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VIEWPOINT

The Nordic Paradox

The very identity and legitimacy that the EU is trying to create have already been established in the Nordic area.

BY IVER B. NEUMANN

IT IS BEING SAID THAT A delegation from South Korea once arrived at the Nordic Council's door step. They had hit upon the bright idea that Nordic experiences might offer some lessons for how to reintegrate the Korean peninsula, and in order to find out, they had made the entire formal apparatus of Nordic co-operation subject to a thorough investigation. Now they had come to Co-

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CONSTRUCTION IN THE SOUND - the politicians finally came around to supporting the Danish-Swedish axis.

Small Is Back

A manifesto: the very characteristics which are believed to signify vulnerability of small island states may equally well be interpreted as signs of strength

BY GODFREY BALDACCHINO*

IT IS ONLY DURING THE LAST decade that a serious attempt has been made to explore critically the idiosyncrasies of small and island territories. No doubt, this area of research was by definition non-existent until this category of sovereign states started taking their place on the world's geo-political map, albeit somewhat late in the epoch of decolonisation.

In some studies, an "ecology" of the small and insular is recognised. Size and insularity are considered as critical *leitmotifs* which significantly colour and nuance the fortunes of particular territories. Indeed, the leverage exercised by these geographic attributes to small island behaviour goes so far as to become structurally determining, a self-perpetuating myth, assuming even predictive power.

Once equipped with its own ecology, the small island case becomes typically daubed in positive or negative colour. Within the *positive camp*, we have the fascination of the small and insular world and its fair share of associated glamour, beauty and mystique. This is today craftily packaged as a tourism product, especially appealing for pleasure seekers from the cold, drab urbanised, industrialised, polluted, anxiety-prone and repressed metropole.

In sharp contrast, a totally different, extreme perspective has become popular in considering small island territories. Since the US invasion of Grenada in 1983, there has been a sustained international concern with the general vulnerability of such small

sites. This led to a spate of treatises highlighting and exposing powerlessness and dependency. Natural disasters, commodity price fluctuations, the whims of aid donors, tour operators and foreign investors - not to mention the belligerent intentions of larger and stronger neighbours - these were all factors external to the small island site over which it had hardly any influence, let alone the possibility of exercising control.

This decade therefore stands out as the one which discovered that small, often island, sites suffer from vulnerability - an intrinsically *negative attribute* which has also been subsequently quantified in the guise of a Vulnerability Index. Couching vulnerability in this way may make ample diplomatic sense; especially if weakness and fragility are expected to lure interest, publicity, sympathy and assistance, in cash or in kind.

