies for co-operation and development within the context of building the 21st Century Maritime Silk Road. The panelists in this session were 1) Ms. Jenny Shipley (former Prime Minister of New Zealand); 2) Mr. Andy Fontaine (Deputy Secretary General of Pacific Islands Forum); 3) Dr. James Randall (UNESCO Chair in Island Studies and Sustainability from the University of Prince Edward Island, Canada); and 4) Chairman Peng Yingang (China Shipping Company Limited in Taiwan, China). Rather than providing summaries of each of the representatives' speeches, this review outlines the major themes from the session as a whole.

Keynote speakers and panelists at the 2017 21st Century Maritime Silk Road Islands Economic Cooperation Forum, at Boao, Hainan Province, China, on March 25, 2017

MAJOR THEMES OF THE SESSION

It is fitting that this review of the major themes of the session begins and ends with old Chinese sayings that were raised during the session. One of the speakers used a saying that translates into English roughly as "if you want to go fast, walk alone; and if you want to go far, walk together." The implication of this saying was that collaboration and co-operation are the keys to development that is truly sustainable and in the best interests of all islands and islanders.

THEME 1: The value of the 21st Century Maritime Silk Road Initiative

Many of the speakers, and especially those representing island governments, praised China for having the foresight and vision to pursue the 21st Century Maritime Silk Road initiative. One of the sentiments expressed was that if we are not careful, globalization has the potential to make small islands a statistical footnote. In other words, they will be marginalized from the larger global economy. By investing in islands and implementing mechanisms to build networks of islands, the Chinese government is playing a role in allowing small island states and territories to play a more central role in the global economy. The role of the 21st Century Maritime Silk Road initiative in helping island governments fund capital infrastructure projects was seen as being especially significant to the future well-being of those islands. As one representative put it, "if you want to be rich, build the roads first."

THEME 2: The importance of collaboration/co-operation

It may seem easy to value the importance of co-operation or collaboration, but it is more difficult to define what this means and to apply it in practical terms. Given the theme of this forum, it is not surprising that most of those present spoke to the importance of co-operation or collaboration. But what does this really mean? It means understanding the value systems and the heterogeneity or differences of the many islands and island peoples. It means incorporating input from local citizens in developing directions for sustainable development. It means recognizing that many island governments are still maturing as self-governing states or as subnational island jurisdictions and they need respect and patience as they grapple with the challenges of a modern world. Events such as these forums help to build trust, understanding, and appreciation of the positions of others, not only between China and island nations but between and among islands themselves. Initiatives like funding for exchanges of students, researchers, and government staff help build the knowledge, trust, and understanding that are so important for collaboration. A specific example where evidence-based co-operation is important was with the management of fish reserves. Fish do not recognize marine political boundaries and there needs to be collaboration among regional island governments to ensure a long-term sustainable resource for all concerned. This speaks to a broader issue of collaboration that will emerge later as a separate theme: islands and islanders need to share best strategies in balancing economic and environmental goals.

THEME 3: Large ocean states and the Blue Economy

The perception by many mainlanders is that most islands are tiny, distant specks of land in a vast ocean. Those present at this session consistently made the point that this stereotype is not a true reflection of their islands. In fact, many islanders prefer to use the term "large ocean state" as a more realistic description of their context and potential. This is because the Exclusive Economic Zones (EEZ) surrounding the marine areas of island archipelagos are often many times the size of the land area of those islands. For example, the land area of the Federated States of Micronesia is only 700 square kilometres while the EEZ is 2,780,000 square kilometres, an area about one-third the size of continental Australia. This is an important feature of islands because future prosperity and well-being for many islands will likely be based on what comes from the sea (i.e., the "blue economy").

THEME 4: Balancing present and future needs; balancing the economy and the environment

There was a shared understanding of those present that for any form of proposed development to be truly sustainable it must take into consideration the long-term needs of future generations. Although this was a forum on economic co-operation, most of the participants recognized that island economies are linked very closely to the quality of their natural environments. In fact, many of the sectors that are critical to building strong island economies, such as tourism, fisheries, and agriculture, cannot be maintained in the long term without a healthy natural environment. The word "harmony" was used several times throughout the session. Because harmony conveys an Asian flavour, it is fitting to highlight the importance of keeping the environment and the economy in balance. The same sense of balance also extends to how success is defined. Although we often hear economic success defined by an increase in Gross Domestic Product (GDP) or GDP per capita, balancing present and future needs, or the economy and the environment, may require us to measure success in many other ways. This includes improvements in a jurisdiction's Human Development Index (HDI) and the quality-of-life of its people.

THEME 5: Building intellectual capacity

Most conventional descriptions of island economies focus on the fisheries, the beautiful beaches and tourism, and agriculture. More recently, models of economic change on islands have recognized the significance of aid, remittances, and entrepreneurship, or strategic flexibility. Several of the delegates at the Forum spoke to the need to invest in and improve the human or intellectual capacity of island states and territories. This included a reference to building a "smart sea," implying that there

needs to be more scientific research on issues specific to island and ocean contexts. China has invested in research centres and "think tanks" like the Island Research Centre at the State Oceanic Administration in order to contribute to this growth in intellectual capacity and build databases that can be used in effective decision-making. Improving the education of islanders accomplishes more than building economic opportunities; it also improves our ability to preserve the natural environment. One representative stated that to be a good steward of the environment you need to have more accurate and complete information. This translates to knowledge-building, a better understanding of the environment, and more effective decision-making. Building intellectual capacity also leads to a greater likelihood of openness and interconnections between places and trade. One representative noted that not only do we have to build capacity in business, science, and engineering, but also in interdisciplinary fields such as environmental studies, area studies, and island studies. Since so many issues require input from a variety of perspectives, you need people who are trained to make these connections and think broadly.

THEME 6: Importance of trade, openness, and connectivity

A theme of enhanced trade and the connectivity among islands should not be surprising given the larger context of jurisdictions along the Maritime Silk Road. After all, islands have always depended on trade to improve the quality-of-life of their citizens. Many of the speakers were quick to describe the comparative strengths of their economies and the importance of an expansion in trade and foreign investment in these areas. It was noted that we should look at building connections across many sectors and diverse geographies. For example, if there could be greater co-operation among the island states in granting visas that would apply to an entire region, it would break down the barriers to the mobility of people, including tourists who might want to visit a number of islands during one visit. Representatives of archipelagic states like Fiji and the Federated States of Micronesia noted that bridging the barriers to transportation and communication across the many islands within their countries was just as important as enhancing linkages among states. The representative from the shipping company reflected that Hainan could have a trading-based economy as successful as Singapore's if it invested in people, financial services, infrastructure, and quality-of-life.

Fittingly, the session ended with the signing of a Memorandum of Understanding (MOU) to establish a Research Network on Island Economies. The purpose of this agreement is to link isolated academic and research institutes along the Maritime Silk Road, boost the quantity and quality of research on island economies, and encourage high-quality academic work to help island economies to achieve sustainable development.

Signatories to the Memorandum of Understanding to establish a Research Network on Island Economies, at Boao, Hainan Province, China, on March 25, 2017

The five signatories to the MOU were:

- The 21st Century Maritime Silk Road: Islands Economic Cooperation Forum;
- Island Research Center, State Oceanic Administration, PRC;
- Hainan University, PRC;
- China Institute for Reform and Development; and
- Institute of Island Studies, University of Prince Edward Island, Canada.

Another Chinese saying raised during the session reflects the accomplishments from the day and commitments for the future. Translated into English, it means, "Long distance separates no bosom friends." Not only does this describe the hope for the 21st Century Maritime Silk Road initiative as it continues to bring islanders together, but it also describes the relationships that have been built during our short time together. Although we may all come from distant islands, we have come together, shared our thoughts, and started new friendships built on trust and a shared understanding.

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The entrance to the Confederation Bridge, linking Prince Edward Island to the mainland of Canada

1

The state of island economies

JAMES RANDALL

University of Prince Edward Island, Canada

It has been estimated that islands are the homes for more than 600 million people worldwide, or approximately one-tenth of the global population (Baldacchino, 2007). Despite this presence, relatively less attention has been paid to the context of islands, including their challenges, their accomplishments, and their potential. In only a short period of time, the Islands Economic Cooperation Forum has contributed to changing that dialogue. By bringing together world leaders in government, business, and academia, it has served as an international platform for the voices of islanders. This Annual Report contributes to that goal by providing a summary of

the knowledge and ideas presented at the 2017 Forum and presenting the most recent statistics and thought-provoking ideas from island experts. Therefore, this Annual Report represents a snapshot of current conditions and a predictor of future global island economies and societies.

In this chapter, we update a number of the statistical indicators on island economies and demographics that were first provided in the 2016 Annual Report. Unlike last year's version of the Report, we provide fewer measures so that the reader is able to focus on those characteristics that are most critical to better understand island economies. We also divide this analysis into two groups of islands. In the next section, we review and interpret economic and demographic statistics for the most prominent global island states.[1] Following this discussion, we turn our attention to a description of a group of islands that are often overlooked: the semi-autonomous subnational island jurisdictions (SNIJs).

SECTION 1: ISLAND STATES

With the massive wave of decolonization that took place following the Second World War, and the growth in the number of islands that gained their political independence, one might argue that small island states have become increasingly important on the world stage. To give you some perspective, in 1945 when the United Nations (UN) was formed with 51 members, only 6 (11.8%) were islands. By 2015, the number of UN members had grown to 193, and 45 of these (or 23.3%) were either a single island or, more commonly, groups of islands (Watts, 2009).

See Table 1.1 on following pages

One of the most prominent characteristics of these island states is their incredible diversity. This variation is no more obvious than when we compare their total populations and population densities (Table 1.1). At one extreme, we have the country of Indonesia which consists of an archipelago of islands and mainland territory, with a population of over 260 million people. At the other extreme we have the tiny nation of Niue with only 1,626 people. The heterogeneity that is so apparent in these population values is also seen in other island characteristics and reinforces the point that islands are not monolithic entities with identical challenges, strategies, and development trajectories. For example, the average annual population growth rates from 2010 to 2017 show considerable variation with the rates of change being generally lower in developed island countries. It should be noted that population growth rates are not measuring the same thing as the Natural Rate of Increase (i.e., the difference between Birth Rate and Death Rate) because overall growth rates also include immigration and emigration. Therefore, islands in the Americas/Caribbean region which are experiencing positive natural population growth (see Table 1.2) while also experiencing low or negative Growth Rates are doing so presumably because emigration off the islands is exceeding immigration to the islands. Population density is an interesting characteristic. Small island "city states" such as Singapore have exceptionally high population densities while large countries such as Indonesia have relatively lower population densities. This characteristic does not account for either the distribution of the population or the carrying capacity of the island. Carrying capacity is the ability of a jurisdiction to support its population, whether that is through agriculture, manufacturing, or services. For example, although Iceland has a very low population density, most of the population is confined to the coastal areas while the inhospitable interior is sparsely populated. Iceland's carrying capacity is based less on agricultural production and more on fisheries, tourism, and services. Finally, some archipelagic island countries like the Maldives have a wide variation in population densities across their many islands, with some main islands being densely settled and some more remote islands being uninhabited.

TABLE 1.1: **Population, Population Density, and Average Annual Population Growth Rate, 2010 to 2017**

Continent	Island Country	Population (people) 2017	Population density (people /km^2) 2016	Growth Rate % 2010–2017
Asia	Japan	126,451,398	348	-0.2
	Singapore	5,888,926	7909	1.8
	Indonesia	260,580,739	144	0.9
	Timor-Leste	1,291,358	85	2.4
	Brunei Darussalam	443,593	80	1.6
	Philippines	104,256,076	348	1.6
	Sri Lanka	22,409,381	347	0.8
	Maldives	392,709	1392	-0.1
	Bahrain	1,410,942	1848	2.3
Europe	Cyprus	1,221,549	127	1.3
	Iceland	339,747	3	1.1
	United Kingdom	64,769,452	271	0.5
	Ireland	5,011,102	69	1.2
	Malta	416,338	1365	0.3
Africa	Cabo Verde	560,899	134	1.3
	Madagascar	25,054,161	43	2.5
	Seychelles	93,920	206	0.8
	Mauritius	1,356,388	622	0.6
	Comoros	808,080	428	1.6
	Sao Tome and Principe	201,025	208	1.7
Oceania	New Zealand	4,510,327	18	0.8
	Papua New Guinea	6,909,701	18	1.7
	Solomon Islands	647,581	21	1.9
	Vanuatu	282,814	22	1.9
	Fiji	920,938	49	0.6
	Tonga	106,479	149	-0.1
	Samoa	200,108	69	0.6
	Nauru	9,642	652	0.5
	Micronesia, Fed. States	104,196	150	-0.5
	Marshall Islands	74,539	295	1.6
	Kiribati	108,145	141	1.1

Continent	Island Country	Population (people) 2017	Population density (people /km²) 2016	Growth Rate % 2010–2017
	Tuvalu	11,052	370	0.9
	Palau	21,431	47	0.4
	Cook Islands	9,290	–	-2.8
	Niue	1626 (2015)	–	-0.03 (2014)
Caribbean/	Cuba	11,147,407	110	-0.3
Americas	Haiti	10,646,714	394	1.3
	Dominican Republic	10,734,247	220	1.2
	Jamaica	2,990,561	266	0.7
	Bahamas, The	329,988	39	0.8
	St. Kitts and Nevis	52,715	211	0.7
	Antigua and Barbuda	94,731	229	1.2
	St. Vincent and the Grenadines	102,089	281	-0.3
	St. Lucia	164,994	292	0.3
	Grenada	111,724	316	-0.3
	Barbados	292,336	663	0.3
	Trinidad and Tobago	1,218,208	266	-0.2
	Dominica	73,897	98	0.2

NOTE: The sources and notes for all tables and figures are found at the end of this chapter.

TABLE 1.2: **Crude Birth Rate, Crude Death Rate, and Life Expectancy at Birth, 2016**

Continent	Island Country	Crude Birth Rate /1000	Crude Death Rate /1000	Life Expectancy at Birth
Asia	Japan	7.7	9.8	85
	Singapore	8.6	3.5	85
	Indonesia	16.2	6.5	72.7
	Timor-Leste	33.4	5.9	68.1
	Philippines	23.7	6.1	69.2
	Sri Lanka	15.2	6.2	76.8
	Maldives	16.1	4	75.6
	Bahrain	13.3	2.8	78.9
Europe	Cyprus	11.3	6.8	78.7
	Iceland	13.7	6.4	83
	United Kingdom	12.1	9.4	80.7
	Ireland	14.1	6.6	80.8
	Malta	10.1	9.4	80.4
Africa	Cabo Verde	20	6	72.1
	Madagascar	13.6	6.5	65.9
	Seychelles	13.7	7	74.7
	Mauritius	13	7.1	75.6
	Comoros	26.1	7.2	64.2
	Sao Tome and Principe	32.4	6.8	64.9
Oceania	New Zealand	13.2	7.5	81.2
	Papua New Guinea	23.7	6.6	67.2
	Solomon Islands	24.9	3.8	75.3
	Vanuatu	24	4	73.4
	Fiji	18.6	6.1	72.7
	Tonga	22.2	4.9	76.2
	Samoa	20.4	5.3	73.7
	Nauru	24	5.9	67.1
	Micronesia, Fed. States	20	4.2	72.9
	Marshall Islands	24.4	4.2	73.1
	Kiribati	21.2	7	66.2
	Tuvalu	23.7	8.5	66.5

Continent	Island Country	Crude Birth Rate /1000	Crude Death Rate /1000	Life Expectancy at Birth
	Palau	11.3	8.1	73.1
	Cook Islands	14	8.4	75.8
	Niue	–	–	–
Caribbean/	Cuba	10.7	8.7	78.7
Americas	Haiti	23	7.6	63.8
	Dominican Republic	18.4	4.7	78.1
	Jamaica	17.9	6.8	73.6
	Bahamas, The	15.3	7.2	72.4
	St. Kitts and Nevis	13.2	7.1	75.7
	Antigua and Barbuda	15.7	5.7	76.5
	St. Vincent and the Grenadines	13.2	7.3	75.3
	St. Lucia	13.3	7.7	77.8
	Grenada	15.5	8.2	74.3
	Barbados	11.7	8.6	75.3
	Trinidad and Tobago	12.7	8.8	72.9
	Dominica	15.1	7.9	77

As is the case for mainland countries, Table 1.2 shows that there is a general distinction between developed and developing island countries in terms of their Birth Rates (BR), Death Rates (DR), and Average Life Expectancies. Almost all of the developed island countries, such as Malta and the United Kingdom, show a Birth Rate that is only slightly higher than their Death Rate, or, as in the case of Japan, a Birth Rate that is lower than their Death Rate (i.e., a negative Natural Rate of Increase). Average Life Expectancies of developed economy islands in the North Atlantic and Mediterranean, as well as Japan, Singapore, and New Zealand, are consistently higher than island countries in Oceania and the Caribbean/Americas. In general, island states in the Caribbean/Americas have lower Birth Rates and higher Death Rates than island states in Oceania. However, on average there is a greater gap between BR and DR in Oceanic countries than Caribbean/Americas islands. All other factors being equal (e.g., population changes as a result of differences in migration), this means that population increases are going to be greater in Oceanic islands.

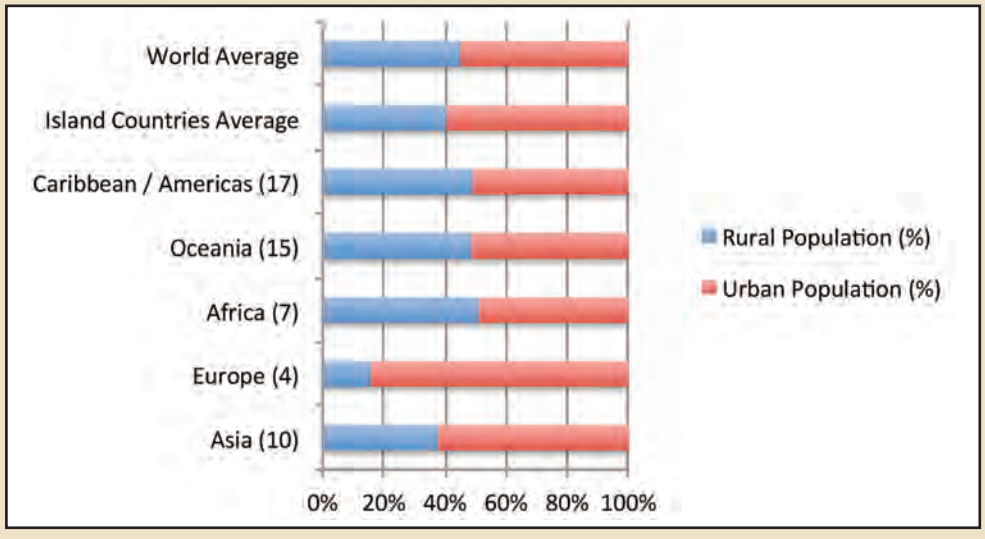
TABLE 1.3: **Percentage of Rural and Urban Populations, 2015 and 2017**

Continent	Island Country	RURAL POPULATION (%)		URBAN POPULATION (%)	
		2015	2017	2015	2017
Asia	Japan	6.5	5.7	93.5	94.3
	Singapore	0	0	100	100
	Indonesia	46.3	44.8	53.7	55.2
	Timor-Leste	67.2	66.0	32.8	34.0
	Brunei Darussalam	22.8	22.2	77.2	77.8
	Philippines	55.6	55.8	44.4	44.2
	Sri Lanka	81.6	81.5	18.4	18.5
	Maldives	54.5	52.5	45.5	47.5
	Bahrain	11.2	11.1	88.8	88.9
Europe	Cyprus	33.1	33.2	66.9	66.8
	Iceland	5.8	5.7	94.1	94.3
	United Kingdom	17.4	16.9	82.6	83.1
	Ireland	36.8	36.2	63.2	63.8
	Malta	4.6	4.4	95.4	95.6
Africa	Cabo Verde	34.5	33.2	65.5	66.8
	Madagascar	64.9	63.6	35.1	36.4
	Seychelles	46.1	45.5	53.9	54.5
	Mauritius	60.3	60.6	39.7	39.4
	Comoros	71.7	71.5	28.3	28.5
	Sao Tome and Principe	34.9	33.8	65.1	66.2
Oceania	New Zealand	13.7	13.6	86.3	86.4
	Papua New Guinea	87.0	86.9	13.0	13.1
	Solomon Islands	77.7	76.8	22.3	23.2
	Vanuatu	73.9	73.2	26.1	26.8
	Fiji	46.3	45.5	53.7	54.5
	Tonga	76.3	76.1	23.7	23.9
	Samoa	80.9	81.2	19.1	18.8
	Nauru	0	0	100.0	100.0
	Micronesia, Fed. Sts.	77.6	77.5	22.4	22.5
	Marshall Islands	27.3	26.8	72.7	73.2
	Kiribati	55.7	55.4	44.3	44.6
	Tuvalu	40.3	38.5	59.7	61.5
	Palau	12.9	11.8	87.1	88.2

Continent	Island Country	RURAL POPULATION (%)		URBAN POPULATION (%)	
		2015	2017	2015	2017
	Cook Islands	25.0 (2014)	25.0	75.0 (2014)	75.0
	Niue	62.0 (2014	44.0	38.0 (2014)	44.0
Caribbean/	Cuba	22.9	22.7	77.1	77.3
Americas	Haiti	41.4	39.1	58.7	60.9
	Dominican Republic	21.0	19.4	78.9	80.6
	Jamaica	45.2	44.7	54.8	55.3
	Bahamas, The	17.1	17.0	82.9	83.0
	St. Kitts and Nevis	67.9	67.7	32.1	32.3
	Antigua and Barbuda	76.2	77.0	23.8	23.0
	St. Vincent + Grenadines	49.5	48.8	50.6	51.2
	St. Lucia	81.5	81.4	18.5	18.6
	Grenada	64.4	64.3	35.6	35.7
	Barbados	68.5	68.6	31.6	31.4
	Trinidad and Tobago	91.6	91.7	8.5	8.3
	Dominica	30.5	29.9	69.5	70.1

The world is becoming a more urbanized place. Table 1.3 shows that island countries are also becoming more urbanized. Even after only two years (2015 to 2017), almost every island had a higher percentage of their population living in urban places. Some, like the island city-state of Singapore and the small mining-based island of Nauru, were already at 100% urbanization. Other developed island countries with economies focused primarily on services and manufacturing, such as Malta, the United Kingdom, and Japan, have only a small share of their population living in rural areas. However, outside of these cases, many of the small islands of the world are still largely rural, with populations engaged primarily in agriculture and fisheries. It is not uncommon for islands in Oceania and the Caribbean/Americas to have more than 60% of their population still living in non-urban areas.

FIGURE 1.1: **Percentage of Rural and Urban Populations of Island Countries on Each Continent, 2017**



At a more aggregate level, Figure 1.1 shows that island countries are slightly more urbanized than countries in the world as a whole. The highest levels of urbanization among regional groupings of islands are for those found in Europe (the North Atlantic and Mediterranean), while those island countries situated around Africa have the highest percentage of their populations living in rural areas.

GROSS DOMESTIC PRODUCT

See Table 1.4 on following pages

Gross Domestic Product (GDP) is a measure of the total value of all the goods and services produced in a country. Although it does not include goods and services produced and exchanged informally — for example, through the barter system, the volunteer sector, and criminal activities — it is still the most frequently used measure of economic prosperity, change, and comparison. Table 1.4 uses GDP in several ways: first as an aggregate measure of the size of an island's economy, then standardized by the size of the population (i.e., GDP per capita), and finally in terms of how an island's economy has changed over time (i.e., growth rate of GDP from 2015 to 2016, and growth rate of GDP/capita over that same time period). In terms of the total size of the economy, large island countries such as Japan and the United Kingdom are much greater than all of the other islands listed in this Table. However, there are some "developing" countries such as Indonesia and the Philippines that also have very high levels of GDP. When GDP is standardized by dividing by the population, the basic two-group distinction between developed and developing island states that was apparent when looking at the Gross National Income/capita reasserts itself. One of the more fascinating aspects of this Table is comparing the growth rate of GDP to the growth rate of GDP/capita. This is really a measure of the difference in the growth of the economy and the growth in the population. If the change in GDP is greater than the change in GDP/capita, it means that the population is growing faster than the economy. If the change in GDP/capita is lower than GDP/capita growth, it means that the economy is growing faster than the population. In almost every one of the islands in this table, the economy is not keeping pace with the growth in the population. It is also important to note the importance of scale of the jurisdiction in interpreting change. On small islands, a relatively modest increase or decrease in economic production or population can have a much greater impact on the percentage change in GDP and GDP/capita, because you are starting from a relatively small base. So, for example, small island developing states (SIDS) such as Samoa and Nauru can show large increases in the GDP/capita (of 5.8% and 5.5% respectively) but this growth rate might not be persistent over a longer time period.

TABLE 1.4: **Gross Domestic Product (GDP) and Change in GDP; Per Capita GDP and Change in GDP/capita, 2016**

Continent	Island Country	GDP 2016 in millions of USD (World Bank)	Growth rate of GDP % (World Bank)	GDP per capita 2016 in USD (CIA)	Growth rate of GDP per capita % (World Bank)
Asia	Japan	4,939,384	1.0	41,300	1.1
	Singapore	296,966	2.0	87,900	0.7
	Indonesia	932,259	5.0	11,700	3.8
	Timor-Leste	1,441 (2015)	4.3 (2015)	4,200	–
	Brunei Darussalam	11,400	-2.5	76,900	-3.8
	Philippines	304,905	6.9	7,700	5.3
	Sri Lanka	81,322	4.4	12,300	3.2
	Maldives	3,591	4.1	15,500	2.0
	Bahrain	31,859	–	50,700	–
Europe	Cyprus	19,802	2.8	35,000	2.7
	Iceland	20,047	7.2	49,200	6.1
	United Kingdom	2,618,886	1.8	42,500	1.0
	Ireland	294,054	5.2	69,200	3.1
	Malta	10,949	5.0	39,900	3.8
Africa	Cabo Verde	1,617	3.9	6,700	2.6
	Madagascar	9,991	4.2	1,500	1.4
	Seychelles	1,427	4.5	27,600	3.1
	Mauritius	12,164	3.7	20,400	3.6
	Comoros	617	2.2	1,500	-0.1
	Sao Tome and Principe	351	4.0	3,100	1.7
Oceania	New Zealand	185,017	3.9	37,300	1.8
	Papua New Guinea	16,928 (2014)	8.5 (2014)	3,500	–
	Solomon Islands	1,202	3.0	2,000	0.9
	Vanuatu	774	4.0	2,600	1.8
	Fiji	4,632	2.0	9,300	1.2
	Tonga	395	3.5	5,400	2.8
	Samoa	786	6.6	5,500	5.8
	Nauru	102	10.4	11,600 (2015)	5.5
	Micronesia, Fed. Sts.	322	1.9	3,200	1.4

Continent	Island Country	GDP 2016 in millions of USD (World Bank)	Growth rate of GDP % (World Bank)	GDP per capita 2016 in USD (CIA)	Growth rate of GDP per capita % (World Bank)
	Marshall Islands	183	2.9	3,300	2.8
	Kiribati	166	3.1	1,800	1.3
	Tuvalu	34	2.7	3,500	1.9
	Palau	293	0	15,400	-1
	Cook Islands	–	–	12,300	–
	Niue	–	–	5,800 (2003)	–
Caribbean/	Cuba	87,132.8 (2015)	4.4 (2015)	11,900	–
Americas	Haiti	8,023	1.4	1,800	0.2
	Dominican Republic	71,584	6.6	16,000	5.4
	Jamaica	14,027	1.4	9,000	1.0
	Bahamas, The	9,047	0.3	24,600	-0.9
	St. Kitts and Nevis	917	3.6	26,100	2.6
	Antigua + Barbuda	1,449	4.4	25,200	3.3
	St. Vincent+Grenadines	771	3.0	11,300	2.8
	St. Lucia	1,379	0.7	11,800	0.2
	Grenada	1,016	1.9	14,100	1.4
	Barbados	4,588	1.6	17,100	1.3
	Trinidad and Tobago	20,989	-5.1	31,900	-5.4
	Dominica	525	0.9	11,300	0.4

TABLE 1.5: **Gross National Income (GNI) per Capita, 2016**

Continent	Island Country	Gross National Income per capita, Purchasing Power Parity (international $) (World Bank)
Asia	Japan	42,870
	Singapore	85,050
	Indonesia	11,220
	Timor-Leste	4,340 (2015)
	Brunei Darussalam	83,250 (2015)
	Philippines	9,400
	Sri Lanka	11,970
	Maldives	11,970
	Bahrain	44,690 (2015)
Europe	Cyprus	31,420
	Iceland	52,490
	United Kingdom	42,100
	Ireland	56,870
	Malta	35,720
Africa	Cabo Verde	6,220
	Madagascar	1,440
	Seychelles	28,390
	Mauritius	20,980
	Comoros	1,520
	Sao Tome and Principe	3,240
Oceania	New Zealand	37,860
	Papua New Guinea	2,700 (2014)
	Solomon Islands	2,150
	Vanuatu	3,050 (2014)
	Fiji	9,140
	Tonga	5,760
	Samoa	6,200
	Nauru	17,520
	Micronesia, Fed. Sts.	4,330
	Marshall Islands	5,280
	Kiribati	3,240
	Tuvalu	5,920
	Palau	14,740

Continent	Island Country	Gross National Income per capita, Purchasing Power Parity (international $) (World Bank)
	Cook Islands	N/A
	Niue	N/A
Caribbean/	Cuba	18,630 (2011)
Americas	Haiti	1,790
	Dominican Republic	14,480
	Jamaica	8,500
	Bahamas, The	22,090
	St. Kitts and Nevis	25,940
	Antigua and Barbuda	21,840
	St. Vincent and the Grenadines	11,530
	St. Lucia	11,370
	Grenada	13,440
	Barbados	16,070
	Trinidad and Tobago	30,810
	Dominica	10,610

Gross National Income (or GNI) is a measure of the total value of all goods and services produced in a country (i.e., the GDP) plus all income received from other countries, including the remittance of such things as interest and dividends. Table 1.5 shows that there are very high GNI levels per capita in developed economies such as Singapore (85,050 USD), Iceland (52,490 USD), and Ireland (56,870 USD), and very low values in most developing island countries, and especially those in the Oceanic region. For example, the Solomon Islands, Madagascar, and the Comoros have only one-tenth the GNI/capita as in the developed islands. We need to be careful about interpreting these values. This variable does not account for "income" earned informally, where cash or informal and reciprocal exchange is more prominent. This is especially the case in developing islands. GNI also does not account for the distribution across the population. Despite these caveats, two patterns are apparent. On average, the GNI per capita appears to be much higher in islands of the Americas/Caribbean than on islands of Oceania. This may be as a result of the importance of tourism and financial services. Another interesting comparison is between the two island countries that share Hispaniola: Haiti and the Dominican Republic (DR). Haiti is one of the poorest countries in the Western Hemisphere and the GNI/capita bears this out, with a value of only 1,790 USD compared to neighbouring DR with a GNI/capita of 14,480 USD.

TABLE 1.6: **Labour Force, Participation Rate, and Unemployment Rate**

Continent	Island Country	Labour Force est. (2016)	Labour Force participation rate % (World Bank)	Unemployment Rates % est. (2016)
Asia	Japan	65,930,000	59	3.2
	Singapore	3,661,000	67	2.1
	Indonesia	125,000,000	67	5.6
	Timor-Leste	259,800	41	4.4
	Philippines	43,190,000	65	5.5
	Sri Lanka	9,062,000	52	4.5
	Maldives	195,100 (2014)	68	11.6 (2013)
	Bahrain	809,700	69	4.1 (2014)
Europe	Cyprus	415,100	64	11.8
	Iceland	195,000	74	2.7
	United Kingdom	33,170,000	63	4.8
	Ireland	2,181,000	60	8
	Malta	192,800	52	4.8
Africa	Cabo Verde	196,100 (2007)	69	15
	Madagascar	12,980,000	86	3.6 (2014)
	Seychelles	39,560 (2006)	–	3 (2014)
	Mauritius	624,700	60	7.8
	Comoros	245,200 (2013)	58	6.5 (2014)
	Sao Tome + Principe	70,620	61	13.5 (2014)
Oceania	New Zealand	2,562,000	67	5.1
	Papua New Guinea	4,365,000	70	2.5 (2014)
	Solomon Islands	202,500 (2007)	67	NA
	Vanuatu	115,900 (2007)	71	1.7 (1999)
	Fiji	366,800 (2015)	59 (2015)	6.2 (2015)
	Tonga	33,800 (2011)	63	1.1 (2011)
	Samoa	49,180 (2013)	41	NA
	Cook Islands	5,774 (2011)	75 (2011)	6.3 (2011)
	Niue	663 (2001)	–	12 (2001)
Caribbean/	Cuba	5,117,000	55	2.5
Americas	Haiti	4,594,000 (2014)	67	40.6

Continent	Island Country	Labour Force est. (2016)	Labour Force participation rate % (World Bank)	Unemployment Rates % est. (2016)
	Dominican Republic	5,113,000	65	13.8
	Jamaica	1,312,000	65	13.8
	Bahamas, The	196,900 (2013)	74	15 (2014)
	St. Kitts and Nevis	18,170 (1995)	–	4.5 (1997)
	Antigua and Barbuda	30,000 (1991)	–	11 (2014)
	St. Vincent + Grenadines	57,520 (2007)	67	18.8 (2008)
	St. Lucia	79,700 (2012)	70	20 (2003)
	Grenada	59,900 (2013)	–	33.5 (2013)
	Barbados	142,500	66	11
	Trinidad and Tobago	615,000	63	4
	Dominica	25,000 (2007)	–	23 (2014)

For most islanders, the Gross Domestic Product and the Gross National Income mean very little to their own personal and household "economies." To islanders, as well as other analysts, the more important economic variables relate to the labour force participation and the unemployment rates. Table 1.6 provides these values as well as the overall labour force for the island states included in this review. Not surprisingly, the total labour force mirrors the population figures from Table 1.1. Although still a developing state, Indonesia has a labour force that is twice as large as the next largest island state (Japan). Labour force participation is a measure of those currently employed or actively looking for employment from among all those who could potentially be in the labour force. According to this measure one of the healthiest island states is the island of Madagascar just off the east coast of Africa. Although it may have other economic and social challenges as suggested from other indicators in this chapter, this unique island has one of the highest LFPR at 86%. The lowest labour force participation rates are in Timor-Leste and Samoa. Based on the unemployment rates, several island countries are almost at full employment (e.g., Singapore, Iceland, Cuba). A major outlier according to this measure is Haiti, with an unemployment rate of 40%. Together with Grenada at 33.5%, these two Caribbean islands have much higher levels of unemployment than any other island country.

TABLE 1.7: **Human Development Index, 2016**

Island Country	Island Country Ranking	World Ranking	Value
Singapore	1	5	0.925
Ireland	2	8	0.923
Iceland	3	9	0.921
New Zealand	4	13	0.915
United Kingdom	5	16	0.909
Japan	6	17	0.903
Brunei Darussalam	7	30	0.865
Cyprus	8	33	0.856
Malta	8	33	0.856
Bahrain	9	47	0.824
Bahamas	10	58	0.792
Palau	11	60	0.788
Antigua and Barbuda	12	62	0.786
Seychelles	13	63	0.782
Mauritius	14	64	0.781
Trinidad and Tobago	15	65	0.78
Cuba	16	68	0.775
Sri Lanka	17	73	0.766
St. Kitts and Nevis	18	74	0.765
Genada	19	79	0.754
Fiji	20	91	0.736
St. Lucia	21	92	0.735
Jamaica	22	94	0.73
Dominica	23	96	0.726
Dominican Republic	25	99	0.722
St. Vincent and the Grenadines	25	99	0.722
Tonga	26	101	0.721
Samoa	28	104	0.704
Maldives	29	105	0.701
Indonesia	30	113	0.689
Philippines	31	116	0.682
Cabo Verde	32	122	0.648
Micronesia, Fed. States	33	127	0.638

Island Country	Island Country Ranking	World Ranking	Value
Timor-Leste	34	133	0.605
Vanuatu	35	134	0.597
Kiribati	36	137	0.588
Sao Tome and Principe	37	142	0.574
Papua New Guinea	38	154	0.516
Solomon Islands	39	156	0.515
Madagascar	40	158	0.512
Comoros	41	160	0.497
Haiti	42	163	0.493

The Human Development Index is a composite indicator that incorporates variables across three dimensions: the economy (Gross National Income/capita), education (the mean years of schooling), and health (Average Life Expectancy at birth). With a theoretical range of between 0.0 and 1.0, the higher the value, the greater the level of development of the population in that jurisdiction. Values greater than 0.800 are considered Very High, values between 0.700 and 0.799 are considered High, values between 0.550 and 0. 699 are considered Medium, and any value less than 0.550 is considered Low. It is not uncommon for islands to score relatively high when compared to mainland countries, especially in comparison to Gross Domestic Product by itself. As shown in Table 1.7, only five of the islands examined in this analysis fall into the Low category and most of the island countries are in the Very High or High groups. Not surprisingly, the island countries in the developed world are all in the Very High category.

TABLE 1.8: **Consumer Price Index, Compared to Base Year of 2010**

Continent	Island Country	2010	2015	2016
Asia	Japan	100	104	104
	Singapore	100	113	113
	Indonesia	100	132	137
	Timor-Leste	100	143	141
	Brunei Darussalam	100	102	102
	Philippines	100	117	120
	Sri Lanka	100	128	134
	Maldives	100	133	135
	Bahrain	100	111	114
Europe	Cyprus	100	102	100
	Iceland	100	118	120
	United Kingdom	100	112	113
	Ireland	100	105	105
	Malta	100	108	109
Africa	Cabo Verde	100	109	
	Madagascar	100	140	149
	Seychelles	100	121	120
	Mauritius	100	120	121
	Comoros	100	98	
	Sao Tome and Principe	100	154	162
Oceania	New Zealand	100	108	109
	Papua New Guinea	100	128	
	Solomon Islands	100	125	
	Vanuatu	100	107	108
	Fiji	100	116	121
	Tonga	100	110	113
	Samoa	100	108	110
Caribbean/	Haiti	100	139	158
Americas	Dominican Republic	100	122	124
	Jamaica	100	141	144
	Bahamas, The	100	109	109
	St. Kitts and Nevis	100	106	105

Continent	Island Country	2010	2015	2016
	Antigua and Barbuda	100	110	110
	St. Vincent and Grenadines	100	105	105
	St. Lucia	100	111	108
	Grenada	100	104	106
	Barbados	100	117	
	Trinidad and Tobago	100	134	138
	Dominica	100	104	104

The Consumer Price Index is a measure of the cost-of-living in a given jurisdiction and how it has changed. Since it is misleading to compare changes in cost-of-living across different countries, it is more useful to show how the cost of living has changed in a particular place relative to a base year. In Table 1.8, the base year is 2010 and the values for 2015 and 2017 suggest how much that cost-of-living has changed over five and seven years respectively. So, for example, the cost-of-living in Japan increased by 4% (104) from 2010 to 2015 and stayed the same from 2015 to 2016. Some island countries have seen very little change over this period (e.g., Cyprus, Ireland, Dominica), while others such as Sao Tome and Principe (62%), Haiti (58%), and Jamaica (44%) have seen a very high level of inflation in the cost of goods and services over that same six-year period.

FIGURE 1.2: **GINI Coefficients of National Incomes, Various Dates**

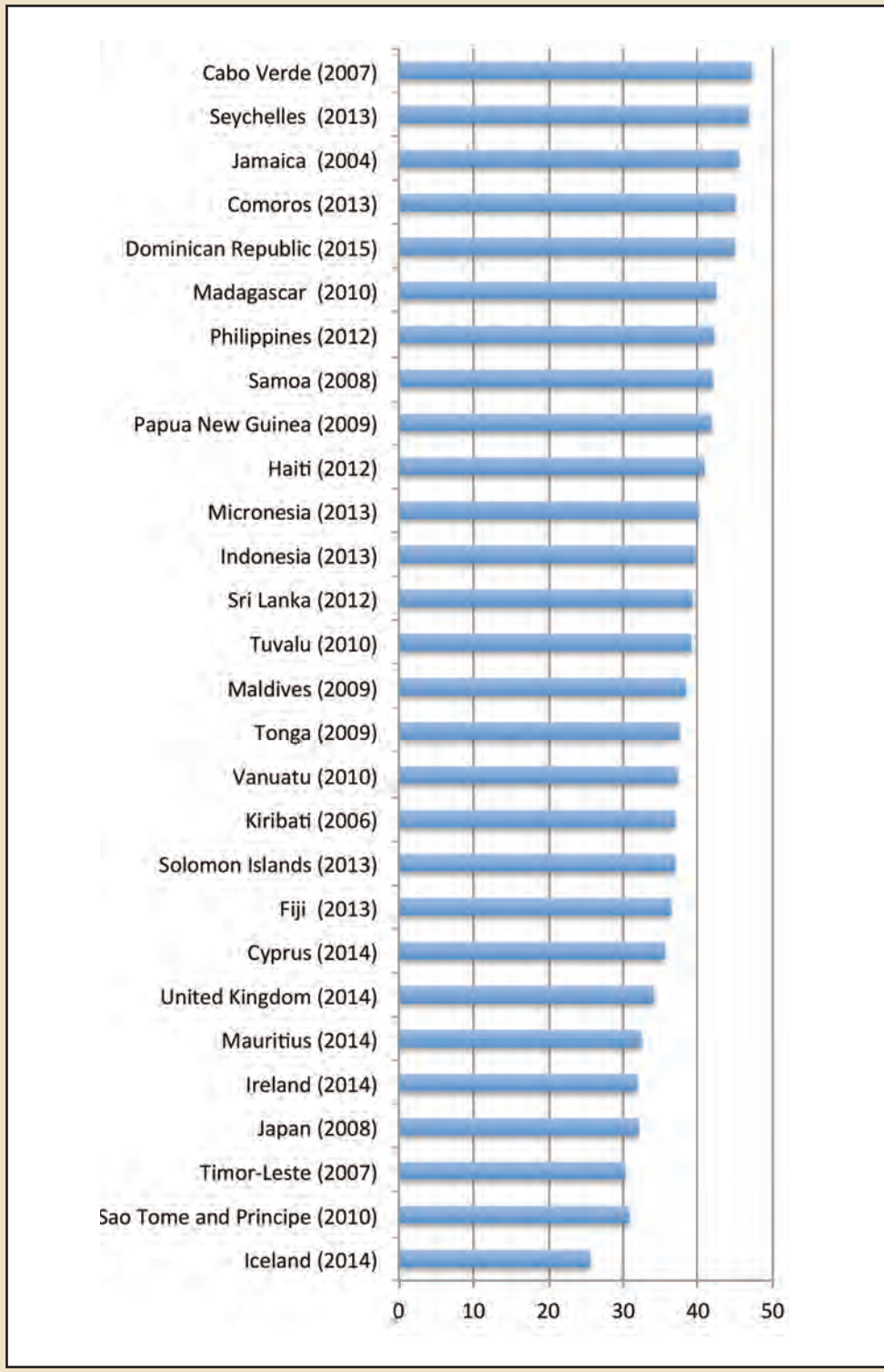


Figure 1.2 shows the island countries listed by their Gini Coefficients (GC). A Gini Coefficient is a measure of the degree of equality in the distribution of income within a jurisdiction. If every household in a country had the same national income, the Gini Coefficient for that country would be 0.0. At the other extreme, if all national income in a country was concentrated in one household, the Gini Coefficient for that place would be 1.0. In this Figure the values have been multiplied by 100 so they range from 0 to 100. This measure is a useful complement to the Gross Domestic Product/capita and the Human Development Index because, unlike those other indicators, the GC measures the geographical or class distribution of a measure of well-being or wealth. Although in general this Figure shows a similar pattern among island countries, with the most developed islands having the most equal distribution of income, there are some exceptions. For example, the country of Timor-Leste, which shares the island of Timor with Indonesia, has one of the most equal distributions of income, while at the same time it has a relatively low GDP/capita and a Medium to Low Human Development Index value. Part of the explanation for this anomaly may be the high proportion of the population living in rural areas. A population that is primarily agrarian in nature would be expected to have a more equal distribution of wealth.

TABLE 1.9: **Foreign Direct Investment, Net Current, 2016 (in 100 million USD)**

Continent	Island Country	2016 FDI Inflows	2016 FDI Outflows	Total FDI
Asia	Japan	11,388	145,242	156,630
	Singapore	61,597	23,888	85,485
	Indonesia	16,641	-12,463	4,178
	Timor-Leste	5	13	18
	Philippines	7,912	3,698	11,610
	Sri Lanka	898	237	1,135
	Bahrain	282	170	452
Europe	Cyprus	7,385	5,376	12,761
	Iceland	-484	-1,199	-1,683
	United Kingdom	25,3826	-12,614	241,212
	Ireland	22,304	44,548	66,852
	Malta	3,575	-5,362	-1,787
Africa	Cabo Verde	119	-9	110
	Madagascar	541	1	542
	Seychelles	155	8	163
	Mauritius	349	5	354
	Comoros	8	0	8
	Sao Tome + Principe	22	1	23
Oceania	New Zealand	2,292	-44	2,248
	Papua New Guinea	-40	0	-40
	Solomon Islands	25	1	26
	Vanuatu	32	1	33
	Fiji	270	-23	247
	Tonga	9	1	10
	Samoa	2	15	17
	Micronesia, Fed. Sts.	0	0	0
	Marshall Islands	21	0	21
	Kiribati	3	3	6
	Tuvalu	0.2	0	0.2
	Palau	31	0	31
	Cook Islands	16	1360	1,376
Caribbean/	Haiti	104	0	104
Americas	Dominican Republic	2,205	116	2,321
	Jamaica	856	286	1,142

Continent	Island Country	2016 FDI Inflows	2016 FDI Outflows	Total FDI
	Bahamas, The	522	359	881
	St. Kitts and Nevis	66	0	66
	Antigua + Barbuda	140	0	140
	St. Vincent +Grenadines	104	0	104
	St. Lucia	95	0	95
	Grenada	63	0	63
	Barbados	228	-11	217
	Trinidad + Tobago	-60	-472	-532
	Dominica	34	0	34

Foreign Direct Investment (FDI) is a measure of the inflows and outflows of investment capital to and from a jurisdiction. For the data in Table 1.9 from the United Nations Conference on Trade and Development (UNCTAD), FDI is defined as "an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor." Inflows represent investments to companies in that jurisdiction while outflows are investments by a jurisdiction's companies elsewhere in the world. These can vary considerably. For example, Japanese companies receive about 11.4 billion USD in FDI but they send more than ten times that amount (i.e., 145 billion USD) outside of the country. By contrast, Singapore receives approximately three times more in FDI (61.6 billion USD) than they send elsewhere (23.9 billion USD). Most island states receive more investment than they send. For example, in 2016 the island state of Mauritius in the Indian Ocean received 349 million USD in FDI and sent only 5 million USD outside of the country. The imbalance between FDI inflows and outflows is not the only interesting feature of an island's economy. The total of inflows and outflows combined could be considered an indicator of the openness of an economy. Large developed capitalist economy islands such as Japan, the United Kingdom, and Ireland have large total FDI values. Not surprisingly, even small islands such as Singapore that have built their economies on the basis of trade in financial services show a large total Foreign Direct Investment. Islands in the Caribbean/Americas tend to show a higher level of FDI flowing into their economies and a higher total FDI than do island countries in Oceania. The economies of some island states are so small that the level of FDI shows up as a zero in the Table.

