Jurisdiction relates to the competence to pass laws, build effective administrative processes, facilitate inward capital flows, encourage education and support the development of a climate conducive to economic growth. This paper argues that jurisdictional capacity provides the foundation for an economic development trajectory which has been successfully deployed in various small, resource-poor, often island, territories. The components of such jurisdictional capacity—in terms of administrative autonomy, island identity, legal powers and the potential for rapid policy deployment—will be referred to for a critical examination of ‘The Cyprus Question’. The analysis suggests the partition of Cyprus into two separate sovereign states as solution.

Key words: Cyprus; jurisdiction; small territories; islands.

Communities without powers, which are not in any sense subjects of their own fate, living on accidental fragments of geography whether of land or sea, may not even realize that their economic development could be thwarted, not because of the absence, mismanagement, flight or otherwise of ‘material factors of production’—capital, labour, entrepreneurship—but because they cannot harness jurisdictional leverage (Baldacchino and Milne, 2000, p 230).

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ISSN 0035-8533 print/1474-029X online/2002/030349-12 © 2002 The Round Table Ltd
DOI: 10.1080/0035853022000010326
The economic development equation

The Economist, that enduring scion of liberalism, once again in April 2001 paid due homage to the ‘remarkable’ progress of Iceland, a sovereign island state of 280,000 people, with a profile of its Prime Minister, David Oddsson (Economist, 2001). What is the secret of its success? Claims the Prime Minister in the same feature: ‘It’s just that we keep forgetting how small we are’.

A valid statement when one remembers that, for many years, successful economic development has been equated with large-scale manufacturing operations utilizing mass production techniques and large workforces in centralized production sites. The geographical implication of such assumed imperatives has been the concentration of large factories in urbanized areas, close to large labour pools and consumer markets. Some opportunities have existed for decentralized branch plants in semi-peripheral regions, in the framework of an international division of labour. These may have provided precious jobs, investment and technological expertise while generating some demand for local services. But the linkages established with the local ‘host’ economy have been minimal in such ‘enclave’ operations; technological transfer has been poor or outdated, while foreign capital reveals its footloose character when relocation proves a viable proposition.

The introduction of new production and information technologies, corporate restructuring and the rise of global competition in the last decades of the twentieth century have obliged firms to re-evaluate the bases of competitiveness in manufacturing. Increasingly, outsourcing, long-term subcontracting relationships such as franchising and specialized or flexible production for niche markets have created new opportunities for small firms to compete successfully in manufacturing activity.

Indeed, it has long been recognized that the long-term evolution of industrial regimes does not lead to a steady and irreversible elimination of small firms. Small and medium-sized enterprises (SMEs) continue to contribute vigorously to economic growth and to the creation of sustainable employment, a contribution all the more readily evident in the context of massive lay-offs from large firms and long-term, structural unemployment. This may be largely the result of the SME capacity for flexibility and innovation which enables these same firms to respond more quickly to structural changes and to adapt just as rapidly to changing consumer taste and demand.

Strange that these advantages of flexibility and innovative capacity available to small firms have often been neglected in discussions of economic development for small territories. Or, rather, that what has been seen in an envious light in relation to SMEs should be looked upon through a much more pessimistic and cynical lens in relation to small territories.

This article

This article will outline the resourcefulness inherent in the jurisdictional capacity of a small territory, as broken down in terms of four interrelated propositions of administrative autonomy, island identity, legal powers for the sake of priming economic capacity, and the potential for rapid policy deploy-
ment. It will argue that jurisdictional capacity provides the foundation for an economic development trajectory which has been successfully emulated by various other small territories. Furthermore, the long drawn out impasse of ‘The Cyprus Question’ is effectively cheating North Cyprus from capitalizing on the opportunities afforded by this route, because, rather than in spite, of its small size. Contrary to what is implied in David Oddsson’s statement quoted above, one needs precisely to remember how small one is—not to load onto oneself the debilitating myths of fragility, vulnerability or peripherality—but in order to exploit the fact that it is smallness which facilitates the capture and the deployment of jurisdictional capacity. It is hoped that this discussion will provide insights that can then feed into and drive public policy debate on ‘The Cyprus Question’, possibly kickstarting a solution.