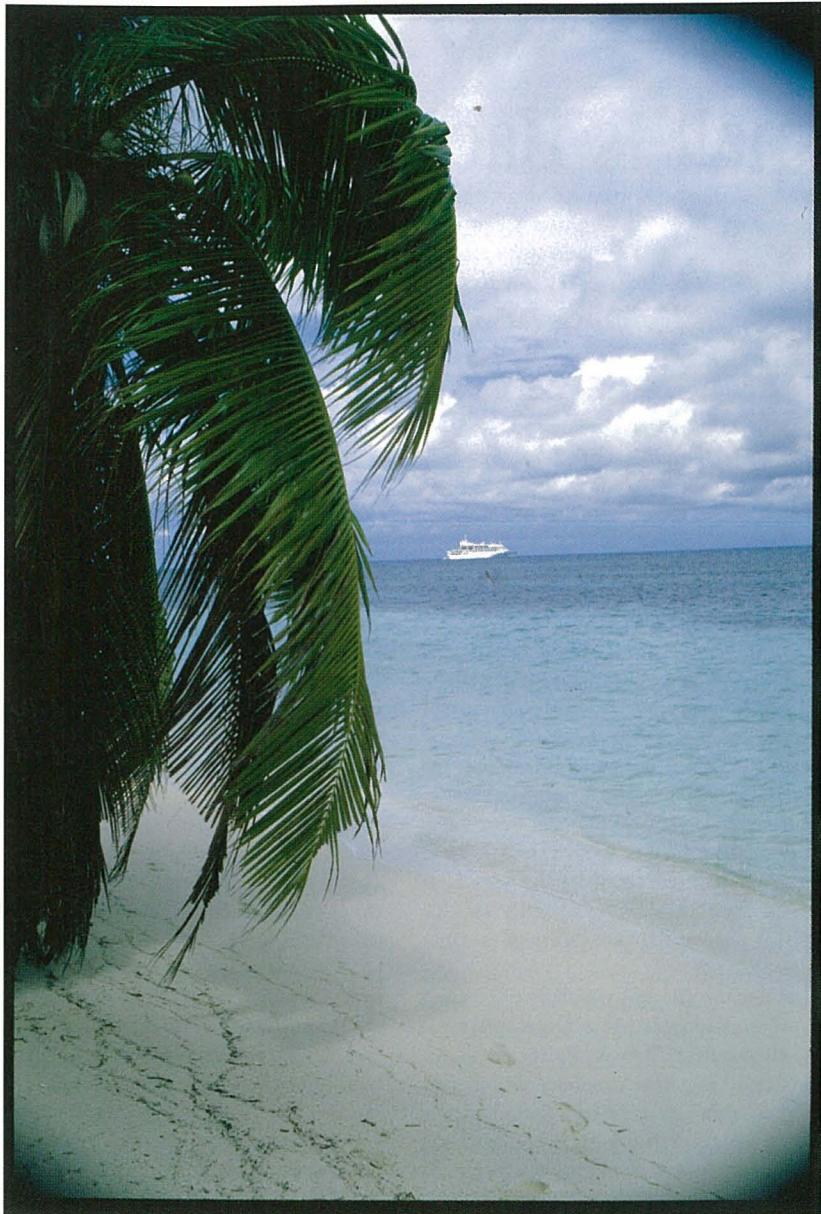
Of course, there is a very strong diplomatic effort behind the vulnerability thesis. Proclaiming structural weakness is an important platform from which to argue for structural aid and assistance. Small island territories, whether independent or otherwise, have been very capable at extracting transfers or concessions from abroad in support of such an argument. Small islanders have been the strongest per capita aid beneficiaries in the world. It is likely that this effort will continue, and that it will continue to find sympathy and goodwill from such trading partners who would

be willing to offer, or tolerant to suffer, non-reciprocal, bilateral or multilateral, agreements.

HERE ARE, HOWEVER, A number of essential problems with the whole concept of vulnerability and its implications regarding small state weaknesses. I will elaborate on just two of these.

The first is that the very same characteristics which are meant to signify vulnerability are not necessarily handicaps but can equally well imply a proneness to spectacular growth. The events which demonstrate vulnerability are simply the "flip-side" events of the development process on the small and insular. To the harbin-

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THE SEYCHELLES - doing much better than the big countries

gers of woe must be added the messengers of good fortune, whose impact on the micro-insular site would tend to be just as powerful, just as total. The attraction of a major foreign investor; a boom tourist season; clinching a major bilateral deal; securing a niche export market. Both curses and blessings from "away" come upon the small and insular in a common and distinct manner: with a suddenness of impact, an intensity of effect, and a high speed of penetration and engulfment. We are talking about an economy which, being small

and insular, is naturally more "boom and bust," "peak and trough" oriented, more spasmodic and jerky than its larger, continental counterparts. The key explanations for such jerks are often discrete, external events.

Secondly, the vulnerability argument presupposes that the small and island location is a closed system. But this assumption could not be further from the truth; it would betray an ignorance of the very constitution of many small islands. They have been amongst the most open of societies.

Because of the intense and total effect of that external event - colonisation - many small islands have found themselves linked to, and carried piggy-back onto, the global network of their administrative overlord. They have been accommodated - at times begrudgingly (as in the case of Britain) - at times more enthusiastically (as in the case of France) - onto this circuit in trade, culture, education, employment, language legislation and religious belief. In these and other aspects, they have thus usurped their small island boundary.

Sociologically speaking, small islanders often behave as if their small island is the whole world. Yet, it would also be correct to state that, to a large proportion of islanders, the whole world is their island. It is therefore fundamentally incorrect to present small islands as closed systems. Many small islands have never been closed, having rather been discovered and even created by globalising colonialism. They actually qualify nicely as the world's first, geographically delineated, global villages.