TABLE 1.10: **Rankings and Scores of Globalization Index, 2014**

Island Country	GLOBALIZATION INDEX			Economic globalization	Social globalization	Political globalization
	Island country ranking	World ranking	Score			
Ireland	1	2	92.15	94.65	90.99	90.47
United Kingdom	2	8	87.26	82.99	85.83	94.67
Cyprus	3	14	85.00	86.64	87.17	79.98
Singapore	4	20	83.64	97.77	91.61	54.77
New Zealand	5	30	79.29	80.97	73.99	80.57
Malta	6	36	75.86	91.74	76.59	54.44
Japan	7	39	72.26	63.47	68.89	88.10
Bahrain	8	43	70.80	87.37	71.88	48.01
Iceland	9	50	67.90	76.02	69.85	54.84
Brunei Darussalam	10	52	67.60	78.66	67.08	54.05
Mauritius	11	56	66.61	88.01	61.94	45.32
Dominican Republic	12	59	66.45	61.86	65.74	73.31
Trinidad and Tobago	13	68	62.79	75.94	56.45	54.34
Seychelles	14	80	59.88	81.22	55.00	38.92
Indonesia	15	82	59.65	64.02	35.14	86.83
Jamaica	16	85	58.43	62.83	43.88	72.58
Fiji	17	86	57.56	53.07	52.82	69.68
Philippines	18	88	56.84	53.89	40.27	82.83
Barbados	19	93	55.56	70.67	50.76	42.55
Bahamas	20	96	54.45	46.58	66.30	48.72
Grenada	21	102	53.24	–	52.69	53.98
Sri Lanka	22	110	51.81	45.37	39.42	76.67
Antigua and Barbuda	23	120	49.04	–	59.88	34.53
Cape Verde	24	133	46.25	57.6	41.56	37.92
Cuba	25	134	46.19	–	33.66	62.96
Vanuatu	26	137	45.84	56.67	33.72	48.13
Papua New Guinea	27	138	45.79	61.03	21.08	59.24
Palau	28	140	44.94	–	49.29	39.13
St. Lucia	29	148	43.87	–	47.33	39.23
Samoa	30	149	43.68	–	39.40	49.41
Madagascar	31	153	42.90	47.82	21.60	65.10

Island Country	GLOBALIZATION INDEX			Economic globalization	Social globalization	Political globalization
	Island country ranking	World ranking	Score			
Maldives	32	156	42.03	–	52.08	28.57
Timor-Leste	33	158	41.78	63.09	20.58	42.72
Dominica	34	164	39.68	–	43.21	34.94
Haiti	35	169	38.81	51.59	19.45	48.28
St. Kitts and Nevis	36	171	38.65	–	47.41	26.91
St. Vincent + Grenadines	37	172	38.51	–	44.44	30.57
Kiribati	38	174	38.11	60.17	29.59	21.11
Tonga	39	182	32.66	–	38.09	25.37
Sao Tome and Principe	40	187	31.32	–	30.73	31.12
Comoros	41	189	30.84	–	27.62	35.16
Micronesia	42	190	27.96	–	33.71	20.28
Solomon Islands	43	193	23.98	–	22.49	25.97
Marshall Islands	44	202	–	–	–	19.03
Nauru	–	–	–	–	–	–
Tuvalu	–	–	–	–	–	–
Cook Islands	–	–	–	–	–	–
Niue	–	–	–	–	–	–

The Globalization Index in Table 1.10 is a composite indicator of the openness of an economy compiled by the KOF Swiss Economic Institute. It incorporates three dimensions: the economic (extent of cross-border trade and investment and revenue flows in relation to a country's GDP, as well as the impact of restrictions on trade and capital transactions); social (cross-border flows of information, people, access to the Internet, the presence of major global corporations); and political (numbers of embassies, international organizations to which a country belongs, United Nations peacekeeping missions, and bilateral/multilateral agreements signed since 1945). The Western, capitalist island countries tend to be ranked the highest on this list across all three dimensions. Most interesting are those places where the value of one of the component scores is much higher or lower than you would expect from the overall score. For example, although Singapore and Bahrain are very open economically and socially, their political globalization scores are much lower. Similarly,

Indonesia and Sri Lanka have much lower social globalization scores than their economic and political scores. At the same time, Cuba, Samoa, and Sri Lanka score relatively higher on the political openness dimension than you would expect based on their overall score.

The Global Innovation Index in Table 1.11 is constructed by the World Intellectual Property Organization (WIPO). It measures the innovation performance of many countries across seven dimensions and multiple variables. Five of those dimensions represent inputs to innovation, including institutions/environment (regulatory, political, business), human capital and research (education; research and development), infrastructure, market sophistication (credit and investment climate), and business sophistication (knowledge workers and innovation linkages). The remaining two dimensions are measures of innovation outputs, such as knowledge and technology (e.g., patents, new businesses) and creativity (e.g., trademarks, printing and publishing, online creativity). The rankings and scores have changed little from the previous year's figures. It shows a greater divide between the island countries in the developed world, and especially in the North Atlantic/Mediterranean, with much higher values than the scores for island countries elsewhere in the world. The final Efficiency Ratio column is simply a ratio of the Output Sub-Index over the Input Sub-Index, and represents a surrogate measure of how effective those jurisdictions use their inputs. On this measure, island countries such as Ireland, Iceland, and Malta are more efficient than places that have more innovative capacities.

TABLE 1.11: **Global Innovation Index, 2017**

Island Country	Global Innovation Index			Innovation Output Sub-Index		Innovation Input Sub-Index		Efficiency Ratio	
	Island country ranking	World ranking	Score	World ranking	Score	World ranking	Score	World ranking	Score
United Kingdom	1	5	60.89	7	68.25	6	53.52	20	0.78
Singapore	2	7	58.7	1	72.25	17	45.14	63	0.62
Ireland	3	10	58.13	19	62.86	8	53.41	6	0.85
Iceland	4	13	55.76	21	60.1	10	51.42	5	0.86
Japan	5	14	54.72	11	65.45	20	43.99	49	0.67
New Zealand	6	21	52.87	13	64.14	24	41.59	56	0.65
Malta	7	26	50.6	28	54.91	15	46.29	8	0.84
Cyprus	8	30	46.84	32	53.92	28	39.75	28	0.74
Mauritius	9	64	34.82	47	47.13	82	22.51	109	0.52
Bahrain	10	66	34.67	55	44.41	67	24.92	88	0.56
Brunei Darussalam	11	71	32.89	40	49.27	110	16.51	124	0.34
Philippines	12	73	32.48	83	39.4	65	25.57	55	0.65
Dominican Republic	13	79	31.17	88	37.8	72	24.54	54	0.65
Jamaica	14	84	30.36	84	38.69	84	22.03	86	0.57
Indonesia	15	87	30.1	99	35.68	73	24.52	42	0.69
Sri Lanka	16	90	29.85	94	36.28	77	23.42	86	0.57
Madagascar	17	111	24.15	120	28.78	95	19.53	45	0.68

SECTION 2: SUBNATIONAL ISLAND JURISDICTIONS

Although most attention has focused on island states, there are many more "quasi-independent" island jurisdictions that are just as important as the independent island countries. Sometimes called subnational island jurisdictions (SNIJs), it is often difficult to categorize these places. They include islands that are fairly autonomous within a larger federation/country such as the state of Hawai'i in the United States, Hainan in China, Prince Edward Island in Canada, and Tasmania in Australia. SNIJs may also include territories, dependencies, or autonomous regions that are remnants of a colonial past, such as Martinique, Guadeloupe and French Polynesia (France), the British Virgin Islands, Cayman Islands, and Anguilla (United Kingdom), Greenland (Denmark), the Azores (Portugal), and the Canary Islands (Spain). Some of them have a more recent colonial strategic relationship, such as the American territories of Guam, American Samoa, Puerto Rico, and the US Virgin Islands. And they also include oddities, such as the United Kingdom's distant and tiny Pitcairn Island, the home of the descendants of the British ship HMS *Bounty* mutineers, or the Isle of Man and the Channel Islands of Guernsey and Jersey that are much closer to mainland France than they are to Britain. In the Pacific, the Cook Islands and Niue are jurisdictions "in free association" with the unlikely neo-colonial country of New Zealand, and Åland, an island archipelago in the Baltic Sea, is an autonomous region of Finland whose citizens identify much more with Sweden culturally and linguistically than they do with Finland. Stuart (2009) and her colleagues list a total of 116 of these SNIJs that cross all of these categories.

These islands tend to receive less attention than island states because their collective voice internationally is subsumed within the larger federal or state entities of which they are a part. For the same reason, data on these politically semi-autonomous island jurisdictions are more difficult to obtain and are less comparable among the various islands. However, this does not diminish their importance and the need to describe their economic and demographic characteristics. This next section represents a modest attempt to describe some of the most important features of a selection of these islands using data that are provided primarily by the national or regional island governments of which they are a part. Several of these islands, including Bali, Gotland, Hawai'i, Jeju, Phuket, and Prince Edward Island, are sister islands of Hainan province.

TABLE 1.12 **Area of island, in sq. km (Subnational)**

Bali, Indonesia	5,780
Gotland, Sweden	3,184
Greenland, Denmark	2,166,000
Hainan Island, China	35,400
Hawai'i, USA	28,311
Java, Indonesia	128,297
Jeju, South Korea	1,849
Luzon, Philippines	104,688
Okinawa, Japan	1,207
Phuket, Thailand	576
Prince Edward Island, Canada	5,660
Taiwan, China	36,193
Tasmania, Australia	68,401

The largest island in the world at almost 2.2 million square kilometres, and thus the largest SNIJ, is Greenland (Table 1.12), an "autonomous constituent country" of the Kingdom of Denmark. However, as was the case with island states, the areal extent of places may not be reflected in larger populations, larger economies, or the overall carrying capacity of a jurisdiction. For example, Greenland's population of just over 56,000 is concentrated primarily in the capital of Nuuk and other small fishing outports along the coast with virtually no population in the interior ice sheet. At the other extreme, the tourist-dependent island province of Phuket, in the Thailand archipelago, is only 576 square kilometres in size but contains almost seven times the population of Greenland. These land areas also do not include the marine Exclusive Economic Zones (EEZ) that surrounding the islands. As we have seen with island states, these EEZs are often many times larger than the islands' land areas. However, the difference between these SNIJs and island states is that control over management and decision-making of the resources within these marine waters may also be ambiguous and shared at least partly with the larger federal or national government.

TABLE 1.13 **Population Characteristics (Subnational)**

	Year	Population	Population Density people/sq.km	Population Growth Rate % over 1 year
Bali, Indonesia	2014	4,225,000	730	2.15
Gotland, Sweden	2016	58,003	18.5	1.10
Greenland, Denmark	2016	56,190	0.14	0.10
Hainan Island, China	2016	9,171,300	260	1.07
Hawai'i, USA	2016	1,428,557	50.57	0.24
Java, Indonesia	2015	141,300,000	1,136	1.01
Jeju, South Korea	2016	661,190	357.6	3.02
Luzon, Philippines	2015	53,336,134	480	1.95
Okinawa, Japan	2015	1,434,138	1,206.20	3.00
Phuket, Thailand	2017	537,900	990.6	0.34
Prince Edward Island, Canada	2016	148,649	25.1	1.30
Taiwan, China	2016	23,556,706	665	3.00
Tasmania, Australia	2016	517,588	7.24	0.43

Although the population of several of these SNIJs was alluded to above, Tables 1.13 to 1.15 provide a more complete description of the population and demographic characteristics of these 13 SNIJs. In Table 1.13, the populations of islands such as Java, Indonesia (141 million), Luzon, Philippines (53 million), Taiwan (23.5 million), and Hainan (9.2 million) show that several of these islands are not only among the most populous islands in the world, but they are also among the largest jurisdictions in the world. Even though some SNIJs such as Gotland, Sweden, and Greenland, Denmark, may have similar populations, their respective population densities of 18.5 and 0.14 persons per square kilometre reflect differences in their economies. As noted earlier, Greenland's economy is still based primarily on fishing and seafood processing with populations hugging the coastline. On the other hand, Gotland's population is more evenly distributed and is based on agricultural activities and tourism. High population densities in places such as Luzon, Okinawa, Java, and Bali also reflect a high degree of urbanization. Many of these densely populated island jurisdictions are also among the fastest-growing places. For example, Okinawa, Jeju, and Taiwan have all experienced a one-year population growth of approximately 3%.

TABLE 1.14 **Birth and Death Rates (Subnational)**

	Year	Crude Birth x / 1,000 people	Crude Death x 1,000 people	Fertility Rate x 1,000 people	
Bali, Indonesia	2010	–	–	2.13	
Gotland, Sweden	2016	8.80	11.10	1.90	(Sweden)
Greenland, Denmark	2015	15.00	9.00	2.00	
Hainan Island, China	2016	14.57	6.00	1.50	
Hawai'i, USA	2016	12.60	7.70	1.97	
Java, Indonesia	2014	17.04	6.30	2.00	(Indonesia)
Jeju, South Korea	2013	9.10	5.70	1.43	
Luzon, Philippines	2015	21.30	5.50	2.60	
Okinawa, Japan	2010	–	1.90	1.94	
Phuket, Thailand	2012	25.18	4.70	–	
Prince Edward Island, Canada	2015	8.90	9.00	1.63	
Taiwan, China	2016	–	–	1.13	
Tasmania, Australia	2016	12.00	8.90	1.90	

Populations can increase when in-migration exceeds out-migration and when birth rates exceed death rates. Although the data are not available for all of these subnational island jurisdictions, Table 1.14 shows that birth rates are much higher than death rates in several of these islands. For example, the difference between Phuket's birth rate of 25.18/1,000 population and death rate of 4.71/1,000 means that the natural rate of increase was greater than 20/1,000. Similar large differences in birth and death rates are apparent in Luzon and Java. The birth and death rates on other islands such as Prince Edward Island, Canada, are almost identical, suggesting that the population is not increasing or decreasing as a result of natural demographic change.

TABLE 1.15 **Life Expectancy, by Gender (Subnational)**

	Year	Life Expectancy (females, in years)	Life Expectancy (males, in years)	
Bali, Indonesia	–	–	–	
Gotland, Sweden	2016	83.1	79.90	
Greenland, Denmark	2017est	75.5	69.90	
Hainan Island, China	2010	80.01	73.20	
Hawai'i, USA	2014	84.72	78.00	
Java, Indonesia	–	–	–	
Jeju, South Korea	–	–	–	
Luzon, Philippines	2010	75.4	68.70	
Okinawa, Japan	2016	87.02	79.40	
Phuket, Thailand	2015	78	72.00	(Thailand)
Prince Edward Island, Canada	2015	83.2	78.60	
Taiwan, China	2016	83.5	77.00	
Tasmania, Australia	2015	82.5	78.80	

Not only is life expectancy a characteristic of the demographics of a jurisdiction, it is also a reflection of the health system and infrastructure of that place. Table 1.15 shows that Okinawa, Japan, has the highest female life expectancy at just over 87 years, and the second-highest male life expectancy at 79.4 years of age. Unlike many of the economic indicators, life expectancies only show modest differences between islands in the developed and developing worlds. The lowest life expectancies for both males and females are in Luzon, Philippines, followed closely by Greenland.

TABLE 1.16 **Rural and Urban (Subnational)**

	Year	Rural Population %	Urban Population %	
Bali, Indonesia	2013	5.7	94.3	
Gotland, Sweden	2016	59	41	
Greenland, Denmark	2016	13	87	
Hainan Island, China	2010	50.3	49.7	
Hawai'i, USA	2014	8.1	91.9	
Java, Indonesia	2010	48.7	60.8	
Jeju, South Korea	2016	5	95	
Luzon, Philippines	2010	54.7	45.3	(Philippines)
Okinawa, Japan	2016	20	80	
Phuket, Thailand	2017	82	18	
Prince Edward Island, Canada	2016	60	40	
Taiwan, China	2016	23	77	
Tasmania, Australia	2008	20	80	

The percentages of the SNIJ populations living in rural and urban areas (Table 1.16) mirror those of the island states (Table 1.3). The economies of many of the SNIJs in this sample are agricultural and this is reflected in a larger proportion of the population living in rural areas. For example, Bali, Java, and Prince Edward Island all have populations that are at least 60% rural. Some of the islands are highly urbanized with a vast majority of residents living in built-up urban areas. For example, in Hawai'i, US, more than 90% of the population lives in urban centres and in Tasmania, Australia, 80% live in cities.

TABLE 1.17 **Labour Force Characteristics (Subnational)**

	Year	Labour Force	Labour Force Participation Rate %	Unemployment Rate %
Bali, Indonesia	–	–	–	–
Gotland, Sweden	2016	27,000	47.00	6.4
Greenland, Denmark	2015	26,840	47.70	9.10
Hainan Island, China	2016	5,581,400	61.00	2.30
Hawai'i, USA	2016	685,400	97.00	3.00
Java, Indonesia	–	–	–	–
Jeju, South Korea	2016	–	67.00	–
Luzon, Philippines	2015	–	–	–
Okinawa, Japan	2010	650,307	89.00	5.10
Phuket, Thailand	2013	167,883	–	0.50
Prince Edward Island, Canada	2016	80,200	66.00	10.70
Taiwan, China	2017	11,366,000	59.00	3.70
Tasmania, Australia	2011	232,120	58.00	6.40

The total labour force (Table 1.17) is usually a surrogate indicator for population. Labour force participation rates may be defined differently in different jurisdictions, but they are normally defined as a measure of those currently employed or actively looking for a job as a share of the total employable working-age population. A low participation rate is a warning of potential problems in the economy. Despite the missing data, the highest labour force participation rates are in Hawai'i at 97% and Okinawa at 89%. When this indicator is combined with the unemployment rate, you have a more complete picture of employment. Some jurisdictions are experiencing full employment, a situation that may be less than 100% due to job mobility and seasonality of jobs, where everyone who is looking for a job has one. Phuket is reporting an unemployment rate of only 0.5% and several others (e.g., Hainan at 2.3% and Hawai'i at 3.0%) are also close to full employment status.

TABLE 1.18 **Gross Domestic Product (Subnational)**

	Year	Gross Domestic Product (GDP) in USD	GDP per capita in USD
Bali, Indonesia	2010	4,935,104,252	1,268
Gotland, Sweden	2012	2,345,180,970	41,194
Greenland, Denmark	2015	2,200,000,000	39,569
Hainan Island, China	2016	62,277,364,980	6,814
Hawai'i, USA	2016	73,252,000,000	51,577
Java, Indonesia	2010	310,473,486,174	1,127
Jeju, South Korea	2013	11,933,295,920	41,172
Luzon, Philippines	2012	154,051,608	2,227
Okinawa, Japan	2011	33,855,556,720	23,867
Phuket, Thailand	2009	1,913,030,700	5,695
Prince Edward Island, Canada	2016	4,155,604,920	22,358
Taiwan, China	2016	529,580,000,000	24,227
Tasmania, Australia	2016	22,000,884,000	42,382

As was the case with population, the total value of the goods and services produced on these islands (i.e., the Gross Domestic Product) is considerable and highly variable. For example, Taiwan had a GDP of 529 billion USD in 2016. If this was compared to the GDP on island states (Table 1.4), it would be the fourth-largest island economy, behind only Japan, the United Kingdom, and Indonesia. The smallest economies from this group at approximately 2 billion USD are Phuket, Greenland, and Gotland. This makes the economies of these SNIJs still larger than 20 of the island state economies listed in Table 1.4. Although it does not account for the purchasing power of this income, the GDP per capita for these subnational islands shows a similar level of variation as in island states. The "wealthier" islands of Tasmania, Gotland, and Jeju have per capita Gross Domestic Products that are more than 20 times greater than in Bali, Java, and Luzon.

CONCLUSIONS

The data presented in this chapter show that the economies and societies of island states and subnational island jurisdictions are both substantial and highly differentiated. Some are among the most populous and economically robust jurisdictions in the world while others are small in size, in numbers of people, and in the scale of their formal economies. As is the case with mainland jurisdictions, we should not be surprised to find the challenges and accomplishments of islands to be very contextual. The openness and innovation of some island economies also rivals those of mainland states. For example, Singapore is ranked first in the world in innovation output (Table 1.12) and Ireland is the second most "globalized" world jurisdiction (Table 1.11). Some islands are among the most important sources of international investment capital (e.g., Japan), while companies in places like Indonesia and the United Kingdom are much more likely to receive capital investment than send it elsewhere (both from Table 1.9)

This discussion of the status of island economies would not be complete without a comment on the availability, accuracy, and comparability of data. The contributors to this Annual Report are among the leading experts on island economic change and development and they take care and attention that their analyses and conclusions are evidence-based. Moreover, the confidence we place in national and international policy decisions is also dependent on the accuracy of the data. It could be argued that the economic and demographic data on island states is relatively accurate and comparable to the data available for mainland jurisdictions. Even so, it is not unusual to find that data for the smallest island states are outdated and questionable. This is even more problematic with composite indictors such as the Globalization and Innovation indices, where multiple variables are bundled into aggregate measures. The data challenges are magnified when we turn our attention to the many subnational island jurisdictions. As suggested from the tables in this chapter, it is not uncommon for even basic data on the population and the economies of these places to be outdated or missing. Since the statistics for these places are normally compiled by individual national governments, there may also be problems associated with the comparability of the data that does exist. The CIA World Factbook and the United Nations may provide basic economic data on a small subset of SNIJs, but this set of islands rarely includes island provinces or states such as Hainan, Hawai'i, or the Åland Islands that are part of larger mainland federations. Researchers are thus forced to undertake their research and draw conclusions using subsets of places for which they are more confident of the accuracy of the data. If we truly wish to understand island economies and implement effective policy, we must pursue a co-ordinated approach at a global scale to compile the data that at least rivals that available for island states.

NOTES

1 In this chapter the words "country" and "state" are used interchangeably.

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SOURCES AND NOTES FOR TABLES AND FIGURES

Table 1.1:
Population and Population Growth Rates are from the CIA World Factbook; Population Density is from the World Bank (data.worldbank.org/indicator/EN.POP.DNST). A dashed line in a cell (-) indicates missing values.

Table 1.2:
From the CIA World Factbook, various links (www.cia.gov/library/publications/the-world-factbook/). No information was available for Niue.

Table 1.3:
From the CIA World Factbook.

Figure 1.1
Averages based on the data provided in Table 1.3.

Table 1.4:
From the CIA World Factbook (www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html) and the World Bank (data.worldbank.org/indicator/NY.GDP.MKTP.CD).

Table 1.5:
From the World Bank.

Table 1.6:
Data on the labour force and the labour force participation rate are from the World Bank. The unemployment rates are from the CIA World Factbook. Value listed may not necessarily correspond to the data from these sources because the latter are updated when new information is available.
Data for Fiji is from the International Labour Organization (www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-suva/documents/publication/wcms_465248.pdf).
Data for the Cook Islands is from the Ministry of Finance & Economic Management, Government of the Cook Islands, "Economic Activity and Labour Force 2015 (www.mfem.gov.ck/statistics/census-and-surveys/economic-activity-and-labour-force).

Table 1.7:
From the United Nations Development Program (UNDP)
(hdr.undp.org/sites/default/files/2016_human_development_report.pdf).

Table 1.8:
From The World Bank. Blank cells are places where the values have not been updated since 2015.

Figure 1.2:
From the Development Research Group, World Bank (data.worldbank.org/indicator/SI.POV.GINI).

Table 1.9:
From the World Investment Report 2016, United Nations Conference on Trade and Development (UNCTAD) (http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1555).

Table 1.10:
From the KOF Swiss Federal Institute of Technology in Zurich (globalization.kof.ethz.ch/).

Table 1.11:
From the World Intellectual Property Organization (WIPO) (www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2017-annex1.pdf).

Table 1.12:
From individual pages in Wikipedia.

Table 1.13:
Population data for Bali and Jeju are from www.knoema.com. Other SNIJ data are from the following sources: Gotland: www.gotland.se/86116 and www.citypopulation.de/php/sweden-gotland.php?adm2id=0980; Greenland: data.worldbank.org/ and tradingeconomics.com/greenland/population-density-people-per-sq-km-wb-data.html; Hainan: www.statista.com/statistics/279013/population-in-china-by-region/; Hawai'i: census.hawaii.gov/home/population-estimate/; Java: citypopulation.de/Indonesia-MU.html; Luzon: psa.gov.ph/; Okinawa: www.knoema.com and www.japanupdate.com/2016/03/okinawa-population-grows-at-highest-rate-in-nation/; Phuket: www.citypopulation.de/php/thailand-prov-admin.php?adm2id=83; Prince Edward Island: www.princeedwardisland.ca/sites/default/files/publications/web_asr.pdf; Taiwan: www.worldometers.info/world-population/taiwan-population/; Tasmania: stat.abs.gov.au/itt/r.jsp?databyregion and www.population.net.au/population-of-tasmania/.

Table 1.14:
Data on this table for Bali, Jeju, Hainan, Luzon, Okinawa, and Phuket are from ww.knoema.com. Data for Gotland and Greenland are from the World Bank. Other SNIJ data are from the following sources: Hawai'i: health.hawaii.gov/vitalstatistics/preliminary-2016/; Java: factsanddetails.com/indonesia/People_and_Life/sub6_2a/entry-3972.html; Prince Edward Island: www.statcan.gc.ca/pub/84f0210x/2009000/t005-eng.htm; Taiwan: www.worldometers.com; Tasmania: http://www.justice.tas.gov.au/bdm/about_us/life_event_statistics. Fertility rates for Gotland and Java are at the country level.

Table 1.15:
Data on this table are from the following sources: Gotland: www.gotland.se/86116; Greenland: The CIA World Factbook; Hainan: www.stats.hainan.gov.cn/2017nj/indexeh.htm; Hawai'i: www.worldlifeexpectancy.com/usa/hawaii-life-expectancy; Luzon: www.knoema.com; Okinawa: stats-japan.com/t/tdfk/Okinawa; Phuket: www.who.int/countries/tha/en/; Prince Edward Island: www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/health26-eng.htm; Taiwan: www.indexmundi.com/taiwan/life_expectancy_at_birth.html; Tasmania: www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts /3101.0Feature%20Article-1Jun%202016. Values for Phuket are for the country of Thailand as a whole.

Table1.16:
Data on this table are from the following sources: Bali: www.knoema.com; Gotland: www.citypopulation.de/php/sweden-gotland.php; Greenland: The World Bank; Hainan: www.stats.hainan.gov.cn; Hawai'i: files.hawaii.gov/dbedt/census/Census_2010/Other/2010urban_rural_report.pdf; Java: www.tandfonline.com; Jeju: www.citypopulation.de; Luzon: psa.gov.ph/tags/urban-rural-classification (for the Philippines as a whole); Okinawa: dc-office.org/basedata#p1; Phuket: www.citypopulation.de/php/thailand-prov-admin.php?adm2id=83; Prince Edward Island:www.princeedwardisland.ca/sites/default/files/publications/web_asr.pdf; Taiwan: www.worldometers.info; Tasmania: www.tasmaniatopten.com/lists/population_centres.php. Values for Luzon are for the Philippines as a whole.

Table 1.17:
Data on this table are from the following sources: Gotland: www.gotland.se/86116; Greenland: /www.indexmundi.com/greenland/labor_force.html; Hainan: www.stats.hainan.gov.cn/2017nj/indexeh.htm and www.knoema.com; Hawai'i:: health.hawaii.gov/vitalstatistics/preliminary-2016/; Jeju: www.hiwi.org/gsipub/index.asp?docid=417; Okinawa: stats-japan.com/t/tdfk/Okinawa; Phuket: www.knoema.com; Prince Edward Island: www.princeedwardisland.ca/sites/default/files/publications/web_asr.pdf; Taiwan: tradingeconomics.com/taiwan/unemployment-rate; Tasmania: stat.abs.gov.au/.

Table 1.18
Data for Bali, Gotland, Hainan, Java, Jeju, Luzon, Okinawa, Phuket, and Taiwan are from www.knoema.com. Other SNIJ data are from the following sources: Greenland: tradingeconomics.com/greenland/gdp; Hawai'i: www.deptofnumbers.com/gdp/hawaii/; Prince Edward Island: www.princeedwardisland.ca/sites/default/files/publications/web_asr.pdf; Tasmania: www.treasury.tas.gov.au/Documents/State-Accounts.pdf.

PART II

Issues and perspectives on island economies

The first section of this Annual Report provided an overview and summary of the 2017 Boao Islands Economic Cooperation Forum. It allowed us to see what we have already achieved so that we have a better picture of what still needs to be accomplished. One of the most important outcomes at last year's Forum was the signing of a Memorandum of Understanding (MOU) to establish a Research Network on Island Economies. We have already seen the value of this MOU in the form of the 1st International Conference on Island Economies held in Haikou in November 2017. This conference brought together many of the leading international and Chinese experts on island economic change and development to present and share the most current island economy research. It also established and strengthened professional relationships and disseminated knowledge to a large number of Chinese researchers, government staff, and students in the audience.

Chapters 2 to 8 in this Annual Report are the papers based on the presentations by many of the international speakers at that conference. When the analysis and conclusions from this scholarship are combined with the foundational island statistics from Chapter 1 (Randall), a comprehensive picture of the structure, challenges, and successes of island economies emerges. We see how islands interact economically and politically with other jurisdictions around the world. For example, Bertram (Chapter 2) shows us that the geographical and political proximity of islands to other jurisdictions is related to their patterns of trade and investment. We see that some small island states such as Malta, Iceland, Mauritius, and Singapore are not only highly vulnerable to external factors but are also among the most resilient and capable of adapting to these circumstances (Briguglio). We see that subnational island jurisdictions (or SNIJs) can be highly adaptable and successful in negotiating "win-win" relationships with their metropoles and that the policy capacities of SNIJs and "sovereign" small island states are becoming increasingly blurred (Baldacchino). Greenwood (Chapter 5) suggests that island jurisdictions appear to be most successful in achieving their economic development goals when their assets and capacities match closely with the authority and the resources they have to carry out these functions. Prinsen (Chapter 6) adds to this discussion of subnational island jurisdictions by introducing us to the concept of "Islandian" sovereignty. This concept describes

the ongoing and increasingly successful relationships that non-self-governing islands maintain with their former colonial empires.

Economic success is not limited to islands that are in semi-autonomous relationships with metropoles or former colonial powers. As Overton and Murray show us in Chapter 7, many small independent island states have also become strategic and adept at negotiating terms of aid with donor organizations and countries to benefit their island economies. Finally, Barker (Chapter 8) uses a framework he calls "double exposure" to describe and explain the challenges facing island agriculture when exposed to the dual forces of economic globalization and climate change. The impacts of these forces on community sustainability can vary considerably at local, regional, and national scales.

Perhaps one of the most compelling narratives from this second section of the Annual Report is the realization that there is just so much more research that needs to be undertaken. Our understanding of island economies would benefit by more intensive case study research on specific islands and the relationships these islands have with the rest of the world economy. Knowledge and economic development policy on island economies would also benefit by having more accurate, complete, and comparable data on all islands — not just on the independent island states as defined by the United Nations, but also for the many island territories, states, provinces, and municipalities that do not have the same international voice.

Dan People, Xincun Town, Lingshui County, Hainan Island; photo by Wang Jun

2

Comparing models of island economic development

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ABSTRACT

Since the mid-1980s there have been a series of papers classifying small-island economies on the basis of their balance of payments structures — in particular, the sources of financing to cover their cost of imports. This work has focused on the sustainability of economic development, given that small islands are inevitably open economies in which living standards are closely tied to import capacity. The resulting typology introduced three new ideal-types — MIRAB, PROFIT, and SITE — to put alongside the familiar model of export-led development.

There has been less progress made in systematically classifying and quantifying island economies in other dimensions. How much difference does it make which region or ocean an island is located in? How do the historical paths of particular islands during the colonial and post-colonial eras explain differences amongst them? What is the influence of distance from each

island's metropolitan gravitational attractor? Does the form of governance institutions make a systematic difference to economic performance? These are only a few of the questions that can guide future research. The foundations have in many cases already been laid, but much remains to be done.

One conspicuous gap in the small-islands economic modelling to date is the contrast between islands that are located in centripetal, as distinct from centrifugal, regional forcefields. Islands in centripetal regions are subject to strong gravitational forces from adjacent, larger, entities. Those forces produce integrated large units within which small islands tend to become invisible to outside researchers working with global datasets. Examples are Indonesia, the Philippines, the Greek islands, and Hainan in relation to China.

Because of their relative isolation, and hence visibility, islands in centrifugal regions are more easily identified, measured, and classified. Hence it is these more distant satellites of metropolitan core economies that have dominated comparative modelling of island economies. The chapter reflects on the extent to which new data and conceptual frameworks may enable us to extend our existing models to a more comprehensive island universe.

INTRODUCTION

Since the mid-1980s researchers have published a series of papers classifying small-island economies on the basis of their balance of payments structures — in particular, the sources of financing to cover their cost of imports. This research program began with the development of the "MIRAB model" (Bertram & Watters, 1984, Chapters 1, 5, and 16; Bertram & Watters, 1985, 1986; Bertram, 1986, 1998, 2006), which has subsequently been applied, modified, critiqued, and extended by numerous researchers (e.g., Boland & Dollery, 2007; Cook & Kirkpatrick, 1998; Guthunz & von Krosig, 1996; LaPlagne et al., 2001; McElroy & Morris, 1992; Poirine, 1993, 1994; Poirine, 1995, Chapter 4; Poirine, 1998; Tisdell, 2016). More models along the same lines emerged as alternative leading sectors to the remittances-aid combination in the MIRAB model were identified. Guthunz and von Krosig (1996) proposed TOURAB (tourism combined with aid); McElroy (2006) put forward SITE (small island tourism economies); and Baldacchino (2006) introduced PROFIT (people-resources-openness-finance-transport). Both Poirine (1993) and recently Tisdell (2016, p. 434) have emphasized the importance of disaggregating the two components of the MIRAB model: while the migration-remittance nexus brings flows of cash and remittance goods into the household sector of the economy, the aid-bureaucracy channel sustains an expanded public sector, with quite different development impacts.

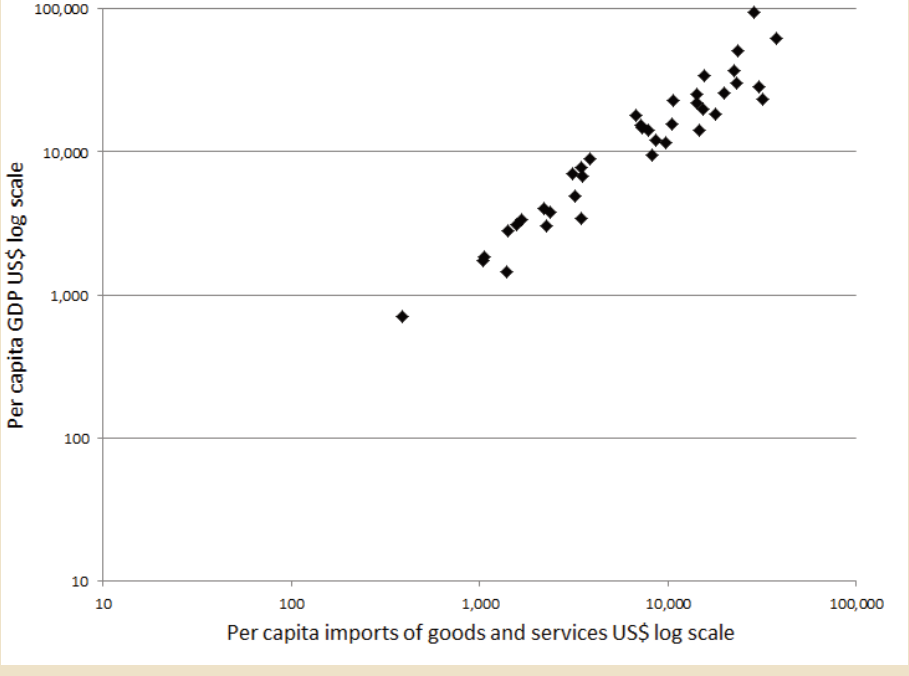
What was common to all of these models was their central motivating question: how are imports financed in small-island economies? This question flowed from the initial insight that in the second half of the twentieth century the small islands emerging from colonial rule were raising their living standards above levels that

could be sustained on the basis of self-sufficiency, in economies that were too small to capture economies of scale in their domestic markets. The provision of modern infrastructure, and of the expanding basket of consumption goods demanded as incomes rose (both processed foods and durables such as motor vehicles, refrigerators, and other electrical appliances), made it essential for the emerging island economies to rely on increasing imports as the foundation of their material standards of living. That meant that they had to secure external funds from some source in order to pay for those import requirements.

MEASURING TRADING OPENNESS

While it is common to suppose that an open-economy development process must be led by exports, in small-island analysis it is best to think of them as import-led economies. The tight link between per capita imports of goods and services and per capita income for small islands is well established; see Figure 2.1. For a typical small-island economy, the goods and services import ratio is 60% ± 10%; for a number, the ratio is over 100%. Causality runs both ways: when external funding is abundant the relationship is simply the Keynesian import propensity driven by income, but when external funding is limited the import ratio operates as the binding constraint on income.

FIGURE 2.1: **Relationship between per capita imports and per capital GDP for 39 small island economies**

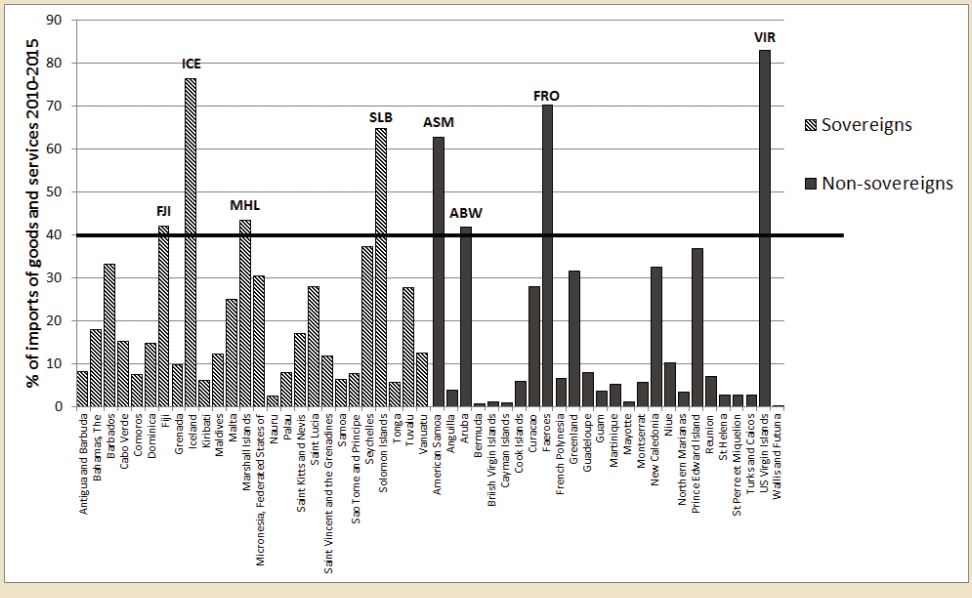


Source: United Nations national accounts database at http://unstats.un.org/unsd/snaama/resQuery.asp, figures for 2015.

Where, then, does the funding come from to pay for imports? In a recent study, Bertram and Poirine (forthcoming, 2018) show that very few of the 53 small islands for which they had data secured more than 40% of their import funding from merchandise exports; see Figure 2.2.

There are certainly some island economies that have managed to raise merchandise exports in line with their merchandise import requirements; see Figure 2.3. But these are outliers relative to the great bulk of the small-island world, which has had widening trade deficits over the past half-century; typical examples are in Figure 2.4.

FIGURE 2.2 : **"Coverage ratio" of merchandise exports relative to imports of goods and services in 53 small-island economies**



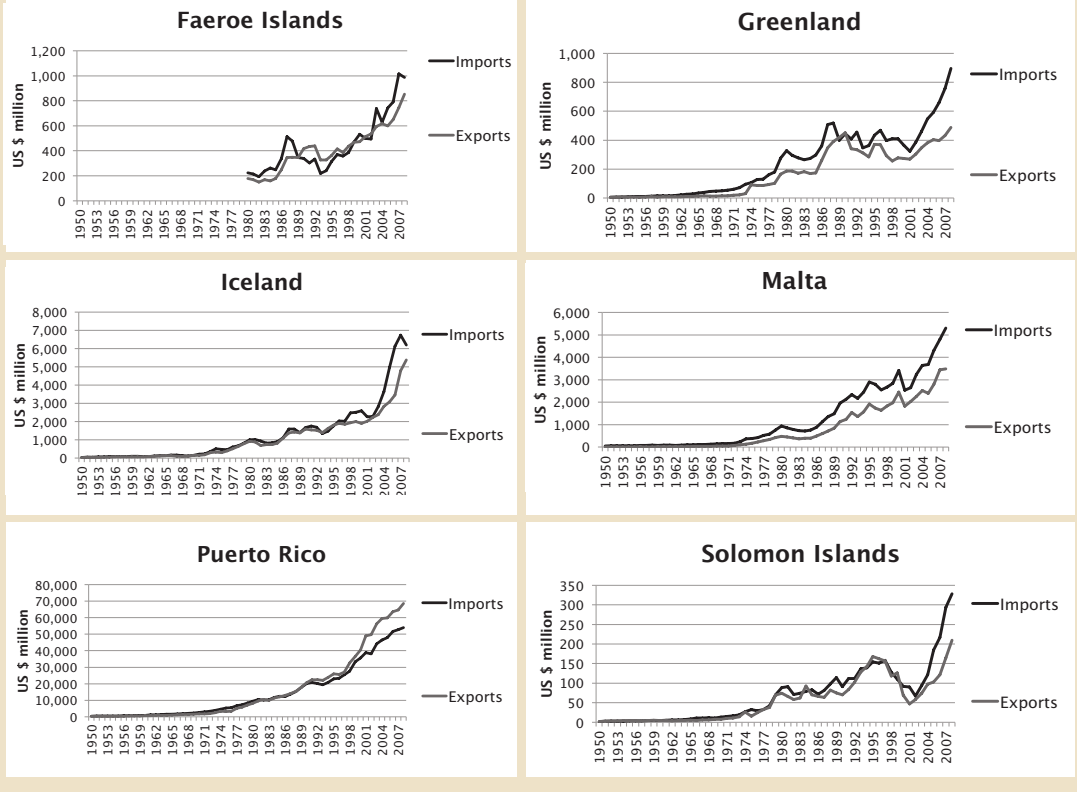
Source: Bertram and Poirine (forthcoming, 2018), Figure 2.5.

What the widely observed excess of imports over exports, persisting over decades, points to, is the importance of non-export sources of external funding.

Before turning to the strategic implications of these widespread and persistent trade deficits in small-island economies, it is worth widening the focus to bring larger island economies into the picture, and to draw some big-picture generalizations about trade ratios. For this purpose the relevant ratios are three: imports divided by GDP, exports divided by GDP, and the second of these divided by the first, which is here labelled "relative export intensity." The imports/GDP ratio is the key indicator of trade openness; the export/GDP ratio is an indicator of export leadership, and the relative export intensity shows the degree to which imports are covered

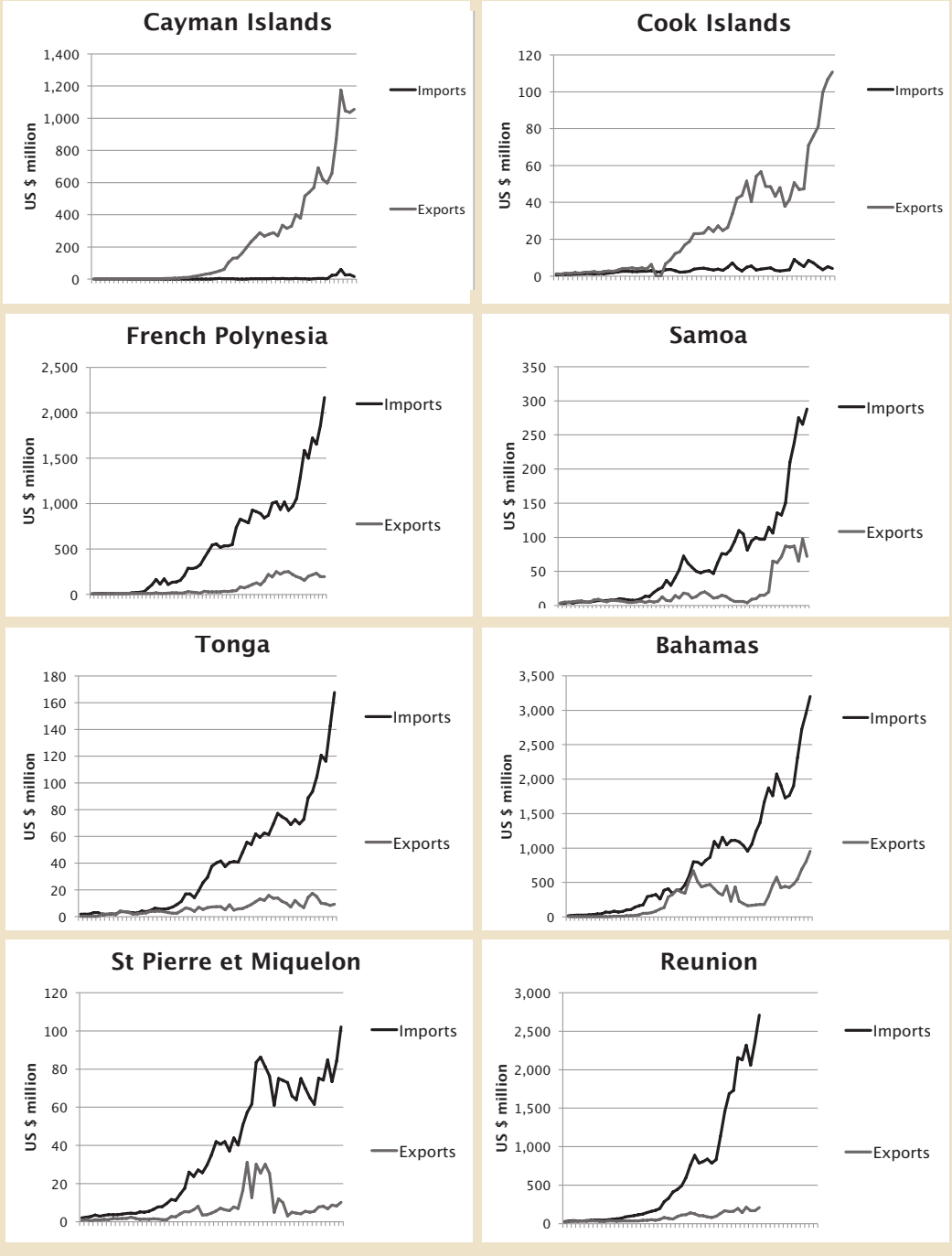
by exports. The ratios are calculated first for merchandise trade only, and then for all trade in both goods and services. The data come from the World Development Indicators online database and are averages for the years 2010–2015. Countries are ranked in ascending order of population size, using 2015 population. The results for merchandise trade are in Figure 2.5, and those for trade in goods and services are in Figure 2.6.

FIGURE 2.3 : **Six small-island economies with (roughly) balanced trade**



Sources: compiled by author from various sources.

FIGURE 2.4 : **The "jaws effect" in merchandise trade: eight small-island economies**



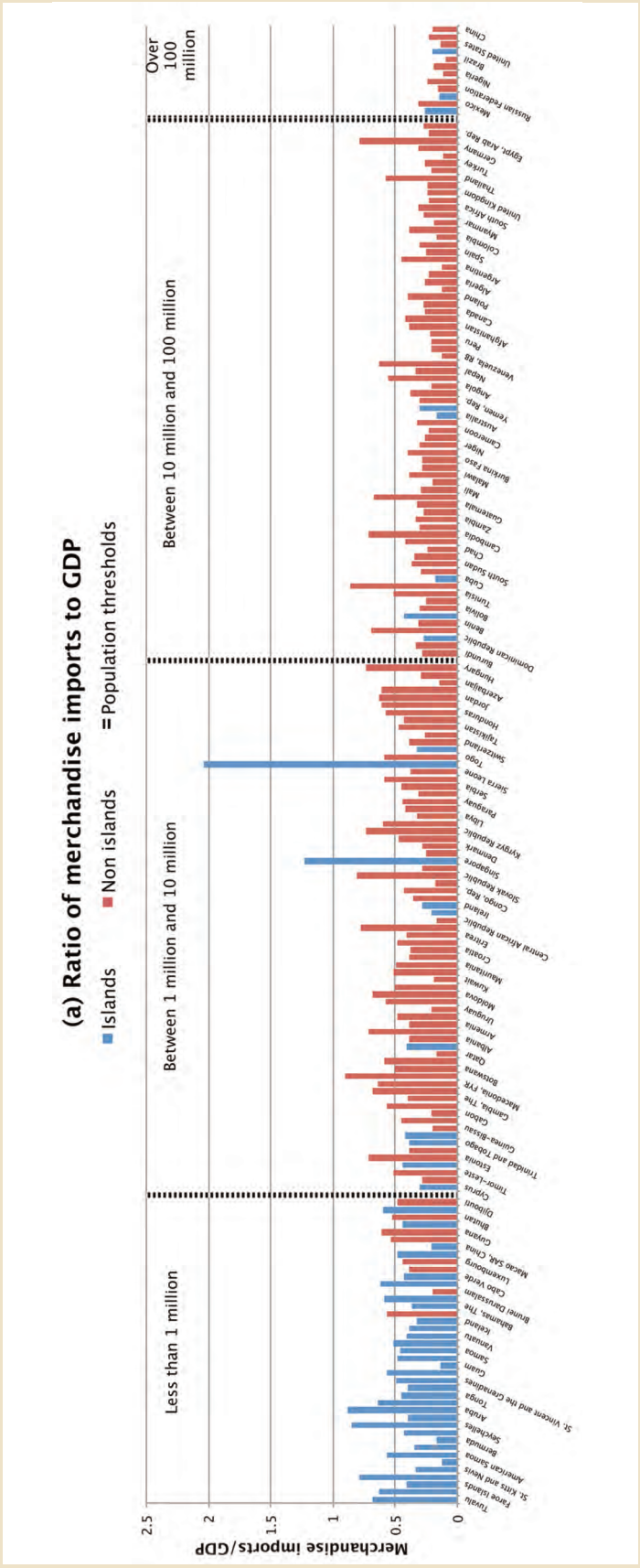
Sources: compiled by author from various sources.