**Enter small territories**

Small territories are a diverse group of administrative units (including sovereign states), often islands, in peripheral regions with a discrete land mass and relatively low population levels (typically, of fewer than one million residents). In these micro-territories the obstacles to economic viability are, to say the least, daunting:

- the size of the domestic market is small;
- there is an accentuated openness to external shocks (such as price fluctuations or economic disasters);
- there are high transport costs, especially in handling, freight and insurance;
- there is an inability to exploit economies of scale, leading to inhibiting non-competitiveness of local products;
- there are often very limited linkages to the local, small economy, which tends to be biased towards the production of a single crop, product or service;
- there may be a lack of skilled wo/manpower, which, where available, tends to relocate to larger and better paying employment locations;
- there are often relatively high state-induced costs (such as entrance and compliance fees and tax revenue collection);
- there may be a dearth of effective and inexpensive support and infrastructural services, such as telecommunications and venture capital (Fischer & Encontre, 1998).

The conventional economic answer to such structural mishaps has been to forget about manufacturing and concentrate by default on services. Scale considerations and transport costs may thus be circumvented. The ‘island identity’ and condition may actually help to market specific services in external markets—such as tourism and offshore banking—with fair prospects of success (King, 1993; Hampton and Abbott, 1999). A limited range of exclusive quality products associated with such services appears to stand a good chance of penetrating foreign market niches.

Fair but not quite flawless. Various small territories are doing extremely well, even in manufacturing. How can they be, given what appear to be such
insurmountable problems as classified above? There is indeed an alternative approach to what appears to be an essentially economic problem. What small territories lack in economic capacity could be handsomely compensated for in terms of jurisdictional capacity.

Jurisdiction relates to the competence of a state and its structures to pass laws, build effective and efficient administrative processes, facilitate the inward movement of capital, encourage education and training, cultivate and support the development of a climate conducive to economic growth. It should be fair to argue that, *ceteris paribus*, states, by definition, enjoy the highest level of jurisdiction. Meanwhile, and conversely, the exercise of jurisdiction is brought about by the existence of a de facto (though not always de jure) jurisdictional status, the epitome of which is political sovereignty. However, there is a key difference between merely enjoying jurisdictional status on one hand and translating that strategically into an economic policy tool on the other. The capacity may be there, but is it recognized and is it deployed properly? Small territories—sovereign or otherwise—may easily credit themselves with the purported deficiencies they are meant to carry, failing to recognize that they have specific attributes at their disposal with which they can better exploit this strange resource, ‘the politics of economics’ (Bartmann, 1996).

**Offshore economics as political economy**

Developing and priming the magnetism to *act* (rather than react) as an essentially *offshore* economy is what translates as the success story behind the economic development of small territories. Key ingredients thereof are ‘the governing wits’ described by Edward Warrington:

a large fund of experience in state-craft; well-tempered procedures for taking and modifying decisions; subtlety, sophistication and tenacity in negotiating issues with larger powers. (Warrington, 1998, p 105)

Harvey Armstrong and Robert Read term the same features ‘the quality of endogenous policy formulation and implementation’ (Armstrong and Read, 1998), assets which can make up handsomely for lack of land, labour, capital, markets or finance. Through the rediscovery of ‘political economy’, one therefore recognizes the economic resourcefulness of erstwhile mundane, political and administrative instruments: law and policy making.

Although political economy was always a contested ideological terrain, there is a broad consensus about what conventionally constitutes, or at least has in the past constituted, its fundamental concern. This is the interaction of plan and market; of state and civil society; of a visible hand and an invisible hand; of commodity exchange and redistributive exchange; or, again in different yet more familiar terms, of ‘good old’ politics and economics. Yet neither of these two realms is to be seen as a primary or totalizing discourse; nor is one ‘subject’ a conceptual lens through which to rudely perceive and criticize the other. Their relationship is interactive and dialectical, apart from supplementary, to the chagrin and discomfort of both economists and political scientists (Polanyi, 1957).
A small island signature

I have elsewhere documented how smallness and islandness can provide the physical–geographical underpinnings for a historically autonomous administration; the economic stimulus for a ‘political economy’ approach to growth, development and prosperity; the cultural stimulus for a unitary, communal identity; and the social fabric to manage all this in a flexible, rapidly reactive manner (Baldacchino, 2000). This is perhaps the closest we may have yet come to grasping the full meaning of the signature, or ‘ecology’, of small island territories (Commonwealth Secretariat, 1996).