IF THIS CRITICISM OF THE VULNERABILITY manifesto is at all plausible and valid, then the present decade may perhaps be characterised by the discovery of small island resourcefulness. It is a resourcefulness in part predicated and pushed forward by the absence of exploitable resources of the traditional, neo-classical kind. It is a resourcefulness which confirms that necessity is the mother of invention. It is a resourcefulness which confronts the conventional development paradigm, grounded in the unshaken belief in manufacturing, economies of scale, large populations, natural resources, military strength and other strands of the "big is beautiful" theme. It is a resourcefulness ultimately inspired by a stubbornly positive, economic track record. It is this resourcefulness which confronts the woes of hypothermia and transforms them into a different type of economic asset.

Of course, one may find it easier and more secure to stick resolutely to the given paradigm. In that case, all one can say about the performance of small island territories world-wide is that it constitutes some kind of exception, or "a special case." It may be argued that the small island experience of economic success is a freak, or "paradox," of development. It may be asserted that such an experience is only the calm before the storm: a temporary spell

of good fortune, soon to be overtaken by events.

But how soon is soon? Where is the storm? How long should one wait for it to break and thus confirm the old theory? Indeed, bigger states as well as smaller territories supposedly in a benign relationship with a larger state have had their own fair share of economic storms. In the meantime, life goes on and practice calls out loud for some theoretical support.

With the exclusion of Japan and the USA, the world's 10 most populated countries recorded an average GNP per capita of just US \$ 1,100 in 1997; in contrast, the world's 10 least populated countries recorded an equivalent average GNP per capita of US \$ 3,800. The big 10 would be China, India, USA, Indonesia, Brazil, Russia, Pakistan, Japan, Bangladesh and Nigeria, with a total population of 3,420 million. The smallest 10 would be St Vincent and the Grenadines, Tonga, Grenada, Kiribati, Seychelles, Dominica, Antigua and Barbuda, St Kitts and Nevis, Tuvalu and Nauru, with a total of 650,000 people. Some 13 pct. of the world's small states are in the lowest income group compared to 37 pct. of the larger states; while 23 pct. of micro-states fall into the highest per capita income bracket, compared to only 17 pct. of larger states. Even *The Economist* has been obliged to recognise that not all is doom and gloom about the small, insular, remote and forlorn: "the curse of the periphery is a myth."

MORE INSTRUCTIVE, AND definitely more useful, would be to accept that the going paradigm has major loopholes and seek a worthy replacement. It is high time to stop trying to fit the square practices of small island territories into the round holes of conventional wisdom. In this re-thinking exercise, space must be allocated even for those "pseudo-development" strategies of small island territories which are shamelessly parasitic; or which thrive on the "marketing of identity." Even the Commonwealth Secretariat, a champion of the adverse implications of small size and insularity, has been obliged to confront the facts:

In spite of [alleged small state] constraints, the empirical evidence shows that the economic performance of small developing countries since 1980 has

been no worse than that of larger countries - indeed, if anything, slightly better.

This suggests that the obstacles mentioned earlier are not so serious or that small developing states found ways of overcoming or compensating for them.

IT IS WITH THIS AMBITIOUS project in mind that I invite you to consider the following six principles below as the constitutive, inter-related components of an alternative theory for small island development.

This is not the first time that such an exercise is being done. But the boldness and temerity even to consider such a project is definitely a recent state of mind. Those who tried something similar in the past did so more out of idealism and wishfulfilment. Moreover, many of them could only make bland and glib contentions which did not stand up to rigorous testing. Thirdly, there was no theory available to defend and, more importantly, to explain what was behind small state success. Like Luigi Pirandello's dramatic piece, *Six Characters in Search of an Author*, the personalities were there for all to see; but there was yet no author to write their script.

Today, I can calmly and confidently argue for a manifesto of small, often island, states. A script is at last being written for these actors. And it is a script which argues that small is full of surprises. This rendition needs no longer be based on fanciful myths and romanticised images but can be based on hard evidence and proven economic resilience. Today one can thus claim to be well on the way to present a theoretical framework to explain successful small state economics. hertil

One key characteristic of the new theoretical architecture is the critical role played by system players - the small state citizens themselves - in prejudicing and nuancing their individual and collective economic fortunes. Rather than sticking stubbornly to structuralist and determinist arguments which leave no place for human actors - whether couched in terms of insurmountable vulnerability or euphoric "small-is-beautiful" platitudes - the new thesis is premised rather on the importance of individuals to realise that they need to, and can, exercise control; that they can put into action "governing wits;" that they need to, and can, make up handsomely for traditional economic poverty by deploying in-

stead the available resources of legal and policy instruments which, in their turn, result from jurisdictional status.