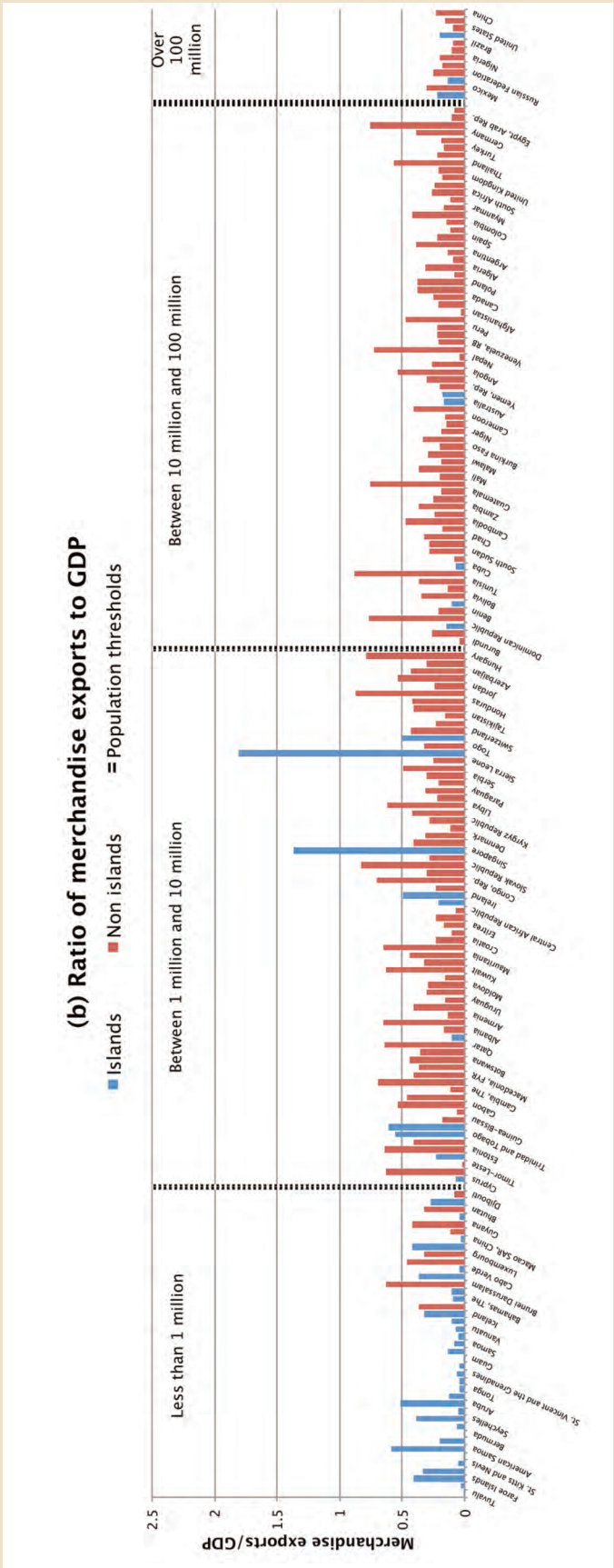
From Figure 2.5, over the next three pages, it can be seen that:

- Island economies dominate the small-country population at the left-hand end of the chart.
- Small economies, most of which are also islands, have high-import-ratio economies relative to larger countries. The merchandise import ratio in Figure 5(a) is fairly constant across economies with populations below 10 million but then trends down. In this set of high-import-ratio economies, Singapore and Hong Kong are extreme cases, with import ratios of 1 and 2.2, respectively.
- Turning to the merchandise export ratios, the small islands at the left-hand end of Figure 2.5(b) clearly tend to have the lowest ratios, with just a few small-island economies standing out as successful exporters: Faeroes, American Samoa, Aruba, Iceland, Brunei, Solomon Islands. Above 1 million population, island and non-island economies have comparable ratios, with Singapore and Hong Kong again the stand-out exceptional cases.
- Dividing the export ratio by the import ratio as our measure of export intensity in Figure 2.5(c) brings out a much clearer pattern: there is an upward trend right across the chart, from the small islands with low export intensities at the left-hand end to large economies with higher intensities at the right-hand end. Above 1 million population, there is no obvious difference between islands and non-islands, suggesting that, indeed, "small islands" are significantly different not only from non-island economies but also from larger island economies.

FIGURE 2.5:
Merchandise trade ratios for 196 economies

Source:
Calculated from World Development Indicators database




(b) Ratio of merchandise exports to GDP
Islands
Non islands
Population thresholds
Merchandise exports/GDP
2.5
2
1.5
1
0.5
0
Less than 1 million
Between 1 million and 10 million
Between 10 million and 100 million
Over 100 million
Tuvalu
Faroe Islands
St. Kitts and Nevis
American Samoa
Bermuda
Seychelles
Aruba
Tonga
Guam
Samoa
Vanuatu
Iceland
Bahamas, The
Brunei Darussalam
Cabo Verde
Luxembourg
Macao SAR, China
Guyana
Bhutan
Djibouti
Cyprus
Timor-Leste
Estonia
Trinidad and Tobago
Guinea-Bissau
Gabon
Gambia, The
Macedonia, FYR
Botswana
Qatar
Albania
Armenia
Uruguay
Moldova
Kuwait
Mauritania
Croatia
Eritrea
Central African Republic
Ireland
Congo, Rep.
Slovak Republic
Singapore
Denmark
Kyrgyz Republic
Libya
Paraguay
Serbia
Sierra Leone
Togo
Switzerland
Tajikistan
Honduras
Jordan
Azerbaijan
Hungary
Burundi
Dominican Republic
Benin
Bolivia
Tunisia
Cuba
South Sudan
Chad
Cambodia
Zambia
Guatemala
Mali
Malawi
Burkina Faso
Niger
Cameroon
Australia
Yemen, Rep.
Angola
Nepal
Venezuela, RB
Peru
Afghanistan
Canada
Poland
Algeria
Argentina
Colombia
Spain
Myanmar
South Africa
United Kingdom
Thailand
Turkey
Germany
Egypt, Arab Rep.
Mexico
Russian Federation
Nigeria
Brazil
United States
China

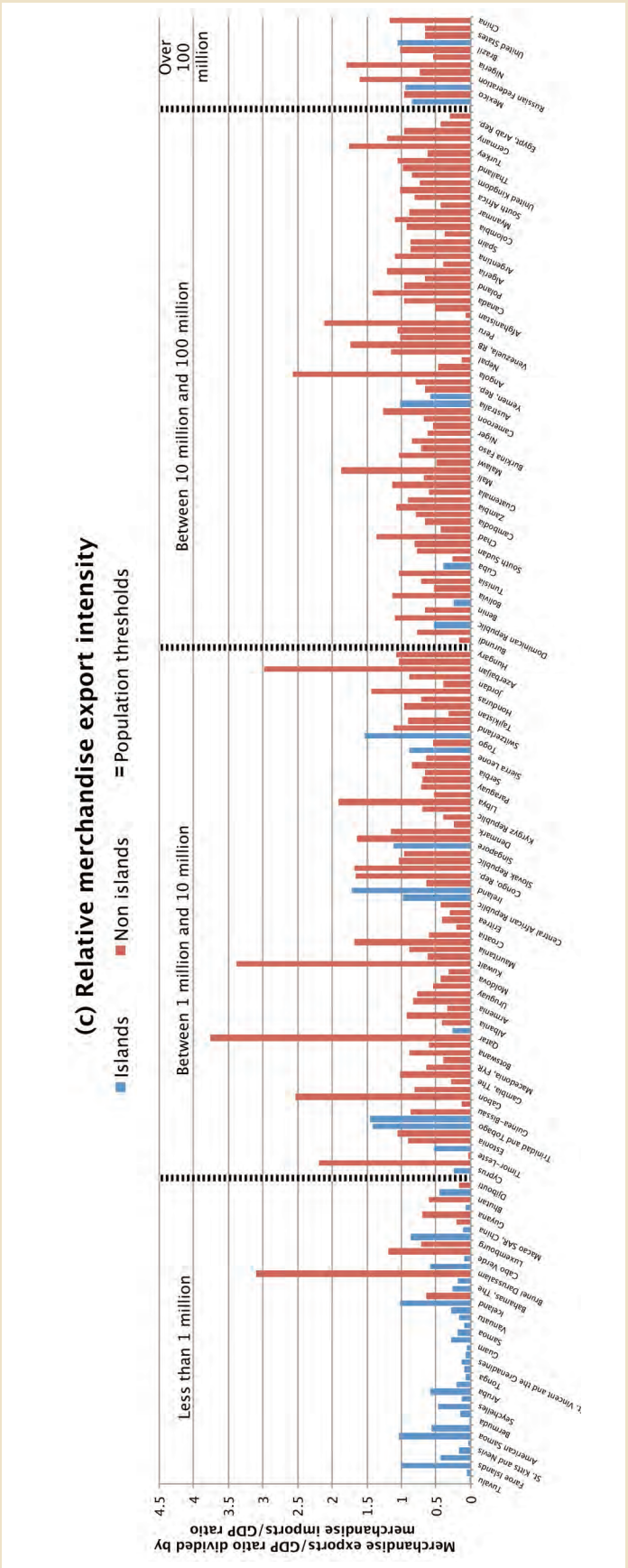

(c) Relative merchandise export intensity
Islands
Non islands
= Population thresholds
Merchandise exports/GDP ratio divided by merchandise imports/GDP ratio
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
Less than 1 million
Between 1 million and 10 million
Between 10 million and 100 million
Over 100 million
Tuvalu
Faroe Islands
St. Kitts and Nevis
American Samoa
Bermuda
Seychelles
Aruba
Tonga
St. Vincent and the Grenadines
Guam
Samoa
Vanuatu
Iceland
Bahamas, The
Brunei Darussalam
Cabo Verde
Luxembourg
Macao SAR, China
Guyana
Bhutan
Djibouti
Cyprus
Timor-Leste
Estonia
Trinidad and Tobago
Guinea-Bissau
Gabon
Gambia, The
Macedonia, FYR
Botswana
Qatar
Albania
Armenia
Uruguay
Moldova
Kuwait
Mauritania
Croatia
Eritrea
Ireland
Central African Republic
Congo, Rep.
Slovak Republic
Singapore
Denmark
Kyrgyz Republic
Libya
Paraguay
Serbia
Sierra Leone
Togo
Switzerland
Tajikistan
Honduras
Jordan
Azerbaijan
Hungary
Burundi
Dominican Republic
Benin
Bolivia
Tunisia
Cuba
South Sudan
Chad
Cambodia
Zambia
Guatemala
Mali
Malawi
Burkina Faso
Niger
Cameroon
Australia
Yemen, Rep.
Angola
Nepal
Venezuela, RB
Peru
Afghanistan
Canada
Poland
Algeria
Argentina
Spain
Colombia
Myanmar
South Africa
United Kingdom
Thailand
Turkey
Germany
Egypt, Arab Rep.
Russian Federation
Nigeria
Brazil
United States
China

Figure 2.6, over the next three pages, expands the statistical focus from merchandise trade to all trade in goods and services. It shows:

- A strong downward trend in the ratio of total imports to GDP from the small to the large end of the spectrum, from around 0.5 for small islands to around 0.25 for large economies. Island economies provide most of the extreme openness cases, with some ratios of 1.5 or greater for both import and export ratios in Figures 2.6(a) and 2.6(b).
- Export ratios generally trend down from small to large countries in Figure 2.6(b) — except for the small islands at the very left-hand end where a cluster of low ratios appears. Across island economies with less than 10 million population there is, if anything, a positive, not negative, relationship between size and the export ratio.
- Relative export intensity again shows an upward trend across Figure 2.6(c), but the trend is far less clear-cut than in the merchandise-trade picture of Figure 2.5(c), emphasizing the importance of services exports such as tourism. The small-island group generally are below the world average, but the Solomon Islands is an outlier with an export intensity over 2.5.

. . . when measuring the "economic openness" of small islands, it is important not to use the orthodox ratio of merchandise exports to GDP, because in all but a few cases this seriously understates the degree of trade openness. The ratio of goods and services imports to GDP is the best indicator of the exposure of small-island economies (below 1 million) to the outside world.

In both Figure 2.5 and Figure 2.6, small-island economies stand out as generally the most open in the world using the import/GDP ratio, but have very low merchandise exports/GDP ratios and relatively low goods and services export/GDP ratios. This emphasizes the truth of Poirine's (1995, pp. 16–17) point that when measuring the "economic openness" of small islands, it is important not to use the orthodox ratio of merchandise exports to GDP, because in all but a few cases this seriously understates the degree of trade openness. The ratio of goods and services imports to GDP is the best indicator of the exposure of small-island economies (below 1 million) to the outside world. But over 1 million population, distinctions between island and non-island economies become much harder to spot in Figures 2.5 and 2.6. It does look as though "small-island economies" are something of a special category, which means that generalizing from their experience to larger islands cannot be justified simply on grounds of greater "openness."

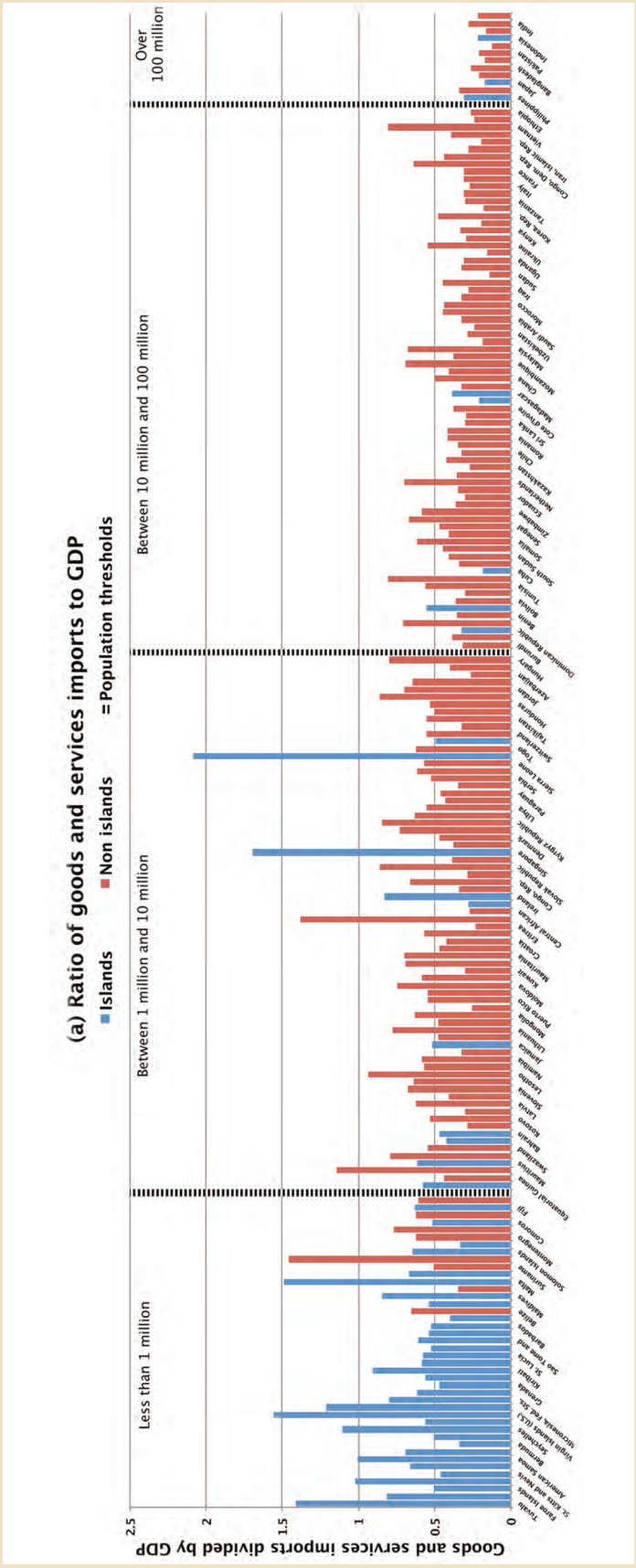
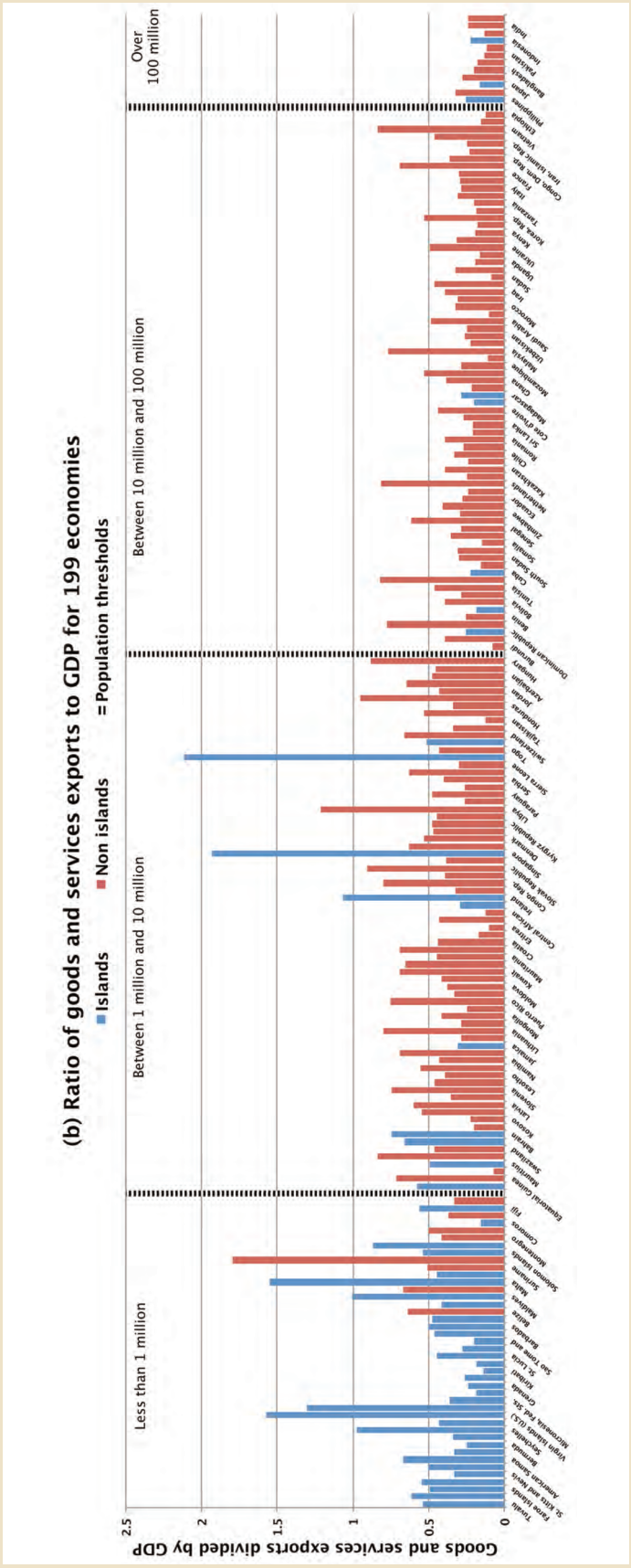
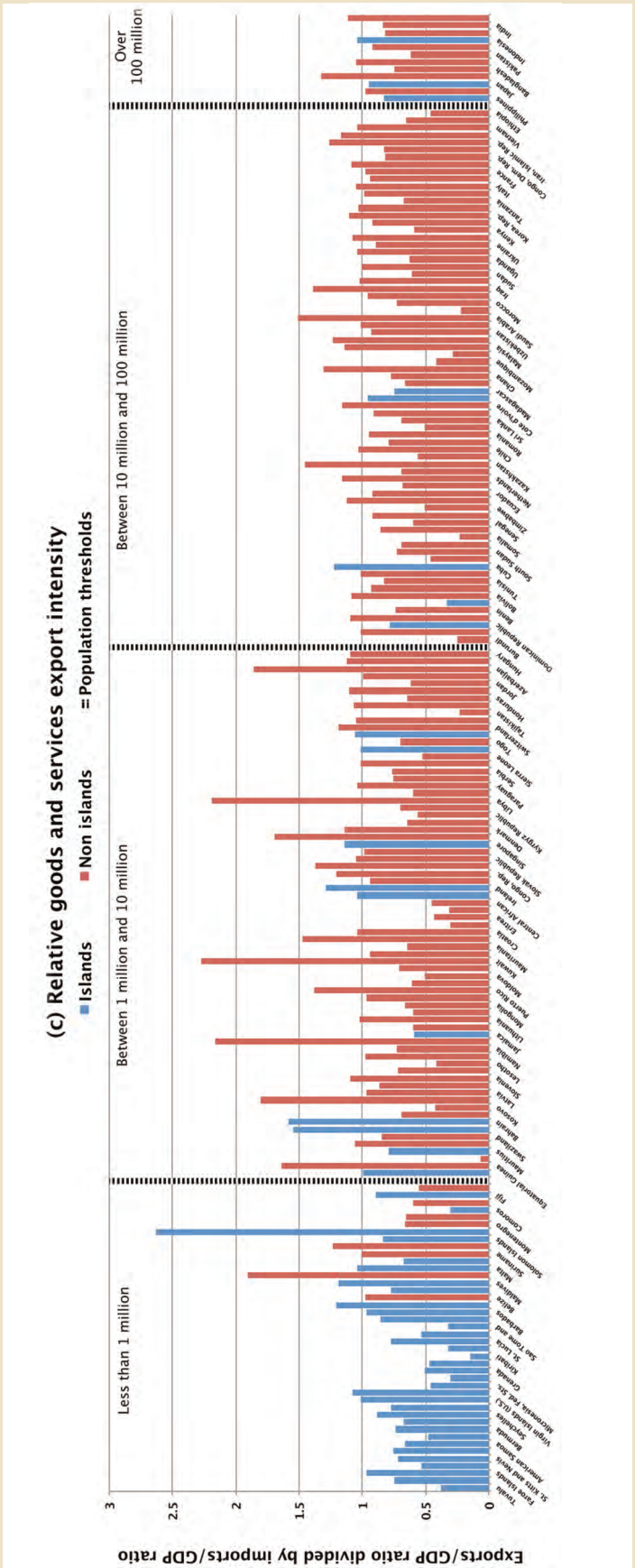


FIGURE 2.6: **Goods and services trade ratios for 199 economies**

Source: Calculated from World Development Indicators database.


(b) Ratio of goods and services exports to GDP for 199 economies
Islands
Non islands
= Population thresholds
Goods and services exports divided by GDP
2.5
2
1.5
1
0.5
0
Less than 1 million
Between 1 million and 10 million
Between 10 million and 100 million
Over 100 million
Tuvalu
Faroe Islands
St. Kitts and Nevis
American Samoa
Seychelles
Bermuda
Virgin Islands (U.S.)
Micronesia, Fed. Sts.
Grenada
Vanuatu
St. Lucia
Sao Tome and Principe
Belize
Barbados
Maldives
Malta
Suriname
Solomon Islands
Montenegro
Comoros
Fiji
Equatorial Guinea
Mauritius
Swaziland
Bahrain
Kosovo
Latvia
Slovenia
Lesotho
Namibia
Jamaica
Lithuania
Mongolia
Puerto Rico
Moldova
Kuwait
Mauritania
Croatia
Eritrea
Central African Republic
Ireland
Costa Rica
Slovak Republic
Singapore
Denmark
Kyrgyz Republic
Libya
Paraguay
Sierra Leone
Togo
Switzerland
Trinidad and Tobago
Honduras
Jordan
Azerbaijan
Hungary
Burundi
Dominican Republic
Bolivia
Tunisia
Cuba
South Sudan
Somalia
Senegal
Zimbabwe
Ecuador
Netherlands
Kazakhstan
Chile
Romania
Sri Lanka
Cote d'Ivoire
Madagascar
Cambodia
Mozambique
Malaysia
Uzbekistan
Saudi Arabia
Morocco
Iraq
Sudan
Uganda
Ukraine
Korea, Rep.
Kenya
Tanzania
Italy
France
Congo, Dem. Rep.
Iran, Islamic Rep.
Vietnam
Estonia
Philippines
Japan
Bangladesh
Pakistan
Indonesia
India

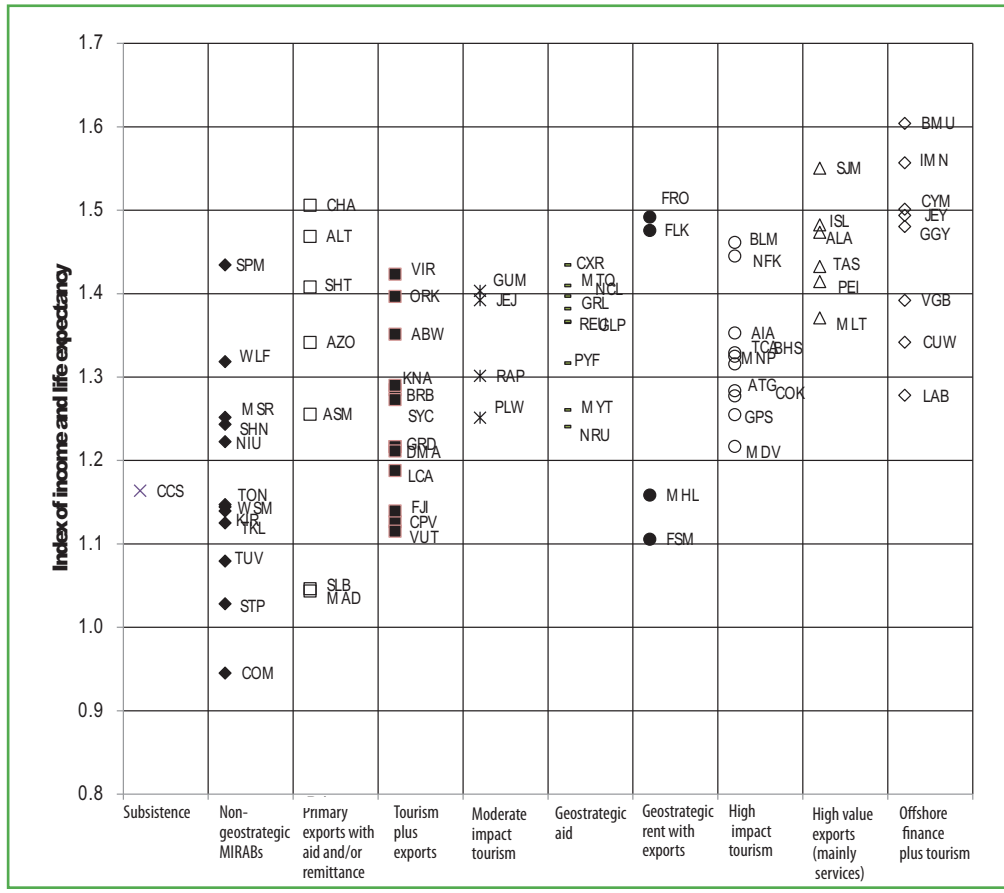

(c) Relative goods and services export intensity
Islands
Non islands
= Population thresholds
Exports/GDP ratio divided by imports/GDP ratio
3
2.5
2
1.5
1
0.5
0
Less than 1 million
Between 1 million and 10 million
Between 10 million and 100 million
Over 100 million

MISSING DIMENSIONS

Openness to what?

While the import ratio has provided a convenient and readily accessible measure of openness, it does not in itself provide any distinction amongst widely differing funding strategies. A diagram that crystallizes work from the past three decades is Figure 2.7, taken from Bertram and Poirine (forthcoming, 2018). This chart arranges 74 small-island economies into 10 groups on the basis of the economic development strategies indicated by data on their present-day balances of payments, and ranks these strategies on the basis of an index of income and life expectancy to produce what might seem a clear priority list for policy. But while this may represent the quantitative research frontier, its shortcomings are clear and indicate the need for a more nuanced and probably less quantitatively based approach to island economies. One obvious problem is the cross-section nature of the exercise, which means that strategies are ranked simply on outcomes at a point in time, which means that the chart in itself provides no guidance on the dynamic future possibilities associated with each strategy.

FIGURE 2.7: **Welfare levels and economic strategies for 74 small-island economies**



Source: Bertram and Poirine (forthcoming, 2018), Figure 17.

More importantly, a classification of this sort can be only the first step towards understanding how a particular strategy actually operates in individual island economies, and what exactly is it that each economy has made itself "open" to? Careful comparative case-study analysis is needed before general policy conclusions can be drawn. Baldacchino (2010) is an example of such research that brings out the difficulty of accounting simultaneously for the forest and the trees (cf. Baldacchino, 2010, p. xix). Beyond "the geography of finance," Baldacchino (2010, Chapter 1) emphasizes the determining effect of the differing jurisdictional arrangements that make small islands "sites of agency," and introduces qualitative concepts such as "sanctuary," "quarantine," "prisons," and "piracy," alongside export processing zones, offshore finance centres, and various distinctive varieties of migration and tourism. Economies can be more or less "open," not merely to trade but equally to people, financial flows, geopolitical influences, information, global sport — indeed, any dimension of human activity. In each case, the power of the relationships embodied in the concept of "openness" is mediated by the cost, for any open economy, of accessing resources and participating in global exchange. To be open to tourism, for example, means not just attractive landscapes, visa-free entry, and available accommodation: there must also be frequent and affordable transport links, and a reputation for safety, without which tourism cannot flourish. Similarly, high freight costs to remote locations can eat up a disproportionate share of the scarce funds available to pay for imports at the same time as crippling potential export options (partly accounting for the low export ratios in Figure 2.5[b]. The development of the Internet and broadband access has transformed the ability of small islands to be open to services, as both importers and exporters.

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Openness to where?

One important dimension of openness that has been inadequately studied in the economic literature to date is the distinction between international and within-nation transactions. The export and import statistics arrayed in Figures 2.5 and 2.6 relate to cross-border flows that are visible to the global agencies concerned with international trade, and, as a result, they do not include intra-nation trade. For many of the isolated small-island economies that are identified and recorded in the global

datasets, international trade comprises the bulk of their external transactions. But for the vast majority of the world's small and medium-sized islands, which are fully integrated into larger national economies, the movements of goods, services, people, and finance which drive their local economies are mainly exchanges with the wider national economy, not directly with the outside world beyond the nation's borders. This point is developed further in section 4 below. Here I address briefly the issue of how to approach the analysis of small-island economies that are invisible in the international data.

Consider, for purposes of comparison, Hainan, which, with its 9 million population, lies in the middle of the charts in Figures 2.5 and 2.6, about six places to the left of the 10 million population threshold. Readily available data for 2016 indicate that its merchandise import ratio is 0.15, its merchandise export ratio is 0.03, and its export intensity is 0.23 . These figures would place Hainan alongside most of the small-island economies in terms of its apparent merchandise trade deficit. Meanwhile, the ratio of tourism earnings to GDP in 2015 was 0.14, suggesting that Hainan is more a tourism than a trading economy.

But an important piece is missing from this initial statistical sketch. The trade figures relate only to transactions with the world outside China, while the tourism figures appear to be dominated by Chinese tourists, and figures on other trade with the mainland in goods and services are not easy to find, at least for an outside researcher. As an integral part of the Chinese economy, most of Hainan's external transactions (including its exports of rice and rubber) are with the Chinese mainland economy, not the outside world. As a Special Economic Zone since 1988, Hainan has specialized in bringing in tariff-free luxury imports for sale to tourists from the mainland, making its economy in some respects structurally comparable to the island of Kish in Iran, and, indeed, with other island economies that have leveraged their jurisdictional enclave status to become intermediaries in global supply chains for consumer goods. Hence, in an important sense, Hainan (like Kish) has been a transhipment hub, importing luxuries from the outside world through statistically visible entry points but re-exporting them to mainland China out of statistical view, in the luggage of tourists from the mainland. These re-exports do not appear in any trade statistics because they pass through a retail point-of-sale on the island, and because tourists returning home are not counted as part of the freight transport sector.

Hainan thus may (on the basis of a very casual preliminary review) belong to the category of shopping-tourism economies of the sort seen in the Persian Gulf economies of Dubai, Abu Dhabi, and Kish, and also in the world's international airports, which have managed to carve out island-like jurisdictional enclaves for their duty-free retail operations. Only limited aspects of many of these economies can be captured by the international economic statistics relied on by many outside researchers.

The more jurisdictionally separate an island is, the more the international statistics will reveal its economic structure. The Northern Mariana Islands, for example, as a Commonwealth of the United States, operated for a decade as an offshore export processing zone using low-wage migrant labour from China and the Philippines to produce garments for sale in the US market — a jurisdictional niche that disappeared once the US market was opened to direct supply from China in 2005. Both the migration flows and the entry and exit of goods were visible in global statistics because of the Northern Marianas' isolation and administrative separateness from the mainland US.

In contrast, the economy of Bali, a major tourist destination and agricultural exporter, is not statistically separable from the Indonesian economy without a dedicated research effort. Bali, consequently, has not figured in cross-country islands economic research. The same applies to, for example, Greek islands such as Crete, Rhodes, and Santorini; Mediterranean islands such as Corsica, Sardinia, Mallorca, and Sicily; and, closer to my own home base, the Chatham Islands, which are part of New Zealand, and whose large seafood exports are buried in the national trade statistics, though they can be estimated from other sources (see Jenkins, 2014, Table 6, p. 33).

The whole concept of "openness" is, in fact, not straightforward once one ceases speaking only of nations, whether large or small, and relations among nations. Within a large nation there are successively wider spheres of potential connectedness, starting from the individual and working up through the household, the local community or village, the region or city, the province or state, and so on. At each level is a conceptual boundary or border across which transactions flow more or less freely. The small and medium-sized islands found in cross-country datasets are comparable in scale with a single region or small city in a large economy, but are likely to be less "open" than those counterparts, which generally have easier physical access to other parts of the national territory, freer movement of goods, money, and people, and more immediately shared culture and language. It is in this sense that small islands tightly integrated within nations are generally more "open" than islands that stand alone.

Where islands are separate states within federal nations, as are Prince Edward Island in Canada and Hawai'i in the US, they often have their own statistics, including in the PEI case transactions with the wider nation. That enables them to be readily included in comparative work. Island economies within unitary states are much harder (often impossible) to disaggregate from the national data; examples are Easter Island/Rapanui in Chile, the Galapagos Islands in Ecuador, and most of the Mediterranean and Aegean islands.

SAMPLE BIAS?

The question thus arises: to what extent are all island economies truly represented by the limited number that have made it into the databases utilized by Bertram, Poirine, McElroy, Baldacchino, Feyrer & Sacerdote (2009), and all? In their overview of just three of the world's island regions, Apostolopoulos and Gayle (2002, pp. 3–4) emphasize the sheer scale and diversity of the small-island universe:

> Literally thousands of islands are disbursed throughout the three basins, representing the most renowned insular regions in the world. … The Caribbean basin, expanding along a coastal arc from Mexico to Brazil, comprises sixteen independent countries, six semi-autonomous Dutch territories, five British overseas territories, three French overseas-departments, a commonwealth associated with the United States, and a US territory. The South Pacific encompasses approximately 25,000 islands and islets, the most known of which are its eleven independent states, three self-governing in free association with the United States, three French overseas territories, two self-governing in free association with New Zealand, two US overseas territories, one territory of New Zealand, one British overseas territory, one commonwealth of the United States, one Australian territory, one Indonesian province, one US state, and one province of Chile. The Mediterranean embraces over 5,000 islands and islets, the most important of which are the large islands of Crete, Sicily, Sardinia, and Corsica (parts of Greece, Italy, and France, respectively); the Aegean and Ionian lands of the Greek Archipelago; the Adriatic islands of Croatia; the Aeolian, Egadi, and Pelagian islands; the islands of the Tuscan and Campanian Archipelago; Ustica; Pantelleria (Italy); the Balearic islands of Spain (Majorca, Menorca, Cabrera, lbiza, and Formentera); and the independent island microstates of Cyprus and Malta.

From this universe of literally thousands of islands, the small-island taxonomies of the past three decades have utilized actual data on only a few dozen, and it may turn out that this small sample is far from representative of the bulk of the world's islands, both large and small. This leads naturally to some reflections on the nature of the sample selection bias inherent in economic work that stops at the boundaries of the available quantitative cross-country datasets.

Samples selected on the basis of data availability clearly privilege a particular type of small island: geographically isolated, away from clustered archipelagos, historically administered as distinct units within the colonial empires, and recognized as autonomous entities (some independent, some affiliated with metropolitan powers) in the post-colonial era. Small islands that are closely enmeshed in larger territorial units, as is the case with islands in the Philippines, Indonesia, and Greek Aegean, have been excluded from the cross-country studies partly for lack of data but

partly also for want of visibility to busy researchers relying on international agencies or the CIA World Factbook to define their island samples.

Equally many of the "islands" in Figure 2.7 are themselves comprised of numerous smaller islands whose individual characteristics are submerged in the island group's figures. It bears recalling that anthropological field work from its very beginnings produced studies of the pre-modern economies of small islands that are invisible in the modern economic writings — Raymond Firth in Tikopia and Malinowski in the Trobriand Islands spring to mind, islands that are submerged in, respectively, the Solomon Islands and Papua New Guinea. (Margaret Mead's American Samoa is the exception rather than the rule.)

Thinking about how one set of islands came to be studied by economists while another much larger set has been ignored, it helps to distinguish between two sorts of regional "force fields." Figure 2.8 contrasts two ways in which the economic dynamics within a region can operate, on the basis of whether the biggest gravitational attraction for trading and policy interactions lies within the region (a "centripetal" dynamic) or outside it (a "centrifugal" dynamic).

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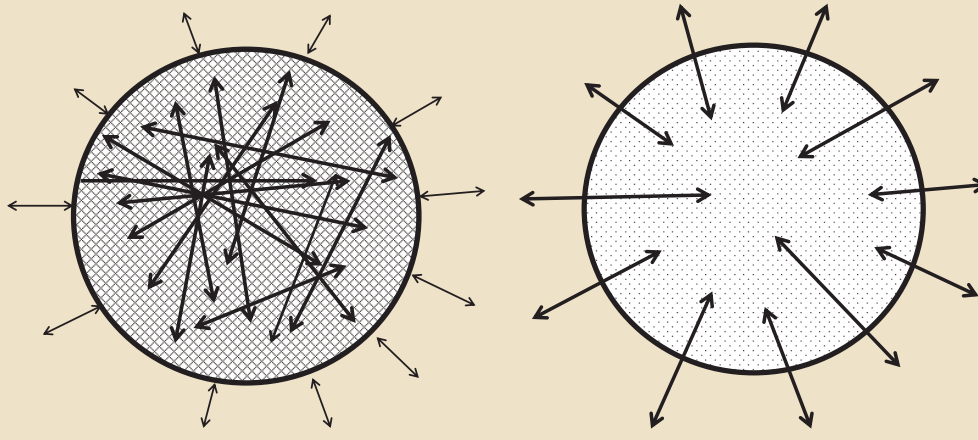
Centripetal non-island regions such as the United States and the EU, along with clustered island archipelagos such as Indonesia and the Philippines, have dense networks of within-region economic interaction, shared history and culture, and consolidated central governing arrangements pursuing common purposes. Regional economic integration follows naturally in that setting, because resource endowments, trading opportunities, and common infrastructure needs, in a setting of large populations, all point to an inward-focused entity held together by strong inward-directed gravitational forces. External transactions with the outside world are secondary, not the prime driving force for the units within the region.

In a centrifugal region, gravitational forces are weak. Each entity within the region relates more directly with countries outside the region than with its geographic neighbours. Regional dynamics are dominated by the trading and political relations of individual units with powerful patrons and partners in the outside world. The islands of the Pacific, Caribbean, Atlantic, and Indian Oceans, on which cross-country economic research has concentrated, all exhibit this centrifugal pattern, especially in regard to their trading relations. These collections of small entities scattered across oceans form "regions" only in the weak geographical sense of shared space, albeit combined in the Pacific and Caribbean with ethnic and cultural affinities. The strong internal gravitational forces that pull continental regions and dense archipelagos with large populations together are missing.

FIGURE 2.8: **Two patterns of economic and political gravitation**



(a) Centripetal

(b) Centrifugal

Islands (or island groups) subject to centripetal dynamics are apt to possess greater jurisdictional autonomy than the components of dense archipelagos, and by virtue of their isolation will face a very different set of opportunities in relation to specialisation and trade. One implication is that merchandise trade, even if only the exchange of agricultural produce amongst neighbouring islands, probably plays a much stronger and more supportive role in centripetal regions than in Bertram and Poirine's (forthcoming, 2018) sample of economies. Another implication is that migrations and remittance patterns will involve the within-nation circulation of ethnically, culturally, linguistically, and citizenship-wise homogenous groups, in contrast to the international migration and remittance patterns seen in centripetal island regions. (This does not mean that external transactions are lacking. The Philippines has been one of the countries most prone to international outmigration, but those migrants appear to identify in their destination economies as Filippino rather than as coming from specific small islands within the archipelago.)

Besides a need to widen the research focus to include more small-island economies in centripetal regions, there is much to be learned from systematically classifying and quantifying island economies in dimensions other than the balance-of-payments figures that underlie MIRAB, SITE, and PROFIT models. How much difference does it make which region or ocean an island is located in? (Gibson and Nero [2008], for example, found a significantly negative "Pacific effect" on levels and growth of income.) How do the historical paths of particular islands during the

colonial and post-colonial eras explain differences amongst them (thinking here not only of statistical indicators of the sort used by Feyrer and Sacerdote [2009] but also qualitative narrative accounts on a case-by-case basis)? What is the influence of distance from each island's metropolitan gravitational attractor? At what point does a gravitational force field become centripetal rather than centrifugal? Does the form of governance institutions make a systematic difference to economic performance? These are only a few of the questions that can guide future research. But most certainly there is a need to distinguish clearly between openness of a national economy, and openness within a national economy.

FREE PORTS AND TRANSHIPMENT HUBS

It seems appropriate to consider briefly some lessons from the remarkable strategic success of two Asian island economies clearly distinguished in Figures 2.5 and 2.6: Singapore and Hong Kong, both of which rank among the world's top container ports and operate global financial and other services hubs, and to ask whether parallel opportunities might apply to Hainan.

The extremely rapid industrial growth of East Asia since the 1970s has gone alongside, and been driven by, the vertical disaggregation of global supply chains, which means that there have been big requirements for port developments that are:

- adjacent to the major manufacturing centres or on shipping routes directly between them;
- possessed of good deep-water harbours; and
- able to take advantage of a historical background of institutional development in trade, finance, and transport.

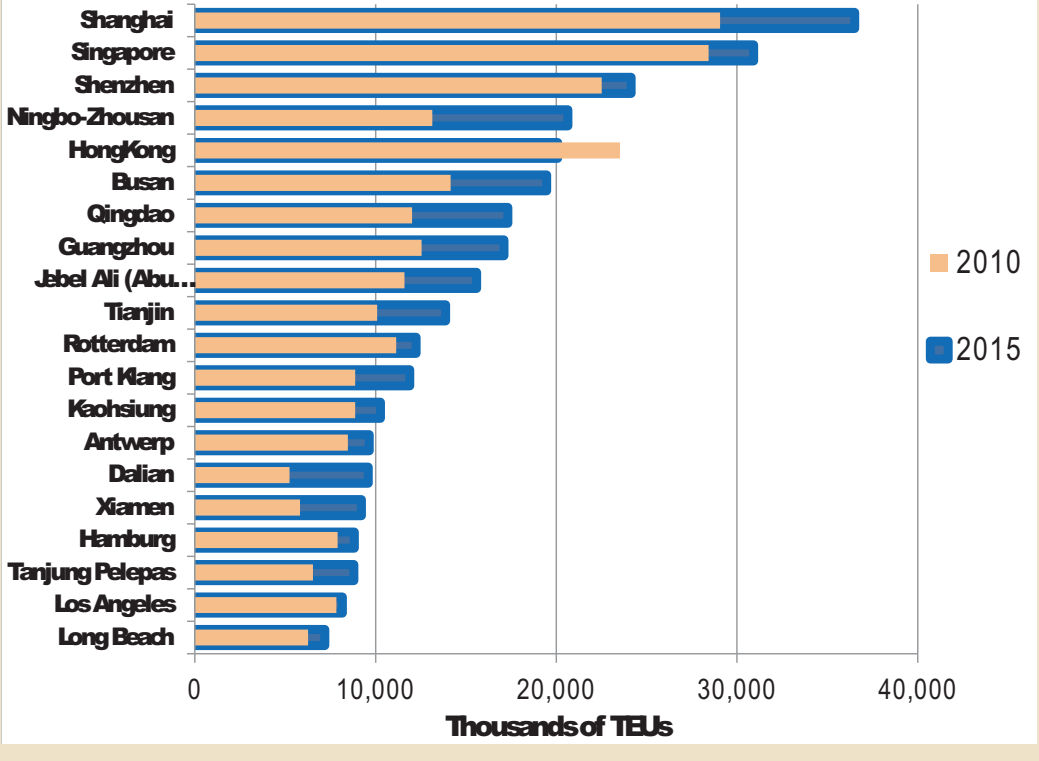
As a result, a major feature of the East Asian economic growth process has been the rise of a few key port cities that combine strong, outward-oriented local manufacturing and service sectors, with locations at key geographical nodes. Major examples are Singapore, Hong Kong, Busan, and Shanghai. Figure 2.9 shows the volumes handled by the world's top twenty container ports in 2010 and 2015; the top eight are all in East Asia, with Singapore and Hong Kong ranked second and fifth respectively. Hong Kong is the only one of the twenty to show falling volume since 2010.

The fact that Singapore and Hong Kong are islands immediately adjacent to large landmasses has contributed to their success. As islands, they are open to waterborne traffic coming from multiple directions, while, as distinct "offshore" jurisdictions with considerable autonomy over the past half-century, they have been able to deploy the institutional arrangements of export processing zones and tariff-free zones to lure international capital to invest in the local economies. Because movement of goods entering and leaving their territories takes place across water and hence is easier to detect and monitor than land-carried traffic, islands are particu-

larly well-suited to freeport operations of the sort developed most notably by Singapore (with the obvious proviso that Singapore has a land connection via its causeway). And, perhaps most important of all, those two islands' locations made them key strategic outposts of the British Empire in its heyday, leaving a legacy of institutions and international network linkages.

The extreme international openness of Singapore and Hong Kong enabled these two island economies to take full advantage of a particular historical conjuncture of the late twentieth century. By providing the transportation hubs to connect global manufacturing supply chains, Singapore and Hong Kong were able to achieve rapid growth far in excess of what their local manufacturing sectors could have sustained on a stand-alone basis.

FIGURE 2.9: **Twenty biggest container ports in 2015, with 2010 comparison**



Source: https://en.wikipedia.org/wiki/List_of_busiest_container_ports, accessed 20 October 2017.

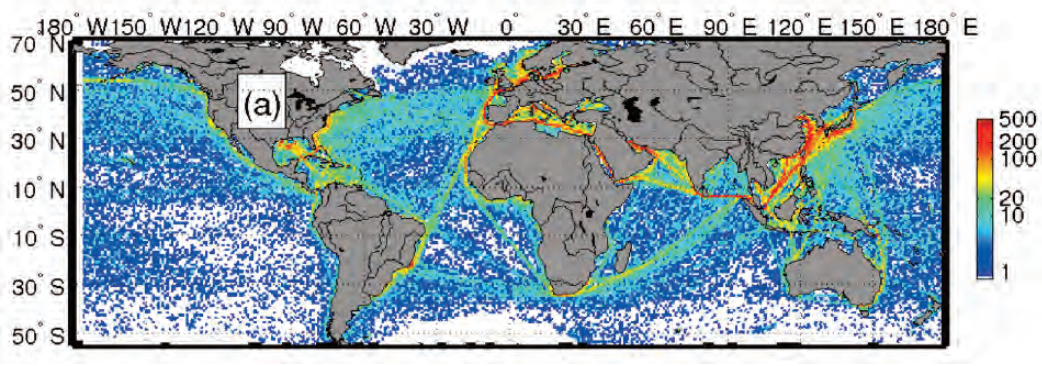
The fact that these very successful transhipment ports and tariff-free zones are located on islands does not, however, mean that entry into this field is easy for any island. The basic components of success in the strategic development of Singapore and Hong Kong were:

- location (fundamental, e.g., for transhipment operations);
- history (Singapore and Hong Kong have centuries of trading development behind them and built up to a critical mass of integrated services over a long period);
- first mover advantage; and
- stable political arrangements that are attractive to outside capital and provide security from corruption and expropriation.

With regard just to geography, satellite data shows how the location of the giant port cities relates to the shipping routes of the early twenty-first century. Figure 2.10 shows the number of ships detected by satellites worldwide over the period 1992–2012, and Figure 2.11 shows a close-up of the Asian part of this map, with data grouped into one-degree pixels. What the plots clearly reveal is that the existing major ports such as Singapore, Hong Kong, Shanghai, Qingdao, Kaohsiung, and Busan all lie on dense shipping lanes, whereas Hainan is conspicuously off to one side. That means that Hainan, in common with the Philippines and the northern Japanese islands, is not well located to enter the global transhipment and bunkering trade that is the mainstay of Singapore, Hong Kong, and the other major ports up the Chinese and South Korean coasts. Reinforcing this conclusion is the fact that the global economy has probably now reached "peak manufacturing" which leaves the first-mover ports in command of a maturing transhipping sector.