Below I will attempt to translate these ideas into the context of the divided island of Cyprus. My knowledge of Cyprus remains that of ‘an outsider looking in’ and will draw primarily on: (1) my three visits to the southern part of the island since 1996; (2) my interest in Cyprus as a partner EU applicant state placed in the same analytical basket as Malta by the European Commission for some years; as well as (3) my understanding of developments on Cyprus as they have come to my attention, being as I am a fellow Mediterranean with an interest in island affairs.

Inter-island rivalries

But first, allow me to present an illustrative introduction. It appears that, just as islands are often short of physical space (Dommen, 1980), they also appear short of the necessary cultural space to accommodate two sufficiently large ethnic groupings. Multi-insularity in archipelagic island states has had a tendency to breed island-specific nationalisms within the same administrative unit. Examples of this include Mauritius and Rodrigues, Antigua and Barbuda, St Kitts and Nevis and the latter’s failed recent constitutional attempt at going it alone, Savaï and Upolu (Samoa), the jostling for supremacy amongst the ‘ABC’ islands of the Dutch Caribbean (Aruba, Bonaire and Curacao); the refusal of Mayotte to join the independent nation of the Comoros; the micro-dramatic Anguilla incident, and my own Malta and Gozo (Streeten, 1993). The culmination of such island-specific tensions is to be found in the independence discussions of the Gilbert and Ellice islands, which decided to go their separate ways as the two independent states of small Kiribati and even smaller Tuvalu. Such an event has led to the dubbing of these quite common traits towards insular political devolution as the ‘Tuvalu Effect’.

But confrontations can be even more violent when there is no inter-island channel separating the contending factions. Recent events on East Timor bear witness to this. François Doumenge candidly reminds us of Sri Lanka, with the warring Tamils and Sinhalese; of Fiji, with tensions between the Melanesian Fijians and the Indo-Fijians; and of Nouvelle Caledonie, divided between the white settlers and the indigenous Kanak tribes (Doumenge, 1998). Mauritius, the proud rainbow nation, has endured its own ethnic violence in recent years (Bunwaree, 2001); not forgetting the Republican Roman Catholics and Unionist Protestants on the divided social island of Ulster in Northern Ireland. If it is any consolation, Cyprus is not the world’s only painfully divided island.
An insular identity

The state of play in Cyprus is one where the Turkish and Greek communities have assumed a national identity that overshadows and subordinates anything which may have been genuinely Cypriot. The 1960 independence constitution effectively legitimated and entrenched the ‘two nations’, and their would-be guarantors, within the newly independent island state. Differences in language, customs, religion and history between the Greek and Turkish Cypriot communities were not historically integrated into a cultural and political melting pot, providing a mélange that would have been more clearly and indigenously Cypriot than either Greek or Turkish. This was a difficult if not impossible task, considering the long drawn out differential power relationship and animosities between the two groups. Thus, the emergence of a new and culturally distinct Cypriot nation, which would have provided the basis for a truly independent Cypriot nation-state, was historically pre-empted. Similar to many other territories carved from colonial empires, political independence may have created a state of Cyprus in 1960 but not a Cypriot nation. Indeed, the independence constitution cemented the differences and distinctiveness of the two ethnic groups. The exogenous reference points—Greece and Turkey respectively—have always maintained a strong grip over the mind-frames of the locals. This psychological gridlock—of which the quest for Enosis is one clear and dramatic expression—has become even more potent since 1974. Greek flags are everywhere in the South; there, Greece is the putative defending power, the cultural reference point and the main broker for Cyprus’s drive to join the EU. In the north, Turkey replaces Greece, many Turkish Cypriots have permanently emigrated, while significant residents forthcoming from Anatolia have given their share to stamp a more distinctly Turkish, rather than Turkish Cypriot, demographic profile. In a way the 1974 intervention by Turkey crystallized the de facto cultural schism of the island. It has led to what appears to be the natural expression of the stubborn historical existence of the two main national identities, to the exclusion of the potentially indigenous third. Thus, the unitary insular mind-set characteristic of many island territories as a main coagulator and common denominator of social life does not appear to be present on Cyprus. Instead, Cyprus is a clear case of a dualist or ‘bi-communal’ society, with each part having its own deep-rooted nationalism. Unitarism in Cyprus is intra-insular; the dynamics of social compression, strong personal contacts, clannish politics and societal corporatism are alive and well, but they are geographically devolved to each of the two divided portions of the island. Perhaps we must recognize this situation by refraining from referring to Greek Cypriots and Turkish Cypriots, using instead the nouns of Cypriot Greeks and Cypriot Turks. Is it a coincidence that Northern Cyprus is hailed as a Turkish Republic?