And this leads to the second key characteristic of the new theory supporting small island development. Our theory of small state survival and prosperity results from the recognition of the economic resourcefulness of rule and policy making.

Perhaps it is the novelty of the approach - novel in the sense of doing away with traditional disciplinary boundaries - that may partly explain why it has taken so long to conceive. In proclaiming that politics is a key economic resource, we are here discounting the role of such factors as: the availability of raw material deposits, research and development acumen, technological prowess, domestic markets, even local value added. Instead, we are replacing these with the power to make laws; to offer better incentives to foreign investors; to tap external resources; and to do and change all these, and more, quickly. Hypothermia becomes a challenge - rather than an ailment - when looked upon through the fresh perspective of political economy.

PROPOSITION NO. 1: COMING across life-histories of microstate individuals, one finds that these human specimens from Lilliput essentially look at the world as their oyster. Many have spent a stint travelling, working or studying abroad; many survive on the basis of business or trade contacts with foreigners; many have close relatives who have emigrated temporarily or permanently beyond their native shores and therefore for them trans-national commuting is necessary to cultivate family bonds and maintain contact. No wonder successful small, often island, territories would easily qualify as being the prototype *global villages*; their citizens have been all along pioneering global citizens, long before the term was invented. They have often had to plug themselves onto the global economic circuitry out of sheer necessity. For income, emigration or education, they have had to look "away." Having no - or not enough - indigenous, economic hinterland to exploit was a very powerful push factor, a material condition of economic "sub-optimality" which bred a culture of propensity to deploy the foreign card, rendering themselves potentially suitable for eventual dislocation. This includes fluency



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in languages of international currency (and therefore an outward-oriented educational system); extensive migratory waves; as well as healthy and harmonious international relations with would-be host states. Indeed, very few small states have entertained development strategies which obliged a break of relations with major foreign powers. Keeping the external option open, and cultivating "transnational corporations of kin" has been a more significant development variable than any socialist or nationalist arguments about economic self-reliance or independence.

Most small jurisdictions thus also managed to avoid the pitfalls of the tempting protectionist policies entered into by larger developing states. Structural openness, coupled by the small domestic market size, renders non-intervention in trade as the natural, but also optimal, competition

policy. In adopting this route, often out of Hobson's choice, small territories mercifully avoided the productive inefficiencies, market distortions and vested interests which followed in the wake of most import-substituting policies.

In so doing, small islanders, again often unwittingly, also promise to provide services and features best suited to attract foreign direct investment and lucrative industries - such as tourism, knowledge based services and offshore finance. They have been expanding their economic space extra-territorially by building links with the "great outside" - through emigration, employment and education - which can be transformed into economic capital. Trade, education, cultural policy in small island territories are influenced by the latter's generalised structural openness and cosmopolitan inclination; this means that

AMERICAN IN GRENAADA - since 1983 there has been concern about the vulnerability of small island states

these small islands are more favourably disposed towards attracting direct foreign investment as well as to go for export-led growth than are other, larger countries which could be more reliant upon domestic markets and autonomous internal sources of growth.

PROPOSITION NO. 2: SUCCESS-
ful small, often island, territories have been obliged to develop and refine ingenious *political resourcefulness* to assuage the limitations imposed by the classical economic problem of scarcity. Bereft of land, labour, capital, markets or finance, island Lilliputs have been deliberately seeking to maximise domestic, ju-

risdictional controls; while still seeking to establish external, special or privileged deals and relations with a variety of Gullivers. Indeed, the economic problems of various micro-territories today have much to do with a failure to manage the political agenda both domestically and internationally (see below), in a manner as would provide longer-term, sustainable, economic gains.

Even in relation to the vulnerability thesis, political and administrative autonomy makes sense: since an island is prone to very rapid and unexpected changes, it should be in a position to react accordingly, precisely by enjoying those jurisdictional powers which would enable it to take those required policy measures quickly and effectively.