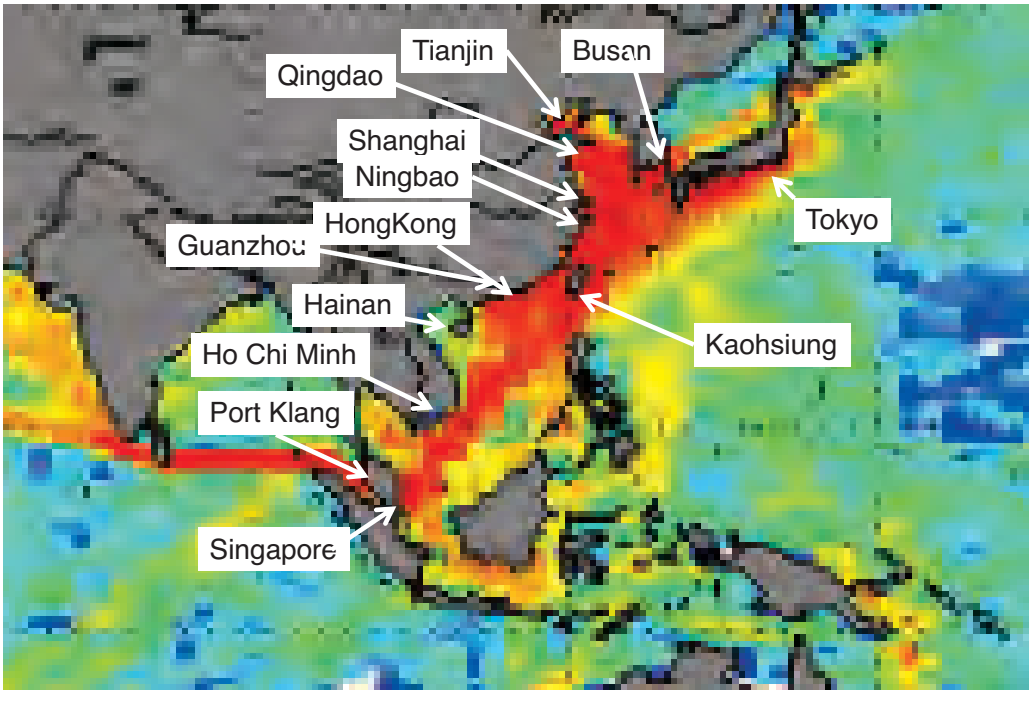
Hainan, in other words, is not likely to become another Singapore or Hong Kong. Its economy is oriented within-nation towards mainland China rather than outward to the global economy, and it is from the mainland that the flows of funding come to sustain its consumption and imports. Because transfers occur more freely within a nation than between nations (including central government transfers of purchasing power and resources across the national space), island economies such as Hainan that are within-nation do not face the external funding constraint that more autonomous, internationally exposed small islands do, and the mechanisms by which resources of finance, technology, transportation, and infrastructure access are secured are quite different from those of, for example, Cuba or Cyprus. By the same token, the degree of exposure to global cyclical instability is much reduced by the fact of being embedded within a national economy through which international shocks must pass before impacting the island economy, while nation-specific shocks become relevant for policy in a way that does not apply to independent or highly autonomous stand-alone small-island jurisdictions.

FIGURE 2.10: **Satellite data on ships detected worldwide, by one-degree pixels, 1992–2012**



Source: J. Tournadre, "Anthropogenic pressure on the open ocean: the growth of ship traffic revealed by altimeter data analysis," Geophysical Research Letters 41(22): 7924-7933, November 2014, Figure 1(a) p.7927.

FIGURE 2.11: **Close-up of Asian region satellite data on ships, 1992–2012**



Source: J. Tournadre, "Anthropogenic pressure on the open ocean: the growth of ship traffic revealed by altimeter data analysis," Geophysical Research Letters 41(22): 7924-7933, November 2014, Figure 1(a) p.7927.

Night traffic lights inside of the Garden Bridge of China, Hainan Island

CONCLUSION

The economic research program that began in the 1980s with the MIRAB model, and with George Marcus's (1981) conception of migrant diasporas as a form of transnational corporation, has now matured and reached what seems to be the point of diminishing returns. New lines of comparative island-economy research will now push into the less well-charted universe of islands in high-gravity centripetal locations, bringing their island-specific data into clearer focus, and studying to what extent this process reinforces or modifies the lessons drawn from the study of the dispersed, centrifugally linked islands that have dominated the research sample to date.

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Panorama of Singapore

3

The relation between economic resilience and competitiveness in small island states

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ABSTRACT

The objective of this chapter is to discuss the relationship between economic resilience and economic competitiveness with special reference to small island states. Economic resilience and economic competitiveness are both associated with economic success, however they relate to different aspects of such success. Economic resilience relates to the ability of an economy to withstand or reduce the harm associated with external shocks while economic competitiveness generally refers

to the ability of an economy to survive in a productivity contest with other economies. The chapter utilizes an index of economic resilience across countries, constructed by the present author, and shows that this index is highly correlated with an index of competitiveness, also across countries, derived from the Global Competitiveness Indicators. The chapter argues that small states should assign major importance to resilience-building policies, in view of their high exposure to economic shocks, and to the enhancement of competitiveness, in view of high dependence on exports; and that it would be beneficial for small states to embed policy measures associated with resilience and competitiveness in their national development strategies and plans.

INTRODUCTION

The objective of this chapter is to discuss the relationship between economic resilience and economic competitiveness with special reference to small island states. Economic resilience and economic competitiveness are both associated with economic success, however they relate to different aspects of such success. Economic resilience refers to the ability of an economy to withstand or reduce the harm associated with external shocks (Briguglio, 2016) while economic competitiveness generally refers to the ability of an economy to survive in a productivity contest with other economies.

. . . in spite of their inherent constraints, a number of small states perform well economically and register relatively high economic resilience and competitiveness scores on the respective indices . . . these states can serve as models for other small states who aspire to improve their economic performance.

The chapter utilizes an index of economic resilience across countries, constructed by the present author (Briguglio, 2016), and shows that this index is highly correlated with an index of competitiveness, also across countries, derived from the Global Competitiveness Indicators developed by the World Economic Forum.

The chapter shows that in spite of their inherent constraints, a number of small states perform well economically and register relatively high economic resilience and competitiveness scores on the respective indices. The chapter argues that these states can serve as models for other small states who aspire to improve their economic performance.

The study is organized in five sections. The first deals with the special characteristics of small states. The next two sections respectively define economic resilience and economic competitiveness, and discuss the factors that are conducive to resilience-building and to competitiveness enhancement. The section that follows deals with the resilience/ competitiveness nexus and shows that both are positively related to GDP per capita. The last section derives a number of policy implications associated with resilience and competitiveness.

CHARACTERISTICS OF SMALL STATES

Small states tend to be highly exposed to external economic shocks because of their inherent characteristics, which lead them to be very trade open. High dependence on exports is mainly a result of their small domestic market, and high dependence on imports is mainly the result of their limited natural resources endowment. Exposure to shocks is exacerbated in many small states by their high export concentration and high dependence on strategic imports, including food and fuel. Many small states are also prone to natural disasters, and when these occur they often generate severe shocks to the economy.

Briguglio (2016), utilizing a vulnerability index made up of components that refer to the four variables just mentioned, found that small states, as a group, tend to be more economically vulnerable than other groups of countries. Such a tendency is commonly found in vulnerability indices proposed by other authors, including Atkins et al. (2000) and Crowards (2000).

Small states also face constraints relating to their economic competitiveness. They experience relatively high cost of production per unit in view of their small economic size, resulting in their limited ability to reap the benefits of economies of scale (Winters & Martins, 2005; Briguglio, 1998; Briguglio & Vella, 2015). Small states that are also islands, particularly those located in remote areas, face additional disadvantages associated with relatively high international transport costs and uncertainties relating to the delivery of industrial supplies, leading to high costs of storage of materials. Thus, while it is imperative for small states to be competitive in view of their high degree of dependence on exports, they face serious constraints in this regard, particularly in the production of goods that can be manufactured by mass production.

The inherent characteristics of small states, associated with exposure to economic shocks and with competitiveness constraints, pose serious limitations on the economic development of these states. However, in spite of these setbacks, many small states perform very well economically. Briguglio et al. (2009) called this reality "the Singapore paradox," referring to the fact that the small state of Singapore is one of the best performing economies in the world in spite of the fact that it is highly exposed to external shocks and that it faces the small-size constraints discussed above. This seeming contradiction can be explained by the fact that Singapore has adopted economic policies that enable the country to build its resilience and at the same time enhance its economic competitiveness.

ECONOMIC RESILIENCE

Briguglio (2016), building on Briguglio et al. (2009), defines economic resilience as policy-induced ability of a country to withstand or reduce the harm associated with

economic vulnerability. The set of policies identified by the authors just mentioned are in turn associated with:

(a) macroeconomic stability, which allows policy manoeuvre following an external shock;
(b) market flexibility, enabling the economy to adjust following external shocks, with due diligence to avoid excessive riskiness;
(c) good political governance, which is essential for an economic system to function properly;
(d) social development and cohesion, which enable the economy to function without the hindrance of civil unrest; and
(e) environmental management, which generates stability through enforceable rules, economic instruments, and moral suasion.

Figure 3.1 summarizes these factors that enhance economic resilience.

FIGURE 3.1: **Factors that enhance economic resilience**

Briguglio (2016) measured the factors shown in Figure 3.1 and used them as components of an economic resilience index. The manner in which the components of the index were measured is explained in detail in Briguglio (2016).

ECONOMIC RESILIENCE IS RELATED TO GDP PER CAPITA

The resilience index constructed in Briguglio (2016) is highly correlated to GDP per capita as shown in Figure 3.2. This would seem to suggest that economic resilience is associated with economic success, possibly because the components of the index also capture elements of good economic governance.

Briguglio (2016), again basing on Briguglio et al. (2009), fitted the scores of the vulnerability and resilience indices into a scheme of what has come to be known as the vulnerability/resilience (V&R) framework. In this scheme, economic vulnerability is considered as an enhancer of the risk of a country being harmed by external shocks, and economic resilience as a reducer of such risk, as shown in Figure 3.3.

FIGURE 3.2: **Resilience index and GDP per capita**

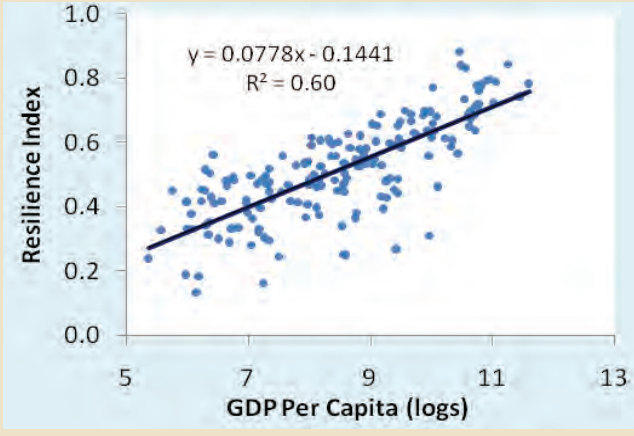
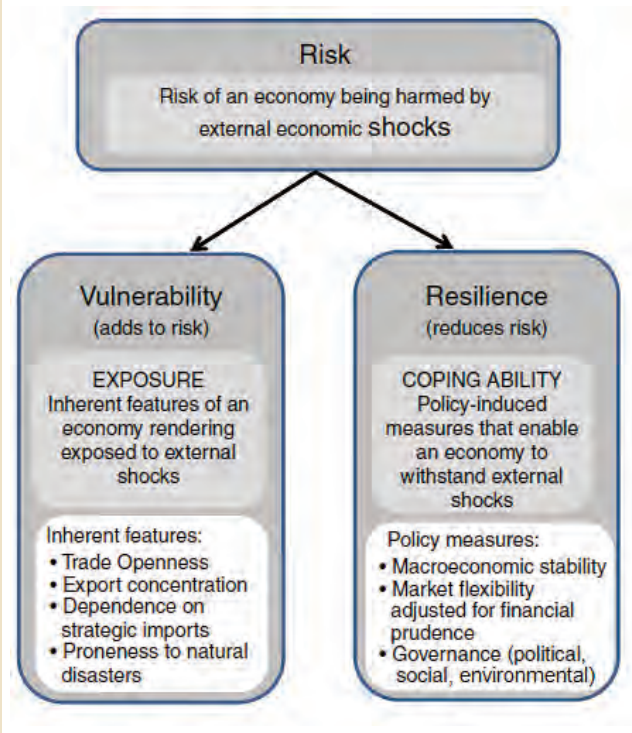


FIGURE 3.3: **The Vulnerability / Resilience Framework**



Briguglio et al (2009) identified four country scenarios on the basis of this V&R framework, in terms of the economic vulnerability index (EVI) and economic resilience index (ERI):

(1) Countries with low EVI and high ERI: it is hypothesized that these tend to be large developed countries with relatively good economic governance;

(2) Countries with low EVI and low ERI: it is hypothesized that these tend to be large developing countries with relatively weak economic governance;

(3) Countries with high EVI and high ERI: it is hypothesized that these tend to be small states with relatively good economic governance; and

(4) Countries with high EVI and low ERI: it is hypothesized that these tend to be small states with relatively weak economic governance.

Briguglio (2016) shows that the results

of the scores on the EVI and ERI indices confirm these hypotheses.

Among the small states that registered high vulnerability and high resilience scores are six countries that are often considered as high flyers in the economic spheres. These are Singapore (Asia), Luxembourg, Iceland and Malta (Europe), Mauritius (Indian Ocean), and Barbados (Caribbean). It should be noted that five of these six are island states.

ECONOMIC COMPETITIVENESS

In a globalized free trade context, competitiveness is the means for firms as well as for countries to survive and thrive. The alternative to competitiveness, namely protection from competition, has time and again proved to be counterproductive, as it results in inefficiencies and poor returns.

Competitiveness is especially important for small states because of their very high dependence on international trade, which is a consequence of their small domestic markets, leading to high dependence on exports; and limited availability of natural resources, leading to high dependence on imports.

The meaning of competitiveness

There are various definitions of competitiveness. When applied to an economy, generally speaking the definitions refer to the ability of an economy to efficiently supply goods and services for which there is demand, by combining price and quality in such a manner that buyers would prefer to buy these goods and services from this economy, when compared to similar products supplied by other economies.

Some definitions refer to the underlying conditions that are conducive to competitiveness. For example, Schwab (2014) defines the term as "the set of institutions, policies and factors that determine the level of productivity of a country." Porter (2005) defines competitiveness in a similar manner as "the productivity with which a nation utilizes its human, capital and natural resources." According to Porter (2005), competitiveness is related to a nation's prosperity, which in turn is determined by the productivity of its economy, measured by the value of goods and services produced per unit of its resources.

It should be emphasized here that competitiveness, in the sense that it is normally used, does not simply refer to relatively low prices or to cheap labour. In fact, the cost of living and the wage rates are generally higher in highly competitive countries when compared to countries with weak competitiveness.

In addition, competitiveness, as generally defined, does not refer to subsidies or dumping activities, which enable a supplier to charge relatively low prices artificially. Relatively low prices can also be achieved through child labour, environmental degradation, workers' exploitation, and inferior-quality products. Such practices do not constitute competitiveness in the sense that the term is commonly used.

Competitiveness is multifaceted

According to various authors, competitiveness is multifaceted, spanning economic, social, political, and environmental dimensions, and involves various stakeholders.

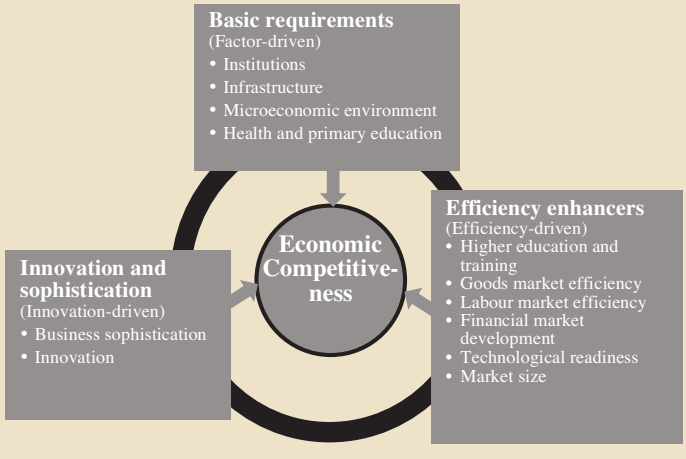
Briguglio and Cordina (2004), acknowledging the multifaceted character of competitiveness, proposed a competitiveness strategy which is underpinned by policy-based measures aimed at promoting:

- macroeconomic stability;
- predictable legislative and regulatory frameworks;
- adequate infrastructural services;
- investment in human capital accompanied by innovation;
- a balance between wages, productivity, and taxation;
- facilitating business start-ups and business activity in general; and
- maintaining social cohesion, so that the promotion of competitiveness does not lead to exploitation or degradation.

A well-known index that attempts to measure competitiveness across countries is the Global Competitiveness Index (GCI) produced by the World Economic Forum. The GCI is partly built on the opinions of experts in each country (derived from the World Economic Forum's annual Executive Opinion Survey) which relate to concepts requiring a qualitative assessment or for which internationally comparable statistical data are not available. The manner in which the components of the GCI are measured are explained in Schwab (2014).

The GCI includes sub-indices that are directly related to economic realities, but it also contains components capturing social, environmental, and political variables that are assumed to be conducive to competitiveness. In all, the GCI has 12 pillars, as shown in Figure 3.4.

FIGURE 3.4 : **The Components of the Global Competitiveness Index**



The question therefore arises as to why non-economic variables, such as social cohesion, environmental management, and political governance, affect competitiveness.

Briguglio et al. (2009)

argue that social development and social cohesion are essential components of economic management as these indicate the extent to which relations within a society are properly developed, enabling an effective functioning of the economic apparatus without the hindrance of civil unrest, and therefore conducive to economic stability. The relationship between social harmony and macroeconomic stability is also proposed in Vandemoortele (2010).

According to Foa (2011), social cohesion can also be conducive to economic performance as this leads to reduction of transaction costs—for example, in the case of violent conflict between different sections of society, the costs will include policing, crime prevention, and private security services. Because these costs may be such as to render unprofitable economic transactions at the margin, some deadweight loss will inevitably occur.

. . . social development and social cohesion facilitate collective action, and this may generate positive externalities arising in the form of providing, monitoring, and enforcing the provision of necessary public goods such as infrastructure, schooling, or health.

In addition, social development and social cohesion facilitate collective action, and this may generate positive externalities arising in the form of providing, monitoring, and enforcing the provision of necessary public goods such as infrastructure, schooling, or health. And, most of all, there is a high cost to intergroup violence as a result of capital disaccumulation caused by the destruction of physical infrastructure and "brain drain" (loss of human capital).

Environmental management is also likely to be conducive to competitiveness. The connection between environmental management and economic competitiveness can be explained in terms of the stability that the environmental management generates, through enforceable rules, economic instruments, and education aimed at encouraging good environmental practices. Environmental management may be defined as institutions, regulation, practices, and other processes conducive to environmental conservation, protection, and use of natural resources. In order to achieve this aim, governments have to put in place appropriate legislative, judicial, and educational systems and foster economic and social arrangements, which collectively can fall under environmental law and policy. The environment, in many of its aspects, is a public good and may generate negative externalities, which in turn are associated with market failure and therefore need to be regulated and managed.

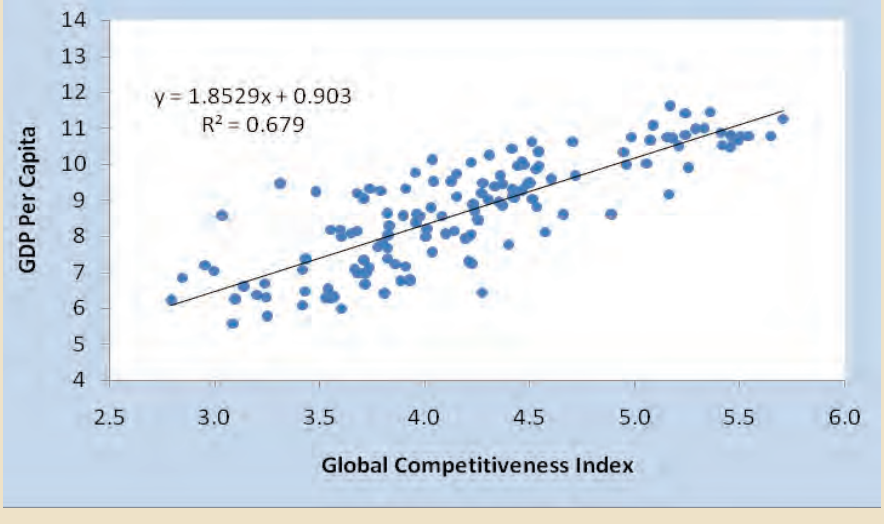
The role of government could also be of major importance in fostering competitiveness. Briguglio and Cordina (2004) argue that competitiveness is to a large extent an enterprise issue, and it is the individual firm at the micro level that needs to be competitive in order to enhance national competitiveness. However, the authors

further argue that the government has a major role to play in this regard, not least by placing competitiveness high on the policy agenda, and by taking the lead in putting in place measures that encourage entrepreneurship and efficiency and removing bottlenecks when these occur.

Competitiveness is related to GDP per capita

Like the ERI, the GCI is highly correlated with GDP per capita, a variable that may capture the state of development of countries, as shown in Figure 5. This relationship therefore suggests that those countries with the highest economic success, in terms of their per capita income, also tend to be the most competitive.

FIGURE 3.5: **The Competitiveness Index and GDP per capita**

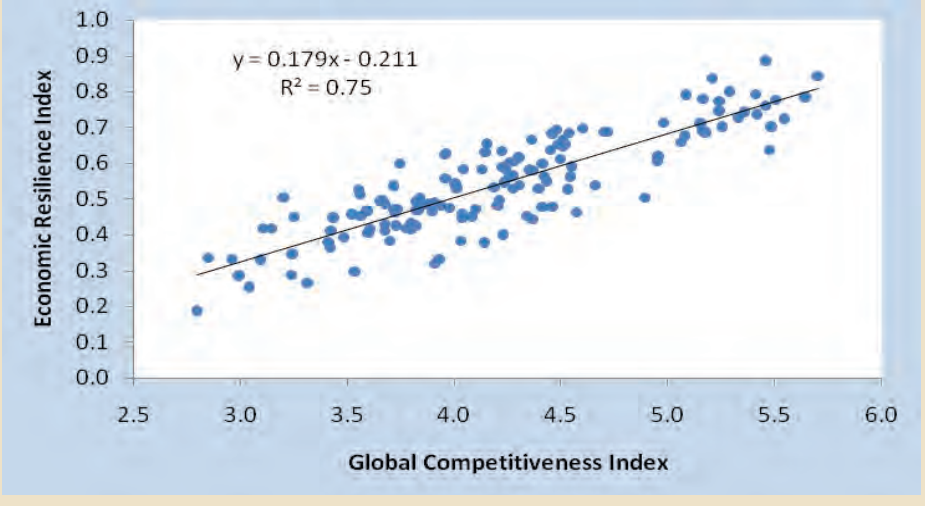


THE ECONOMIC RESILIENCE AND COMPETITIVENESS NEXUS

Both the Economic Resilience Index (Briguglio 2016) and the Global Competitiveness Index (Schwab, 2014) have good economic governance as an important pillar, although this variable is measured differently. In fact, there is a strong positive correlation between the two indices as can be seen from Figure 3.6. It is interesting to note that the two indices are derived from different sources, with the ERI based mainly on published data derived from Global Indicators (not including the GCI) and the GCI based to a high degree on the opinions of expert respondents.

Two other well-known competitiveness indices are the IMD World Competitiveness Ranking and UNIDO's Competitive Industrial Performance (CIP) Index. A recent

FIGURE 3.6: **Relationship between ERI and GCI**



version of the IMD index (IMD, 2014) only covers 60 countries. The IMD index was also found to be highly correlated with the ERI and with GDP per capita for the 60 countries.

UNIDO's Competitive Industrial Performance Index (UNIDO, 2013) covers 135 countries, but is only applicable to the manufacturing sector. Unlike the other two indices just mentioned, the CIP Index relates to the performance of countries rather than the underlying conditions. The CIP Index was also found to be highly correlated with the ERI and with GDP per capita.

IMPLICATIONS FOR SMALL STATES

General considerations

The Global Competitiveness Index does not cover all countries and leaves out many small states located in the Pacific Ocean and the Caribbean region. However, the small countries mentioned above as having relatively high resilience scores are covered in the GCI and also received relatively high competitiveness scores on the GCI. In particular, Singapore was ranked 2nd among 144 countries. Other small states that ranked in the top third of the list of countries in the GCI 2014 version included Luxembourg (19th), Estonia (29th), Iceland (30th), Mauritius (39th), and Malta (47th).

It should be stressed that the economic success of these small states is not because they are small, because, as explained above, small size poses a number of inherent economic constraints associated with exposure to external shocks and lack of competitiveness. Rather, the economic success of these countries was probably

achieved in spite of their small size, possibly because their economic governance, which is policy-induced, was conducive to resilience and competitiveness.

Conversely, those small states that are not economically well-governed face a double disadvantage in that their inherent vulnerability is exacerbated by policies that hinder resilience and competitiveness.

A major implication that can be derived from the above discussion is that small states should assign major importance to resilience-building policies, in view of their high exposure to economic shocks, and to the enhancement of competitiveness, in view of high dependence on exports. Given that resilience and competitiveness are multifaceted, requiring economic, social, political, and environmental policy measures, it would be beneficial for small states to embed such policy measures in their national plans and strategies.

Two-country case study

We shall take the case of Singapore and Malta, two successful small states, as examples of countries that received high scores on the resilience and competitiveness indices. These two states have adopted four major strategic directions which may, to an extent, explain their success, and which may serve as models for other small states. These are (a) putting in place strong regulatory frameworks; (b) identifying and supporting niche products and linkages; (c) promoting and creating production clusters; and (d) encouraging regional co-operation.

Putting in place regulatory and standard-setting frameworks

Regulatory frameworks require appropriate legislation that specifies and enforces the regulations as well as appropriate bodies and institutions that administer the regulations. Such administration involves the provision of information and guidance as to how these regulations are to be observed and the putting in place of enforcement and monitoring procedures to ensure compliance with the regulations. Such frameworks are necessary to control market abuse, to foster an orderly system in the conduct of business, and to provide a level playing field for the operators. Malta, being a member of the EU, has put in place an array of regulatory bodies, which oversee a wide spectrum of provision of services, including public utilities. Singapore also has advanced regulatory frameworks for financial services, communications, competition, and other services.

Both Malta and Singapore actively encourage private business enterprise and market flexibility, but in these countries free enterprise is not construed to mean the law of the jungle, but a mechanism operating within a regulatory framework that is aimed mainly at ensuring standards and preventing abuse, without discouraging entrepreneurship.

Brown (2010), referring to a number of Caribbean small states, recognizes the importance of high-performing regulatory institutions to good governance and development. Based on an extensive review of literature and field experience, the author concludes that institutional weakness cripples the small states' efforts to promote economic development.

The main problem that arises in small states with regard to putting regulatory frameworks in place relates to costs, particularly because such a framework requires institutional set-ups that involve high overhead layouts, given that overheads cannot generally be downscaled in proportion to the numbers of users.

Another problem identified by Brown (2010) relates to difficulties in finding the required expertise to operate these institutions in a small state.

View of Birgu and the colourful boats in the harbour, in Malta

Identifying niche products and linkages

Niche production need not involve producing the finished product, or a high proportion of it, but may focus on a segment of a finished product. For example, at the macro level, Singapore has one of the highest import to GDP ratios in the world (200%), meaning that, overall, the country adds only about a third to its final sales (i.e., its final sales are composed of GDP amounting to about 33% and of imports amounting to about 67%), but the country is still one of the most successful economies in the world.

Given their limited ability to compete in the production of goods and services which can be cheaply mass produced, small states often fail to develop a sustainable manufacturing sector. However, there are niche areas, even in the manufacturing sector, in which small states can compete, even with larger states, without resorting to cheap labour. This can be done by what is known as "vertical specialization." The case of Malta in the production of semiconductors is a case in point, where the company involved imports about 75% of the value chain from other countries and adds 25% mostly by employing highly educated workers (Briguglio, 2011).

. . . there are niche areas, even in the manufacturing sector, in which small states can compete, even with larger states, without resorting to cheap labour. This can be done by what is known as "vertical specialization."

Small states that depend on tourism may benefit by identifying niche agricultural and fishing products, as linkages to tourism establishments, which often require fresh food inputs. For example, again referring to Malta, where the tourist industry is relatively large, the fishing and agricultural industries sell a large proportion of their product to hotels and restaurants. There may even be a market for light manufactured products tied to the services sector, provided that this can compete in price and quality with imported manufactured products.

Creating linkages through clustering

A cluster is a concentration of interconnected businesses that can benefit horizontally through such linkages as sharing resources and innovation networks, as well as vertically by such linkages as joining a supply-chain and sharing outlets. The importance of business clusters in small states is that these can mitigate the disadvantages associated with limited ability of single enterprises to benefit from economies of scale.

Again, Singapore may provide a good example of the usefulness of industry clusters. As Yue (2005) argues, the country's industrial strategy is all about identifying industry clusters to be nurtured. One outcome of such a strategy is that Singapore has developed a leading electronics hub. The strategy was aimed at upgrading

capabilities across the value chain in each industry cluster, mainly by identifying gaps in existing industry clusters and formulating initiatives to close them, by, among other things, establishing the Cluster Development Fund and promoting joint ventures between MNCs and local enterprises.

Malta's development agency, "Malta Enterprise," offers a number of different incentives designed to support clustering and networking, ranging from cash grants to part-finance investments (Malta Enterprise, 2013).

Again, here, enterprises in small states may experience difficulties in creating business clusters. Wignaraja et al. (2004) argue that clustering requires a degree of sophistication, and therefore government support may be required in this regard.

Regional co-operation

Both Singapore and Malta belong to regional organizations, with Malta being a member of the European Union (EU) and Singapore a member of the Association of Southeast Asian Nations (ASEAN).

Membership in the EU involves deep economic integration, and this automatically encourages free trade in a relatively large single market of over 500 million persons. Malta's integration within the EU has ensured rapid improvements in economic governance and regulatory frameworks (Briguglio, 2011).

The degree of economic integration within the ASEAN is not as deep as that within the EU; however, Singapore still benefits considerably by regional co-operation within the ASEAN, mostly because the country enjoys the advantage of trading with fast-growing ASEAN major trading partners (Wong et al., 2010).

There are various successful attempts at regional co-operation among small states. An example in this regard is the Caribbean Export Development Agency (see Hall, 2004). Another is the Information and Communication Technology (ICT) Connectivity in the Pacific, linking Tonga, the Solomon Islands, Samoa, and the North Pacific (see Asian Development Bank, 2016).

According to the OECD (2007), regional co-operation is a convenient and pragmatic organizing principle by which to focus resources and build partnerships, reducing the production, transaction, and co-ordination costs and bringing the actors together.

As Wignaraja et al. (2004) argue, regional co-operation between small states can also lead to useful synergies such as foreign direct investment, sharing of institutional frameworks including financial institutions, and entrepreneurship training. Such regional clustering would also reduce duplication efforts by small states, and this would enable them to economize on overhead costs.

CONCLUDING REMARKS

This chapter has used two global indicators to show that economic resilience and economic competitiveness are related, even though the two indices are measured differently and intended to capture two different realties. The first measures the degree to which countries can cope with or withstand external economic shocks, and the second measures the degree to which a country can compete internationally. It was also shown that both indices are highly correlated with the stage of development of countries as measured by their GDP per capita.

The major implication for small states derived from these findings is that small states that adopt resilience-building and competitiveness policies are likely to attain a higher level of economic development than otherwise. This finding was corroborated by the fact that most economically successful small states, in terms of their stage of development, are those with relatively high resilience and competitiveness scores. These included Singapore, Luxembourg, Iceland, Malta, Estonia, Barbados, and Mauritius.

The chapter also presented two case studies of Malta and Singapore. These two states have adopted four major strategic directions which may, to an extent, explain their success, and which may serve as models for other small states. These are (a) putting in place strong regulatory frameworks; (b) identifying and supporting niche products and linkages; (c) promoting and creating production clusters; and (d) encouraging regional co-operation.

The most important implication of this study is that, for small states, resilience-building and competitiveness enhancement are of major importance. Given that both competitiveness and resilience are associated with economic, social, political, and environmental policy measures, it would be beneficial for small states to embed such measures in their national plans and strategies.

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Post house on Åland

4

Autonomy plus:

The policy challenges and opportunities faced by subnational (mainly island) jurisdictions

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ABSTRACT

The world contains large numbers of subnational jurisdictions, many of which enjoy or suffer a special status, one that is not necessarily shared by the other similar subnational members of the federative state. A particularly unique historical quirk, the existence of an aboriginal/First Nation community, a specific international treaty or similar "one-off" conditions may conspire to produce such circumstances.

However, governance and politics is a dialectic and iterative game. Federal politicians and bureaucracies will seek to expand their leverage and clout over subnational units; while these same units will seek to expand their existing powers to maintain

a fuller sense of autonomy and determination. There is one catch, however: full sovereignty or political independence is a red line that BOTH sides typically do not want to cross.

In this game of "autonomy plus," therefore, the two sides are likely to agree and support measures that help to secure the goals and ambitions of both parties. In other words, the policies enacted and implemented at the subnational level are more likely to meet central support (and therefore also funding and legislative support) if they are seen as "win-win" initiatives rather than merely concessions. A critical question then becomes: what policy measures, advanced by sub-state units, are likely to meet the blessings of the central state?

In the spirit of how the past may be a mirror of the future, this exploratory chapter reviews the suite of policy capacities deployed by SNIJs and suggests whether these remain "fit for purpose" for the challenges of the twenty-first century.

INTRODUCTION: FRACTURED SOVEREIGNTY

During 2017, Puerto Rico made history by declaring bankruptcy (Williams Walsh, 2017). The regional government of Catalonia announced and ran an independence referendum, which the Spanish Government promptly declared as illegal (Reuters, 2017). A similar independence referendum has been announced for 2018 in and by the Faeroe Islands, with the full acquiescence of Copenhagen (Posaner, 2017). Tax Justice USA has lambasted Bermuda, the Cayman Islands, the Isle of Man, and Mauritius for being the world's "best tax havens" (Tax Justice USA, 2017). Guam, an island that is administered by, but does not form part of, the United States, has been the target of bellicose rhetoric by North Korea (Cohen & McKirdy, 2017).

These are a few of the recent episodes that alert us to the fractured nature of sovereignty in the modern world. The emergence of the sovereign nation-state model has led to attempts to neatly territorialize the planet's land area, as well as much of the ocean, locking and binding resources and peoples under the legitimate rule of governments. Political maps of the world represent this clean-cut approach to the division of power, with the representation of sole and unambiguous powers exercising control over discrete and contiguous swathes of land, and adjoining waters (Wood & Fels, 1992). Such powers tend to recognize each other; in this way they can bolster each other's claims and credentials to authority and power (Elden, 2010; Sack, 1986; Taylor, 1994). Meanwhile, internally, the classic model of governance within the state conceives a series of uniform, nested tiers. The model is clean and elegant, and reaffirms the fundamental notion that states impose the same rules on all citizens and on all subnational jurisdictions at a given tier (Marks et al., 2014).

But such representation is actually more of an exercise in ideal type and wish fulfilment. It masks a variety of tensions and challenges to the exercise of power. These

include the stresses between different layers of government within the same country; the existence of secessionist movements; the travails of failed states; the messy goings-on at (and of) border crossings; the existence of stateless nations and *de facto* states vying for recognition and sovereignty; the real difficulty of governing a motley of national and ethnic groups, possibly spread over large distances; and contested territories claimed by more than one country (e.g., Bahcheli et al., 2004). Subnational governance has become multilevel and multivariate in a dynamic and unplanned way that breaks with the classic mould of neat and nested, mutually exclusive, uniform tiers. The bulk of the change over the past decades has been to create special authoritative arrangements for individual regions. This reflects the accommodation of minority nationalisms, the facilitation of a specific type of economic development in a favoured region, experimentation with jurisdictional design, and/or the preservation of a fragile or unique ecosystem (Marks et al., 2014).

SUBNATIONAL governance has become multilevel and multivariate in a dynamic and unplanned way that breaks with the classic mould of neat and nested, mutually exclusive, uniform tiers.

Responses to this complex situation have been at two levels. The first is international, where parties to disputes have either sought arbitration from credible third parties and "honest brokers" (Norway, Switzerland) (e.g., Sanders, 1999); or have resorted to international agencies — such as the United Nations, and the League of Nations before it — to achieve appropriate solutions to what appear to be intractable problems of demarcation (Born, 2015).

The second is domestic. Here, the state may consider supporting, condoning, or even itself pushing for federative arrangements which grant a modicum of power to one or more sub-state units. Federacy is seen as a solution to agitations for self-government, granting some autonomy to domestic units, while preserving the integrity of the state (Ghai, 2008). Here, we witness the tensions involved between self-rule — where decision-making capacity is notionally held by one player — and shared rule — where decision-making capacity is shared between at least two players, typically two tiers of government (Elazar, 1987; Krasner, 2005).

SHARED RULE VERSUS SELF-RULE: A GLOBAL REVIEW

We first must start by understanding what we mean by "self-rule." The notion of a sovereign state exercising absolute control in its own domestic field and on its resident population is fiction. Even powerful countries must tactfully assess the implications of their policies with respect to their citizens overseas or to non-nationals in their own country. International relations involve a careful assessment of the implications of politics. By virtue of signing on to international treaties and agreements,

countries lock themselves into obligations and commitments. "Pooled sovereignty" lies at the basis of initiatives such as the Association of Southeast Asian Nations (ASEAN), the European Union (EU), the North American Free Trade Agreement (NAFTA), or the Organisation of Eastern Caribbean States (OECS), with unanimity, simple and qualified majorities, and pre-agreed-upon appeal procedures determining decisions (e.g., Keohane, 2002). The concept of "governmentality" helps us to understand the reach that countries seek to develop to influence behaviour beyond their borders: encouraging the transfer of remittances from the diaspora, or advertising residency and citizenship programs for sale, for example (Baldacchino, 2012). The long and short of this acknowledgement is that sovereign states and subnational jurisdictions may not be as far apart as may be assumed *a priori*.

Second, in the tension between "shared rule" and "self-rule," the subordinate sub-state player would typically enjoy protective constitutional or some other legal status. This could be an administrative leftover from a previous arrangement (such as autonomous administration under colonial rule); the outcome of an international treaty (which could also specify rights and obligations); the lingering recognition of a distinct cultural and ethnic minority; or it could be an initiative of the central government itself, in which case, the motivation may have come from the central administration willingly (having sensed some strategic advantage to be secured in carving out a distinct jurisdictional status) or begrudgingly (having caved in or succumbed to pressure to offer autonomy in the face of strong, widespread, and sustained opposition, public unrest, or even violent conflict).

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There are some 500 subnational jurisdictions (SNJs) in the world today. These include some 120 islands, or SNJs that are on islands (Baldacchino, 2010, pp. 203-214). The bulk of these units consists of the constituent parts of federative (and typically large) states. Federations include Canada, India, Russia, Indonesia, Brazil, and Germany — all countries with large populations and/or large land areas.

In most federacies, however, the relationship with the central government is more nuanced; asymmetry abounds and corresponds to the "shared rule versus self-rule" dynamic described above. Indeed, it is common to find countries that have both federative and federacy structures in place, fielding dependencies, asymmetries, and autonomies under the mantle of the same central government. Thus, the United States has 50 states (which largely comprise a federative structure), but also 16 territories (of which five are inhabited) where the relationship with Washington, DC, is more fluid and contested. Puerto Rico and Guam are two such US territories.

Canada has 10 provinces but also three territories, and various First Nations

communities whose policy-influencing capacity cuts across all levels of government. Within this arrangement, there is "considerable scope for asymmetry," particularly in the operation of federal-provincial agreements, programs, and policies. Such asymmetry seems to have been easily accommodated, when approached pragmatically and in small cautious steps in case-by-case circumstances. The assurances of "continuous communication with the mainland" given to Prince Edward Island when it joined Canada in 1873 are a case in point. However, when demands for asymmetry are approached at the level of principle and/or the differences become extensive and deeply symbolic, asymmetry invariably becomes a delicate matter to propose and resolve, challenging Canadians' sense of "national political community on the one hand, and their fundamental notion of equality or inequality among provinces on the other" (Milne, 2005, *passim*).

The Russian Federation comprises 85 federal subjects, or divisions, namely: 47 oblasts (provinces); 21 republics (states) which enjoy a high degree of autonomy on most issues and which correspond to some of Russia's numerous ethnic minorities; eight krais (territories); six okrugs (autonomous districts); two federal cities (Moscow and St. Petersburg); and the Jewish autonomous oblast. Even though bilateral bargaining has been described as a dangerous institutional choice, contributing to federal instability and potentially threatening the disintegration of Russia, bilateral treaties, unique for each region, have been signed between regions and the central state (Filippov & Shvetsova, 1999).

China has 23 provinces, five autonomous regions, four mega-city municipalities (Beijing, Shanghai, Tianjin, and Chongqing); and two special administrative regions (Hong Kong and Macau), the latter two justifying a "one country, two systems" approach (Leung, 2016). Other than Taiwan, Hainan is China's only other, fully island province. Between 1980 and 1984, China also established special economic zones (SEZs) in Shantou, Shenzhen, and Zhuhai in Guangdong Province and in Xiamen in Fujian Province; it also designated the entire island province of Hainan as a special economic zone: the only such island designated as a policy enclave in this way.

The world's six lingering European colonial and postcolonial powers — Denmark, France, the Netherlands, Portugal, Spain, and the United Kingdom — all have federacy arrangements. Denmark is amicably steering both Greenland and Faeroes towards self-determination, doing so in a gradual and consensual manner (Ackrén, 2006; Grydehøj, 2016). The Netherlands has "resolved" its Antillean problem by embracing three islands (Aruba, Curaçao, Bonaire) as special municipalities of Holland, while the remaining two-and-a-half islands (Saba, St. Eustatius, Sint Maarten) have a separate status, making them quasi-autonomous (Wathey, 2015). France, a unitary state, has territories in every ocean of the planet (Aldrich & Connell, 1992). Some have been departments of France and effectively decolonized and incorporated into the country since 1946; the latest, Mayotte, has been since 2011. Others are still

considered overseas territories and Paris, jealous of its global reach, would be loath to allow any of them to secede: although an "independence referendum" is due in November 2018 in New Caledonia (Chappell, 2013; Conklin et al., 2014). Spain is the youngest democracy of this set — since 1975 — and this might explain its overall reticence towards allowing any degree of constitutional autonomy to its component parts. But its sub-units do not necessarily agree with this stance: the Basque country was the focus of anti-central state terrorism for many years; and Barcelona has taunted "pseudo-federal" Madrid with its own self-declared referendum on independence (Fuentes, 2016). Portugal's two archipelagos, the Azores and Madeira, are both autonomous regions (Bartmann, 1996). Finally, the UK maintains 14 overseas territories (UKOTs) which are internally self-governing, and of which all but one are islands or on islands (Dodds, 2002; Winchester, 2009). Some of the sub-state components of France, along with the Canaries (Spain) and Azores and Madeira (Portugal), are considered "outermost regions" of the European Union. Meanwhile, Greenland and Faeroes (Denmark), as well as the UKOTs and other territories of France and the Netherlands, are not part of the EU but are considered "overseas countries and territories" with their own special relationship with the European Union (Adler-Nissen & Gad, 2013). Note also that practically all these territories, except French Guiana, Gibraltar, and the continental regions of Spain, are islands.

IN A FEDERACY, one still comes across a political arrangement whereby a large unit is linked to a smaller unit(s); and while the smaller unit may have only a minimal role, if at all, in the government of the larger one, the smaller unit can still retain considerable autonomy.

In a federacy, one still comes across a political arrangement whereby a large unit is linked to a smaller unit(s); and while the smaller unit may have only a minimal role, if at all, in the government of the larger one, the smaller unit can still retain considerable autonomy. It is on the nature of the policy fields that lie at the basis of this relationship that this chapter will focus.

THE ISLAND EFFECT

The disposition towards both federative and federacy arrangements is enhanced by the geographical delineation and remoteness that typically concerns islands. Distance from the metropole, the distinct geographically contoured space, and the sense of island identity that this combination of form and distance engenders, make islands premier candidates for jurisdictional design and a specific development trajectory and destiny. This is partly the reason why there are 46 island and archipelagic states in the world — embracing almost a quarter of the world's total number of states — even though they only include just over 10% of the world's population.

Hence, islands are disproportionately represented in the family of jurisdictions. In some cases, small island states are themselves federations (Veenendaal, 2015). The most notable example is the Federated States of Micronesia: a microstate with a population of around 120,000, but nevertheless organized as four constituent states; while the Comoros adopted the federative route also to (seek to) quell secessionists within the archipelago (Anckar, 2003), it still lost Mayotte to France. When located at the edges of territorial realms, islands can also be platforms for the projection of central power and reach. Here, and unlike demands for self-determination, the thrust is reversed: designs for special arrangements for islands are likely to be pushed from the centre and may meet either resistance or encouragement from the island population itself. Consider the transformation of the "Peace Island" of Jeju into a naval military base by South Korea (Lee, 2013; Yeo, 2013); the continued militarization of Okinawa, Japan (Davis, 2017) and of the Falklands/Malvinas; the latter continues to be claimed by Argentina (Calvert, 2016).

POLICY CAPACITIES

Subnational units have been categorized in their relationship to central powers. A dependency describes a region that is fully incorporated and subject to direct "top-down" rule from the centre. Here, local government is typically the conduit for the enactment of central (and not local, autonomous) decisions and the distribution of funding. The bilateral relationship is hierarchical, and not negotiable. Galápagos (since 2009), Gozo, Irian Jaya/West Papua, Jeju, and Socotra are examples. An asymmetry conventionally describes a federal system in which one (or more) of the sub-state components exercises some additional powers, typically not shared by other constitutive units of the same state. Here, local government operates in a triadic situation, one involving both bilateral (local-central) and multilateral (peer-to-peer) relations within the country. It flexes this additional clout often with the connivance of the central state which seeks to extract its own mileage and positional advantage from this exceptional status (and to the envy of other state sub-units that lack such additional powers; these may resist the empowerment of one of their number or they may seek to imitate it). Quebec, Catalonia, Flanders, and Gotland are apt examples. The central state may fear competitive regional mobilization for greater self-rule. An autonomy describes a region that exercises significant self-rule, usually as a function of a minority nationalist identity and demands, and engages in almost exclusive bilateral relations with the central state, with no room for comparison with other sub-state units (if and where they exist). Here, the local government may experience a turbulent and bumpy relationship with the central state, now accommodating, now resisting, now taunting, scapegoating, or blackmailing. Åland, Papua, Aceh, Azores, Faeroes, Nunavut, and Tobago each have particular relationships with the central

Red houses on the Faeroe Islands

state, producing unique, *sui generis*, idiosyncratic arrangements (Marks et al., 2014; Stepan, 1999; Watts, 1998, 2015).

A key policy challenge would be for dependencies in federations to "graduate" and become asymmetries; for asymmetries to become autonomies; and for autonomies to consider an expansion of their powers (and, rarely nowadays, outright independence). In contrast, and if unhappy with the exceptionality of the sub-state player — fiscal profligacy, corruption, discrimination, and physical violence are some of the triggers — the central government may seek to rein in the special (but, in its eyes, irksome) status of the sub-state unit, seeking opportunities to demote autonomies to asymmetries; and transforming asymmetries into dependencies.

Evidence suggests that the central state's resistance to autonomy tends to be far less intense than resistance to asymmetry: in a review of the fate of 201 autonomous regions over a 60-year period (1950–2010), 46 regions have gained autonomous status; whereas just 8 have lost it; losing autonomy may be a result of securing independence, as in the case of Singapore and Tuvalu (Marks et al., 2014; McIntyre, 2012). In sharp contrast, only 4 regions gained asymmetric status in the same period; while 93 lost it (these being mainly within Russia, and part of the moves towards stronger central state control implemented by Putin once in power). A recent case in point concerns Norfolk Island, Australia, which lost its self-government in 2016 following legal reform (Phillips, 2016).

The hierarchical differentiation of these three types of sub-state status is captured in Figure 4.1 (adapted from Marks et al., 2014, p. 20).

FIGURE 4.1 : **Types of differentiation of sub-state units**

	How does the region stand in relation to the central state?	*How does the region stand in relation to other regions in the same state?*	*What is the character of rule in the region?*	*Examples*
Dependency	Unilateral: region receives central state direction	Excluded from any regional standard	Central rule	Isla de la Juventud (Cuba), Labuan (Malaysia), Yukon to 1979, Anticosti (Canada)
Asymmetry	Multilateral: region relates to central state as part of a standard tier	Deviation from a standard: policy-wide frame with differentiation of governance for sub-sets of regions	Some self-rule and some shared rule	Catalonia (Spain), Quebec (Canada), Flanders (Belgium)
Autonomy	Bilateral: region relates to central state directly	Anomaly without a standard: unrelated to a regional tier	More self-rule, less shared rule	Aceh (Indonesia), Greenland (Denmark), Jeju (Korea), Nunavut (Canada), Scotland (UK)

The policy fields over which subnational units may wish to exercise full control, or wrest such control from the central government, are various. Srebrnik (2017) has compiled what he calls a "sovereignty index" that breaks down these capacities into specific policy fields, organized as constitutionally entrenched, legislative, and executive powers (see Figure 4.2). The reference to "control" in the table is, of course, subject to further examination and its operation on the ground may change from one jurisdiction to another.