Administrative autonomy

It follows from this situation that each of the two entities on Cyprus are de facto administrative units. They thus equip their respective actors with the possession and utilization of political instruments. It is on the basis of such discretion that
internal powers and initiatives can be entertained in the first place. The legitimacy of such powers and their deployment in the eyes of external players is a separate issue. So is the exercise of external powers, such as international relations, or striking bilateral and multilateral agreements. Fiscal policy, education and training policy, economic development policy and transportation policy can all be affected by the administrative powers of the two separate communities. It is probably the extent to which the two communities can command enough room for manoeuvre from Greece and Turkey respectively which suggests itself as a thorny and sensitive political issue, since this jurisdictional space is essential to develop and deploy the magnetism required for economic resourcefulness. The lack of international recognition for the ‘Turkish Republic of Northern Cyprus’ as an independent state certainly inhibits the opportunity for extending rentier overtures, or any other export-driven policy initiatives for that matter, except to the obvious Turkey. As long as ‘the other side’ remains a real threat to peace and stability on the island, such tensions with the paternal foreign power are overridden and lose their relative importance. However, if the threat of the historical other across the Green Line disappears, then the jurisdictional balance with the putative benevolent patrons comes rapidly into centre stage. It is also here that membership of the European Union, in whichever format, may provide precious leverage to either of the two de facto Cypriot jurisdictions to bypass and override the enormous clout currently enjoyed over the island’s affairs by both Greece and Turkey. Of course, statehood is a precondition for eventual EU membership; barring the unlikely onset of a one-Cypriot nation-state—a condition which, as I have argued above, may have never really existed—then the other plausible route to statehood is for each of the divided portions of Cyprus to proceed to being two independent nation-states, each legitimately responsible for the territory they currently administer, possibly within some kind of federalist arrangement. Partition is not the shame of Cyprus, but possibly its solution.

*Jurisdiction as power*

Small territories afford a most imaginative assortment of autonomous statuses precisely to maximize the opportunities and benefits arising from this key tenet: that jurisdictional status is essential for amassing that political resourcefulness which is in turn essential for crafting an attractive and competitive economic space which attracts foreign players—be they investors, financiers, retired pensioners, agents, traders, tourists, aid donors or benefactors. *Jurisdiction begets power*. Power over banking and insurance laws and regulations is essential in order to consider an offshore banking industry, or to generate funds from internal sources for business development. Power over exports, imports and especially throughputs lies at the root of the promotion of export volume or transshipment services. Power over taxation enables a relatively low-tax environment, an evidently powerful contributor to that magnetism intended to draw in myriad forms of foreign investment. Power over natural resources includes procedures and incentives for adding value to primary industries, especially agriculture, viticulture and fisheries, areas of economic activity which remain a priority to many European states, and particularly so as long as
the Common Agricultural Policy of the European Union defies downsizing. But there are also subsoil or extra-territorial resources to contend with, including oil and gas deposits and fishing zones. Finally, power over education, training, labour markets and industrial policy affects the characteristics of the local labour force, their expectations and skills repertoire, and the ‘goodness of fit’ of such a supply with employer demand for those expectations and skills, locally or abroad (Baldacchino and Milne, 2000, *passim*).