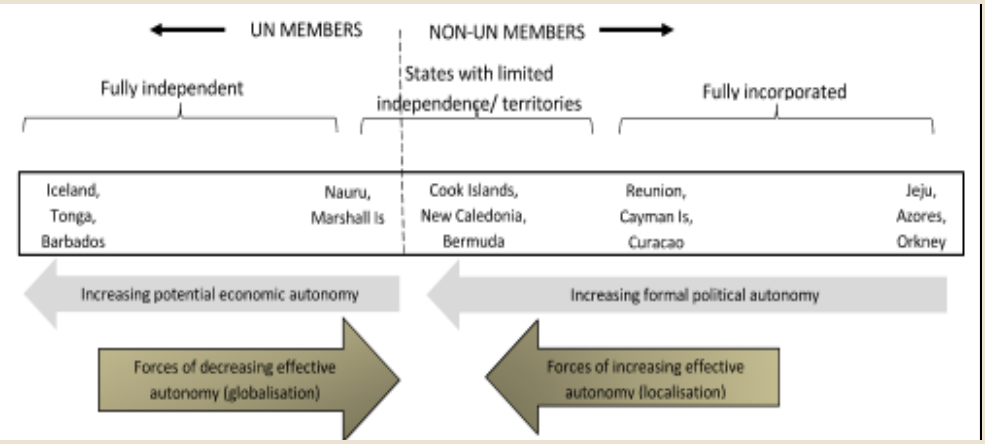
FIGURE 4.2: **Sovereignty index: degree of constitutionally entrenched jurisdictional autonomy**

- **Legislative powers**
- **Judicial powers and control over legal system (civil and/or criminal)**
- **Executive powers**
  - separate electoral system and political parties
  - control over customs, duties, taxation and other banking services and fiscal resources
  - control over the currency
  - control of international trade
  - control of the environment (landscaping, upkeep, waste management)
  - control over the proceeds of natural resources (including offshore resources)
  - control over citizenship, immigration, and rights of residency
  - control over land ownership and use
  - control over aviation, communications, postal services, and transportation
  - control over defence, foreign affairs, and security
  - relations with other jurisdictions (including international representation)
  - control over culture and language
  - control over education and institutions of higher learning
  - sense of national identity and shared history
  - degree of influence and representation in central institutions of decision-making units and bodies of governance in larger entities (such as a federation)

Source: Adapted from Srebrnik (2017, personal communication)

How can one approach such a listing with a more analytic and critical bent? One way is to categorize or group these policies, as attempted by Baldacchino (2006; 2010, pp. 76-83). Kerr (2005, p. 504, Figure 1) suggested that "it is perhaps useful to consider a continuum": in his case, the continuum dealt with actual island units, from Lindisfarne (no autonomy) to New Zealand (full sovereignty), rather than the actual policy capabilities wielded by those jurisdictions. Bertram and Poirine (forthcoming 2018, Figure 1, reproduced here as Figure 4.3) resort to Kerr's figure and stick to jurisdictional examples along its spectrum, in their case adding to highlight that, towards the centre of the diagram, there is a group of "states with limited independence" as well as non-sovereign "territories with state-like autonomy" which share many characteristics that span what is, policy-wise, not such a sharp dividing line (as argued above). Thus, one could add, there are examples of "sovereignty minus" — Marshalls, Nauru, Palau — that approach the capacities of jurisdictions that are "autonomy plus" (Cooks, Bermuda, Niue, New Caledonia).

FIGURE 4.3: **Continuum from dependency to sovereignty**



One can and should go farther than this. Sticking to the idea of a continuum, the suite of policy options can also be grouped in some kind of hierarchy, scale, or gradation, suggesting that some are easier, or more likely, to devolve from central government; while others, much less so. Here, I follow the lead of Watts (2015), who, however, focuses on the constitutional and legal clout and powers of states and territories, rather than on what those powers are used for. One can, therefore, expand and deepen Srebrnik's listing with a suggested gradation of these executive powers.

SOFT POWERS

I would argue that a number of these competences are relatively "soft," more easily conceded by central governments; and more easily, safely, and effectively administered by local autonomous units. They hardly threaten the authority of the central state; and they offer a workable accommodation that (largely) avoids secessionism and separatism.

SOFT POLICIES WOULD INCLUDE:

– control over land ownership and use
– control over culture and language
– control over education and institutions of higher learning
– control of the environment (landscaping, upkeep, waste management)
– separate electoral system and political parties

On small islands, identifiable minority groups can be easily overwhelmed demographically via immigration. Hence, **title to land** would be important in order to maintain control over the dynamics of population growth and cultural pluralism. Central governments would tolerate the implementation of stringent criteria governing who can become a resident of a sub-

national unit. Such criteria are typically asymmetrical: they would not apply, *mutatis mutandis*, to the rights of citizens in the home country. Thus, the citizens of the UK overseas territories can all apply for residency in the UK, but for a UK resident to secure residency in an overseas territory like Bermuda, let alone purchase property, strict conditions apply. Guernsey and Jersey operate distinct property markets for expatriate residents. A more nuanced version of this "soft policy" is the property price tag and property tax differential charged between residents and non-residents, or even the limits in the amount of land that could be owned by non-residents. Prince Edward Island charges non-residents double the property tax it charges residents; while in Guernsey, Jersey, and Bermuda, there is a specific housing market for non-residents.

Language is another important marker of identity and the communities of sub-national units will be keen to preserve this marker, especially when faced by the threat of many co-nationals who speak a different language. **Schools and educational institutions** are carriers of culture and language policy: many sub-state units will have provisions for teaching their children in the local (but also the metropolitan) language. Thus, residents of Åland must, by law, be Swedish speakers; "the island" of Quebec in Canada upholds French as the official language in the province and operates its own immigration policy such that Francophones are favourably discriminated; and, for 30 years, public schools in Spain's Catalonia region have taught most subjects in Catalan, not the national Castilian Spanish language (Ortiz, 2014).

Environmental management is a policy capacity that is often devolved, granted even to municipal government. Sub-state governments may be tasked to protect and enhance particular ecosystems and ensure a harmonious co-existence between people and their biota. Ninety-seven per cent of the land area of the Galápagos Islands is a national park and a UNESCO World Heritage Site. Socotra is a special conservation area of Yemen, and has its own governorate since 2013; while the municipality of the Lofoten islands has (so far) been declared a petroleum-exploration-free zone of Norway (though this may change soon) (Dutton, 2016).

The existence of a **separate electoral system** may be necessary to elect the members of the local house of assembly or local government. In various cases, the parties involved in contesting for such seats bear no resemblance to those involved in national elections, affirming the disposition towards a minority national identity (Hepburn and Baldacchino, 2013).

The other powers help to establish control over policy fields that are often also entrusted to local and municipal governments.

HARD POWERS

Other policy competences should be considered "hard" competences because they are more likely to irk central governments, may have serious implications on fiscal transfers to the central state, or to invite their resistance or hostility to such moves if contemplated or initiated from the sub-state unit and contrary to the grand plans of the centre. On the other hand, should other sub-state members of the state already enjoy such privileges (and responsibilities), then the other sub-state units desirous of a "status upgrade" may lobby effectively to get the state to at least consider extending these (already existing and presumably well-working) policy capacities to additional and deserving subnational units.

Recent history has seen the advancement of sub-state units as **offshore finance centres** (with mixed results) as an expression of this "win-win" condition. All the more so when the sub-state unit is a subnational island jurisdiction, where the geographical boundedness and isolation help to ring-fence and corral any initiative involving the offer of banking services. This ensures the lack of spillover, while still maintaining purview and oversight. In fact, in a listing of offshore financial centres, 28 out of 43 identified locales are on islands (Roberts, 1994, p. 93).

HARD POLICY COMPETENCES WOULD INCLUDE:

- control over citizenship, immigration, and rights of residency
- control over customs, duties, taxation, and other banking services and fiscal resources
- control over the proceeds from natural resources (including offshore resources)
- control over the currency
- control of international trade
- control of offshore resources
- control over aviation, communications, postal services, and transportation
- control over defence, foreign affairs, and security
- relations with other jurisdictions (including international representation)

While fiscal policy can be a "shared" competence, **monetary policy** is usually not. Subnational units do not have the equivalence of central banks and no influence on currency controls. Nor do subnational units usually have powers over the terms of international trade.

Nevertheless, the notion of a **free port and export processing zone** (EPZ) has been practised in various island units of larger states. The first such zone came into being in 1937 at Stapleton, Staten Island, New York (Palan, 2003, p. 119). The model was then perfected with respect to another, larger island, Puerto Rico, and from there on to the setting up of Taiwan's first EPZ (suggestively, on an artificial island in Kaohsiung harbour) and then in Indonesia (on Batam Island, just off Singapore)

(Palan, 2003, p. 122). Hong Kong and Macau are two such "free ports": they pursue a free trade policy and maintain no barriers on trade, with no tariff charged on the import or export of goods. Other free ports in China include Shanghai, Guangzhou, Shenzhen, Tianjin, Xiamen, and Zhuhai: cities that have benefitted from a readiness by the Chinese central government to have a desire to extend the Hong Kong and Macau "best practice" inland to other strategic locations.

No effective trade or tourism policy can be brought to fruition without a sound **transportation policy**. Åland is jealous of its ownership of two of the large passenger ferry companies that ply the busy Stockholm-Mariehamn-Turku route in the Baltic, so popular with shoppers because it operates a duty-free service (Baum, 1996). Strong lobbying was successful in improving the terms with which travellers could travel between Mauritius and its subnational island jurisdiction of Rodrigues (Wergin, 2012). The sub-state unit will canvas aggressively for the financing by the central state of the infrastructure required for a suitable airport, sea port, cruise ship terminal, or a fixed link such as a causeway or bridge (as well as, preferably, of their maintenance). It will also seek to improve the terms at which this critical communication lifeline to the mainland is operated, particularly the cost, frequency, and choice over means of travel. Sub-state residents may benefit from "public service obligations" that protect such services from the vagaries of market forces; they may also benefit from specific subsidies.

. . . WHILE THE ABILITY to entertain relations with other states is often assumed to be a core function of sovereignty, exceptions abound. Where non-independent actors are involved, this behaviour is usually referred to as paradiplomacy.

Hand in hand with international trade goes **international representation**. After all, much of the purpose of ongoing (peacetime) diplomacy is the facilitation and encouragement of bilateral trade flows. And, while the ability to entertain relations with other states is often assumed to be a core function of sovereignty, exceptions abound. Where non-independent actors are involved, this behaviour is usually referred to as paradiplomacy (Aldecoa & Keating, 1999; Kuznetsov, 2014). Montserrat is a full member of the Organisation of Eastern Caribbean States (and with the British Virgin Islands, Anguilla, and Martinique as associate members); since 2006, Quebec has its own representation to UNESCO and La Francophonie; since 2005, the Faeroe Islands have official representation in Danish embassies in London, Reykjavík, and Copenhagen; while nine countries — France, Germany, Iceland, Italy, Netherlands, Norway, Sweden, and the United Kingdom — maintain consulates in Tórshavn, the Faeroese capital. Greenland maintains representative offices in Brussels and Copenhagen; and there are nine consulates in Nuuk, its capital. While explicitly excluded from undertaking international representation by virtue of the 1920 Autonomy Act, the Åland Islands maintain representation in Stockholm,

Helsinki, and Brussels, and there is an Åland representative presence in the Finnish delegation in Brussels.

With the coming into force of the United Nations "Law of the Sea" in 1994, countries have been able to stake claims to considerable swathes of ocean, swelling their "exclusive economic zone" in which mining and fishing are legitimate rights. The control over such vast oceanic spaces and their **offshore resources** — oil, gas, other minerals, fish — can be the focus of aggressive bilateral domestic negotiation. For example, Newfoundland and Labrador had a tense confrontation with the central Canadian government in 2004 over how to distribute profits from oil and gas deposits located in provincial waters (Baldacchino, 2009).

Finally, powers over **defence and security** are typically managed by the central state; unless, as in the cases of Åland and Svalbard, the territories are demilitarized by virtue of international treaties. These can be expensive expressions of sovereignty, so the sub-state unit is readily disposed to allow its central state to pick up this task, and its expenses. No confrontation is likely here. Indeed, in moments of natural calamity and civil unrest, it could be the sub-state unit itself which asks for the intervention of the centre to support recovery efforts with emergency funds, supplies, and personnel. This has, indeed, happened: in the summer of 2017, in the wake of the disasters wrought by Hurricanes Irma and Maria in the Caribbean, the British Virgin Islands, the US Virgin Islands, Sint Maarten/St. Martin, and St. Barthélemy all received quick pledges of material, human, and financial aid from their respective metropolitan powers: the UK, US, Netherlands, and France (e.g., Davidson, 2017).

DISCUSSION

The movement from dependency to asymmetry to autonomy can be interpreted as a movement towards greater self-rule (though never absolute in a globalized and interconnected world) versus shared rule (or no rule at all). The policy fields over which such expressions of "autonomy plus" are requested and claimed by the sub-state unit tend to deal with the "hard" components of the list. The success or otherwise in securing such claims will depend on a complex array of vectors; but these will include the political leverage that the sub-state unit commands in the corridors of the central power; the support it enjoys among both the general and local population; the willingness by the central state to risk a showdown (that may compromise public safety and lead to civil disobedience and strife); as well as the strategic opportunities that the central state sees in condoning the sub-state upgrade. It is the last of these options, and the opportunities it opens up for "win-win" solutions, that is the most likely to fuel a deepening of autonomy arrangements.

As suggested earlier, "autonomy plus" becomes more strategically feasible when the desirous outcome is already available for all to see, in the guide of a fellow

sub-state unit within the same polity. In such situations, all players can better determine the chances of success of the exercise and determine the risks involved in extending the experiment in jurisdictional autonomy.

Should that be the case, the march forward is best undertaken along not one, but various, policy fronts. In spite of dealing with a relatively young, strongly centralized, and increasingly nationalist state, Åland, for example — which maintains exclusive powers over the fields of education, health, culture, industry and policing and elects a single representative to the Finnish Parliament — has, over time, carved out some additional policy competences which might appear "banal" but are powerfully suggestive of its autonomy from Finland: its own postal and philatelic service, its own motor vehicle number plates, and its own top-level Internet domain name (.ax) (Hepburn, 2014).

. . . "autonomy plus" becomes more strategically feasible when the desirous outcome is already available for all to see, in the guide of a fellow sub-state unit within the same polity.

Any movements towards free port status depend on establishing oneself as a trade and logistics hub. This, in turn, is much facilitated by paradiplomatic efforts and a stronger presence, reach, and clout overseas, as well as by suitable investments and incentives for specialist human resource development at home. Securing a free port status for an island province like Hainan in China is more likely to succeed if Hainan also reaches out and establishes its own trade relationships with suitable partners, while showing that it would have the human capacity and competencies to ably manage such a development.

CONCLUSION

This chapter is part of a growing literature that looks at the diminishing policy capacity gap between subnational jurisdictions and sovereign states. Autonomy arrangements have created a class of "autonomy plus" jurisdictions, at the same time that globalization, multilateralism, and "pooled sovereignty" have eaten away at the presumed absolutist power of sovereign states. The space for such "experimentation" has grown, and the best candidates for grasping the opportunities thus presented are typically small and island units.

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Much of Newfoundland and Labrador's population remains rural, dependent on natural resource industries, particularly the fishery

5

Managing the impacts of openness on island economies

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ABSTRACT

Small-island and remote jurisdictions are wrestling with the demands of sub-jurisdictional local and regional economic planning and development to build competitive advantage, foster cluster development, enhance human capital, and tailor key infrastructure. Simultaneously, they need to navigate national and international market conditions, political frameworks, and the diverse strategies of multinational corporations. Economic development strategies and concomitant governance structures need to combine this "looking in/looking out" capacity. At the same time, jurisdictions can often utilize their marginal status within larger jurisdictions to stretch their autonomy and jurisdictional capacity to foster economic development. Key capacities within jurisdictions can also be managed to maximize development opportunities. These include decentralization of fiscal and human resources, allocation of legal authority, fostering democratic accountability and legitimacy, matching sub-jurisdictional

mandates with appropriate geographic scale, and creating the conditions for sufficient time for strategies to have impact.

With a traditionally natural-resource-dependent economy, the Canadian province of Newfoundland and Labrador (NL) has always been exposed to global commodity prices, externally controlled corporations, and imperial and national government decision-making — making for a good case study in creating "looking in/looking out" capacity and exploiting their jurisdictional resources effectively. Efforts to decentralize decision-making, coordinate federal-provincial regulation of natural resources, and the role of the university demonstrate key mechanisms for NL — and other island and remote jurisdictions — to effectively manage their governance capacity.

INTRODUCTION

Form should follow function. This applies to design and architecture, but it also applies to local and regional development. What you are trying to achieve should determine how you organize yourself to achieve it. Strategies are what we develop to guide where we need to go and the steps we will take to get there. Organizational structures — those of private-sector firms, community-based organizations, or government agencies — should be designed to achieve our strategies.

All too often, however, we assume structures are already in place and we need to accept the advantages and limitations of what is already there. And sometimes we do. But, more often, existing structures offer room to manoeuvre. Or we need to build the adaptation of our structures into our development strategies. Organizations — private, community and public — are human constructs, and we should not assume they are immutable. There are politics to consider, and power, and history, but change does happen. Better to try to nudge it, or shape it, deliberately where we can, to achieve our objectives.

For local and regional development, linking strategies and structures requires an awareness of how national and international forces — opportunities and threats — impact plans and actions. Economic development requires exports, of goods or services, to bring new wealth into the region (unless outside governments or agencies are willing to transfer sufficient wealth to sustain the quality of life in the region). But no matter how generous the society, or how wealthy, relying on such transfers is a risky strategy, and if all regions attempt it, it clearly is not sustainable.

This chapter outlines an understanding of which strategies offer the potential of supporting exports from a locality or region, and how organizational structures can be adapted or designed to support these strategies. In both strategy and structure, connecting the local and regional with the national and international is explicitly considered. Island jurisdictions present additional opportunities and constraints in this regard. The range of actual permutations and combinations in a particular place

at a particular time are virtually limitless, but by discerning underlying tendencies or forces — theory — to inform an understanding of what to look for, a conceptual toolkit emerges. Theory, in this context at least, is an explanation of causation, and actors in a particular place at a particular time can apply these lessons to inform their actions to develop and implement regional and island development strategies and to adapt or shape appropriate organizational structures.

Finally, local and regional development leaders — in island jurisdictions and elsewhere — can inform their actions by considering how other jurisdictions have approached these issues. You cannot transfer models from one place to another, but you can apply lessons. Comparative research is about deriving lessons — or theory — from one location and considering how they can relate to place-specific factors (geography, existing strategies and structures, culture, etc.) in another.

This chapter draws from several examples of how structures in the Canadian province of Newfoundland and Labrador (NL) have been developed or adapted to advance strategies, as well as one case where structures have failed to evolve. The Regulation School of Political Economy highlighted how globalization and new technologies and approaches to production had changed the way wealth was created — what they called the Regime of Accumulation (Aglietta, 1979; Lipietz, 1987). The Regime that had developed based on the industrial revolution and the rise of mass production had gradually been matched by supportive institutions, rules, and processes — what has been called the Mode of Regulation. Now, there needs to be a new set of institutions and supports, adapted to the new Regime of Accumulation. Structures (and associated laws and processes) need to match strategies for development. NL provides some instructive lessons on successful adaptation and design, as well as some where adaptation is not happening. Useful lessons can be derived from both.

NEWFOUNDLAND AND Labrador provides some instructive lessons on successful adaptation and design, as well as some where adaptation is not happening. Useful lessons can be derived from both.

STRATEGIES FOR LOCAL AND REGIONAL DEVELOPMENT

Subnational jurisdictions — provinces, states, counties, municipalities, etc. — all must operate within the national and international conditions and constraints they face. They seldom, if ever, have power over monetary policy or trade rules, not to mention such areas as defense and immigration, and all these can have significant impacts on local and regional development. Often, national governments have development policies and programs designed to assist subnational jurisdictions in playing a role in economic development. Unfortunately, these often fail to provide adequate

flexibility for regions with varying capacities and priorities to shape them to their needs. But good national approaches do exist and are designed to respond to the reality that one size does not fit all.

The literature on small island states and territories highlights how these jurisdictions can often utilize their marginal status within larger jurisdictions, to stretch their autonomy and ability to utilize jurisdictional capacity to foster economic development (Bertram, 2006). Baldacchino has detailed five capacities of this creative political economy (2006). These include powers over finance (mainly banking, insurance, and taxation), environmental policy (particularly natural resources), access (particularly in relation to air and sea transportation), the free movement of persons, and paradiplomacy (such as setting up offices to represent the region in other countries or with supranational organizations).

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These strategies exemplify the creative use of jurisdictional capacities that are negotiated with the larger jurisdiction, or exercised without the larger jurisdiction's blessing. More often, in the Canadian context, strategies are implemented as part of national programs or supports delivered directly in the smaller region, or through negotiated co-managed programs (Greenwood, 2010).

Some approaches in Canada are suited to cost-sharing by differing levels of government, such as infrastructure. Cost-sharing arrangements can be advanced for basic municipal infrastructure — water and sewer, roads, electrical transmission, Internet access — as well as key transportation supports such as seaports and airports. Investments in infrastructure linked to public services provide additional key supports for viable regions: schools, colleges and universities, hospitals and other health care facilities, even penitentiaries, constitute key infrastructure. These all generate employment in construction and staffing for service provision and maintenance. Where funding is provided by national governments or supranational bodies for service provision and ongoing maintenance, these represent significant infusions of funds to communities and regions.

The presence of schools, colleges, and universities also represents what is perhaps the most important requirement for development: people with skills and training to work in private, public, and community-based enterprises. The greater this human capacity, the more likely development takes off. Entrepreneurship and enterprise creation, quality public services, and dynamic civic organizations enable innovation and resilience (Alexander, 1983; Lyons & Reimer, 2009). Richard Florida suggested that highly skilled professionals, artists, and other members of the "creative class" are the key driver of the economy. He and others who adopt his approach

suggest that cities which have the quality of life and tolerance for diversity these workers seek will be magnets for in-migration, innovation and economic development (Florida, 2002; 2005; 2008). Florida's work has been critiqued by many studies indicating that having jobs demanding workers is still the key factor in motivating in-migration of skilled workers, although amenities and quality of life no doubt play an important role (Storper & Manville, 2006).

Attracting external investment and developing local strategies need to be linked (See Figure 5.1) through the physical and human capital in a region. Many sub-national jurisdictions offer tax incentives, grants, and subsidies to attract existing firms to relocate to their area, or to start up operations there (Greenwood, 1998; Savoie, 1992). Many scholars are skeptical of this approach, described as "smokestack chasing," yet most jurisdictions participate in it. A whole profession of site selectors has emerged from this activity, and communities and regions create community profiles on their websites to entice firms to consider their area (Douglas, 2003; Polèse et al., 2002).

Supports for entrepreneurship and new firm creation can complement or compete with inward investment. Programs exist to help children in schools get exposure to creating their own businesses, colleges and universities support entrepreneurship education, and new firm incubators and accelerators provide infrastructure, funding,

FIGURE 5.1: **Linking regional strategies with external opportunities**

Source: Task Force, 1994, p. 102

and mentoring for start-ups. Other programs provide funding assistance for new and existing firms; and programs such as Business Retention and Expansion involve economic development staff or volunteers visiting existing firms to identify ways by which local development organizations can assist with infrastructure, transportation, human resources, or other requirements. In the process, a database is created to identify issues and requirements encountered by numerous firms, so that the appropriate agencies can be engaged to attempt to address them (Greenwood, 2010).

THE "QUADRUPLE HELIX" has been coined as a useful analogy for the interactions required in a region to maximize innovation . . . ongoing interaction of the four elements in the helix within a region: businesses, post-secondary institutions, governments, and community organizations.

In the face of global competition and constantly changing technologies, innovation has become a central focus at all levels of development planning. While national governments focus on investments in fundamental science as well as applied research and technology adaptation, most scholars now recognize that innovation requires on-the-ground interactions between firms in a region, where frequent interaction between buyers and suppliers generates demands for new products and processes. This user-producer interaction occurs up and down the supply chain, and outsourcing globally creates opportunities for regions while also producing incentives for clusters of certain activities in various regions. These clusters can be high-technology innovation clusters, as typified by Silicon Valley, or they can focus on innovation in aspects of the production process, which recent work claims is the competitive advantage of Chinese regions (Breznitz & Murphree, 2011; Wolfe & Gertler, 2016).

The "quadruple helix" has been coined as a useful analogy for the interactions required in a region to maximize innovation. Like the helix in DNA, this emphasizes that innovation is not the product of some linear process flowing from discoveries in the lab, through product development and then commercialization, but rather involves ongoing interaction of the four elements in the helix within a region: businesses, post-secondary institutions, governments, and community organizations. Local and regional organizations such as industry associations, development agencies of governments, and university outreach organizations can play a broker or facilitator role in these interactions (Cooke & Morgan, 1998; Leydesdorff, 2012).

A simple framework to inform what a developed economy looks like is to consider them through their industrial and sectoral linkages. Developed by the Canadian Staples School of political economy, this approach was adapted by Albert O. Hirschman, who won a Nobel Prize in his application of the concept to developing countries. As originally conceived by Harold Innis, the Staples Thesis suggests that

economies based on natural resource extraction need to capture backward and forward linkages if they are to escape the "Staples Trap." Staples consist of such relatively unprocessed natural resources as fish, lumber, and minerals. Backward linkages consist of the production of goods and services used in the extraction of the staple, such as building the boats and designing the gear for the fishing industry. Forward linkages are value-added products produced with the raw material, such as producing microwave-ready fish products for the retail market. The more backward and forward linkages captured, the more jobs in the economy and the more taxes governments can extract, and then reinvest in better infrastructure, training, and the like. It becomes a virtuous circle, as compared to the vicious circle of the Staples Trap, where no linkages are captured, limiting the ability to invest to create regional competitive advantage (Watkins, 1989).

Michael Porter's concept of upstream and downstream linkages is essentially the same concept, although it extends beyond the focus on natural resources. Upstream and downstream linkages highlight the significance of the supply chain and opportunities for buyers and suppliers to cluster where proximity contributes to competitiveness (Porter, 2000). The European Union concept of Smart Specialization is one of the latest articulations of development strategy focusing on regional specialization, innovation, and linkages between and among firms (Hall et al., 2014).

The John Cabot monument near Bonavista, NL

The focus on clusters, and the broader regional innovation literature, is consistent with long-standing approaches to community economic and regional development. The Organization for Economic Cooperation and Development (OECD) has highlighted the Canadian Community Futures Program as a best practice in community and regional development. Regionally based boards of business people, municipal leaders, and other local representatives form the basis of regional development boards which, supported by professional staff who report to the board, lead the development of a strategic development plan for the region, conduct a SWOT analysis for the region (i.e., regional Strengths and Weaknesses combined with external Opportunities and Threats), consult with local citizens and stakeholders, and set strategic priorities for the region (Freshwater & Ehrensaft, 1994; OECD, 2006). These can relate to priority sectors and related infrastructure, human resource development, and business supports. Unfortunately, these boards are mandated as rural development organizations and exclude neighbouring urban centres. Provincial government development agencies also see these as federally supported boards and seldom co-ordinate their efforts with them. Finally, the mandate for rural development means that most efforts to develop international markets, foreign investment, and innovation policy are advanced with little or no recognition of regional strategic plans (Greenwood, 2010; House, 1999).

The rugged coastline of Newfoundland and Labrador

Indeed, most provincial governments in Canada have rural and regional development programs in one department (if they have them at all) and international trade, investment attraction, and innovation in another. As a result, while most observers call for economic development in the global economy to "think global and act local," they are structured in a way that inhibits linking regional priority-setting with external marketing and partnerships. This fails to recognize the fact that competitive advantage in the global economy is forged in regions, and that innovative regions need to combine "local buzz" with "global pipelines" (Bathelts et al., 2004).

Beyond the federal-provincial division of powers, perhaps a more pervasive challenge for Canadian provinces to maximize their international strategic opportunities, with the exception of the smallest — Prince Edward Island — is geography. Baldacchino explored the significance of the hinterland in influencing small-island development strategies (2006). For larger jurisdictions, the existence of the hinterland — large territories with dispersed populations (providing a market for the metropole) and with land for agriculture or natural resource endowments (fish, forest, mines) — provided a material and perceived catchment for development within the jurisdiction. For small-island jurisdictions, there is no choice but to look outward: they "must exhibit a generous degree of openness and integration with the outside world in order to survive" (Baldacchino, 2006, p. 47). For Canada as a country, and its massive provinces (including the island of Newfoundland with its own northern, mainland hinterland, Labrador), markets for primary resource exports — often unprocessed commodities — were global, but strategies to develop them were more often than not subject to the "staples trap" (Watkins, 1989).

FOR REGIONS within large jurisdictions, including islands, geography matters. A consideration of the structures for development will point to key lessons for subnational jurisdictions to avoid the self-defeating tendency to rely on the metropole.

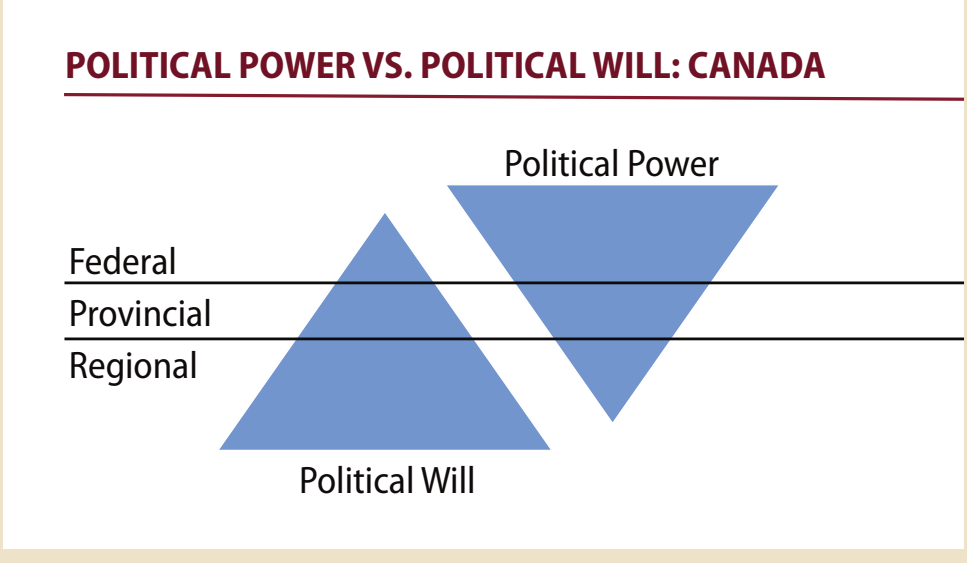
For regions within large jurisdictions, including islands, geography matters. A consideration of the structures for development will point to key lessons for subnational jurisdictions to avoid the self-defeating tendency to rely on the metropole.

ORGANIZATIONAL STRUCTURES FOR LOCAL AND REGIONAL DEVELOPMENT

Research on island and semi-autonomous jurisdictions has revealed that subnational jurisdictions often have more organizational capacity than they realize. Confident leaders are often able to stretch their jurisdictional authority by creatively exploiting their small-scale status (Baldacchino, 2006). Canadian provinces have significant capacity under the Canadian federal system, although local and regional government has no designated authority under the Canadian constitution. The OECD observed that Canadian municipalities are the weakest form of local government amongst OECD member countries (Douglas, 2006; OECD, 2002). Denzil Doyle provided a very useful diagram to demonstrate the mismatch of political power in Canada with the will to forge regional innovation systems (Figure 5.2) (cited in Greenwood, 1999). The greatest legal authority under the constitution, and the most taxation powers, reside with the federal government. This is less so, but still significant for the provinces, and at the sub-provincial level there is very little capacity. Indeed, under the Canadian constitution, local government is a "creature" of the provinces.

On the other hand, as demonstrated by Doyle's diagram, the will to work on behalf of your community is greatest in that community, so that you and your family will have jobs and a high quality of life. For neighbouring communities within a single labour market area or functional economic region, there can be common cause

FIGURE 5.2: **Political power vs. political will: Canada**



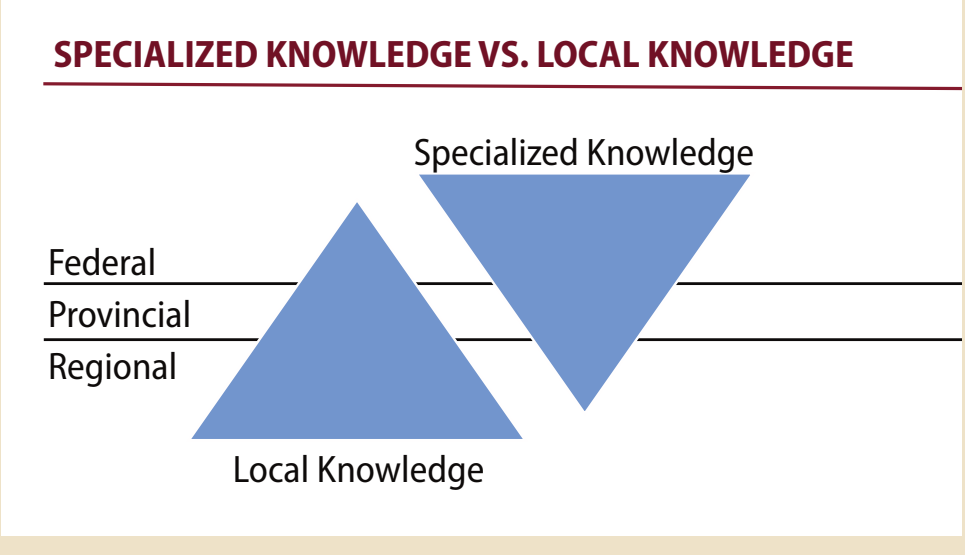
Source: Greenwood, 1999.

as all can see the potential to share in the benefits for their efforts to develop the regional economy. In all but the smallest Canadian province, Prince Edward Island, the geography is too large to allow the provincial government to adequately represent locality-level interests. The federal government is much further removed. Therefore, in Canada, the level where the will is greatest to make the commitment and put in the work to develop the economy, there are the least resources. In Nordic countries, which are unitary states, there is no equivalent of provincial governments. Local governments, however, which take in a number of communities in a locality-size area, are quite powerful (compared to Canadian municipalities). They even collect income tax. Doyle's diagram adapted for Nordic countries would look more like an hourglass than a triangle.

There are still important roles in economic development on which the federal and provincial governments in Canada should take the lead. Monetary policy, international trade agreements, and a host of environmental and regulatory roles make sense at a larger spatial scale. The second set of triangles, adapted by the author from Doyle's model, represents the benefit of higher levels of government for some specialized functions, while local and regional authorities have greater local knowledge (Figure 5.3).

The European Union concept of subsidiarity captures this approach. Under subsidiarity, responsibility for functions should only go to Brussels if it cannot be done

FIGURE 5.3: **Specialized knowledge vs. local knowledge**



Source: Greenwood, 2017.

better at the national level. And it should only be done at the national level if it cannot be done better at the regional level. It can be debated how well this concept has been realized by the EU, but as an organizing concept it is the exact opposite of how the Canadian constitution was designed (Barnett, 1997; Douglas & O'Keeffe, 2009). In 1867, for a developing country opening up the western provinces, with a weak welfare state and no conception of regional production systems and global supply chains, it made sense. Again, the mode of regulation needs to evolve to match the regime of accumulation.

THE CHECKLIST BELOW PROVIDES A USEFUL REFERENCE FOR ANY JURISDICTION TO ASSESS THE CAPACITIES IT POSSESSES TO ADVANCE REGIONAL DEVELOPMENT (Greenwood, 1999):

1) **FISCAL RESOURCES:** Where does the funding come from for the organization to pay its staff and carry out its functions? If funding comes from higher orders of government or from international organizations, what conditions are placed on it? Normally, the level of government that generates funds and then distributes them places conditions on the use of those funds. On the other hand, if the local or regional authority has sufficient taxation powers, or other sources of revenue independent from higher orders of government, that gives it independent fiscal capacity to advance priorities in areas of its jurisdiction (or where it can stretch its jurisdiction).

2) **HUMAN RESOURCES:** This consists of three elements:
   i. ***Leadership***: Is there leadership able to forge a shared vision, facilitate networks, and utilize existing authority creatively to realize goals?
   ii. ***Skilled staff***: Does the organization have paid staff with the training and skills needed to support decision-making and carry out actions?
   iii. ***Community participation:*** For many initiatives, having the community on side, or at least well informed, is key to success. It can also be a means to enlist volunteers or support from community organizations where appropriate.

3) **LEGAL AUTHORITY:** Many community-based or voluntary organizations play an active role in local and regional development, but only those with legal authority to act in certain areas have the ability to claim responsibility in certain activities. As weak as Canadian municipalities are, they are a level of the state, with ultimate recourse to the legitimate use of force in areas of their responsibility.

A further useful concept in this regard is the political science concept of deconcentration versus decentralization. The former is when higher levels of government place staff at the local, regional, or provincial level. This is better than all the federal public servants in Canada being based in Ottawa, but in almost all cases these staff still report to superiors in Ottawa, and in all cases they report to Ministers and the Prime Minister who must take a national perspective. Decentralization is when functions and accountability are devolved to the subnational level (Smith, 1985).

This checklist, below, can be adapted to any national or regional context. These

4) **DEMOCRATIC ACCOUNTABILITY / LEGITIMACY:** The reason local or regional state bodies are able to claim responsibility in a democratic political culture is because they are elected. Some other organizations may not have formal authority, but if they have democratic legitimacy, or legitimacy derived from delivering valued programs or services, they can claim to speak for a community or interest within it (such as a chamber of commerce, or a labour union).

5) **GEOGRAPHY:** Consistent with the concept that form should follow function, the size of the region for which an organization is responsible should match its mandate. Individual municipalities in Canada are usually much smaller than the labour market area, making them less appropriate to manage economic development activities. For regional planning, an area larger than the locality may be appropriate. Networks of roads, bridges, tunnels, and air connections all impact the size and functions appropriate for local and regional development.

6) **TIME:** Having an impact on regional competitive advantage takes time — usually years, or even decades. Training a specialized labour force, fostering innovation and entrepreneurship, planning and building infrastructure, and developing trade relationships all take sustained investment, planning, and co-ordination. All too often, however, where elected politicians are seeking re-election, they need to show results in three or four years, and this incentivizes them to prioritize short-term initiatives. Often, any action that can be highlighted as progress to appeal to voters will be taken, even if less obvious but more impactful measures would make a greater contribution to long-term competitiveness. There are approaches that can mitigate this tendency, such as developing strategies in partnership with different levels of government, or with business and labour, or with non-governmental organizations or community groups. If one partner tries to change priorities mid-stream, or take short-term but less impactful measures, the other partners can attempt to keep the strategy on course. The Irish partnership model and national and local corporatism all provide measures to foster long-term commitments, with citizens and economic stakeholders empowered to enhance continuity of policy (Baldacchino, 2005; Greenwood, 1991; House, 1999; Mackintosh & Wainwright, 1987).

are essentially generalizable factors that will impact the effectiveness of any organizational structure in supporting local and regional development. The factors need to be considered in light of place-specific characteristics, such as political culture, democratic traditions, available resources, and the natural and human preconditions that allow development strategies to be shaped and implemented in the first place. By being deliberate and intentional in considering these generalizable and contingent factors, and how they relate in a particular time and a particular place, the chances of success in regional development will be enhanced.

For islands, the creative approach to governance highlighted by Bertram, Baldacchino, and others can take this checklist into account. For a sovereign state such as Iceland, the Nordic traditions of strong democratic governance, significant decentralization to local government, and engaged citizens overlays a relatively large island, with dispersed population, remote from markets. Greenland presents significant contrasts. As we will see below, Newfoundland, discussed in comparison with these and other North Atlantic Rim jurisdictions elsewhere (Baldacchino & Milne, 2000; Baldacchino et al., 2009), presents illustrations of success and failure in the tailoring of governance structures for economic development.

NEWFOUNDLAND AND LABRADOR: EXAMPLES OF SUCCESS AND FAILURE

The Canadian province of Newfoundland and Labrador (NL) provides instructive examples of how strategy and structure impact economic development. NL was the first British colony and last province to join the Canadian confederation. Poor governance and war debt resulted in the island of Newfoundland and the northern mainland section, Labrador, losing Dominion status as a member of the British Commonwealth. The British government established a Commission of Government in 1934 when the Great Depression hit NL's fish exports and the elected government was suspended by agreement, in return for Britain paying the debt. In 1949, after two referenda, the people of NL narrowly voted in favour of joining Canada.

Weak democratic traditions in NL were further embodied in the late development of municipal government in the province. Remote and sparsely populated fishing communities looked to the Church and merchants for leadership, and the distant legislature in the capital city of St. John's only took on meaningful leadership after Confederation with the largesse of the Canadian welfare state to mitigate the poverty of most fishing families. Over time, the fishery was supplemented by forestry, two paper mills, and various mines. What small-scale manufacturing that had developed in NL prior to Confederation diminished significantly with the removal of NL's tariffs. Confederation brought enormous investments in health care and education (including the creation of Memorial University); a road network replaced the sea as the

primary means of transport between communities; and a ferry link connected the island to the mainland of Canada. Air transport had been well-established in NL due to its strategic location as the easternmost point in North America, and the new province's first Premier, Joey Smallwood, led an intensive modernization campaign, supporting large-scale diversification efforts. A third paper mill, an oil refinery, numerous manufacturing plants with equipment imported from decommissioned plants in Europe, and the massive Churchill Falls hydroelectric project in Labrador were all launched with great fanfare by the charismatic and domineering Premier (Alexander, 1983; Brox, 1972; Government of NL, 1986).

While Premier Smallwood downplayed the importance of the fishery, it continued as the backbone of the rural economy. Primarily seasonal, due to the nature of the fish stocks and weather and ice conditions in the North Atlantic, employment in the fishery was soon supplemented by the Canadian Unemployment Insurance system. Inshore and offshore fishermen, and the men and women who worked in fish processing plants, were successfully organized in a labour union led — in perhaps an ironic twist — by a priest and the son of a merchant. The extension of Canada's territorial waters led to a massive expansion in the number of fishermen, and combined

with improved technologies and weak enforcement of domestic and foreign overfishing, groundfish stocks — and, in particular, the all-important cod fish — plummeted in numbers. Under the federal division of powers, management of fish stocks — setting quotas — was federal, but licensing of harvesting and processing was provincial. The provincial government, much more susceptible to the power of fish companies and the Fishermen's Union to extract concessions for short-term electoral gain, granted more and more harvesting and processing licences, and pressured the federal government to increase quotas. Simultaneously, the provincial government funded short-term "make-work" projects to provide fishery and other seasonal workers with sufficient weeks of employment to qualify for federally funded Unemployment Insurance. If workers did not qualify with the minimum number of weeks worked for Unemployment Insurance, and had to receive Social Assistance payments, they were the responsibility of the provincial government. So a complex web of dysfunctional disincentives evolved around the fishery, with the provincial government using its jurisdictional authority creatively to minimize their expenditures and maximize their political credit (Felt & Locke, 1995; Government of NL, 1986).

Unfortunately, this creativity did not generate economic productivity and innovation. Instead, it impeded entrepreneurship, expanded the number of seasonal workers dependent on the fishery, and led to chronic overfishing. And then the bubble burst. Catches dropped precipitously and in the early 1990s the federal government announced a moratorium in the groundfish fishery. Fortunately, for some families and communities, other species benefitted from the drop in cod — in particular, crab and shrimp — and these high-value species boomed, but were concentrated in far fewer hands. Rural Newfoundland suffered the largest lay-off in Canadian history, and while generous federal compensation, retraining, and mobility programs mitigated the effects, people migrated from rural communities to urban centres in NL and elsewhere in Canada (Felt & Locke, 1995).

While the fishery demonstrated the negative impacts of divided jurisdiction and short-term political decision-making, NL had a very different experience with a brand-new resource industry: oil and gas. Joey Smallwood had held onto power from 1949 to 1972, largely on the strength of rural NL voters' appreciation of the benefits that the Canadian welfare state brought (joining Confederation had been championed by Smallwood). As graduates of Memorial University — higher education had also been championed by Premier Smallwood — moved into positions of influence in the province, the "Father of Confederation's" dominance on politics in the province was increasingly challenged. Frank Moores (another son of a merchant; Smallwood had been a journalist upstart who dabbled in socialism before he became Premier) replaced Smallwood as Premier in 1972. Memorial Economic Historian David Alexander wrote in the 1970s that NL's underdevelopment was primarily due to low literacy in the fishing colony. This contributed to lack of entrepreneurship and

innovation, but, most importantly, Alexander argued, it fostered an unwarranted deference to authority by the province's population, hindering the development of democratic efficacy. Only as graduates of Memorial populated the growing welfare state and emerging service sector did traditional authority come into question (Alexander, 1983).

When the Hibernia oil field was discovered on the Grand Banks of Newfoundland in 1979, NL society was already experiencing a revolution due to the University's recognition of the unique island and northern culture and society. Music, comedy, theatre, and literature were all celebrating the unique history of the young province, and the Minister responsible for resource development in the Frank Moores cabinet, Brian Peckford, was determined to develop the new oil industry in a way that maximized benefits for the province. He assembled a team of public servants and political aids who set out to learn how Norway and Scotland had developed their oil and gas industries. He recognized the opportunity to use the province's history and jurisdictional authority to introduce regulations requiring multinational oil companies to respect provincial development priorities. Under the Canadian constitution, offshore oil development would be governed by the federal government, unlike on-land oil fields in Alberta which were making the western province rich. When Peckford brought in NL oil regulations in spite of the federal authority, the oil companies threatened to pull out unless the upstart province backed down. Peckford convinced the Premier and cabinet to stay the course and six months later the companies came back, on NL's terms. It would take a failed Supreme Court challenge and a political agreement with a new federal government in 1985 — Peckford replaced Moores as Premier in 1979 — to enshrine the NL status in the Atlantic Accord, but the successful stand against the federal government and the big oil companies fueled an outburst of NL nationalism and pride. A decline in oil prices delayed development of the field until 1986, and only in the 1990s, when oil prices climbed steadily, did the province reap the full benefits of an oil economy (Dunne, 2005; Greenwood, 1991; House, 1983; Peckford, 1983; Stantec, 2009).

NEWFOUNDLAND'S underdevelopment was primarily due to low literacy in the fishing colony. This contributed to lack of entrepreneurship and innovation, but, most importantly . . . it fostered an unwarranted deference to authority by the province's population, hindering the development of democratic efficacy. Only as graduates of Memorial populated the growing welfare state and emerging service sector did traditional authority come into question.

A key element of the Atlantic Accord was a unique jurisdictional compromise: the creation of the Canada–NL Offshore Petroleum Board (CNLOPB). With equal numbers of members appointed by the federal and provincial governments, respectively, and an independent Chair appointed by mutual agreement, the CNLOPB

would review and approve oil field exploration, development, and safety regulations (Carter, 2007). The sinking of the *Ocean Ranger* oil rig in 1982, with the loss of all 84 crew members, raised the safety challenges of drilling in the extreme conditions on the Grand Banks. The CNLOPB also enforced requirements for oil companies to fulfill benefits agreements, including a requirement to invest a percentage of revenues based on a formula, on research and development, and education and training in NL. Court cases continue by the companies involved in the original Hibernia development, which pre-dated these regulations, but in 2009 the total of this requirement was estimated at over $800 million CAD in the province (Locke, 2009). In 2015, $61.6 million CAD was allocated: $52.2 to research and development and $9.4 to education and training (CNLOPB, 2017) — much of it building world-leading expertise at Memorial in Cold Ocean and Arctic Science, Technology and Society, which the University has branded as COASTS (MUN, 2017).

Peckford's leadership, rooted in the complex web of factors supporting the emergence of NL pride and nationalism, provided the impetus to demand a new approach to resource development. Lessons were learned from elsewhere and new organizational structures were developed to implement development strategy — in the midst of constant and continuing political and industrial struggle. The capital city region of St. John's has seen enormous development in the last 20 years, and significant success has been achieved in capturing upstream and downstream linkages from the oil development. An ocean technology cluster has emerged, with significant federal and provincial government investment in specialized infrastructure, and a broad range of local, national, and international supply and service companies (Doloreux & Shearmur, 2009; Greenwood & Hall, 2016; Lepawsky, 2009; Lepawsky et al., 2010; Shearmur, 2010).

Unfortunately, these successes have not made NL immune from the boom and bust resulting from reliance on international commodities and their global market price swings. When oil prices plummeted from their $100+ levels, a surging economy was stopped in its tracks. Oil companies slowed down or stopped exploration, fields in operation reduced spending to a minimum, and the windfall of revenues the provincial government was reaping dried up. The provincial government had expanded during the boom, investing in new infrastructure and services province-wide and, as with the boom that preceded the global financial crisis — and so many booms before it — a spirit of irrational exuberance had taken hold of the government and the population. Combined with the problems in the fishery, a downturn in mining, and collapsing markets in the paper industry, rural NL has seen decades of out-migration. Long-distance commuting to major construction projects related to oil, mining, and hydroelectric development in the province and across the country mitigated local economic challenges in rural areas, as workers maintained their homes in rural areas and spent large incomes on housing and goods and services in regional

service centres. A major hydroelectric project launched by Premier Danny Williams, Muskrat Falls in Labrador, is over budget by billions of dollars and the confidence gained over two decades is being tested in the extreme.

LOOKING WITHIN, AS WELL AS LOOKING OUTSIDE

NL provides telling insights on the interplay of strategy and structure, the generalizable and the contingent. A compelling element of NL's history and political culture is the lack of local democratic efficacy. While leaders like Brian Peckford utilized NL's provincial status creatively, and adopted lessons from elsewhere, little has been done in the province to build capacity for strategies and structures at the sub-provincial level. Yet, as noted above, geography matters in local and regional development, and regional labour markets require decision-making and capacity at the locality level. The NL experience, in comparison with other jurisdictions around the North Atlantic Rim, has not been positive in this regard: too much power is concentrated at the federal and provincial levels; and almost none is allocated at the locality level (Baldacchino et al., 2009).

BUILDING COMPETITIVE advantage with industry, government, post-secondary institutions, and communities interacting — the "quadruple helix" — demands capacity at the locality level.

Globalization is presenting new challenges and opportunities in this regard. The innovation literature highlights the importance of "local buzz" and "global pipelines." Building competitive advantage with industry, government, post-secondary institutions, and communities interacting — the "quadruple helix" — demands capacity at the locality level. Natural resource extraction can continue in rural and remote areas through fishing activities, mines, forestry, and agriculture with little effort to capture upstream and downstream linkages locally. Unless workers in these industries are primarily a commute workforce, however, viable communities demand adequate services and support industries. Without local organizational structures, providing capacity for local leadership, supported by skilled staff with adequate resources and authority to work on behalf of the community or region, little is likely to be achieved in regional development. Without the jurisdictional capacity endowed by having a provincial government in a federal system, Brian Peckford would not have been able to leverage the additional powers of the Atlantic Accord. Sub-provincial regions are the same and other OECD countries possess a wide range of sub-jurisdiction structures to enable the will to develop local and regional economies to be expressed. The wide range of small-island jurisdictions and semi-autonomous regions worldwide provide even more examples — and lessons — on how to harness structures to advance strategies.

Without ideas on what to do with structures, of course, little will result. Strategy

is about deliberate consideration of options; and to advance a shared vision. This is where post-secondary institutions need to shed the mantle of the Ivory Tower. Just as the first graduates of Memorial fueled a political and cultural revolution in NL, universities must play an active — not passive — role in the quadruple helix. The OECD has conducted major studies of the role of higher education institutions in regional development (OECD, 2007). The literature on clusters highlights the centrality of universities in providing the highly qualified graduates, the locally rooted interactions of research and development, and the "global pipelines" that help connect the cluster with knowledge and networks beyond the region. Increasingly, universities are developing community and public engagement as a fourth mission, along with teaching, learning, and research, to foster faculty and student partnerships with industry, community, and government organizations.

Memorial is the only university in Canada with a Senate-approved public engagement framework: a governing document of the University, alongside Teaching and Learning and Research Frameworks. Recent reports have highlighted how Memorial, as the province's only university, attempts to deliver on its "special obligation" to the people of the province. The Marine Institute and C-CORE are unique institutions in the country, connecting university-applied research and teaching with the needs of industry (Warrian & Wolfe, 2016, 2017). The Leslie Harris Centre of Regional Policy and Development (The Harris Centre) has a mandate to facilitate and co-ordinate the University's activities in regional policy and development. It supports all Memorial campuses and faculties, and tools like Yaffle (www.memorial/yaffle) provide platforms to broker connections with external partners. Numerous other centres, structures, and programs have been established to foster the human capital, the ideas, and the connections to inform future strategies and the evolution of future structures.

Finally, universities are just one of the vehicles to connect industry, government, and civil society with external knowledge and networks. The Internet is reshaping how people communicate, consume, and think. Businesses, industry associations, municipalities, and every other human organization are adapting and innovating ways to access knowledge and networks, while also becoming susceptible to isolation and disinformation. New strategies are evolving and new structures, processes, and networks are emerging. Islands and northern regions are facing emergent challenges through globalization, climate change, and mass culture. They also continue to possess the identity that insularity can forge, and with creative strategies and deliberate adaptation of organizational structures — at the jurisdictional and local levels — new futures can be generated.

In his analysis of islands and island development, Bertram used the analogy of a kaleidoscope to describe how the multiple factors that combine in time and place represent a degree of path dependence, as the elements already present are rearranged to present a new reality. There are multiple possible equilibria coexisting

in one location, and governments can reinforce existing patterns or "trigger a switch to another mode of articulation with the global system" (Bertram, 2006, p. 11). In words that might lend some comfort to jurisdictions such as Newfoundland and Labrador, and others facing the ponderous implications of their local realities as they intersect with external forces — opportunities and threats — Bertram writes (p. 12):

> Islands researchers should therefore cultivate (i) openness to the new and unexpected; (ii) demystification of the concept of sustainability, whose opposite is not the bogey of "unsustainability," but simply transition to a new and different equilibrium; and (iii) awareness that change within a given steady state is seldom dramatic or extreme — but that once positive feedback operates and cumulative network externalities start to drive the transition to a new pole, some islands may make quite sharp transitions.

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Aerial view of Copenhagen, metropolitan centre of the kingdom of Denmark that includes the territories of Greenland and the Faeroe Islands

6

"This is who we are":

Non-self-governing islands crafting a new sovereignty through five mechanisms and four drivers

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ABSTRACT

The continued relevance of the classic concept of state sovereignty has been questioned from diverse academic corners, particularly since the end of the Cold War in the 1990s. When it comes to real-life alternatives, one prominent alternative political praxis of sovereignty that emerged since then seems to be Indigenous sovereignty. This chapter argues that another alternative political praxis also emerged since the 1990s, one that largely escaped the limelight: the sovereignty of non-self-governing islands, an Islandian sovereignty. Depending on what is defined as a "non-self-governing island" or a "subnational island jurisdiction" (Baldacchino, Bartmann), there are between

40 and 100 or more of these islands. One particular subset comprises 40-odd islands that are remnants of Europe's colonial (settler) histories. Remarkably, the peoples of these islands refuse classic state sovereignty when voting in independence referendums. Instead, they seem to forge new forms of engagement, new relationships, with their metropoles.

This chapter presents five common mechanisms that seem to shape the relationships between former colonial metropoles and their non-self-governing islands and it illustrates these mechanisms of Islandian sovereignty with examples from islands' political praxis. As an additional step, the chapter explores the question of what are the drivers behind these successful mechanisms. It identifies four specific facets of islanders' identity that may explain to some extent the success that islanders have in applying the five mechanisms.

INTRODUCTION

The decolonization process of the overseas territories of the colonial powers of the eighteenth and nineteenth centuries came to a halt in the mid-1980s. Virtually all of these 40-odd overseas territories are islands thousands of miles from Denmark, France, the Netherlands, New Zealand, the UK, or the US, and the peoples of these islands refuse sovereignty when voting in independence referendums. These islands therefore remain "non-self-governing islands." Nonetheless, the islanders are not upholding the status quo. Rather, they seem to forge new forms of engagement, new constitutional relationships, with their metropoles. This chapter presents an overview of five common mechanisms that islanders use to shape these new relationships; it argues that islanders—instead of the metropolitan authorities — are the leading agents when it comes to developing and using these mechanisms.

Elsewhere, I have argued with various co-authors that these five mechanisms and this new relationship between non-self-governing islands constitute the contours of a new form of sovereignty: an "Islandian" sovereignty, juxtaposed to the classic, continental, Westphalian sovereignty (Prinsen & Blaise, 2017; Prinsen et al., 2017). What remains to be investigated is what drives these mechanisms; why are they created and how is it that they seem so effective in "moving the goal posts of the status quo"? In a recent case study of negotiations between metropolitan France and its overseas territory Wallis & Futuna, I interviewed islanders negotiating with metropolitan France and through the generous conversations a number of drivers could be identified. Four of these are associated with the islanders' concept of identity (Prinsen et al., forthcoming, 2018).

In this chapter — first presented at the 1st International Conference on Island Economies in November 2017 on Hainan Island, PR China — I summarize and then

connect the five mechanisms with the four drivers and do so by moving beyond single case studies, presenting a range of examples from across the globe to illustrate the mechanisms and how four facets of islanders' identity drives them. In addition, I endeavour to expand what is, in my eyes, a rather Anglophone pond of examples by focusing wherever I can on islanders' experiences with sovereignty on Danish, French, and Dutch non-self-governing islands.

FIVE MECHANISMS CREATING A NEW SOVEREIGNTY FOR NON-SELF-GOVERNING ISLANDS

FIRST MECHANISM: non-self-governing islands vote "no" in independence referendums

The populations of contemporary non-self-governing islands started the creation of their own unique form of sovereignty — self-determination — in the 1980s. Nearly half the non-self-governing islands associated with the six (former) colonial powers identified in the introduction have organized at one point in time a referendum on independence; the vast majority of them — 17 of the 21 — after the early 1980s when the world's decolonization wave was effectively coming to an end. In 19 of the 21 referendums, majorities voted against independence from the colonial metropole; these majorities often exceeded 90% of the electorate (Table 6.1, following page)[1].

SECOND MECHANISM: non-self-governing islands continuously negotiate constitutional frameworks

After saying "no" to full sovereignty, the second mechanism that is actually shaping this new form of sovereignty for non-self-governing islands is a process in which islanders negotiate and renegotiate continuously with their respective metropoles to adapt and adjust the constitutional framework that keeps them bonded. For example, the UK has 14 UK Overseas Territories and for the six territories in the Caribbean alone there are three different Acts outlining the constitutional relationship between these islands and London. Four of them (i.e., the British Virgin Islands, the Cayman Islands, Montserrat, and the Turks & Caicos Islands) have their relationships with London detailed in the 1962 West Indies Act. Bermuda has a separate constitutional arrangement under the 1967 Bermuda Act, and Anguila and

AFTER SAYING "NO" to full sovereignty, the second mechanism that is actually shaping this new form of sovereignty for non-self-governing islands is a process in which islanders negotiate and renegotiate continuously with their respective metropoles to adapt and adjust the constitutional framework that keeps them bonded.

	Non-self-governing islands	Metropole	Population	Most recent referendum on independence (year; percentage against) [2]
1.	Saint Pierre and Miquelon	F	6,000	1958; 98%
2.	Wallis & Futuna	F	12,000	1959; 94%
3.	Northern Mariana Islands	US	53,000	1975; 79%
4.	Aruba	NL	103,000	1977; 6%[3]
5.	Guam	US	160,000	1982; 96%
6.	Republic of Marshall Islands	US	53,000	1983; 96%[4]
7.	Federated States Micronesia	US	106,000	1983; 42%[5]
8.	Cocos (Keeling) Islands	AUS	1,000	1984; 96%
9.	Palau	US	21,000	1984; 69%[6]
10.	New Caledonia	F	269,000	1987; 98%
11.	United States Virgin Islands	US	106,000	1993; 95%[7]
12.	Bermuda	UK	62,000	1995; 74%
13.	Sint Maarten	NL	34,000	2000; 86%
14.	Bonaire	NL	20,000	2004; 99%
15.	Saba	NL	2,000	2004; 99%
16.	Sint Eustatius	NL	3,000	2005; 99%
17.	Curaçao	NL	153,000	2005; 95%
18.	Tokelau	NZ	1,000	2007; 65%
19.	Mayotte	F	213,000	2009; 95%
20.	Puerto Rico	US	3,474,000	2012; 94%
21.	Falkland Islands	UK	3,000	2013; 100%

TABLE 6.1: **Results of referendums on independence on non-self-governing islands** [8]

London arranged their relationships in a unique Anguila Act of 1980 (Thomas & Clegg, 2016, p. 243). A similar diversity and complexity is visible in the institutional arrangements for the other eight UK Overseas Territories. Moreover, while the Acts may often be decades old, there are continuous changes or expansions to these Acts; 12 of the 14 UK Overseas Territories have seen constitutional changes since 2001 (Hendry, 2012). A review of these changes leads Hintjens and Hodge to talk of "complex, often obscure administrative and governance arrangements … a set of fragmented, and remarkably personalized, ad hoc governance arrangements" (Hintjens & Hodge, 2012, p.190).

In a remarkably comparable analysis of the constitutional arrangements in

France between Paris and its eleven Overseas Departments, Regions, and Collectivities (DROM-COM),[9] Mrgudovic (2012) also notes that the relationships between the metropolitan centre and these non-self-governing islands "have evolved progressively at different speeds and degrees" (p. 85) and "today there are as many statuses as there are overseas territories" (p. 95). To cite an example, the French Pacific territory of New Caledonia has had 10 different constitutional statuses since 1946, leading one analyst to describe the process of continuous negotiations between Paris and New Caledonia as a "waltz of statuses" (Leblic, 1993, p. 53) and another compares the process to "an institutional yo-yo" (Agniel, 2009, p. 6).

The Netherlands has six overseas territories as remnants of its colonial history. The colonial constitutional arrangement was overhauled in 1954 as part of an early decolonization process and these Caribbean territories federated into the Dutch Antilles. However, by the mid-1970s, this arrangement broke apart and a new constitutional arrangement was negotiated, leaving one island on a path towards independence and the others in a restructured relationship with The Hague. By the 1990s, parties deemed this arrangement no longer desirable. In a decade-long process that included a series of referendums in which independence was overwhelmingly rejected, the Dutch Antilles were "disestablished" (Nap, 2011, p. 49) and a process of "dismantling … and renewal" was initiated (Oostindie & Klinkers, 2012, p. 8). In 2010, the Dutch Constitution was overhauled to award each of the three larger islands its own *sui generis* status, and integrate the remaining three with a fourth status as "special municipalities" with a range of unique rights (Kochenov, 2012, p. 150). As an illustration of the increasingly diverse arrangements, two of the three larger islands now share their own currency (Netherlands Antillean guilder), the third larger island has its own currency (Aruban florin), and the three special municipalities decided to use the US dollar; none use the metropolitan Euro. However, in line with a now familiar pattern, yet another round of negotiations may be in the air, as a broad survey among islanders in 2015 found growing and "widespread feelings of resentment about the nature and impact of the increasingly strong Dutch presence" (Veenendaal & Oostindie, 2017, p. 17).

The US has different constitutional arrangements with eight groups of islands. Three Pacific groups are members of the UN, but each has a so-called Compacts of Free Association with the US; two are quite similar, but the third compact with Palau is quite different in content, duration, and financial implications. Two of these compacts have been fully "amended" and renewed twice since their inceptions between 1983 and 1994 (Underwood, 2003) and a detailed proposal for an earlier than planned "augmented compact 2016-2024" for Palau is still before the US Congress (US Government Accountability Office, 2016). The other five groups of islands are more closely associated with the USA as either "Unincorporated Organized Territories" or as "Unincorporated Unorganized Territory," yet each with their own unique constitu-

tional arrangements. For example, within the former category, Puerto Rico and the Northern Mariana Islands have different arrangements, yet both are officially described as "a Commonwealth." However, as if to show the similarity with other metropolitan practices of "obscure" and "fragmented" arrangements, the US State Department acknowledges that "the term 'Commonwealth' does not describe or provide for any specific political status or relationship" (US Department of State, 2013).

New Zealand and Denmark show similar patterns with regard to their overseas territories. New Zealand has found itself renegotiating repeatedly its constitutional relationship with the three territories in its former colonial Pacific reach, still referred to in official government publications as "Realm entities … territories with which New Zealand has special constitutional relationships …" (Foreign Affairs Defence and Trade Committee, 2010, p. 7). Again, Niue, the Cook Islands, and Tokealau each have a unique arrangement that evolved over time. Equally, the constitutional relationship between metropolitan Denmark and on the territories of Greenland and the Faeroe Islands also varied and has been renegotiated repeatedly (Jensen, 2003). On balance, and recognizing that the metropolitan authorities can also initiate renegotiations on the relationship with their overseas territories, the agency of the islanders is probably best reflected in the exasperation of a former British Foreign Secretary: "I didn't realise that I would have to spend so much time on the bloody Turks and Caicos Islands!" (Ledgister, 2014, p. 167).

THIRD MECHANISM: non-self-governing islands get away with bending their metropoles' rules

As subnational jurisdictions of their metropoles, non-self-governing islands often have a significant degree of autonomy. However, aside from the constitutionally agreed space for local legislation and enforcement, the islands are expected to abide by metropolitan rules and regulations. And yet, in several instances the non-self-governing islands seem to "get away" with ignoring or bending the enforcement of metropolitan rules if they so wish in opposition to metropolitan authorities. Arguably, this is an expression of sovereign governance that is unattainable for other subnational jurisdictions. This applies, in particular, in areas of sexual and religious mores where cultural values of islanders and metropolitans often diverge: abortion, prostitution, same-sex marriages (Veenendaal, 2016b, p. 159). A few examples can illustrate this.

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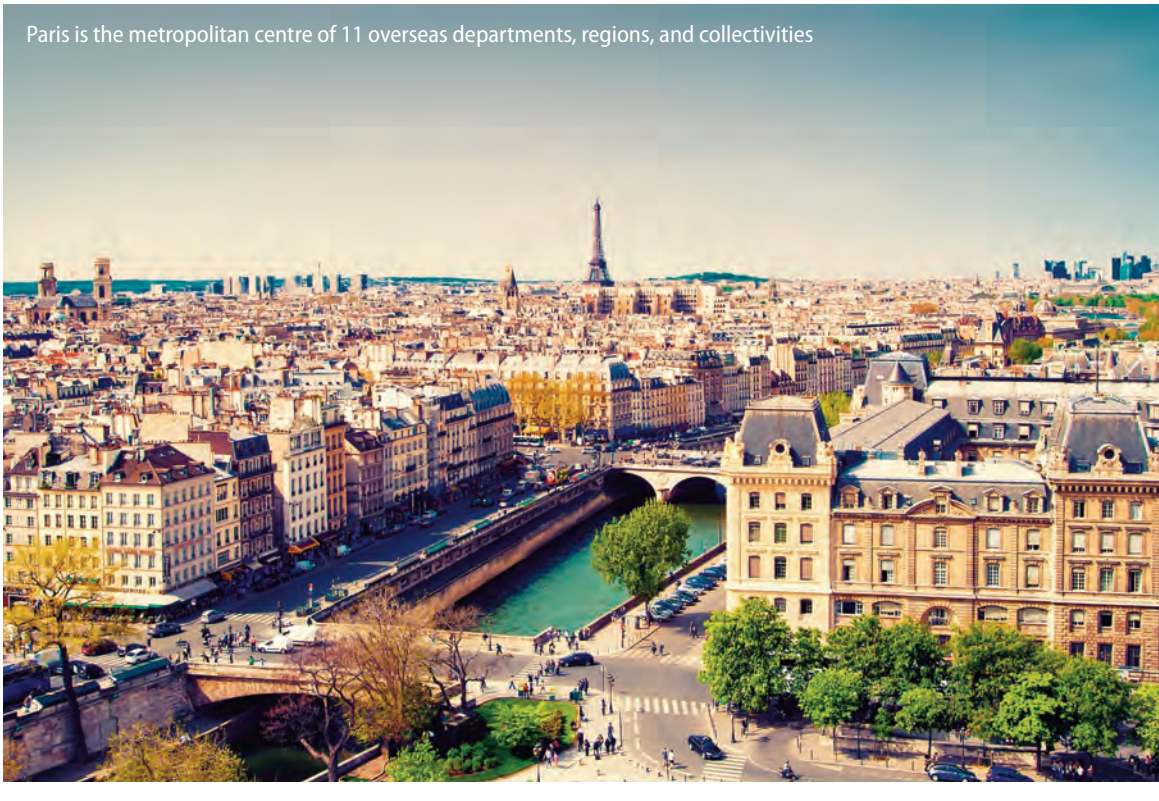
One example is the debate on homosexuality and same-sex marriages. Metropolitan Netherlands legalized same-sex marriages in 2001. Ever since, the local authorities on Aruba have dragged their feet in opposition, using all practical and legal means at their disposal. After 15 years of resistance, the Dutch Supreme Court forced Aruba's government to comply. In 2016, Aruba's government acknowledged that it will "recognize" same-sex marriages by allowing same-sex couples to register their partnership. However, they still could not marry on the island and a legal amendment recognizing these "registered partnerships" as equal to "civil marriage" was withdrawn hours before a vote (van Dijke, 2016). The Dutch government remains committed to full application of same-sex marriages in the overseas territories of the Kingdom. A similar dynamic unfolded on the British Cayman Islands, where islanders for more than 30 years resisted in many and diverse ways the decriminalization of homosexual acts. In 2000, London also chose the "nuclear option" and imposed its legislation on the Caymans' Legislative Assembly. In response, and anticipating the tug-of-war over same-sex marriages, the Cayman Islands government enacted a Bill of Rights which enshrined islanders' "right to marry a person of the opposite sex" (Vlcek, 2013, p. 357).

Another example of non-self-governing islands creatively bending metropolitan rule unfolds in Wallis & Futuna, a French Pacific territory. France's constitution



Paris is the metropolitan centre of 11 overseas departments, regions, and collectivities

underscores the secular character of the state and public services, and a series of laws enforces this principle. A 2004 law, for example, reiterates that it is prohibited to wear or display religious symbols in public schools and stipulates explicitly it is also applicable on Wallis & Futuna (Legifrance, 2004, Art. 2.1.1). However, all primary schools on the islands are managed by the Catholic mission, which has received a subsidy for all operational expenses by the French state since 1969. Unsurprisingly, the primary schools on the islands display all manner of Catholic symbols — prominently. However, "bending metropolitan rules" need not always be about sexual mores. The Bermuda Parliament enacted a local law in 1997 to prohibit the operation of global fast-food chains on the island. Commercial parties challenged the Bermuda government through all courts and the matter ultimately ended before the Privy Council in London. It ruled in 2014 that Bermuda's "Prohibited Restaurants Act" was allowable (Bermuda 4u, 2014).

FOURTH MECHANISM: shortfalls on non-self-governing islands' public budgets are compensated by financial transfers from the metropole

In most cases, it proves to be rather difficult to determine the extent to which the local government structures on non-self-governing islands rely on domestic revenue for their budget and expenditure. As with any other subnational jurisdiction, non-self-governing islands will benefit from direct fiscal transfers from the metropole as well as from indirect fiscal transfers as the metropoles generally assume the expenses for national affairs such as defence or foreign affairs. Moreover, to varying degrees health and education expenses on the islands will be covered from central ministries' budgets and some of these expenses may not be recorded as metropolitan transfers. In addition, non-self-governing islands may benefit from tax arrangements whose net financial benefits may not appear in the islands' public accounts. Nonetheless, these metropolitan transfers are often substantial and critically important for the islands' governments to carry out their own policies and give material shape to self-determination.

For example, research into New Caledonia's public budget identified two channels for metropolitan transfers. One channel comprises financial transfers into New Caledonia's government's budget for mostly education and health services. While most of these transfers can usually be traced, they can appear in unexpected places in islands' balance of payments. In New Caledonia's case, the allowances of metropolitan personnel stationed on the islands are recorded as income for the local government. A second channel is more difficult to calculate or estimate; it comprises indirect or diffuse financial transfers in the form of tax exemptions and tax arrangements for metropolitan private investments, long-term public investments, private-

public-partnerships, and debt restructuring arrangements. These financial transfers are important resources for the governance of a non-self-governing territory, but can be difficult to calculate or estimate (Prinsen & Blaise, 2017). This phenomenon of "two-channel" metropolitan transfers — one that can be traced in the annual accounts and one that cannot — may also occur in other cases. For example, the metropolitan Dutch government paid off 2 billion USD of public debt of the governments on the islands of the Dutch Antilles in 2010 to start the new constitutional framework, "with a relatively clean slate" (Oostindie & Klinkers, 2012, p. 252).

With the above caveats in mind, Table 6.2 provides an impression of the volume and diversity of metropolitan financial transfers into the public budgets of their non-self-governing islands. This global diversity is underscored if it is noted here that only three of the 14 UK Overseas Territories actually receive budget support from London (Montserrat, Pitcairn, and Saint Helena-Ascension-Tristian da Cunha) (Ledgister, 2014, p. 163); the other 11 non-self-governing islands appear to be able to raise sufficient revenue so as not to feel pressure to negotiate with London over budget support. Importantly, the figures show that for many non-self-governing islands these metropolitan transfers are of critical importance; the per capita calculations suggest it is unlikely that the islands' local governments could raise this income for their current expenditure from domestic taxation.

	Non-self-governing island	Metropole	Metropolitan budget support (USD)	Year	Budget support per capita (USD/cap)
1.	New Caledonia	F	1,500m[10]	2015	5,600
2.	Wallis & Futuna	F	123m[11]	2016	10,300
3.	Dutch Caribbean Municipalities	NL	294m[12]	2015	11,800
4.	Cook Islands	NZ	13.2m[13]	2016	800
5.	Saint Helena	UK	27.6m[14]	2015	6,100
6.	Montserrat	UK	27.6m[15]	2016	5,500
7.	Palau (CoFA)	USA	38.3m[16]	2009	1,800
8.	Northern Mariana Islands	USA	72.0m[17]	2015	1,400

TABLE 6.2: **Metropolitan budget support for non-self-governing islands or associated territories**

FIFTH MECHANISM: non-self-governing islands have international representation that is beneficial to them, but uncomfortable for their metropole

Subnational jurisdictions are generally not empowered or allowed by the national governments to have international representation by signing international agreements with other nation states or becoming members of multilateral regional or international bodies comprising sovereign states. In fact, the act of signing an international agreement is by some UN standards the hallmark of statehood. It is "evidence that the international community had accepted the [signing party] as a 'State' under international law" (UN, 1994, p. 10). And yet, many non-self-governing islands — subnational jurisdictions by most definitions — do have international representation and sign international agreements. Even more than that: there are examples of non-self-governing islands expressing their unique form of sovereignty by signing international agreements that are beneficial to them, but may be uncomfortable to their metropoles. In some economic modelling, this ability of non-self-governing islands to develop and manage overseas relationships beyond the metropole is an essential ingredient for the success of these islands (Oberst & McElroy, 2007).

The Faeroe Islands, part of the kingdom of Denmark, has nonetheless its own diplomatic representation at the EU in Brussels, and in the capitals of a number of other European nations, some of these nations reciprocated and opened diplomatic representatives on the Faeroe Islands (Karlsson, 2009). This is not necessarily uncomfortable for Denmark. However, what is more likely to make Denmark feel somewhat uncomfortable is that the Faeroe Islands have signed bilateral free-trade agreements with Norway, Switzerland, and Russia — in stark contrast to Denmark's trade relationship. Greenland has taken its ability in the opposite direction; whereas Denmark is a member of the EU, Greenland decided in 1985 to "un-sign" its membership in the EU and withdrew from all EU treaties (Ackrén & Lindström, 2012, p. 503).

While this was a remarkable "first" in 1985, the French overseas territory of St. Barthélemy followed a comparable path in 2012, after a referendum which also led to a realignment of its constitutional relationship with metropolitan France. "St. Barthélemy is only the second Member State territory to have ever become separated from the EU after Greenland" (Athanassiou & Shaelou, 2014, p. 37).[18] Elsewhere in the French territorial sphere, the government of New Caledonia is not only signing international trade and diplomatic agreements with neighbouring countries — which is permitted in line with a 1998 agreement with Paris that allows New Caledonia "to enter into agreements with … countries within its areas of responsibility" (Legifrance, 1998, Art. 3.2.1) — but its local island authorities have recently also entered the international arena. New Caledonia has three provincial governments, and the Provincial Government of the North Province entered into a multi-billion-dollar international joint venture in 2012 to operate nickel mines in the North

Province. On top of the fact that the island's local authorities are now engaging as the majority shareholder in large-scale, long-term, international business agreements, it also needs to be noted that some of the international partners are South Korean and Chinese companies. Their participation in nickel mining in the North Province breaks the hold that French and European mining companies hitherto had on nickel mining in New Caledonia — something that surely ruffles some feathers in Paris (Prinsen & Blaise, 2017, p. 74).

FOUR DRIVERS MOVING THE MECHANISMS FOR "ISLANDIAN" SOVEREIGNTY

WHY DO PEOPLE say "no" to independence, yet act in the international arena as if they were? Why do they haggle continuously with their metropole, get away with bending metropolitan rules, and yet continue to succeed in attracting funding from the metropole?

The five mechanisms described above are the levers through which the people on non-self-governing islands are creating a unique form of sovereignty. This form of sovereignty is not a classic Westphalian sovereignty of the nation state, but it has all the hallmarks of self-determination, a people charting their own path. The next section endeavours to move beyond the description of mechanisms and explore the question of why people on non-self-governing islands use these mechanisms. Why do people say "no" to independence, yet act in the international arena as if they were? Why do they haggle continuously with their metropole, get away with bending metropolitan rules, and yet continue to succeed in attracting funding from the metropole? Quite possibly, some answers to these questions of "why?" can be found by exploring the identity of people living on non-self-governing islands. Arguably, there are several facets of the identity of people living on the far-flung remnants of former colonial empires that differentiate them from the other citizens of the nation state to which they are tied. The next paragraphs explore four facets — illustrated with examples — of the identity of islanders that may explain some of the energy that drives the mechanisms by which these islanders build their own forms of sovereignty.

Shared national identities

First, islanders on non-self-governing islands and metropolitans are bound together through a shared nationality. In part, this shared nationality also means a shared national identity that bonds, but it is also likely to reduce drive to seek full and final separation. In his annual speech before Parliament, the Dutch King generally underscores the bonds across all parts of the Kingdom of the Netherlands. In 2015 he talked of the commemoration of 200 years of the restoration of the monarchy in

Amsterdam is also the metropole for six Caribbean territories

1815, whose economic strength rested to a large extent on a colonial empire that had slavery and indentured labour as a central pillar. He looked forward to "the shared celebration of two hundred years of the Kingdom. Together with the Caribbean parts of the Kingdom, the Netherlands continues to work towards a good future" (Ministerie van Algemene Zaken, 2015, p. 1).[19] Royal visits to the Caribbean Netherlands are frequent, and surveys find clear majorities on the islands holding positive or very positive opinions on the Dutch royal family; indeed, islanders consider this bond an integral part of their shared identity of being "Dutch" (Veenendaal, 2016a, p. 23). One random comment on Curaçao during a recent royal visit exemplifies this: "I am really proud to be Dutch. It is an honour to see [King] Willem-Alexander and [Queen] Maxima close up" (Osepa & Koek, 2015).[20]

In other metropolitan realms, a similar shared nationality is also found. When, in 2012, the French President Hollande received delegations of overseas territories, he welcomed them by exclaiming, "You are not guests of the republic. You are the French Republic!" (Hollande, 2012).[21] On the other side of the globe, a local education official on Wallis & Futuna expresses an equal sentiment when he stresses that "The population on our two islands is profoundly French and Francophone" (Prinsen et al. forthcoming, 2018). Royle's study of Saint Helena notes that "St. Helena's people are now fiercely loyal to the United Kingdom and its monarchy" (Royle, 2010, p. 206).

It should be noted, however, that such a shared national identity on non-self-governing islands can disappear in the course of time — even on seemingly comparable islands in similar frameworks. For example, Amoamo reports that until the late twentieth century, "almost every Pitcairn home had framed photographs or pictures of the Queen or the Royal Family"; but due to a series of conflicts with London and metropolitans, this sense of proud British identity has now disappeared (Amoamo, 2013, p. 248). In fact, conflicts or adversarial engagements are also a recurring and fundamental aspect of the relationship between islands and metropoles, as will be discussed shortly.

Complementary locational identities

Next to a shared national identity, islanders and metropolitans also each have their distinct locational identities as islanders and metropolitans and — importantly — these two identities are connected as binaries. The concept of binary identities is not new; it is one of the foundations under postcolonial theory that emerged in the 1970s. Leading scholar Edward Said argued that in an oppressive colonial framework, the images of identity of the colonial rulers and the identity of the people they rule are symmetrical to each other but in an hierarchical relation of inferior and superior (Said, 1978). Similarly, Biko, as a leader of the Black Consciousness movement in South Africa's apartheid era, argued that apartheid taught black South Africans that their marginalization was explained by the fact they were black and inferior to white South Africans. If black people grew into accepting this imposed identity, acceptance of the seemingly inevitable status quo would follow. "His heart yearns for the comfort of white society and makes him blame himself for not having been 'educated' enough to warrant such a luxury… an ox bearing the yoke of oppression with sheepish timidity" (Biko, 1978, p. 43). However, the islanders' agency driving the five mechanisms described earlier does not suggest islanders on these remnants of colonial empires and metropolitans are locked into this set of hierarchical binary identities. On the contrary.

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Since the early 2010s, several scholars in the field of Island Studies are presenting evidence that these islanders and metropolitans are not (or no longer?) connected through hierarchical binary identities, but rather engage in a process whereby parties develop complementary binary identities. Grydehøj's study of the relationship between Denmark and Greenland speaks of a "collaborative construction of [each other's] identities" in which "Greenlanders are a people of nature" and Danes

are portrayed as urban dwellers (Grydehøj, 2016, p. 106). There is complementarity, not hierarchy. A similar dynamic can be seen around the Dutch Caribbean islands. A man from Curaçao residing in metropolitan Netherlands was recently interviewed in a national newspaper. "They are particularly cantankerous in winter, whereas we will always smile, no matter how cold it gets," he said, to which his wife quickly added: "But we are all Dutch with the same passport" (Marijnissen, 2017).[22] This idea of sharing a nationality and yet have complementary identities within the national borders was aptly captured by Dutch Caribbean literary star Van Leeuwen: "If the Netherlands says it is five to twelve, it is only five to six over here" (Cornelisse, 2004).[23]

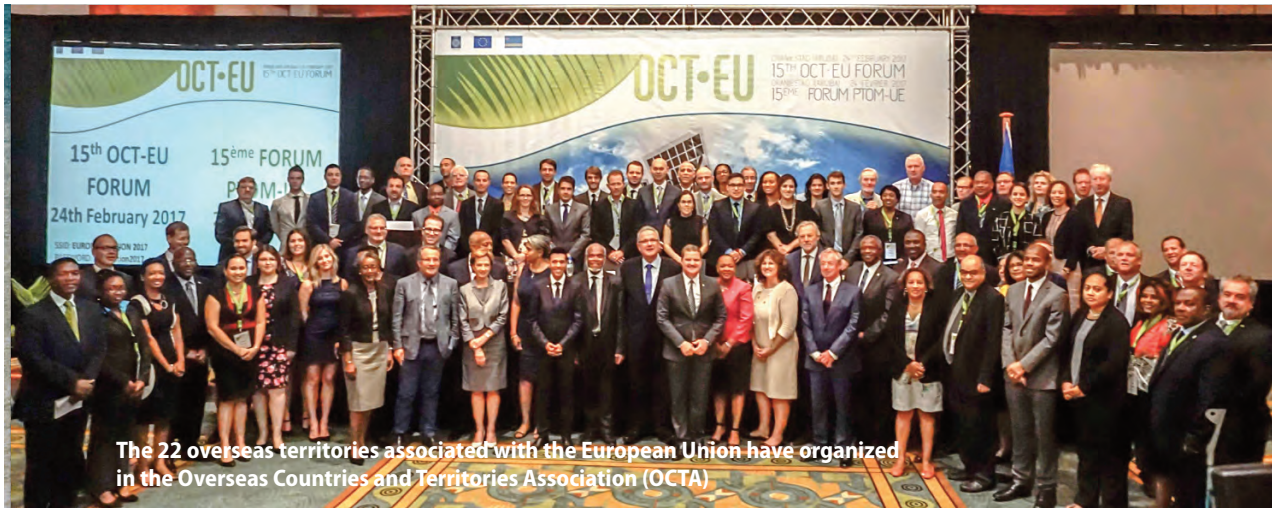
Complementary identities are created in an adversarial process

Van Leeuwen's allusion to negotiations leads to the third facet of identity around non-self-governing islands: the complementary identities may be mutually created, but this generally happens in a rather adversarial process between the non-self-governing islands and their metropoles. In most cases, islanders and metropolitans seem to be at loggerheads. For example, a comparative analysis between British and Dutch education policies in overseas territories finds one common feature: "serious disagreements" between London and the islands and a "series of disputes" between The Hague and the islands (Thomas & Clegg, 2016, pp. 244, 248). Research into French education policies in Wallis & Futuna captured the anger when education officials on the islands talked of their engagement with Paris: "I think they are deaf!" and "They take us for idiots" (Prinsen et al., forthcoming, 2018). A Greenland minister blasts Copenhagen: "The arrogance is devastating for our relations" (Christian, 2016). Perhaps not unexpectedly, feelings of animosity also surface in representatives of the metropolitan side, although they tend to be voiced in terms that can readily be perceived as paternalistic, such as "deep concerns" or "serious doubts" about the islanders' capacities or situation. A comment in the Dutch Parliament by the Minister of the Interior and Kingdom Relations on governance issues on Sint Maarten is fairly typical: "There is a generally shared feeling among citizens, businesses and foreign governments that in a broad sense the reliability and proper operation of the administration on Sint Maarten represents a problem that is larger and deeper than it appears" (Plasterk, 2013, p. 2).[24]

In a global context, islanders and metropolitans each seem to have a distinct set of issues that drive the adversarial character of their relationship. For people on the non-self-governing islands, issues of morality are a principal source of conflict with their metropoles. They feel their sexual or religious mores are pushed aside by metropolitan authorities and their regulations. This causes fierce animosity and creative responses in "bending metropolitan rules" as a means to maintain control on morality on their islands. For example, in many of the 40-odd non-self-governing islands at the centre of this chapter, there have been protests and resistance in one way or

another to metropolitan attempts to open up islands for increased equality for members of the LGBT+ communities, particularly for same-sex marriages. The previously detailed conflicts over same-sex marriages on Aruba and the Cayman Islands suffice as illustration.

For metropolitans, the issue of allegations around poor governance and corruption on the islands seem to be the principal driver of conflicts with the islands. As one example, in the Netherlands, the earlier comments of the Minister of the Interior and Kingdom Relations not only apply to Sint Maarten, but extend to all Dutch Caribbean territories. On Aruba, the metropolitan government basically froze



The 22 overseas territories associated with the European Union have organized in the Overseas Countries and Territories Association (OCTA)

Aruba's 2014 budget because "the public debt of Aruba has doubled over the last five years … Aruba is at risk of going into a financial danger zone."[25] In response, the Aruban Prime Minister stated, "Aruba is being taken hostage, raped and humiliated by the Netherlands" and went on hunger strike (Volkskrant, 2014).[26] On Curaçao, the metropolitan government established a commission in 2011 to investigate concerns about corruption. The commission's report concluded that there were "doubts about the integrity of [Curaçao] Ministers" (Rosenmöller, Maas & Hillebrink, 2011, p. 21) and set in motion a chain of events that led to the prosecution and conviction of corruption of Curaçao's Prime Minister from 2010 to 2012, who protested his innocence and claimed he was being framed by the Netherlands (Broere, 2017). In another context, events do not appear to be entirely dissimilar. In French Polynesia, a repeatedly re-elected President was convicted on corruption charges by the Court of Cassation in Paris in 2014. However, he continues to exert significant political influence and is instrumental in the territory's oppositional action to metropolitan influence — to the dismay of metropolitan officials who see these actions as "unfriendly gestures towards the French state" (Gonschor, 2016, p. 214).

Historical knowledge of the relationship is a driver for islanders

The fourth facet of identity that seems to drive the relationship between people on non-self-governing islands and their metropoles is islanders' deep historical knowledge of that relationship. It seems people use that knowledge actively to contextualize their current strategy. For example, when Dutch Caribbean writers and politicians discuss their relationship with the Netherlands, they start with the "The Peace treaty of Munster in 1648" (van der To et al., 1998). In the same vein, representatives of the people of Saint Helena frame their contemporary relationship and disagreements with London in the context of a decree of 1673 (Royle, 2010, p. 206) — probably much to the bewilderment of their metropolitan counterparts. Local education officials on Wallis & Futuna were also acutely aware of the historical context of their current negotiations with Paris. The director of the Catholic education department sees the current contracts with the Ministry of National Education as a continuation of nineteenth-century agreements. "My ancestors discovered that with these people, they can live better than they did before"; and he persists in the negotiations in spite of the difficulties because "otherwise I would make my ancestors look stupid" (Prinsen et al., forthcoming, 2018). On the other side, there is little to suggest metropolitan representatives have any comparable depth of historical knowledge. The earlier comments on the "bloody Turks and Caicos Islands" already suggested that much.

CONCLUSIONS

People living on the 40-odd non-self-governing islands that are remnants of the colonial empires of Denmark, France, the Netherlands, New Zealand, the UK, and the US are shaping a new form of sovereignty that they believe best suits the historical roots and future interests of their islands. This new form of sovereignty is predicated not simply on a continuing relationship with their respective metropoles, but on a relationship that is redefined on — mostly — islanders' terms. The mechanisms underpinning this new sovereignty start by islanders saying "no" to independence as a severance or perhaps ignoring of past ties. Next, islanders actively and continuously renegotiate the terms of the relationship; gradually they may get improved terms and, perhaps most importantly, because of their continuous character that is also unique to every island, these negotiations become the central element of the relationship. Where islanders fail to improve the terms of the relationship, they can often get away with "bending" the rules to suit their interests or values. And next to that — irrespective of the negotiations and conflicts about "bending the rules" — the islands' governments not only secure significant budget and one-off financial support from their metropoles in addition to their domestic revenues, but they also manage to create space to engage in international agreements and relationships beyond their metropoles, even if these do not quite align with metropolitan interests.

There will be an array of reasons why people on non-self-governing islands develop these mechanisms — and why they are rather effective. One set of reasons revolves on four facets of these islanders' unique identity. First, they share a national identity with metropolitans. At the same time, however, contemporary islanders are also developing binary and complementary locational identities in interaction with metropolitans. The complementarity of the identities arguably is what binds the two parties together as much as the shared nationality. Next, it needs to be noted these complementary identities are developed in an adversarial process. The mechanisms of saying "no," everlasting negotiations, and bending the rules underpin this adversarial dynamic and the disagreements over financial transfers and accounting, and the development of relationships with third parties only inflames matters. And yet, the often disagreeable character of relationship does not detract from the continuation of the engagement — perhaps to the contrary. A detailed awareness among virtually all islanders about the centuries that the relationship has already endured may mean it is difficult to imagine an identity outside the relationship: "This is who we are."

ENDNOTES

1 Due to peculiar local circumstances, even the two exceptions (Aruba and the Federated States of Micronesia) ended up retaining a constitutional bond with their former colonial metropoles.

2 The voting processes for these referendums have, of course, differed on the various islands. Often, people have had multiple options. In this column I count the votes against independence. For example, in the 1984 referendum on the Cocos Islands, the electorate voted on three options: integration with Australia, free association with Australia, or independence. In this column I added up the results of votes in favour of the first two options to the total of 96%.

3 About 94% voted for independence in 1977. However, the vote for independence was probably more a vote to secede from the other Dutch Antilles than from metropolitan Netherlands (Veenendaal & Oostindie, 2017, p. 9). The independence process was abandoned in 1994.

4 A majority (58%) voted for a Compact of Free Association (CoFA). However, if that had failed to get a majority, then 96% voted against independence.

5 A majority (77%) voted for a CoFA. However, if that had failed to get a majority, then 42% voted against independence.

6 A majority (67%) voted for a CoFA. However, if that had failed to get a majority, then 69% voted against independence.

7 The referendum was invalidated due to insufficient voter turnout (<50%).

8 As it is a subject of debate what qualifies as a "non-self-governing island," this list comprises islands listed on the UN list of "Non-self-governing territories" (UN, 2014) and islands listed in the CIA Factbook as "nonindependent territories" (CIA, 2016). Added are a few islands that are not on these lists and yet have organized referendums on independence: Bonaire, Mayotte, Saba, and St. Eustatius.

9 "Départements et Régions et Collectivités D'Outre-Mer (DROM-COM)"– ten of these eleven are islands.
10 Expenses of the French state in New Caledonia in 2015 were XPF 153.1 billion (IEOM, 2016, p. 56).
11 Expenses of the French state in Wallis & Futuna in 2016 were XPF 12.6 billon (IEOM, 2017, p. 50).
12 These figures refer to three of the six Caribbean territories: the three "special municipalities" of Bonaire, Sint Eustatius, and Saba. The source notes that about 80% of public expenditure on the three islands is covered by metropolitan transfers; i.e., EUR 250 million in 2015 (Spies et al., 2015, p. 48).
13 For the Fiscal Year 2016-2017 New Zealand provided NZD 19.3 million in budget support to the Cook Islands' government, largely for education and health services (New Zealand Ministry of Foreign Affairs and Trade, 2016).
14 UK Government budget support grant to Saint Helena Government (SHG) for the Financial Year 2015/16 was GBP 20.63 million (Department for International Development (DFID), 2015, p. 1).
15 UK Government budget support grant to the Montserrat government for 2016/2017 Fiscal Year is GBP 20.6 million (Department for International Development [DFID], 2016).
16 The US government provided USD 574 million in compact support to Palau for 1995-2009, averaging USD 38.3 million per year. Proposed financial support for the 2011-2024 period is still subject to debate (US Government Accountability Office, 2016, p. 3)
17 The US Office of Insular Affairs reports USD 72.0 million in federal grants to the Northern Mariana Islands in Fiscal Year 2015, which is about 24% of public expenditure on the islands (US Department of the Interior, 2016).
18 At the time of writing it seems that the UK is having difficulties following the same path.
19 "…de gezamenlijke viering van 200 jaar Koninkrijk. Samen met de Caribische delen van het Koninkrijk blijft Nederland werken aan een goede toekomst."
20 "Ik ben bijzonder trots dat ik Nederlander ben. Het is voor mij een eer om Willem-Alexander en Máxima van dichtbij te zien."
21 "Vous n'êtes donc pas les invités de la République! Vous êtes la République française!"
22 "Die zijn vooral zo chagrijnig in de winter, terwijl wij áltijd blijven lachen – wat er ook gebeurt en hoe koud het ok is." and "We zijn allemaal Nederlanders met hetzelfde paspoort."
23 "Als Nederland zegt dat het daar vijf voor twaalf is, is het bij ons pas vijf voor zes."
24 "Er is een algemeen gedeeld gevoel bij burgers, bedrijven en buitenlandseoverheden dat de deugdelijkheid en het behoorlijk functioneren van het bestuur in ruime zin op Sint Maarten een probleem vormt dat groter en dieper is dan zich laat aanzien."
25 "De staatsschuld van Aruba de afgelopen vijf jaar verdubbeld … Daarmee dreigt Aruba in de financiële gevarenzone te komen."
26 "Aruba wordt gegijzeld, verkracht en vernederd door Nederland."

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Australian and Solomon Islands flags flying at Solomon Islands National Parliament

7

Aid and sovereignty:

Neostructuralism, retroliberalism, and the recasting of relationships in Oceania

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ABSTRACT

International development assistance has undergone significant shifts in ideology, allocation, and modes of delivery in the past 50 years. This paper examines aid in the Pacific Islands region since 2000 and what we identify as two particular paradigms of aid determined and shaped by the major metropolitan donors. From about 2000, and associated with both the Millennium Development Goals and the post 9/11 concern for failing states, there was a "neostructural" period, focused on poverty alleviation and the rebuilding of state capacity. Then, following the Global Financial Crisis of 2007–08 and with an eye on the

example of Chinese aid, we have seen a "retroliberal" approach to aid. This has involved much more overtly self-interested aid, with open support for donor economic interests, more of an interest in infrastructure, and a retreat from long-term state-centred programs, particularly in education and health. For the states and territories of the Pacific islands, we trace the volumes and direction of aid from 2000 to 2015. We see a neostructural interest in the more independent and larger states with apparently more pressing poverty and security concerns and a relative pull-back from the smaller, better-off, and more closely associated territories. Since about 2008, however, retroliberalism has been associated with a turn back to dependent territories with significantly increased aid volumes, and a shift from state-centred programs to support for the (donor) private sector and relative declines in aid in the larger Pacific recipient states. Finally, however, we suggest that aid relationships in Oceania have not simply been a matter of these top-down donor policy shifts. On the contrary, we suggest that many Pacific officials and politicians have proved adept at reading the signals in the changing donor environment, used their diverse sovereignty "resources" strategically, and acted effectively to negotiate new aid and development strategies.

INTRODUCTION

Aid — international development assistance — typically is a key component of island economies in the developing world. Donors seem willing to commit relatively large sums from their aid budgets to support both development programs and the general costs of government in island states and territories. In addition, those island jurisdictions which have closer constitutional ties to a metropolitan power, whether as an incorporated or dependent territory or as a "free association" or "compact" state, in general receive significantly higher levels of aid per capita (together with benefits from easier access to metropolitan labour markets) than more independent island states. This situation is certainly borne out in the Pacific Islands region (Oceania) where a number of island economies, with a wide variety of populations and natural resource endowments, experience a wide variety of constitutional and political ties with larger metropolitan powers.