**Potential for rapid change**

Finally, there is the potential for rapid policy deployment and re-deployment, a key skill in relation to the turbulence of a ‘just-in-time’ economic scenario (Trist, 1980). Small island communities appear particularly endowed to fulfil the ‘small is beautiful’ adage, mainly as a consequence of three socioeconomic characteristics. These are in turn tendencies exacerbated by the manner in which the geographically bounded, structural totality of a small island universe is characterized by territorial compactness and population density at the demographic level and by social visibility, intimacy and excessive rôle fuzziness and overlap at a social level (Baldacchino, 1997, chapter 4).

This results, first, in a peculiar social matrix which engenders rapid multiplier, or ‘knock on’, effects. This also implies that there is a certain ease of observing the effects of policy on practice, as well as of effecting changes or fine-tuning to such policy. A British anthropologist described this feature in this way:

Approach to a single, isolate problem leads extraordinarily rapidly to all parts of the complex more quickly and completely than we have observed elsewhere. (Bowen-Jones, 1972)

Second, there is the sheer inescapability of multiple networking. Islanders are obliged, whether they like it or not, to operate within a complex mesh of relationships, whereby individuals relate over and over again in the context of different rôle sets. This is a powerful cultural characteristic, and fosters a repertoire of ‘soft’, intimacy and conflict management skills (Lowenthal, 1987). These tools can come into good stead in economic activities where personal relationships are fundamental. It may appear at face value to be an exaggeration, but it may nevertheless prove true. In a small territory, two phone calls can get you to anyone, including the Premier. Everyone may not really know everyone else; yet everyone is likely to know someone who does (Farrugia, 1993).

Third, there is encouragement of the personalization of governing institutions. The danger here lies in systemic dysfunctionality, arising out of incumbents who are swayed by alternative loyalties and/or alternative operational procedures while occupying critical posts. Otherwise, there is the possibility of a very rapid identification of who controls access to resources or decisions. Thus, customization of service is more easily engineered and a ‘turn-around time’ to react to a proposal is potentially very rapid. This is the character of a ‘soft state’ (Hyden, 1983), where institutional decisions are transparent and readily identified—often correctly—as the initiative of specific individuals (Schahczenski, 1992).
I am convinced that these three features exist in North Cyprus as they also exist in many other social island settings. Their manifestation may escape the gaze of external observers, who, in adopting the neoclassical paradigm with its belief in bureaucratic and impersonal organization, may diagnose the same dynamics as pathological, unfortunate relics of premodernity or even as corrupt practices. Citizens of small islands would, of course, know better.

Conclusion

One must not fail to recognize that there are distinct advantages in being small, insular and peripheral—if only because this troika of features prevents the debilitating neoclassical paradigm of ‘development’—generated in the core and heartland—from exercising a hegemonic influence on policy makers, academics and the business community out on the fringe. Such precepts—based and biased on economies of scale and land-located industrial production—never worked in these locations anyway. This makes the small island more flexibly disposed to consider fresh approaches to development; and being small and away, there might be less resistance from the status quo in stalling novel departures that may prove to be more sustainable:

great change often happens not at the centre where the old ideas have the greatest power, but at the periphery, where they are weakest. (Paterson, 1996)

Small territories may come across as accidental fragments of geography, whether of land or sea; even as drifting vessels, the flotsam and jetsam of empire (Baldacchino, 1994; Guillebaud, 1976; Naipaul, 1972). But such metaphors are not to be misconstrued as suggesting communities without powers, communities who are not in any sense subjects of their own fate. The harnessing of jurisdictional leverage is the novel, yet sound and pragmatic, departure from orthodox economic development theory.