Yet whilst higher levels of aid bring financial benefits, it also comes with costs in terms of conditions over the use of such resources and an implied — and real — loss of sovereignty over economic and development policy. In particular, we suggest that changes in donor aid strategies and policies are conceived largely without the involvement of recipients but have considerable consequences for the latter countries. Aid, in this sense, is very much a top-down, imposed economic and political relationship that trades off effective sovereignty for economic benefit. In this paper, which draws on a recent research project on aid and sovereignty in the Pacific (Murray & Overton, 2011b; Overton et al., 2012; Overton et al., in press; Prinsen et

al., 2018 forthcoming; Ulu, 2013), we explore this relationship and focus on changes in donor aid policy over time. However, whilst we see strong evidence for donor-led shifts in aid practices, changes in patterns of distribution and the imposition of aid "conditionalities" (Gould, 2005), we also discern a noticeable counter process of recipient agency whereby island sovereignty can be defended and asserted through informed, clever, and strategic engagement in aid relationships.

Before continuing, it is important to note some key features of the aid environment in Oceania. Table 7.1 (following page) provides an overview of island states and territories in Oceania. We see great variation across the region: it includes both aid recipients and aid donors; populations range from 45 in Pitcairn to over 7 million in Papua New Guinea; and aid receipts vary enormously in both total and per capita terms.

Aid itself is a problematic term and difficult to measure. Development assistance includes not only financial grants and concessionary loans, but also, particularly in the past, trade concessions and preferences, special migration access, and transfers straight to the coffers of government for ordinary administrative expenses. For this chapter, we draw primarily upon the OECD/DAC definition of aid as "Official Development Assistance" (ODA). In doing so, we acknowledge the limitations that this brings, through excluding other forms of assistance, and also the way it does not count some non-OECD donors (especially the People's Republic of China) and some recipients (French Polynesia, New Caledonia, US-incorporated territories, and Rapa Nui as part of Chile, as well as Pitcairn and Norfolk Islands). We also note that the emphasis on ODA disguises from analysis the considerable reverse flows of resources from the islands to the metropoles: labour, remittances, investment, profits, skills, etc.

With a focus just on ODA flows, Figure 7.1 shows the volume of ODA given by the main donors in Oceania (see also Table 7.2). Without aid data for French Polynesia and New Caledonia, this depiction much underrepresents the actual volume of French assistance to the region and, similarly, we have no reliable comparative data for the US territories of American Samoa, Guam, and Northern Mariana Islands. However, we can draw two main initial points. Firstly, five donors dominated aid flows to the region in the past 20 years. In absolute terms, Australia was by far the largest, followed by New Zealand, US, France, and Japan. Multilateral donors — the EU, the World Bank, and the Asian Development Bank — were important but far from dominant. Secondly, we can see that real aid volumes have fluctuated over the years. There was variability in the late 1990s, then a period of sustained increase from about 2002 to 2011, and then recent stabilization or fluctuation. The apparent decline in real aid levels since 2011 was reversed by an increase in Australian aid in 2015. However, whilst a first reading of these data may lead to a relatively sanguine view of increasing aid, beneath these aggregate patterns lie some significant shifts in the source, direction, and motivations for aid, with subsequent implications for different Pacific Island economies.

	Population (estim. 2013)	Land area (sq. km)	Net ODA (2013 USD mill)	ODA per capita (USD)
American Samoa	56,500	199	n.a.	n.a.
Cook Islands	15,200	237	15.29	1,006
Federated States of Micronesia	103,000	701	143.16	1,390
Fiji	859,200	18,333	91.24	106
French Polynesia	261,400	3,521	n.a.	n.a.
Guam	174,900	541	n.a.	n.a.
Hawai'i	1,374,810	16,634	n.a.	n.a.
Kiribati	108,800	811	64.58	594
Marshall Islands	54,200	18	93.91	1,733
Nauru	10,500	21	28.78	2,741
New Caledonia	259,000	18,576	n.a.	n.a.
New Zealand	4,439,000	268,107	-457.31	-103
Niue	1,500	259	18.30	12,200
Norfolk Island	1,895	35	n.a.	n.a.
Northern Mariana Islands	55,700	457	n.a.	n.a.
Palau	17,800	444	35.46	1,992
Papua New Guinea	7,398,500	462,840	656.54	89
Pitcairn	45	47	n.a.	n.a.
Rapa Nui	5,700	164	n.a.	n.a.
Samoa	187,400	2,934	118.18	631
Solomon Islands	610,800	28,000	288.32	472
Tokelau	1,200	12	24.06	20,050
Tonga	103,300	749	81.15	786
Tuvalu	10,900	26	26.80	2,459
Vanuatu	264,700	12,281	90.89	343
Wallis & Futuna	12,200	142	105.53	8,650

TABLE 7.1: **Countries and territories of Oceania**

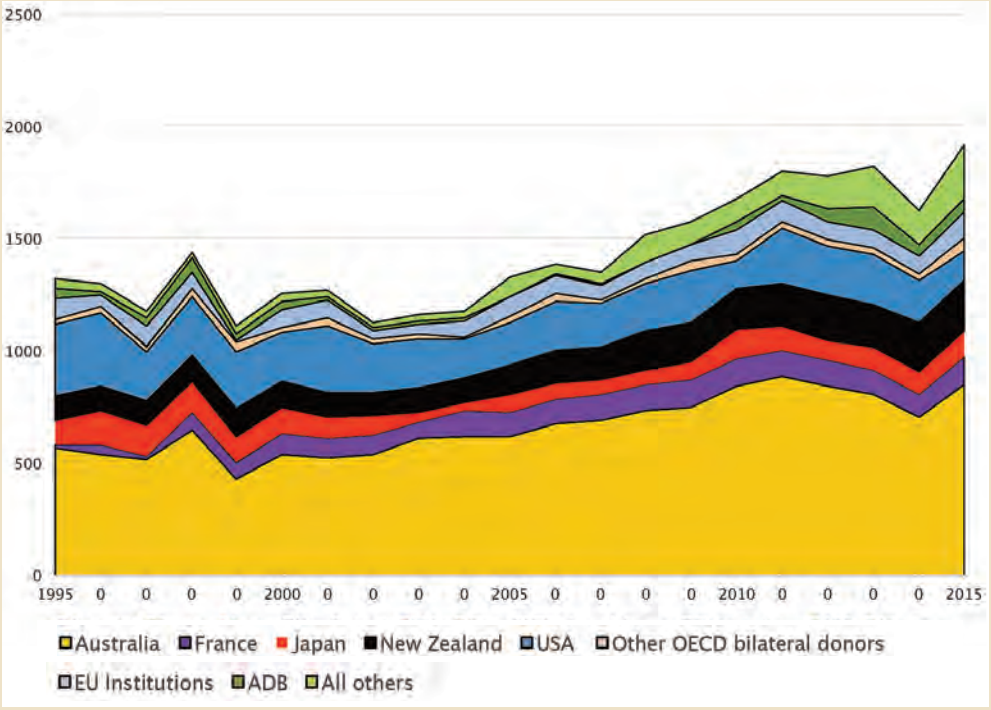
Source: OECD:Stat for ODA data; South Pacific Commission (http://www.spc.int/sdd/ accessed 11/11/15) for population data.
Official Development Assistance (ODA) as measured by the OECD. Negative values represent a net donor.
Notes: n.a. = not available or not applicable

At left
TABLE 7.2:
Main ODA donors to Oceania 2015 (USD mill)
Source: OECD:Stat

Bilateral	
Australia	852.11
New Zealand	227.70
US	130.38
France	123.09
Japan	111.61
Germany	26.57
UK	12.67
Other OECD/DAC bilateral donors	21.59
Non-DAC donors	28.03
Multilateral	
EU institutions	110.77
World Bank	91.27
Asian Development Bank	62.88
United Nations	38.06
Global Environment Facility (GEF)	33.89
Global Fund	23.82
Other multilateral	19.06
Private donors (Gates Foundation)	2.38
TOTAL	1915.88

With this background in mind, below we explore aid flows and relationships in more detail. We begin by outlining key changes in donor aid "regimes" in the past 20 years. Then we examine the details of aid flows in the region and the way changes over time both reflect these regimes and have implications for different types of island polities. Finally, we discuss several implications of these aid patterns for relationships and development prospects for island states and territories in the Pacific.

FIGURE 7.1: **Total ODA to Oceania 1995-2015 by donor (current USD mill, 2015)**



Source: OECD:Stat

AID REGIMES

Aid policies change. Donor governments review, redirect, and restructure their aid programs over time, sometimes in response to domestic political pressures and shifts, sometimes in line with global agreements and accepted practices of the time, and sometimes (though rarely) in response to the requests and suggestions of recipients. It is possible to discern times when certain aid "regimes" are in place — periods of relatively stable aid policy with an underpinning ideological or theoretical base, stable institutional structure, accepted sets of practices, and established relationships. Although they may take some time to put in place and some time to dismantle, such aid regimes have marked the history of aid both globally and at the national (donor) level.

One of the most dramatic aid regimes was that of neoliberalism and the so-called "Washington Consensus" of the late 1980s and 1990s. This drew from monetarist economic theory and a strong desire to "roll back" the state and replace it with market forces as the key driver of development. It was put in place first, following a move to the right politically in donor countries, especially the Reagan and Thatcher governments of US and UK, but then later flourished in the post–Cold War world when Western powers no longer had to compete with their Soviet rivals as aid donors. Neoliberalism was put in place in international institutions — the World Bank and IMF, in particular — but was replicated through the bilateral aid programs of many OECD donors. It led to the institution of Structural Adjustment Programmes (SAPs), using aid, through "conditionalities," to force recipients to institute deep and harsh economic reforms.

Although this neoliberal aid regime was felt in the Pacific region in the 1990s, our concern in this chapter is with the two regimes that followed it after about 2000: neostructuralism and what we have termed "retroliberalism" (Mawdsley et al., in press; Murray & Overton, 2011a, 2016). It is our contention that these two approaches to aid were ushered in by donors with little or no consultation with recipients and they had major impacts on development programs and prospects in the Pacific region.

Neostructuralism

"Neostructuralism" takes its name from a political turn in Latin America in the late 1990s and early 2000s (Leiva, 2008). It indicates a move away from the rigid market-centred approach of neoliberalism and, in part, back to the structuralist development strategies of the 1950s and 1960s, in Latin America and elsewhere, which put emphasis on economic growth, welfare provision (particularly in education and health), and a leading role for the state in planning and regulating development. Yet, in other ways, it was much less interventionist (or Keynesian) than the earlier structuralist approaches and it shared the concern of neoliberalism to promote

globalization and allow market forces to operate freely. Like neoliberalism, it took its global lead from political shifts to the centre: the "Third Way" Clinton Administration of the late 1990s in the US and the Blair New Labour government of the UK; and many centre-left governments in Latin America, Europe, and Australasia. Whilst supporting capitalism and market-led economic growth, neostructuralism had an overt mission to address poverty, inequality, and social justice (Murray & Overton, 2011a).

In terms of aid, changes had been afoot in the late 1990s with the recognition by the World Bank and other agencies that harsh neoliberal reforms had gone too far and done damage: the state was still crucial to providing the stability and order required by society and the market; "good governance" and institutional reform was needed; and poverty had to be addressed to prevent social disorder and allow more people to participate in a growing economy. SAPs were to be replaced by Poverty Reduction Strategy Papers (PRSPs) with the key strategic objective of poverty reduction through economic growth. The real marker for the regime, however, was the launch of the Millennium Development Goals (MDGs) by the United Nations in 2000. These set some priorities for aid delivery and focused attention on poverty alleviation in particular.

. . . harsh neoliberal reforms had gone too far and done damage: the state was still crucial to providing the stability and order required by society and the market; "good governance" and institutional reform was needed; and poverty had to be addressed to prevent social disorder and allow more people to participate in a growing economy.

The MDGs gave neostructuralism its poverty focus in aid but it was the Paris Declaration of 2005, brokered by the Development Assistance Committee (DAC) of the OECD, which gave it its organizational shape and methods. The Paris Declaration marked a clear break from neoliberalism. It positioned recipient governments as the key agencies in the pursuit of aid effectiveness. Its five principles included the key concept of recipient ownership of development (Buiter, 2007), the need to align with recipient institutions, systems and strategies, and the call for donors to "harmonize," to act in concert to provide substantial resources so that recipient agencies could lead development programs. In practice, the Paris Declaration meant a move away from the project modalities and donor control of 1990s neoliberalism, and instead the use of higher-order modalities — Sector Wide Approaches (SWAps) and ultimately General Budget Support (GBS).

For Oceania, neostructuralism was to be a mixed blessing. The heavy-handed conditions of neoliberal SAPs were replaced with greater consultation and respect for the role of Pacific governments. Governments in the region, which had suffered from severe cuts to their budgets in the 1990s, were now apparently in the lead and facing the prospect of large increases in aid support. The poverty focus was a double-edged sword, however. The MDGs focused attention on a number of key poverty indicators:

income levels, infant and maternal mortality rates, literacy and school participation rates, gender equity, etc. (Naidu, 2009). These pointed to some severe poverty-related concerns in the region, especially in Melanesia — Papua New Guinea and Solomon Islands, in particular (AusAID, 2001). Here also, there were concerns that states were failing. In the post 9/11 environment, donors such as Australia became very concerned that failing states in the Pacific "arc of instability" (Fry, 1997) posed a threat to global security as well as to economic and social progress (Dinnen & Firth, 2008; Howell & Lind, 2008). So there was a clear need to increase support for these larger island states. However, for many of the smaller island territories, particularly those closely tied to a metropolitan "hinterland" (Baldacchino, 2006a), poverty indices looked relatively favourable and governments seemed stable and capable enough. Such governments had often taken a hit in the 1990s with neoliberalism exposing their vulnerability to a large single donor — cutbacks in funding local bureaucracies were severe in places such as Cook Islands — yet decades of close association for these states had helped build relatively well-educated and healthy populations with diverse sources of income. It seemed unlikely that the neostructural aid environment would favour them. Whatever the different prospects for engaging with this new aid regime across the region, the aggregate picture was one of marked improvement over the previous decade. Figure 7.1 shows a significant and sustained increase in aid volumes to the region after the turn of the millennium, from Australia, in particular.

Retroliberalism

The neostructural aid regime flourished during the early years of the 2000s at a time when the global economy was in good health and Third Way and centre-left governments in many donor countries supported the global project embedded in the MDGs and related agreements. Such a context changed dramatically with the Global Financial Crisis of 2007–08. North American and European economies contracted sharply, though the Chinese economy was much less directly affected. In response to the crisis, many governments resorted to policies to prevent large companies from collapsing and their bailouts amounted to Keynesian-inspired stimulus packages. There was a partly consequent shift to the political centre and centre-right about the time as well. With particular relevance for Oceania, new right-leaning governments came into power in New Zealand (Key in 2008), Japan (Abe in 2012), and Australia (Abbott in 2013) (Banks et al., 2012).

Recession led to government expenditures being cut in most Western economies. It would seem as if aid budgets — spending on others rather than reviving their own economies — would be an early target for donors. Yet this did not happen. Post-GFC governments, with few exceptions such as Japan, did not radically reduce aid budgets and some, notably UK, increased their aid allocations. But whilst aid budgets were not slashed, aid policies, priorities, and institutions experienced great change. New

Zealand, under Foreign Minister McCully after 2008, was one of the first to institute such changes, but his agenda was replicated remarkably closely later in Canada and Australia (Banks et al., 2012).

Firstly, the poverty focus of aid was dropped in favour of "sustainable economic growth" as the new mission. This later morphed into the new "shared prosperity" mantra of the World Bank and most aid agencies. Infrastructure provision was seen as a key to promoting economic growth, rather than longer-term programs in education and health, though education budgets were maintained overall by shifting spending to tertiary education scholarships offered to study in donor institutions. Secondly, there was a push to promote (and rebrand) aid to become part of a new strategy to promote (donor) national self-interest, and separate aid agencies (NZAID, AusAid, CIDA) were disestablished and rolled into wider ministries of foreign affairs and trade. And whilst there was no overt attack on the competencies of recipient states to lead aid programs, donors seemed to favour new modalities that involved the private sector — particularly enterprises from the donor's own country — in aid delivery. Thirdly, in recent years, this has shifted further in the search for new public-private-partnership models in development funding, such as public-private consortia, development impact bonds, "viability gap funding," and the greater use of private contractors. Finally, the language of aid has changed: poverty survives as an objective but is fading, and now we see terms such as "investment priorities" or "shared prosperity" given greater priority.

. . . these changes in aid were substantial and significant and marked a departure from the former neostructural regime, even if many of the former neostructural programs continued to operate. We have termed this new regime "retroliberalism."

Taken together, these changes in aid were substantial and significant and marked a departure from the former neostructural regime, even if many of the former neostructural programs continued to operate. We have termed this new regime "retroliberalism" (Mawdsley et al., in press; Murray & Overton, 2016). The term implies a connection with neoliberalism — principally the adherence to globalization and economic growth — yet its strategies are rather more "retro": Keynesian stimulus, infrastructural development, explicit and assertive donor self-interest, and a theoretical basis more aligned to late colonial and early post-colonial modernization than neoliberal economics.

For Oceania, the retroliberal regime was felt quickly but unevenly following the GFC. Commitments for SWAps and some limited GBS made earlier were continued, but few new programs were started, and, instead, there was a return in part to project modalities, to build airports or renewable energy plants or roads (see, for example, New Zealand Parliament, 2010; New Zealand MFAT, 2015a; MFAT, 2015b). Overseas scholarships were expanded, and there was more talk of expanded trade between

donor and recipient countries. In addition, regulated labour migration schemes (such as New Zealand's Recognised Seasonal Employer [RSE] or Australia's Seasonal Work Program [SWP]) were strengthened and placed within the aid and development sphere. On the surface, the retreat from the MDG poverty agenda and the Paris Declaration targets for strengthening recipient government systems may signal a pull back from countries such as Papua New Guinea and Solomon Islands. Australia has done just this, indicating that it has achieved a poor "return on invesment" in its support for RAMSI and reconstruction in Solomon Islands (DFAT, 2014; Hayward-Jones, 2014). Yet retroliberalism would also suggest that "exporting stimulus" (Mawdsley et al., in press) would lead it to those economies in the Pacific where the prospects for economic growth and investment were greatest. Here the resource-rich islands of Papua New Guinea, Solomon Islands, and Fiji would offer good prospects — and the revival of aid to Fiji following putatively democratic elections in 2014 fits this new strategy.

Thus we contend that these new aid regimes — neostructuralism and retroliberalism — have been visible features of aid strategies, policies, and practices in Oceania as elsewhere. They have been constructed by donors, with varying levels of explicit global engagement and agreement, and they have been largely foisted upon recipients as a result of political and economic changes within donor countries. For retroliberalism, in particular, this is a sign of "supply-led" aid (Wood, 2015) rather than a measured response to recipient needs, capabilities, and requests. But to what extent have these rhetorical shifts at the political level been translated into real flows of resources? From the above discussion we hypothesize that the neostructural aid regime would lead to a redirection of aid in Oceania towards those countries with marked poverty needs (as defined by the MDGs) and with government systems in need of support and strengthening. This would focus on the larger independent states of the region, especially Papua New Guinea, Solomon Islands, and Vanuatu, rather than the smaller island states and territories closely aligned to a metropole. For retroliberalism, our hypothesis would be that a counter move may take place, away from state-building and poverty-alleviating goals and locations towards those that offer business opportunities, with good prospects for economic growth and where closer relationships can be forged to link recipients with the wider foreign policy and economic goals of the donor. We now turn to analyse ODA data in Oceania in more detail.

ODA FLOWS IN OCEANIA

The profile of aid donors revealed in Figure 7.1 indicates that there are five major bilateral aid donors (Australia, France, US, Japan, and New Zealand) and three crucial multilateral donors (EU, World Bank, and Asian Development Bank or ADB). Thus, we will briefly review the ODA programs and flows of the major multilateral donors first, then US, France, and Japan, before focusing most attention on New Zealand and Australia.

Bridge and highway construction in rural Fiji

New airport building, Funafuti, Tuvalu

MULTILATERAL DONORS: EU Institutions, the World Bank, and the Asian Development Bank

As multilateral donors, the EU, World Bank, and ADB operate in quite different ways, though the scale of their ODA to Oceania is similar. The EU institutions, in effect, are conglomerations of several donors and act more like a large bilateral donor, influenced by historical ties to the region (as well as France, the UK, and Germany which had colonial territories in the Pacific but they do not maintain large separate bilateral programs). The ADB and World Bank, on the other hand, are development banks which range rather more widely in the region. Their ODA is comprised of both grants (usually smaller grants given alongside their development loans) and the concessionary element of their loans. The total volume of loans is not analyzed here, only the ODA component.

Figure 7.2 presents two graphs showing the ODA disbursements of these three donors. Firstly, in terms of total volumes over the past 21 years, there are marked contrasts. ADB grants and loans were quite small in volume and declined in real terms up until 2010, then increased sharply. The World Bank had very little presence in the region until about 2009; then its activities rose sharply. The EU, on the other hand, had some large variations from year to year, but there was perhaps a slow increase over the period. When we look at the geographical distribution of this aid, the differences are even more marked. The ADB was active across the region, but, after 2010, its increases were focused particularly on PNG and the smaller Polynesian countries (notably Samoa). This pattern was even more marked for the World Bank with its recent engagement with the region involving significant increases to Melanesia (PNG, Vanuatu, and Solomon Islands), Polynesia (Samoa and Tonga), and Kiribati and Tuvalu. The EU, however, had an early concentration on PNG, Vanuatu, and Solomon Islands, but this gradually wound down, with more attention being given recently to Fiji, Samoa, and Tonga.

So, in the case of these multilateral agencies, there seems to be no clear imprint of the changing aid regimes. The strong EU support to the larger independent Melanesian states throughout the 2000s might be interpreted as being related to the MDGs and state-building projects, though this would not explain why aid to PNG, Solomon Islands, and Vanuatu was gradually decreased. Perhaps the most striking feature of Figure 7.2, however (the rapid rise in ADB and World Bank funding to PNG, particularly after 2010), could be seen in retroliberal terms. This activity was related to a very large increase in loans to PNG to support infrastructure-related loans (and related capacity-building). Also, these increases should also be seen alongside a much-enlarged Chinese presence in the region with similar loans being offered.

FIGURE 7.2A: **ODA to Oceania by major multilateral donors, 1995–2015 (current USD mill, 2015)**

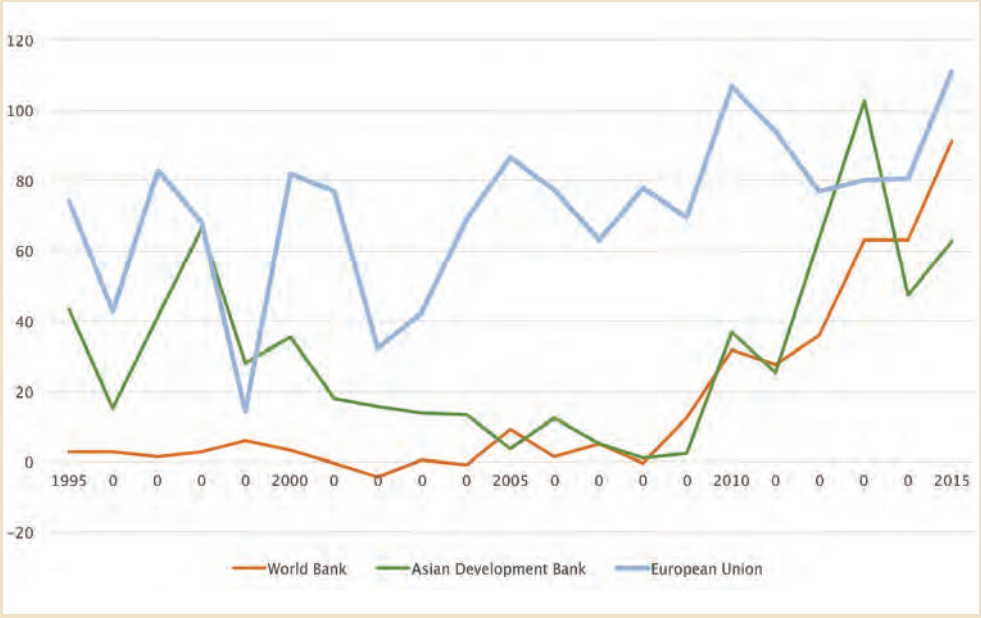
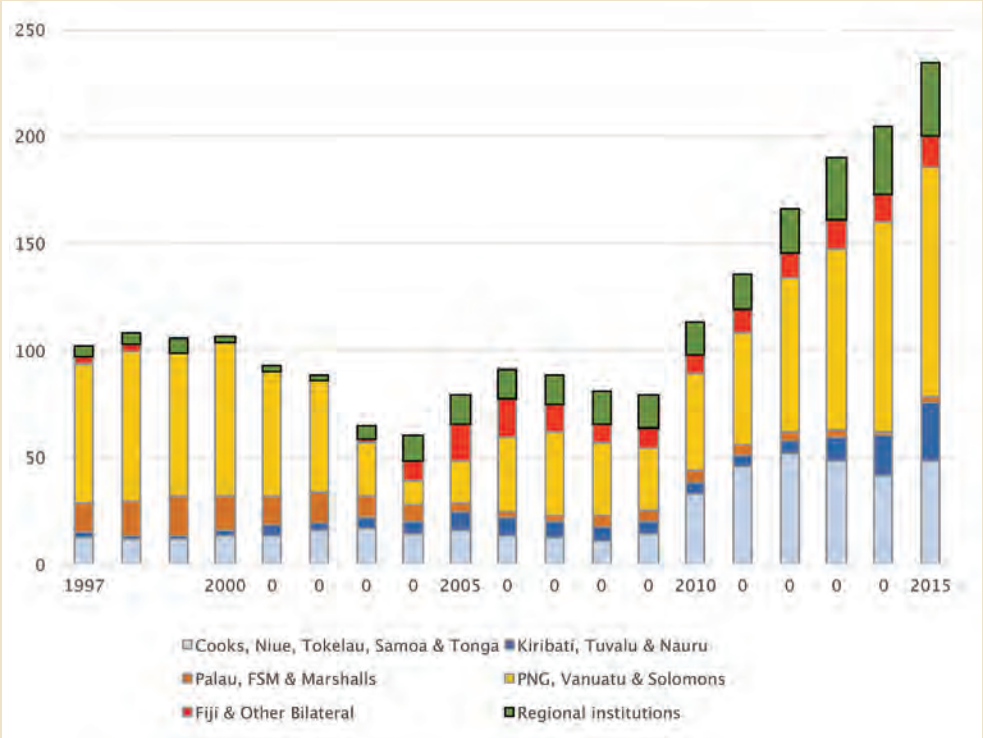


FIGURE 7.2B: **Major multilateral ODA to Oceania by recipient, 1995–2015 (current USD mill, 2015, rolling three-year average) 2015)**



Source: OECD:Stat

BILATERAL DONORS: The global players (France, US, Japan)

France, the US, and Japan are amongst the top ten bilateral donors world-wide and their aid portfolios spread across the globe. For all three, Oceania comprises a small share of their total aid budgets. Yet their impact here is significant. All three are now similar-sized donors to the region (at about 100 million USD per year — again noting that much US and French aid to their dependent territories is not counted as ODA), but there have been major differences over time.

As indicated in Figure 7.3, France's ODA, dominated by its support for Wallis & Futuna, has increased, whereas USA's ODA, again dominated by its compact partners (Palau, Micronesia, and Marshall Islands), has declined. Japan has a quite different profile. Its aid fell until about 2008 then rose, and its distribution changed markedly from a heavy concentration on PNG, Solomon Islands, and Vanuatu to now a more evenly dispersed portfolio.

In terms of the aid regimes model, none fit the neostructural or retroliberal distinction clearly, though there are some interesting echoes of both. The French increases during the first decade of the 2000s fits the global neostructural commitments to the MDGs, etc., though Wallis & Futuna hardly fits the mission, giving priority to high poverty levels and failing states. Japanese and American aid never quite matched the enthusiasm of European donors for neostructuralism in a general sense, and their declines reflected a lack of strong political commitment for the MDGs and the Paris Declaration. It may be, however, that Japan with its resuscitation of aid to the region (and particularly to Melanesia) after about 2008 does match a new retroliberal concern for building economic opportunities through aid. Notable, too, is the fact that Japan is the major donor to the Asian Development Bank, and its bilateral changes after 2008 align with the ADB's turn to Melanesia.

BILATERAL DONORS: The regional players (Australia and New Zealand)

Australia and New Zealand were the two largest ODA donors to Oceania in 2015, together accounting for 56% of total ODA to the region in that year (see Table 7.2). Australia is particularly dominant, with its aid to PNG still representing by far the largest single ODA flow. Their aid policies are therefore of particular interest and relevance to island states and territories in Oceania and only the French and American territories are immune to how these donors operate (assuming limited intra-Pacific multipliers, that is). We should also note that the Australian and New Zealand aid agencies work closely together, often adopting a "lead donor" role for one or the other in different Pacific countries, with the secondary donor falling in behind and helping to fund what the lead donor negotiates.

FIGURE 7.3A: **Bilateral ODA to Oceania by USA, France, and Japan, 1995–2015 (current USD mill, 2015)**

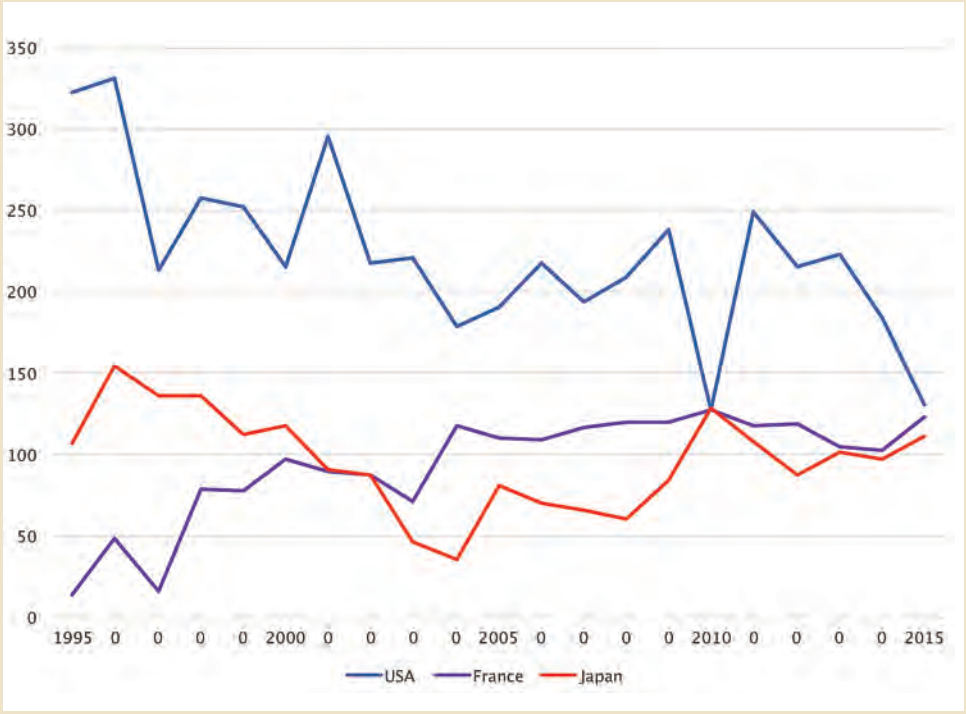
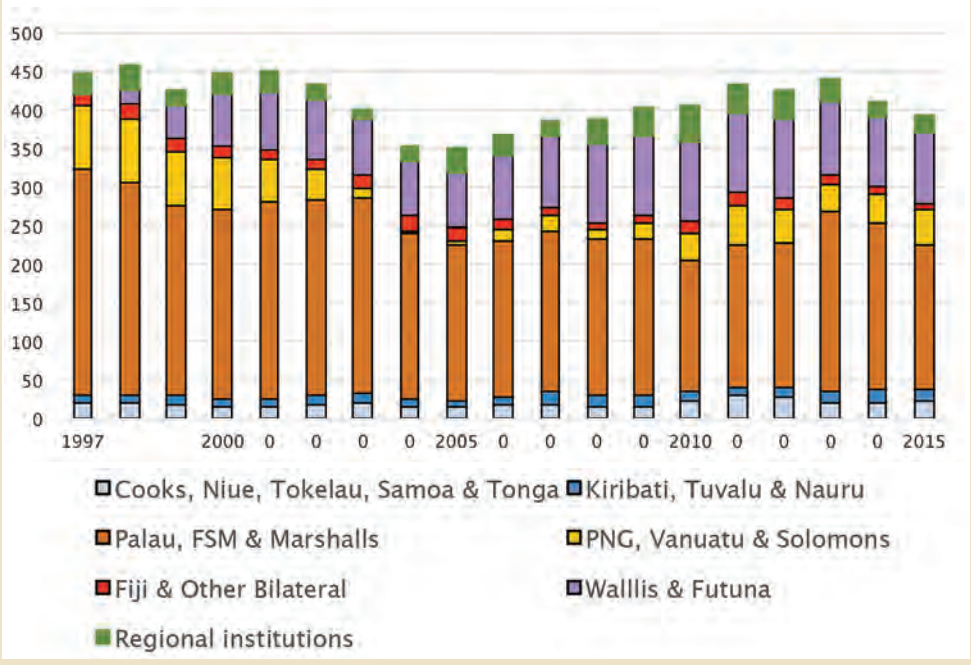


FIGURE 7.3B: **Bilateral ODA to Oceania from US, France, and Japan by recipient, 1995–2015 (current USD mill, 2015, rolling three-year average)**



Source: OECD:Stat

Figure 7.4 presents data on these two major donors. Firstly, we can note that aid levels rose steadily and significantly through the first decade of the 2000s. For New Zealand, this represented a more than doubling of its aid to Oceania, in real terms, between 2002 and 2015. Over that time, it surpassed France, US, and Japan in volume of ODA to the region. Australia also oversaw a doubling of its aid between 1999 and 2011. Throughout this time, both made strong policy commitments to the region and Oceania's share of the respective aid budgets grew markedly. Both embraced the poverty focus of the MDGs in the region before 2008, and both, with Australia in the lead, took a deep interest in efforts to rebuild and strengthen governance in Solomon Islands and PNG. But both also changed politically with a shift to the centre-right (New Zealand in 2008 and Australia in 2013), with implications for aid policies. However, it is interesting to note that the GFC, whilst leading to a small temporary drop in New Zealand's ODA, did not greatly interrupt the continued growth of the aid budgets. Australia began to cut its aid budget after 2012 (though there has been a rise again for 2015) and New Zealand's commitments have largely continued to rise.

Beneath these aggregate patterns, however, there have been some significant changes. For Australia, the most dramatic shift occurred in the wake of the RAMSI intervention in Solomon Islands after 2003 (with a similar shadow cast on New Zealand's allocations at the time). RAMSI accounted for a major share of both countries' aid allocations for several years but has begun to tail off recently, especially marked for Australia. Papua New Guinea has remained Australia's and the region's largest recipient (though smallest on a per capita basis; see Table 7.1). There was a marked fall in aid allocations to PNG from Australia through to 2007 (perhaps as allocations were shifted to RAMSI), but a gradual recovery since. Elsewhere for Australia, ODA disbursements were maintained. Fiji fell and rose in line with its volatile political situation, Samoa and Tonga rose then tailed off, and there has been a steady increase for Vanuatu and Kiribati, Tuvalu and Nauru (the latter related strongly to Nauru's role in hosting refugees seeking to land in Australia).

For New Zealand, what is notable is the prominent position of the supposed "realm states" (Cook Islands, Niue, and Tokelau) and its close relationships with Samoa and Tonga. Despite some falls in the early 2000s, these states and territories have received a substantial and growing share of New Zealand aid. Elsewhere, as noted, the commitment to RAMSI led to major increases for several years and aid to PNG rose significantly since 2005, then tailed off somewhat. Recent new features have been the increases to Vanuatu, Kiribati, and Tuvalu.

In terms of aid regimes, Australia and New Zealand seem to fit the models quite closely. The neostructural agenda to alleviate poverty and build the capacity of states to manage their own development seems to have been a factor behind the rises in allocation to PNG and Solomon Islands up to about 2010. This also may have contributed to the views of, and support for, places such as Kiribati and Tuvalu.

FIGURE 7.4A: **Bilateral ODA to Oceania by Australia and New Zealand, 1995–2015 (current USD mill, 2015)**

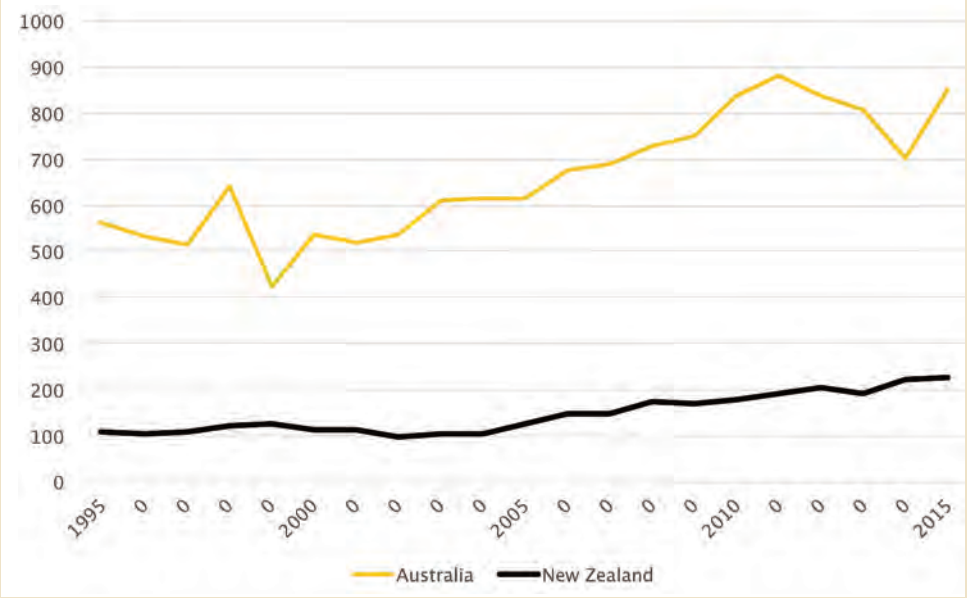
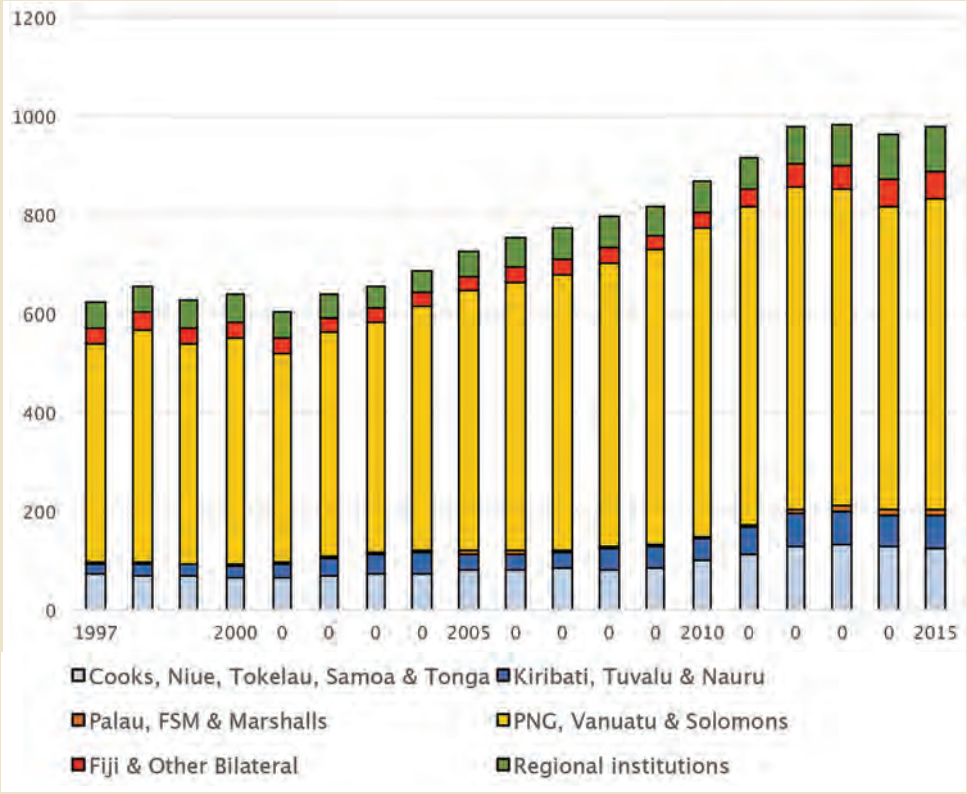


FIGURE 7.4B: **Bilateral ODA to Oceania from Australia and New Zealand by recipient, 1995–2015 (current USD mill, 2015, rolling three-year average)**



Source: OECD:Stat

Importantly, much of this aid prior to 2010 was directed towards program funding arrangements, the higher-level modalities of SWAps which saw recipient governments as lead agents for development. This neostructural model, however, does not explain the increases in New Zealand's support for the relatively well-off and stable Polynesian countries. After the GFC, as noted, there was no immediate cut in aid and forward commitments to SWAps and the like were continued. However, it seems as if a retroliberal approach has been adopted in some ways. More state-centred programs have been scaled back, especially in Solomon Islands and PNG, and more projects involving private enterprise have been supported across the region.

Of key interest is the connection between a retroliberal aid approach and the apparent strengthening of close association relationships. We have seen that New Zealand has increased aid to its "free association" territories (Cook Islands, Niue, and Tokelau) and to Samoa and Tonga with whom it has special and historical ties. Australia has fewer direct relationships of this kind, though it has supported PNG as a former colonial territory, and Nauru, Kiribati, Tuvalu, and Solomon Islands where, it seems, it adopted a patronage role following the withdrawal of the UK from its colonial ties in Oceania. Retroliberalism, as we have argued, ties aid closely to the wider economic and strategic interests of the donor. Aid helps build a national brand, it gathers support for the donor in diplomatic arenas (such as the UN), it helps counter the growing influence of other powers (such as China), and it helps promote the business interests of donor companies. In this sense, the concentration and increases of aid to smaller island states and territories as part of a wider foreign affairs remit makes much sense under retroliberalism. Donor states use aid to buy prestige and influence and to promote economic relationships — as they have done for many years.

OUR ANALYSIS of aid flows in the Pacific over the past 20 years perhaps conceals as much as it reveals. Aid in the form of ODA is but a part of the resource flows that occur between island and metropolitan economies . . .

Capitol building, Ngerulmud, Palau

GEOGRAPHICAL AND POLITICAL-ECONOMIC IMPLICATIONS OF AID REGIMES AND ODA FLOWS IN THE PACIFIC

Our analysis of aid flows in the Pacific over the past 20 years perhaps conceals as much as it reveals. Aid in the form of ODA is but a part of the resource flows that occur between island and metropolitan economies: we do not analyze non-ODA forms of assistance (such as opportunities to migrate and work), nor do we see important resource flows from islands to places such as Auckland, Sydney, Los Angeles, or Paris. An overly ODA-focused analysis such as this also can lead to a

myopic perspective that sees all the initiative, resources, and power coming from the metropole and being "given" to a set of grateful and passive island recipients. Yet analysis of aid is still important. It shows us how and where metropolitan powers focus much of their foreign policy and geo-economic objectives in the region, and it provides an index of the weight and direction of those foreign policy "investments."

However, despite signs that the two aid regimes have left a marked imprint on the aid landscape of the region, the picture is not overwhelmingly clear. We have found support for our hypotheses concerning neostructuralism and retroliberalism, but only in part and really only clearly with regard to Australia and New Zealand. What is most interesting now is to speculate on why this aid environment in Oceania is not playing out as clearly as the regimes might predict.

The role of Pacific agency in aid regimes and flows

In spite of the assumption often made that the aid industry operates in a top-down fashion, the variable unfolding of regimes across the Pacific are in part explicable in terms of considerable and critical Pacific "agency" in the process. The top-down, donor-driven nature of aid funding is certainly evident in terms of the imposition of what we term "process conditionalities" (Overton et al., in press). Recipients have to make institutional reforms, they are told to consult widely, they have to comply with complex planning and reporting mechanisms, and their financial management systems have to comply with donor norms (Larmour, 2002). As part of a research project on aid and sovereignty in the Pacific, our researchers found strong evidence of the difficulties Pacific officials and agencies faced in meeting these demands (Wrighton & Overton, 2010), but they also revealed the way these same agencies and officials were also able to succeed in "working the system," very effectively in many cases.

Ulu's study of Samoa (Ulu, 2013), for example, showed that the Government of Samoa, well-led at the political and bureaucratic levels, adapted particularly well. Its officials engaged strongly in global meetings and agreements over aid effectiveness and the like; they put in place strong statements of strategic direction and policy and supported these with clear institutions (Government of Samoa, 2010; Government of Samoa and MFAT, 2011); they developed an experienced and stable group of officials who spread the understanding of aid relationships through several relevant ministries; and they adopted a confident and assertive approach to dealing with donor officials, being ready to say "no" when required.

Such policy statements and practices are found elsewhere in the region (for example, Government of the Cook Islands, 2011; Government of Niue and Government of New Zealand, 2011; Government of Papua New Guinea, 2008). Pacific officials have often proved to be better informed, more experienced, and more confident in negotiating aid agreements than their often more junior donor counterparts. Such

examples of good practice at the national level in the Pacific have been spread through organizations such as PIFS (the Pacific Islands Forum Secretariat) and peer review processes (PIFS, 2007). As a result, Samoa, Tonga, Cook Islands, and Vanuatu, for example, have developed good reputations for being capable managers of their own development. Aid has followed these perceptions of competence (even if they have meant that donors have been told at times to go away or behave better!).

Another aspect of this Pacific competence has been the way officials and politicians in the region have often been skilful in "reading the signals" in the aid world. They not only attend international aid meetings and understand what is being talked about but they help shape these international discourses (the Pacific input into the SDGs and Fiji's chairing of COP 23 are examples in this regard). Furthermore, being attuned to political shifts in different donor countries has allowed them to make informed tactical moves to align with new donor concerns and priorities. Two recent examples are global concerns with climate change, which have put Pacific Islands in the global spotlight as supposed victims of climate change and sea-level rise (Barnett & Campbell, 2010), and the growing presence of the People's Republic of China in the region, where China has been active in promoting its particular model of "development co-operation" (Powles, 2016). But the loans are very attractive and an alternative to the selective aid programs that Western donors offer. Pacific governments have been keen to engage with China but also rather astute. They know that their established Western donors are rather wary of growing Chinese presence and willing to counter Chinese "co-operation" with Western "aid." It is apparent that agreeing to a Chinese loan does not lead to ostracism by old donors but, rather, increased generosity.

CONCLUSIONS

What, then, does our discussion of aid in Oceania tell us about island sovereignty and development? We certainly align with the view, established by Bertram and Watters, Baldacchino, McElroy, and others that forms of close association tend to bring greater benefits than full independence (Baldacchino, 2006a, 2006b; Bertram, 1986, 1993, 2004; Bertram & Watters, 1985; Connell, 1993; Dunn, 2011; McElroy & Parry, 2012; McElroy & Pearce, 2006). Aid levels on a per capita basis are much higher for those closely associated states and territories than for the fully independent ones (Table 1). As we suggested with our examination of American and French ODA in the Pacific, these closely aligned territories were able to continue to receive high levels of aid throughout the first decade of the 2000s, even though the neostructural aid approach would suggest that they, with relatively good educational and health indices and usually stable and competent administrations, should receive much less than worse-off (and independent) states in Oceania. Furthermore, with the retrolib-

eral turn, they were well-positioned to engage in a more favourable environment when donors seemed more willing to increase aid and strengthen already close relationships.

On the other hand, we depart slightly from this view regarding the benefits of close association in two ways. Firstly, we contend that states across the sovereignty spectrum have been able to engage in the aid environment in ways potentially favourable to them. Yes, more closely associated island states have found this easier than those who have remained strictly independent. We would point to Cook Islands as an example of a Pacific country that has managed its aid relationships very effectively, even as it faces graduation to middle-income status. Conversely, until recently, Niue struggled to engage well with its heavy dependence on New Zealand aid and, though aid levels were maintained, it seemed to be losing the chance to gain more. But some independent island states, though by no means all, have been able to wrest resources through different aid regimes. By being attuned to the way donors think and operate, some have been proactive in developing strategies for, say, primary education or maternal health following the MDGs, or in being vocal about the felt impacts of climate change. We point particularly to the example of Samoa. Samoa has a Treaty of Friendship with New Zealand which defines a close historical and working (if not constitutional) relationship, yet it remains a sovereign independent state. It has opened migration pathways and encouraged New Zealand to be a generous aid donor. Yet it has not simply relied on New Zealand as a donor. Careful diplomacy, a strong administrative structure, and effective leadership in aid relationships have meant that it has developed and maintained a diverse portfolio of donors. New Zealand is prominent but not dominant; Australia and Japan are significant; and the ADB — and China — are major funders of projects. Independence for Samoa has not greatly disadvantaged its long-term ability to attract aid and development partners.

Secondly, we conclude that it is not so much the absolute legal sovereignty status that is important in attracting and managing effective aid, but, rather, how sovereignty is "enacted" on a daily basis. Recipients who have skilled and experienced officials, clear and appropriate development strategies and institutions, and confidence in dealing with donors can assert a degree of ownership over aid resources — and attract greater funding — almost regardless of the constitutional status of their country. "Reading the signals" and "playing the game" effectively can help an otherwise isolated and relatively ignored state do well from aid, whilst conversely a territory that is closely associated with a metropole but which fails to engage and respond to aid signals and relationships may not necessarily prosper. Aid in Oceania, then, is not simply conditioned by changing aid regimes, nor does it simply conform to the constitutional and political definitions of sovereignty — though both are still critical. Rather, aid is conceived, strategized, negotiated, and implemented through a complex web of institutions, agreements, historical relationships, and personalities

in which sovereignty as a resource is as much a state of mind and a set of practices as it is a political "fact."

Finally, we contend that the various aid regimes are crucial in shaping aid relationships between islands and metropoles within Oceania, but that they are not simply a matter of top-down imposition of external agendas. Although aid regimes are largely conceived, composed, and endorsed by donor countries acting largely in concert, they are subject to high levels of negotiation and modification through the agency of island institutions and individuals, resulting in diverse forms and flows of aid. Furthermore, when Pacific Island agents and agencies are closely involved in the formulation and implementation of policies related to global regimes, they are able to exercise influence and a degree of ownership. Contrary to our initial scepticism regarding the imposed nature of the neostructural aid regime in particular, we are of the view that such aid regimes can, in theory, provide a useful framework and set of agreed principles and practices that island governments and others can often use to their advantage and hold donors to account.

ALTHOUGH AID REGIMES are largely conceived, composed, and endorsed by donor countries acting largely in concert, they are subject to high levels of negotiation and modification through the agency of island institutions and individuals, resulting in diverse forms and flows of aid.

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Coffee farming on the Old Town Coffee Estate, Jamaica Blue Mountains

8

Agricultural development on islands

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ABSTRACT

The challenges faced by agriculture and rural communities in small islands have entered a new era of vulnerability during the last 25 years as a result of the onset of global change — a range of external forces related to climate change and economic globalization. These transformative forces interact together in complex ways that have differential impacts on people, places, groups, and institutions. Remarkably, even within a small

island, such impacts vary significantly from place to place depending on local conditions. This can pose huge challenges for island planners with limited resources, especially in the field of agriculture and rural development. Double exposure provides a useful framework for examining how shocks and stresses associated with global change can create vulnerabilities in the agricultural sector at the island level, and within farming communities at the local level. In this paper, illustrations of the utility of such an approach are provided. The examples relate to export agriculture and domestic small-scale farming in the Caribbean region at the national and local level. In rural communities, spatial patterns of household vulnerability and adaptive capacity are not uniform across a small island, so their identification is critical to rural development: one size does not fit all in formulating rural development policy. Much of the current focus on adaptation to global change in tropical agriculture explores methods of strengthening resilience, particularly at the community level.

CONCEPTUAL FRAMEWORK: GLOBAL CHANGE AND DOUBLE EXPOSURE

The 2017 hurricane season brought into sharp focus the vulnerability of small islands to calamitous meteorological hazards, as the arc of islands on the northeast rim of the Caribbean Basin suffered two Category 5 hurricanes, Irma and Maria. The extent of the damage caused by these disasters is yet to be assessed, but for Dominica, Barbuda, Puerto Rico, and the British and US Virgin islands it will be catastrophic to their economies and GDP, to key sectors like tourism and agriculture, but, most importantly, for people and their livelihoods. Recovery will be measured in years, not months.

Climate change is taking centre stage in analyzing the vulnerability of small islands, but economic globalization and the restructuring of the world economy also have had far-reaching impacts in relation to agriculture and rural livelihoods, and the impacts of both are generally negative (Barker, 2012). We use the term "global change" to describe the combined effects of economic globalization and climate change, and these two broad sets of external forces have ushered in a new era of vulnerability for small islands (McGregor et al., 2016). In the colonial period, islands were locked into a system of dependence on the metropolitan power, but restructuring of the global economy changed the old order. Many islands felt the full impacts of trade liberalization in the 1990s, at the same time that the negative impacts of climate change began to be recognized.

O'Brien and Leichenko (2000) coined the term "double exposure" to describe the simultaneous, combined effects of global environmental change and global economic change. Double exposure is an analogy taken from conventional (pre-digital) photography, and used as a metaphor for the simultaneous exposure to risks associated with climate change and economic globalization. It can be applied to a country, a

community, a social group, or an organization, usually referred to as the "exposure unit." The outcomes of double exposure may be accidental or intentional, negative or positive, so there may be winners and losers (Leichenko & O'Brien, 2008). When outcomes are negative, double exposure is a lens through which vulnerability can be analyzed in a holistic way. McGregor et al. (2016) argue that double exposure is a useful framework to examine vulnerability at the island scale because it can apply at the national and community level of analysis.

The multiple impacts associated with global change are termed shocks and stresses. Shocks are fast-onset, abrupt events while stresses are more gradual conditions that develop over a longer period of time. Examples of environmental shocks are the impact of a hurricane or tropical storm, or a major flood event. The impact of a drought, higher temperatures, or gradual shifts in seasonal rainfall patterns are examples of environmental stresses. Examples of economic shocks include a currency devaluation or a fall in world commodity prices, whereas examples of economic stresses are a gradual reduction of tariffs through trade liberalization, or persistent rural outmigration in response to overseas labour markets.

DOUBLE EXPOSURE is an analogy taken from conventional (pre-digital) photography, and used as a metaphor for the simultaneous exposure to risks associated with climate change and economic globalization.

There is an extensive literature on how to conceptualize, operationalize, and measure elusively simple terms such as vulnerability, resilience, and adaptation (see, for example, Adger, 2006; Briguglio, 2016; IPCC, 2014, p. 5; Pelling, 2011). Vulnerability reflects susceptibility to the negative outcomes of global change, and a common theme is to distinguish between an external and an internal component (Chambers, 1989). The external component represents multiple economic and environmental shocks and stresses associated with global change which can impact an island, a community, or a household. The internal component is the adaptive capacity of the exposure unit to cope with and adapt to shocks and stresses.

The paper examines the challenges facing agriculture and rural populations resulting from economic globalization and climate change. It explores how the study of agricultural vulnerability at the island scale has been enriched and extended by studies of agricultural vulnerability at the community scale. The narrative is steered by two significant trends in the literature: increasing recognition of the ramifications of climate change as a driver of global change, and a scaling down of the research effort to focus on the vulnerability of rural communities.

Firstly we note how global economic change led to a decline in the role of agriculture in small islands as they transitioned to tourism-based economies; yet supply-chain linkages between the two sectors are weak. Next, we illustrate how agricultural vulnerability is constrained by the limited capacity of small islands to

adapt to international competition from large-scale producers. A case study of the decline of export bananas in the Eastern Caribbean shows how trade liberalization and climate hazards negatively impacted the economies of the Windward Islands and farmers' livelihoods. Then we briefly review how downscaling of global climate change models has produced more detailed climate change scenarios and allows rainfall and temperature projections to be made not only for islands, but for regions within an island. This enables vulnerability studies at the community level to be synchronized with predictions about changes in local climates, and how local cropping systems may be affected.

The last section tells the story of how a community-based approach to agricultural vulnerability unfolded in Jamaican research. We documented farmers' local knowledge of changing weather patterns, which corroborated scientific projections of shifting and increasingly variable patterns of seasonal rainfall. Persistent drought and tropical storms were disrupting farmers' traditional methods of coping with their fragile farming environment, and their efforts to adapt were proving ever more difficult. In the last ten years, community-based approaches to climate change adaption have become increasingly important as a policy option for capacity- and resilience-building in developing countries. Caribbean researchers have embraced this approach and pioneered the use of double exposure and the Sustainable Livelihood Framework (Chambers & Conway, 1992) to develop participatory research methodologies in rural farming communities. One output of this community-based research is a variety of approaches to compiling community vulnerability indices.

ISLAND AGRICULTURE AND AGRICULTURAL VULNERABILITY

Decline of agriculture and the rise of tourism

During the colonial period, tropical islands tended to have a dual agricultural economy, comprising one or two export crops produced by large-scale plantations or estates, and a domestic food production sector dominated by small-scale farmers (Barker, 1993). It is less easy to generalize about agriculture today. Most islands have witnessed a general retreat from agriculture, and many have fully transitioned into a service economy dominated by tourism. McElroy and de Albuquerque (1990) partly attribute agricultural decline to low-cost rural labour attracted to relatively higher wages in the tourism sector. In larger islands like Jamaica and the Dominican Republic, rural migrants are drawn into coastal tourist areas from the interior upland farming areas, whereas smaller islands like the Virgin Islands attract rural migrants from neighbouring islands with larger populations.

In the Caribbean, commercial agriculture has virtually disappeared in very small islands with small populations, examples being the Virgin Islands and St. Martin/Sint Maarten. For medium-sized islands with populations between 100,000 and

Yam farming in central Jamaica

300,000, such as Barbados, Antigua, and more recently St. Lucia, fewer people are employed in agriculture and per cent contribution to GDP has declined. However in the larger islands of the Greater Antilles — Cuba, Dominican Republic, Haiti, and Jamaica — agriculture has also declined in contribution to GDP, but remains a significant source of employment. In the Dominican Republic, agriculture declined from 21% of GDP to 5% between 2000 and 2016, yet 16% of the population are still employed in agriculture. In Haiti, the poorest country in the western hemisphere, more than 2 million people work in agriculture, which accounts for 22% of GDP. In these islands, large rural populations are dependent on agriculture for their livelihoods. The majority of households are small-scale farmers who account for the bulk of domestic food production, so the sector is critical to food security. Although these rural households are to some extent food-secure, rural populations still live in a condition of persistent rural poverty as they did a generation ago (Barker, 1993).

Agriculture-tourism linkages

There are many linkages between agriculture and tourism, such as competition for cheap labour and for scarce land in coastal areas (McElroy & de Albuquerque, 1990). Terrestrial ecosystems are spatially interconnected to coastal ecosystems (Potter et al., 2004) such that farming contributes significantly to soil erosion and land degradation, and sediment from upland farming areas is carried by rivers into the coastal zone. Silt plumes can extend out to sea affecting the coral reefs, coastal fisheries, and tourism. Similarly, agrochemicals used in commercial farming can pollute water supply and coastal zones.

However, a critical but under-researched linkage is the food supply chain between local agriculture and the tourist sector. Surprisingly, such linkages are weak and underdeveloped, even on islands that have experienced mass tourism for 40 years. Why has the agriculture sector not taken better advantage of market opportunities afforded by tourism growth? Early studies lamented the absence of such linkages (Belisle, 1983) while later studies (Momsen, 1998; Timms, 2006) found only "some" improvement, as tourist destinations matured and there was more government support for tourist-related agriculture.

. . . a critical but under-researched linkage is the food supply chain between local agriculture and the tourist sector. Surprisingly, such linkages are weak and underdeveloped, even on islands that have experienced mass tourism for 40 years.

There is a dearth of empirical research on these linkages, but insights from a detailed Jamaican study may have lessons for other islands. Rhiney (2011) collected and analyzed data on food production systems of small farmers, food inventories of hotels in a tourist resort, and operations of middlemen. He argued that problems occur at both ends of the supply chain, with small farmers and hotels. Small farmers were unable to supply high-quality, competitively priced produce to hotels on a consistent basis. They use traditional informal marketing systems whereas the hotel sector insists on a legal contract with a supplier, a system unfamiliar to small farmers. Other problems included farmers' poor access to technology and financial resources, and poor island infrastructure and transport systems. Competition from cheap food imports was another major concern. The supply chain issues for the hotel sector revolved around the lack of communication with the farming community in articulating their need for regular supplies of high-quality produce. Small farmers are not well-organized in Jamaica: there are few farmer groups and farmer co-operatives. Hotels prefer to deal with representatives from larger organizations or middlemen, rather than with individual farmers. Many hotels, particularly the larger all-inclusive hotels, tended to import cheaper and/or better-quality food from the US rather than source it from local farmers.

Agricultural vulnerability and characteristics of SIDS

The seminal approach to the study of vulnerability at the island scale is illustrated by the pioneering work of Briguglio (1995) who examined the vulnerability of Small Island Developing States (SIDS). Sources of island vulnerability which constrain economic development include open economies dependent on external trade and natural disasters such as hurricanes and tropical storms. These may be considered elements of the external component of vulnerability in the double exposure framework, within the broader guise of economic globalization and climate change. Other vulnerability constraints on SIDS include physical constraints such as a relatively small land area, limited amounts of good arable land, limited natural resources, limited scope to exploit economies of scale, and fragile agro-ecosystems (Briguglio, 1995). These can be considered part of the internal component of vulnerability at the island scale in the double exposure framework, and reflect the limited internal capacity of an island to adapt to global change.

The limited capacity of island agriculture to adapt to economic change is aptly illustrated by the decline of sugar production in the Caribbean. In 2005 St. Kitts became the latest Caribbean island to abandon sugar after a 300-year history of production (Clarke, 2014). In 1961 the Caribbean region produced 20% of the world's exports of sugar, but by the turn of the century it produced less than 4% (Potter et al., 2004). The decline can be measured as volume produced and per cent contribution to global sugar exports. Caribbean sugar was unable to compete on the world market after the entry of large-scale producers such as Brazil and Indonesia. The limited supply of good arable land restricts an island's ability to exploit economies of scale. Caribbean sugar industry is undercapitalized and constrained by outdated technologies: sugar cane is still harvested by hand and sugar factories are antiquated.

Agriculture's capacity to adapt to global change is also compromised by land degradation and soil erosion which negatively impact agricultural productivity. Degraded hillside farming areas are susceptible to flood rains, landslides, and other forms of mass movement which disrupt farming systems, transport and communications, and agricultural marketing networks. Haiti is an extreme case where land degradation impedes agricultural production and rural poverty is chronic. In Jamaica, 10 of the island's 26 watersheds are classified as critically degraded (NEPA, 2011). The impacts of land degradation on farm output and productivity are almost impossible to quantify, but degraded uplands are important farming areas in terms of household and national food security. In some cases such farming regions make a significant contribution to foreign exchange earnings, as in the case of Jamaica Blue Mountain Coffee and yams (Barker & Beckford, 2006), Significantly, these uplands are areas of persistent rural poverty, so analysis of agricultural vulnerability needs to

be grounded in studies at the community level, and focus on how to provide more dignified sustainable livelihoods for their rural populations.

Trade liberalization and export bananas in the Windward Islands

After political independence, many SIDS benefitted from protected trade agreements in overseas markets for critical export crops like sugar and bananas. The Lomé Convention in 1975 established preferential access for Caribbean bananas into Europe. In the Windward Islands of St. Lucia, St. Vincent and the Grenadines, Dominica, and Grenada, export banana production soared, and bananas were so lucrative they became known as "Green Gold" (Klak et al., 2011). But the islands became dangerously dependent on a single crop export; bananas accounted for 40–50% of island exports, 30–35% of employment, and 10% of GDP.

FAIR TRADE is an "ethical" trading system based on alliances between producer associations in developing countries and consumer organizations in developed countries, and is seen as an alternative to conventional "free trade."

The onset of neoliberalism involved the gradual dismantling of protective trade tariffs to promote more open, free-trade economies. In what came to be known as the "banana wars" (Klak et al., 2011), lobbying by the larger Latin American producers and the United States led the WTO to dismantle preferential entry for bananas into the EU. In the Windward Islands, 85% of producers were small hillside farmers with farm plots of less than five acres. They were unable to compete with Latin American producers working in partnership with multinational corporations, utilizing highly mechanized plantations on flat, fertile land, some of which were 10,000 acres in size. Island banana producers could not scale up production to reduce costs. In the 1990s the world price of bananas was around 450 USD per tonne but production costs in the Windward Islands were over 500 USD per tonne. The Windward Islands could not quickly adapt to this rapid series of economic shocks; banana production went into steep decline, and the number of banana farmers declined from 23,000 to 4,000 by 2007 (Barker, 2012).

In the face of such economic challenges, the Windward Islands adapted by shifting into Fair Trade in an effort to take advantage of niche market opportunities. Fair Trade is an "ethical" trading system based on alliances between producer associations in developing countries and consumer organizations in developed countries, and is seen as an alternative to conventional "free trade." It provides a guaranteed price to farmers which includes a social premium, paid to fair trade farmer groups, and invested in local community development (Fingal, 2008). The Fair Trade movement gained traction among European consumers who seemed prepared to pay a higher price because profits were seen to go more directly to small farmers in developing countries.

	2002 thousand tonnes	2008 thousand tonnes	2011 thousand tonnes
Dominica	17.5	14.1	4.1
St Lucia	49.3	34.9	12.1
St. Vincent and Grenadines	36.9	23.8	11.0
Grenada	0.2	0.2	0
Dominican Republic	114.7	205.6	303.8

TABLE 8.1: **Banana exports for selected Caribbean countries**

Source: FAO (2014) Banana Market Review and Banana Statistics, 2012-2013

Fair trade banana exports began in 2000, but banana production has continued to stagnate and decline (Table 8.1). St. Lucia, the biggest producer, is transitioning rapidly into a tourist economy (Walters, 2015). But the problem is that bananas are particularly susceptible to strong winds, so any rain-producing weather system can cause serious crop loss, and full recovery will take nearly 12 months. Tropical storm activity over the last 15 years had devastating impacts on an industry already reeling under the impact of trade liberalization. Tropical Storm Lili impacted St. Vincent in 2002. Grenada stopped exporting bananas after Hurricane Ivan in 2004, followed by Hurricane Emily in 2005. In 2007 Hurricane Dean caused extensive damage to banana production in St. Lucia and Dominica, then Hurricane Tomas in 2011 wrecked the industry again in St. Lucia and in St. Vincent. Following the 2017 direct hit on Dominica by Hurricane Maria, export bananas there will suffer yet another crippling blow.

Windward Islands has had only limited success with Fair Trade bananas, but neighbouring Dominican Republic shifted into Fair Trade and has also become the world's largest exporter of organic bananas, with 15,000 certified small farmers (Raynolds, 2008). She cites the important role of international NGOs in providing training as a contributory factor to success, but government support was critical, too. Local collection and marketing systems are well-organized through producer associations, but the number of small banana producers is declining relative to larger producers.

CLIMATE CHANGE AS A DRIVER OF AGRICULTURAL VULNERABILITY

Nurse et al. (2014) document an alarming picture of how climate change is likely to affect small islands in the future. While rising sea level is an existential threat for many low-lying islands, the main concerns here are the threat of an increase in the frequency and magnitude of tropical cyclones, and the wider regional implications for farming systems as a result of increasing temperatures and shifting seasonal rainfall.

Hurricanes and tropical storms

In the Caribbean, there appears to be an increase in the intensity and severity of hurricanes, linked to a rise in sea surface temperatures, though there is still debate as to whether climate change will increase hurricane frequency and magnitude (Gamble, 2009). Storm activity has broken records over the last two decades. At the time, the 2005 hurricane season was the worst on record. But it was surpassed by the 2017 season, not only for the number of Category 5 hurricanes, but for their rapid intensification due to ocean temperatures higher than normal. Hurricane Irma, and then Hurricane Maria, formed within a short space of time and followed similar tracks. Puerto Rico and the Virgin Islands had direct hits twice in a couple of weeks.

Tropical cyclones have damaging impacts on agriculture. Economic assessments of damage after a storm impact provide ample evidence of their debilitating effects on production. Moreover, a single storm can inflict economic damage to several territories in an island chain, depending on its track. In 1998, Hurricane Georges destroyed 90% of the agricultural sector in the Dominican Republic and Haiti, 95% of Puerto Rico's banana crop, and 50% of St. Kitts' sugar crop (Potter et al., 2004). Hurricane Ivan in 2004 devastated the Cayman Islands and Jamaica, but wreaked havoc on Grenada, which suffered damage equivalent to double the annual GDP and destroyed the island's valuable nutmeg industry (Barker, 2012). Another example of multiple strikes in a single season was Haiti in 2008, hit by an unprecedented series of four slow-moving, high-rainfall tropical storms, Fay and Hannah, Ike and Gustav. Flooding was widespread with loss of life in Gonaives in northern Haiti (Barker, 2012). Together, the storms caused estimated damage of 900 million USD, equivalent to 15% of GDP and 70% of the country's crops were destroyed. For Haiti, 2008 was a classic case of double exposure: in April of 2008, before these calamitous storm events, world food prices spiked at unprecedented levels and caused food riots in Port-au-Prince. All this was two years before the devastating 2010 earthquake; and since then Haiti has been impacted by Hurricane Matthew in 2016 which caused more than 500 deaths. Puerto Rico's terrible ordeal in 2017 is another example of double exposure in its most extreme form, hit first by Hurricane Irma, then an even worse direct hit by Hurricane Maria two weeks later, at the time of its much-publicized debt crisis estimated at over

70 billion USD. Recovery is painfully slow and the long-term social, demographic, economic, and political ramifications are problematic.

Downscaling regional climate change models

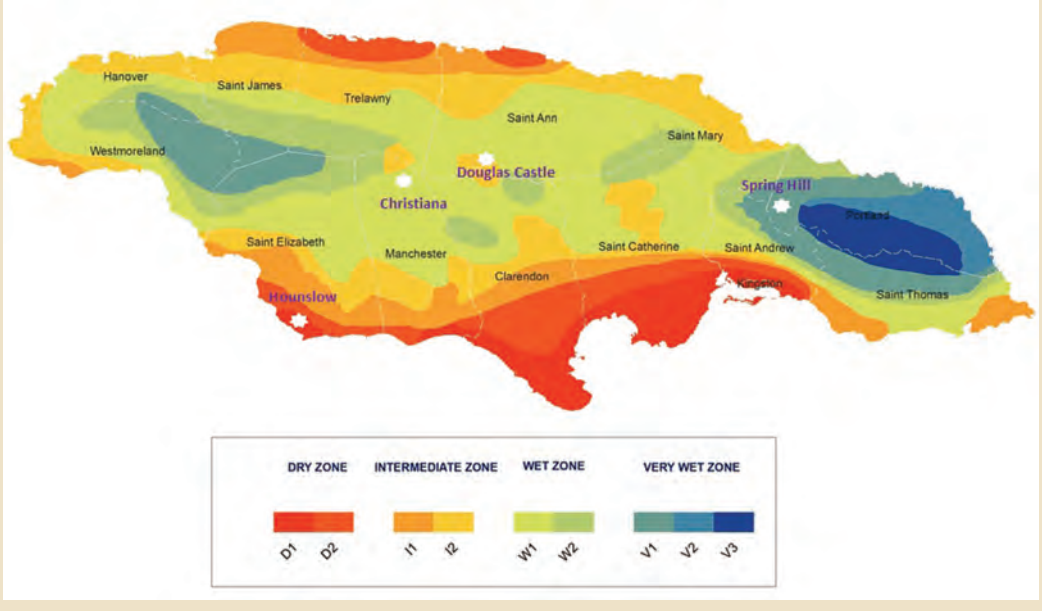
We can use the Caribbean Basin to illustrate how, at the regional scale, climate has measurably changed since the 1960s, with a rise in surface air temperatures and declining rainfall. But trends are not geographically uniform across the region (Taylor et al., 2012) so different islands will be affected in different ways. Climate modelling suggests the northern Caribbean will have a wetter November to January period, while the southern Caribbean is projected to be drier. The general scientific consensus is that the Caribbean region is experiencing a more variable climate of stronger dry season droughts and more-stormy wet season conditions (Climate Studies Group, 2012; Taylor et al., 2017).

Advances in climate change modelling over the last 15 years have allowed climate scientists to make projections about temperature and rainfall changes in much greater detail, and reproduce scenarios for local climates. The procedure is called downscaling, and uses data about climate change at a large scale to make predictions at a smaller scale. Detailed climate change projections can be made for island regions, for individual islands, and for regions within islands. Thus the spatial impacts of climate change vary not only across a region (Lopez-Marrero & Wisner, 2012) but also within an island.

ADVANCES IN CLIMATE change modelling over the last 15 years have allowed climate scientists to make projections about temperature and rainfall changes in much greater detail, and reproduce scenarios for local climates. The procedure is called downscaling, and uses data about climate change at a large scale to make predictions at a smaller scale.

For an island like Jamaica, projections about local changes in temperature and rainfall presently are available at the scale of 50km grid squares (Climate Studies Group Mona, 2012). This is important because Jamaica is topographically and geologically complex, with small-scale farming practised in upland and lowland areas. Figure 8.1 (following page) depicts Jamaica's agro-ecological zones which represent agricultural production potential and its constraints based on local climatic conditions. Partly as a result of agro-ecological conditions, different geographical areas specialize in export crops such as coffee, bananas, and sugar, while other areas are more important for domestic food production. There are even distinctive root crop and vegetable-producing regions. The impacts of a tropical storm and flood rains may be experienced island-wide, but the extent of the damage will depend on the track of the storm, so that some farming areas will be more affected than others. High winds may affect particular crops like bananas and tree crops significantly more than ground-level

FIGURE 8.1: **Jamaica's agro-ecological zones**



SOURCE: Adapted from Batjes (1994) and Campbell, Barker, and McGregor (2010)

vegetables, which are more prone to flood rains. The impacts of drought on lowland farming areas are different from those in highland farming areas. Thus, different areas of the island will be affected in different ways by different combinations of environmental shocks and stresses.

What are the ramifications for cropping systems given increasingly detailed scenarios for climate change? Food production systems are highly dependent on weather and climate, and rain-fed, labour-intensive cropping systems are highly susceptible to periodic impacts from meteorological hazards (Rhiney, forthcoming, 2018). Local increases in temperature will increase rates of evapotranspiration and reduce the amount of water available to food crops (McGregor et al., 2009). As ambient temperatures increase, the productivity of many crops could become compromised due to enhanced heat and water stress. More indirect effects of climate change may be an increase in the geographical range and spread of agricultural pests and disease. There appears to be some evidence of this in relation to the spread of coffee leaf rust in the wider Caribbean Basin (Birthwright & Barker, 2015). Furthermore, long-term changes in temperature and rainfall are likely to reconfigure the map of agro-ecological zones.

In effect, there is a worrying increase in inter-seasonal and inter-annual variability (Taylor et al., 2012) and this is probably true of other oceanic island regions.

Climate change projections all point to an increasingly unpredictable and risky climate for farmers (Campbell et al., 2011). Shifts in seasonal rainfall patterns could have serious consequences, particularly for small farmers living in rural poverty. For rain-fed, open-field farming systems, it begs the question: what is now a "normal year"? If you are a poor farmer, how do you to plan your farming activities for the months and year ahead to support your family under such conditions of increased uncertainty?

AGRICULTURAL VULNERABILITY AT THE COMMUNITY LEVEL

Drought and small-scale farming in Jamaica

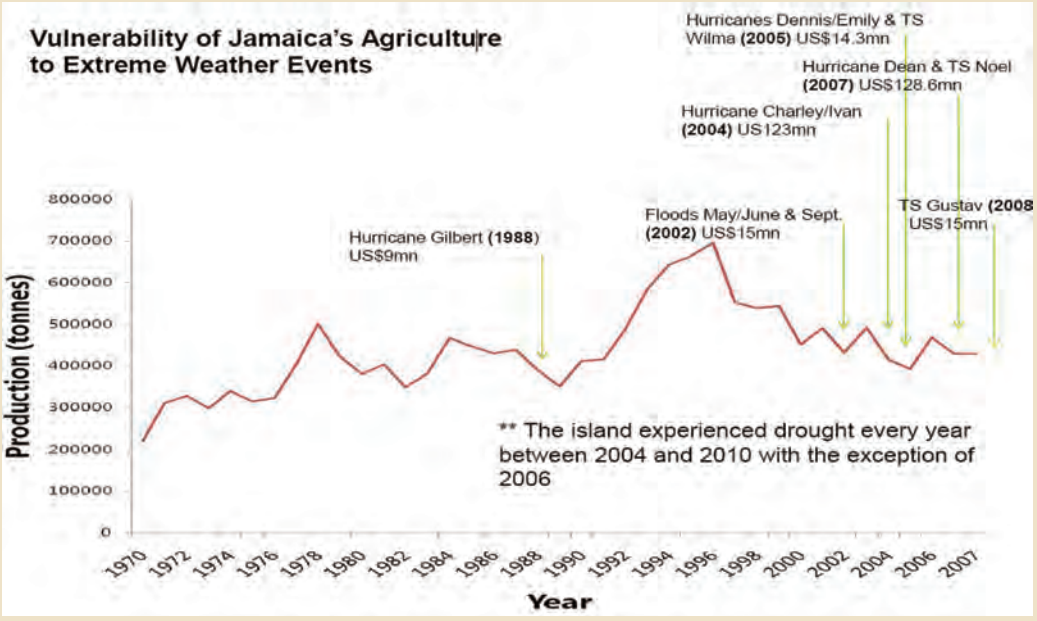
Trade liberalization had negative impacts on domestic agriculture. Progressive dismantling of protective trade barriers on imported food was part of Structural Adjustment Programs to which countries like Jamaica were subjected in the 1980s and 1990s (Dodman & Newstead, 2008; Weis, 2004). Caribbean islands traditionally had high food imports bills, especially for cereals which are not grown in the region, but vegetable imports into Jamaica were negligible before 1990; by 2004 they constituted 4% of food imports. Trade liberalization ushered in a flood of cheap "fresh" food produce from North America, which competed directly with items grown by small farmers as their principal cash crops. Between 1995 and 2004, the production of local potatoes fell by 62%, carrots by 35%, red kidney beans by 80%, and onions by 89% (Beckford et al., 2007). Even local garlic disappeared from supermarkets and produce markets — and still is imported from China.

DOUBLE EXPOSURE to trade liberalization and climate hazards was negatively impacting national food security and farmers' rural livelihoods.

However, McGregor et al. (2009) noted that the general decline of domestic agriculture in Jamaica from the mid-1990s was only partly due to trade liberalization. Domestic food production declined by 25% in 1997 due to a severe drought, and has never climbed back to its 1996 peak. Significant year-on-year declines occurred in 2000, 2002, and 2004. Figure 8.2 (following page) illustrates the decline of domestic food production between 1996 and 2005, associated with the lethal impacts of a series of successive combinations of droughts followed by storm activity (Campbell et al., 2010). Double exposure to trade liberalization and climate hazards was negatively impacting national food security and farmers' rural livelihoods.

The research was part of several community-based projects on small farming, natural hazards, and food security in St. Elizabeth parish in Jamaica (Campbell et al., 2010; McGregor et al., 2009; Rhiney, 2011). It is a low-rainfall, rain shadow area, where farming systems are finely tuned to a wet and dry season regime and a fragile environment. Farmers have developed traditional methods to cope with low rainfall,

FIGURE 8.2: **Impact of extreme weather events on Jamaica's agricultural production**



SOURCE: Adapted from Campbell, Barker and McGregor (2010)

including the extensive use of guinea grass mulching to conserve soil moisture. The cropping systems are rain-fed, and watering is mainly by hand, or simple low-cost, drip-feed irrigation. Despite the low level of technology, farmers have used their traditional skills and knowledge to great effect such that the area is the most productive vegetable farming region on the island.

Integral to this research was ethnographic, field-based data collection involving detailed questionnaires and focus groups to compile information on cropping systems, local knowledge, farming skills, and decision-making. Farmers' coping strategies and trial-and-error methods of trying to adapt to various economic and environmental stresses were documented. Other information compiled related to household assets, community infrastructure, institutional support, social networks, and remittances from abroad. Critical insights came from farmers' knowledge about changing weather patterns. The baseline survey of 252 farmers (Campbell, 2011) reported that two-thirds of the farmers said there had been long-term changes in weather patterns, 40% of whom believed there was an increase in the frequency and magnitude of extreme flood rains. On the other hand, lower-intensity and longer-lasting rains (which are more crop-friendly) were significantly decreasing according to farmers. Further, 65% said droughts were longer and more frequent than in the past, and the timing and duration of the short rainy season had become more variable and unpredictable over the last 20 years.

These observed changes in weather patterns were significant to these farmers who were familiar with periodic drought and had learned how best to cope with such adversity. But more frequent droughts were something new. Farmers plant their main cash crops just before the main rainy season. But they also plant short-term "quick" cash crops in the early rainy season to provide a modest income and household food supply to get them through a difficult period during the summer. So the timing and length of the short rainy season is critical to household survival. More frequent droughts were occurring in the first half of the year, so the onset, length, and duration of the early rains (or their absence) affected the success of the early planting season. The research concluded that farmers' perceptions of drought are not only being driven by the magnitude and frequency of dry months, but, more importantly, the timing of drought (Campbell et al., 2010).

The wider significance of the original doctoral research in the area (Campbell, 2011) should not be underestimated. What began as a study of the impact of hazards on small-scale farming systems in rural Jamaica expanded in scope to examine the interaction of multiple economic and environmental stressors on the vulnerability of small farmers' livelihoods. It provided a wealth of information on the capacity of households to adapt to these stressors given their limited resources, and limited institutional support. The combined negative impacts of drought and deteriorating market conditions were overwhelming traditional coping and adaptation strategies. External intervention was needed to help farmers strengthen their adaptive capacity and build resilience at the community level. Drought was the new face of climate change for these farmers.

Significantly, the St. Elizabeth research attracted the attention of climate scientists working on the Caribbean Basin. Their models suggested that the mid-summer drought was deepening in the western portion of the Caribbean Basin (Gamble, 2009), so, for them, here was the empirical evidence that drought was indeed negatively impacting local farmers. Further collaborative work deepened our understanding of the issues involved (Gamble et al., 2010).

One interesting story illustrates the usefulness of collaboration between scientists and local farmers with respect to climate change adaptation. We compared farmers' perceptions of changing rainfall patterns with estimates of precipitation from satellite data, derived from computer-based models. At first there was a discrepancy between long-term rainfall trends derived from scientific data and changing weather patterns reported by farmers. Farmers reported the early rainy season had become much drier over the last 25 years, whereas this drying trend was not evident in the scientific model. Then, a new version of the software was calibrated, using updated rain gauge data and new scaling coefficients. It produced more accurate estimates of rainfall totals. When the new model was applied to satellite imagery it confirmed there was, indeed, a drying trend in the early rainy season

between 1980 and 2007, just as our farmers had reported (Gamble et al., 2010). The accuracy of the information reported by older farmers about changing weather patterns was validated.

The story underscores the value of incorporating traditional knowledge about changing weather patterns into climate change scenarios. The IPCC Report (2007) placed local traditional knowledge at the epicentre of discussions on adaptation options because farming communities have long used their local knowledge of weather, crops, and soils to fine-tune their farming practices to local environmental conditions.

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Community-based adaptation

Poor people are the most vulnerable to climate change and the least able to cope with its risks and adapt successfully to change. Rural communities in SIDS are among these most vulnerable groups. The Jamaican research clearly demonstrated the value of scaling down the analysis of vulnerability to the level of the community and household. Over the past decade, community-based adaption (CBA) has emerged as one of the most widely used approaches to climate change adaption by international funding agencies. Across the Caribbean, there are hundreds of community-based adaptation projects focused on local farming and fishing communities. Invariably, they involve partnership among local community groups, international agencies and funding donors, and national government.

Community-based adaptation is based on the idea that climate change adaption should be symbiotic with sustainable development in order to increase the resilience of vulnerable groups. It is a bottom-up participatory approach which involves local stakeholders such as farmer groups, and local development and disaster risk practitioners (Reid, 2014). It builds on community needs and capacities and is argued to be a cost-effective way of tackling climate change because it captures and builds upon community knowledge and experience in dealing with climate hazards (Ayers & Forsyth, 2009). Vulnerability reduction efforts can be downscaled from the national level to utilize local community-based studies, local knowledge, and locally appropriate solutions.

The emphasis on community-scale vulnerability is timely, given the increasing attention to the consequences of climate change on agriculture (Rhiney, 2015). Just as the impacts of climate change are not uniformly distributed in time and space, vulnerabilities also vary between communities within an island, and between social

Guinea grass mulching in St. Elizabeth, Jamaica

groups within a community, as in the case of differential gender impacts (Clarke & Barker, 2012). Community vulnerability will depend on local cropping systems and social, economic, and environmental conditions, among other things. Local variability in exposure to risk from climate change and in the capacity of different communities to respond can pose huge challenges for island planners with limited financial and human resources: one size cannot fit all when formulating appropriate policies at the community level. Rhiney (2015) argues that capturing local variability and targeting geographic pockets of vulnerability is critical to policy formulation. Capacity-building and strengthening resilience may involve doing different things in different islands, and in different communities in a specific island.

There is a strong argument to develop locally appropriate methodologies built upon detailed data collected at the household or community level as a necessary condition for developing external support (Rhiney et al., 2016). Another lesson from the Jamaican research was the value of working closely with local communities to fully understand their livelihoods, asset base, and resource management decisions and support levels. Locally appropriate methodologies are strongly reflected in the surge of interest in community-level research in the Caribbean (Birthwright & Barker, 2015; Campbell, 2015; Clarke, 2014; Smith, 2016). The hallmark of this research is an ethnographic focus based on residence in local communities to help

build trust, and rigorous field-based methodologies. The research framework combines double exposure with the Sustainable Livelihoods Framework (Chambers & Conway, 1992). The latter is particularly useful given the IPCC (2007, p. 56) reminder that the capacity to adapt is dynamic and influenced by a society's productive base, including natural and man-made assets, social networks, human capital and institutions, health, and technology.

One interesting output of these studies is the compilation of innovative community vulnerability indices. The pioneering work on such indices was by Hahn, Reider, and Foster (2009), where a Livelihood Vulnerability Index (LVI) was used to compare rural communities in Mozambique. The procedures are versatile and flexible and can be adapted to suit local socio-cultural, economic, and environmental conditions. Quantitative data includes information on household assets, cropping systems and land use, water and soil management methods, marketing, use of farm labour, and available capital. Qualitative data includes information on farmers' coping and adaptation strategies, farmers' traditional knowledge, attitudes and perception of extreme events, changing weather patterns, and economic problems. Other data on community-related issues relating to transport and communications, marketing, and infrastructure are also compiled. The indices are computed using multivariate procedures for each household, then aggregated to analyze and graphically depict community vulnerability in terms of a number of summary composite variables (see, for example, Clarke, 2014; Campbell, 2015). Rhiney et al. (2016) have used such techniques to compare the vulnerability of four communities in contrasting agro-ecological zones in Jamaica.

CONCLUDING REMARKS

The challenges facing agriculture and rural populations in small tropical islands have been contextualized in terms of their vulnerability arising from double exposure to economic globalization and climate change. The challenges of coping and adapting to global change are daunting both at the national and community levels.

The long-term impact of economic globalization on agriculture has been mainly negative. Impoverished rural populations have been attracted to higher wages in urban centres, tourist resorts, and overseas labour markets. Traditional export crops were unable to compete with larger producers on the world market. In terms of policy response, the old mantra was to adapt by diversifying, to mitigate dependence on one or two export crops. A more strategic adaptive response is to take advantage of new market opportunities arising from economic globalization. Successes have been few, though the Dominican Republic has exploited opportunities in organic bananas and cocoa (Raynolds, 2008), while Jamaica is the world's leading exporter of yams to its diaspora in the UK and North America (Barker & Beckford, 2006) and Jamaican

Sherwood Content, Jamaica, in the rural community where Usain Bolt grew up

Blue Mountain Coffee is world-renowned for its quality, though it is now almost entirely dependent on the Japanese market (Birthwright & Barker, 2015).

Economic globalization and international tourism have the potential to buttress island agriculture by strengthening tourism-agriculture linkages to better support local farmers and to reduce food imports. There is a discernible shift by policy-makers in seeking greater integration of the agriculture and tourism sectors to take advantage of changing western food consumption habits towards ethnic diversity. In the Caribbean, this is reflected in the tourist industry's rather belated efforts to promote local food, for example, through food fairs and more local dishes on hotel menus. Another significant policy shift is to promote agro-processing in an effort to move local producers up the value-added chain. Local food companies, start-up small businesses, and cottage industries based on community groups produce an increasing array of specialty products such as spicy sauces, chutneys and pickles, jams and preserves, and cosmetics and essential oils which target niche markets in local urban centres, tourist resorts, and overseas.

With respect to mitigating the impacts of climate change, little can be done in

the face of a Category 5 hurricane. However, there is considerable experience and expertise in the Caribbean region for mobilizing support within the CARICOM community of countries to cope with less severe storms, while international agencies and foreign governments often target the agriculture sector in recovery programs.
Crop insurance is often seen as one solution to help farmers. But a cautionary tale was recently reported by Knudson (2016). He investigated the introduction of compulsory crop insurance for banana farmers in Dominica after Hurricane Hugo in 1989. While the adaptive capacity of farmers increased as a result of crop insurance because they could replant without financial loss the following year, their vulnerability actually increased. He attributes this to an insurance trap, a financial hazard associated with the cost of re-insurance premiums on the global financial markets. Affordable crop insurance depends on the cost of re-insurance premiums in global financial markets, which, in turn, is based on assessment of the global risk of disasters rather than local risk. What price will crop re-insurance premiums be on global markets after the 2017 hurricane season?

THE AGRICULTURE sector, from the viewpoint of sustainable development, is at the intersection of climate change, food security, and poverty, so it is not surprising that the greatest efforts to adapt to climate change are targeted at vulnerable communities in rural populations which urgently need outside supports.

The agriculture sector, from the viewpoint of sustainable development, is at the intersection of climate change, food security, and poverty, so it is not surprising that the greatest efforts to adapt to climate change are targeted at vulnerable communities in rural populations which urgently need outside support. Community-Based Adaptation is currently the most popular approach to building resilience at the community level. It invariably involves international agencies working in partnership with governments and targeted local communities to build resilience by focussing on best field practices in dealing with meteorological hazards and land degradation, while promoting more diversified rural livelihoods to generate sustainable incomes.

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Conclusions

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My first impression of the research documented in this Annual Report is the richness and variety of islands. We sometimes think of islands as being very much alike. This inaccurate perception may be partly attributable to the scope and influence of the tourism marketing sector. All too often we are overwhelmed with images of white sandy beaches, palm trees, blue azure waters, and a friendly welcoming reception. It is no wonder that we mistakenly assume all islands share these characteristics. However, islands are at least as heterogeneous as mainland jurisdictions. So, from an economic development perspective, it is important to understand the local island context and recognize that not all islands share the same challenges. Nor will the solutions that seem to work on one island translate into successes when implemented elsewhere. There is one exception to this caution about generalizing: that is use of the adjective "small" to describe and distinguish islands. Researchers seem to recognize, at least empirically, that there is something fundamentally different about the social and economic context of smaller islands than is the case with large islands or island archipelagos such as the United Kingdom, Japan, or the Philippines. This distinction applies regardless of whether size is measured by area, population, or the scale of the economy. Small is synonymous with the richness of the social and economic networks and relationships among islanders, with the boundedness of the edge of land and sea, and with the sense of place and belonging that islanders have with their land and surrounding water. Some researchers believe that this is all bound up in the term "islandness."

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A considerable amount of attention in this Annual Report was dedicated to better understanding and modeling the factors or the drivers of island economic change and development. Some islands have chosen to extract or harvest their natural resources and export them in return for a revenue stream. These resources can be land-based and include minerals and agricultural products or they can be marine-based (e.g., fisheries). With the ratification of the Convention on the Law of the Sea in the mid-1990s and the establishment of Exclusive Economic Zones around islands, marine-based products within the sea and under the seabed have become increasingly important to the economic well-being of islands. The challenge facing islands that have used this approach is to ensure that the resource is managed in a sustain-

able manner or the revenues generated from the export of non-renewable resources are invested sustainably. Unfortunately, this goal is not always achieved. Another popular framework for island economies is the so-called MIRAB model, where the economy is reliant primarily on the remittances earned and sent home by those working abroad, as well as aid from development organizations and countries. Given the emphasis of a number of islands on the tourism sector, a third model of island economic development has focused specifically on how tourism and linked sectors such as rural agriculture (see the chapter by Barker) can be an important source of local employment, capital investment, and revenue. While we usually think of tropical locations when we think of island tourism, increasingly "cold-water" islands are using tourism as a critical element of their economic base. Finally, there is a school of thought that suggests islands and island governments are combining a high level of political and economic entrepreneurship across many dimensions in their interac-

High-speed railway around Hainan Island; photo by Li Xianliang

tions with other jurisdictions and organizations. This process of strategic flexibility, sometimes referred to by the acronym PROFIT, allows them to construct, and then reconstruct, arrangements that benefit their people.

What all of these models or frameworks have in common is a high degree of openness and connection to the surrounding region and the rest of the world. Although openness can make islands vulnerable to external circumstances outside of their control, it also provides them with a wealth of knowledge and expertise that allows them to be resilient and to prosper under challeng-

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ing circumstances. This should not come as a surprise. Far from being isolated and marginal, islands have always been linked to the world around them. As both Briguglio and Greenwood point out, with a supportive regulatory framework, islands are well positioned to be competitive in their interactions with other jurisdictions.

Another way of stating this is, "What are the economic relationships within islands, between and among islands and their surrounding regions or country, and with the broader external world?" These economic relationships are normally measured in terms of the exchange of goods and services, but they could just as easily apply to the movement of capital for investment, remittances, the mobility of people for work and leisure, and the transmission of information and ideas. Bertram describes this as a contrast between islands that are more likely to experience centripetal forces and those that exhibit centrifugal forces. Several of the contributors to this volume speak of it in terms of the openness of an economy, where openness may risk vulnerability to broader forces of globalization but where niche opportunities also emerge which will benefit island economies.

Another overarching theme that emerges from this volume is how we define success. For the past 70 years, organizations, researchers, and most governments have defined success in terms of growth in the absolute Gross Domestic Product (GDP). Our understanding of economic success has evolved over time so that we now use complementary measures, including GDP per capita and improvements in the health and literacy of the populations (i.e., the Human Development Index). More recently, we see jurisdictions being assessed and monitored on bundles of characteristics that are intended to be surrogates for innovation, globalization, entrepreneurship, vulnerability, resilience, and even good governance.

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Perhaps one of the most important topics emerging from this Annual Report has been the attention paid to all of those other islands of the world that are not independent island states. This is not to say that island states do not matter. In fact, an argument could be made that island states and island champions have been critical in forcing the world to mitigate human-induced greenhouse gas emissions and confronting the consequences of sea level rise. However, there are many more islands than the 45 members of the United Nations community. Some of these "subnational island jurisdictions" (or SNIJs), like Hainan, are among the largest jurisdictions in the world. Others, like Pitcairn Island and Greenland, may have fewer people than a neighbourhood in a large city. One of the challenges in understanding and appreciating this much larger group of islands is that, because they are affiliated with larger political jurisdictions, they are often less visible and difficult to categorize. Therefore, we often default to seeing these as two groups: island states and a nebulous,

ambiguous group of "other islands." The implication of this distinction is that political independence gives island states unfettered freedom to control their own destinies while the political dependence of subnational island jurisdictions means they have lost their ability to influence their own economic development. This is an oversimplification of the reality of islands. In an era where globalization, supranational organizations, multilateral agreements, and transnational corporations penetrate almost every corner of the world, no island is able to exercise complete control over its own policy decisions. Likewise, some SNIJs have greater autonomy and authority over their economies than do island countries. Island studies researchers such as Baldacchino approach this by asking: 1) which suite or basket of services and policy competencies is provided by the island government and which services and policies are the responsibility of the metropole?, and 2) how does the island–federal state relationship differ from the relationships that all other non-island jurisdictions have with that federal government?

One of the most important lines of research pertaining to these SNIJs is whether they are more or less successful economically than their counterpart small island states. This has been an important question because, for the past 50 years, the United Nations has encouraged island territories and dependencies to seek political independence as an ultimate political goal. At the same time, referenda on the question of independence have consistently shown that islanders from these SNIJs are generally content to remain in politically dependent relationships with their parent metropoles. Although the results are not completely one-sided, most research has shown that these partially autonomous islands are generally better off economically than independent states. In fact, the argument is made that small islands in general, and SNIJs in particular, exhibit a high degree of economic and political entrepreneurship. Prinsen and others suggest that subnational island jurisdictions are constantly negotiating the terms of their relationships with their metropoles to improve their social and economic conditions, while Overton and Murray make the argument that small island states may be more knowledgeable about aid packages than the donors themselves.

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The lack of availability and the poor quality of data has also emerged as an important island issue, not only for research but also as a foundation for effective decision-making. Although data problems are important for island states, they are particularly challenging for SNIJs. With some notable exceptions, data on these islands tend to be outdated, incomplete, and mismatched to the scale of the island. Moreover, because the data are generated by individual countries, it is difficult to make comparisons among islands. The researchers in this Annual Report call for

more and better secondary data on islands and more in-depth qualitative case studies or narratives focused on one or more islands.

This leads me to my final point about the islands described in this Annual Report. As suggested at the outset, one of the greatest assets of islands is their people. Communities of islanders know best how to match their strengths and resources to their evolving circumstances. External actors can bring capital, technical expertise, and advice, but strategies and solutions that might work on one island are not necessarily going to work on other islands. Local islanders know best how to adopt and adapt initiatives that are more likely to succeed given their local context. As such, it is fitting that the main theme of the 2018 Islands Economic Cooperation Forum is to explore and share examples of how co-operation and/or collaboration have been instrumental in achieving island economic development.

The 21st Century Maritime Silk Road

Islands Economic Cooperation Forum

Annual Report on Global Islands

2017

"This 2017 Annual Report brings together the state of knowledge on island economic change and development. It includes a review of the contributions from the 21st Century Maritime Silk Road Islands Economic Cooperation Forum in 2017, an update to the key statistical indicators of island states and subnational island jurisdictions, and thoughts on island economies by leading international experts. This publication will help us to better understand island economies, and the role that islanders play to make islands more sustainable and prosperous."

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