North Cyprus can only gain by critically observing the manner in which other small, often remote, poor and marginalized island territories, or parts thereof, have capitalized on their innate disposition as open economies and open societies to provide a decent, even enviable, quality of life for their citizens. Such territories have discarded the economic self-reliance paradigm, because they could never have taken it seriously anyway. In its place, they have been assiduously crafting and perfecting a different type of self-reliance, a jurisdictional self-reliance which guarantees their control over legal, fiscal and administrative instruments. In so doing, they are demonstrating the paradoxical advantages of their economic dependence. They are corroborating the solemn statement by The Economist: ‘The curse of the periphery is a myth’ (Economist, 1998). They may be insignificant players on the world stage; yet they are capable of managing their insignificance remarkably well.

In Cyprus one continues to bicker over the modalities of a myth. The one ‘federalist’ or ‘confederalist’ solution which makes most sense is not a political one but a commercial and diplomatic one between two sovereign states who are confident in the security afforded by the recognition of their sovereignty. Their relative size and population would thus present no problems of relative status,
inevitable in any form of bi-national federal solution. They need to tap their respective diaspora, not to lobby for an impossible political solution in a military framework but to advance the commercial interests of two separate small island economies, which are likely to become each other’s main trading partner and tourism destination. They need to widen their clients and sponsors beyond Greece and Turkey, respectively, tapping broader sources of foreign investment.

The tragedy unfolding in Cyprus for at least the past half-century reads as a continuous obsessive pursuit of an elusive recipe for a single Cypriot nation. My reading of history over the various periods, and of the mind-frame and nationalist identities of the locals, suggests otherwise. The island imagination is a dualist one. Lasting peace, international relations and economic pursuits as global players are being effectively thwarted for both communities and forestalled by diplomatic gridlock. The run-up to potential EU membership for Cyprus is now acting to galvanize diplomatic efforts once again, although it is still too early to espied any breakthroughs in the existing impasse. I look forward to the time when the division of the island of Cyprus raises as many eyebrows as that of Hispaniola, Borneo, New Guinea or Saint Martin/Sint Maarten.

Notes

I am grateful to the organizers of the conference on Small Island States in a Changing Global Milieu at the Eastern Mediterranean University of Northern Cyprus, held in May 2001. I thank the University of Malta for leave of absence. Thanks also to David Milne for his critical commentary on an earlier, and poorer, draft.

1 See, for example, quality soaps from Fiji or fruit preserves from Prince Edward Island. These are reported in Baldacchino (1999a, 1999b, 2002).
2 On manufacturing in Iceland, Ireland and the Isle of Man, see Baldacchino and Milne, 2000, passim.
3 Doumenge (1998, p 339) considers that the political demands of a minority of about 15–20 per cent of a population become potentially problematic to reconcile in a jurisdiction. The Turkish minority in Cyprus represented some 18 per cent of the population of the island in 1974.
4 Strange that maps of the island people used to portray ‘ethnic harmony’ are nevertheless displayed with Greek Cypriot and Turkish Cypriot communities clearly labelled. The difference must matter enough to be registered.
5 This statement is valid as at early January 2002.
6 See Royle (2000, p 151) and his map of ‘divided islands’.

References

JURISDICTIONAL SELF-RELIANCE FOR SMALL ISLAND TERRITORIES


Acknowledgements

The Editor of *The Round Table* would like to extend thanks to the following academics for their review of papers on small states submitted for consideration for publication in TRT: Tozun Bahchel, University of Western Ontario, Canada; Thomas G. Baum, University of Strathclyde, Scotland; Geoff Bertram, Victoria University of Wellington, New Zealand; John Christensen, Menas Associates, UK; John Connell, University of Sydney, Australia; Mark Hampton, University of Surrey, UK; Bjarne Lindstrom, Alands Institute of Statistics (ASUB), Aland Islands, Finland; Jens Kaalhauge Nielsen, University of Greenland, Greenland; Roderick Pace, University of Malta, Malta; Bernard Poirine, Université Polynesie Francaise, French Polynesia; Ralph Premdas, University of the West Indies, Trinidad Campus; Wimal Rankaduwa, University of Prince Edward Island, Canada; Edward Warrington, University of Malta, Malta.