I must here address an issue which would appear to contradict my hypothesis: the large number of small island territories which have chosen to date **not** to achieve political independence. Note that I use the word chosen, because many of these territories today enjoy the legal instruments which would enable them to ask for, and obtain, some status on the scale of autonomy which could culminate in full political independence, should they desire it. One must emphasise here that there are many possible constitutional variations of "self-rule" or "shared rule": these include unions, federations, confederations, federacies, associated states and condominiums. The best way to understand this situation is to appreciate how a small state may consider its best bet as free-riding on the laws, resources and clout of a larger player. Indeed, integration - or "upside down decolonisation" - has been a popular policy instrument with which to confront decolonisation for small states. With pan-national groupings now assuming stronger powers and influence on the global playing field, small territories may decide that their interests are best defended and promoted by establishing direct deals and linkages with the supranational entity, rather than dealing through a big, intermediary state.

Indeed, even politically independent states still ride unperturbed piggy back on the resources, economic or constitutional, of other larger states. Through pseudo-membership of hard currency areas, as well as free-riding on international defence agreements, these mini-states enjoy an envious fiscal stability and a military de-

fence capability they would find hard put to entertain with their own means. They also pursue niche strategies within the international regulatory framework and seek to maximise rent-seeking (as against value added) opportunities.

The key characteristic of political resourcefulness is how it has been deployed into a public policy regime which has in turn proved effective in an economic sense. Such effectiveness often implies the creation of a competitive economic space which attracts foreign players - be they investors, financiers, agents, traders, tourists, but also aid donors and benefactors. The comprehensive competitive advantage of small island territories lies precisely in the deliberate manufacture of this advantage. Being poor, remote, isolated and marginalised has its obvious costs, according to mainstream economic thought. But the very same gross features can craft surprising, "magical" benefits, when the players enjoy the jurisdictional instruments which enable the operation of such a skill. Who said alchemy is dead?

PROPOSITION NO. 3: OF course, the possession and utilisation of political instruments to adopt such a strategy must be available to the players who would use them. In this, small often island territories have had the double advantage of geographic "boundedness" and isolation: these physical features have often obliged rulers to treat these territories as *distinct administrative units* enjoying some measure of autonomy. It is on the basis of such discretion that external (e.g. international relations; bi- and multi-lateral trade agreements; lobbying and active participation at U.N. and other international and regional fora) and internal (e.g. fiscal regimes; education and training policy; monetary policy; transportation policy; labour law; competition policy; industrial development and environmental policy) powers and initiatives can be entertained in the first place.

What is less obvious in this discussion is that even the small islanders themselves require the vision and perspective to *see themselves* as a distinct administrative unit. This sense of being must result not only in contrast to the external (often colonial or federal metropolitan) master; but also in direct reference to one's own identity, as a distinct island community. The cul-

tural image of such an "island imagination" is a vital component which propels social, political and economic thrusts for development. The same island condition and identity would thus be readily used to justify political, social and economic challenges: in arguing the validity of special treatment by others; in instituting an effective transportation policy; in introducing equalisation measures or allowances; in branding tourism products; and, ultimately, in proclaiming specific political demands.

PROPOSITION NO. 4: BECAUSE they are often *islands*, in a social and administrative, apart from a geographical, sense, such small territories often enjoy a distinct cultural fabric, history and language which foster a sense of island identity. This coagulator can propel "Microstate p.l.c." as a largely *unitary entity* - as a people - in its trans-national economic and political dealings, providing strong, binding and durable principles which make for social partnership and cooperative labour relations. The insular mind-set acts as a common cultural denominator which colours the manner in which islanders read and respond to external challenges and can somehow override or temper internal social and political divisions. It is a mind-set which also maintains strong bonds of loyalty even amongst islanders who, having migrated, are no longer based on their home island.

Certain observers have claimed that small territories are more likely to practise benign politics and to enjoy social cohesiveness. Such a claim, however, appears dubious or otherwise simplistic. It is probably naive to declare that the societies of small countries are harmonious because everybody knows everybody else. On the other hand, it is probably correct to say that small size makes for social compression, stronger personal contacts and wider role enlargement, role diffusion and role multiplicity. These features in turn make for a particular pattern of human interaction. They facilitate the aggregation of individual into group interests; they offer more effective supervision of group discipline and compliance with any agreements made; strong export dependence makes it more essential to secure moderate wage development and to avoid any labour unrest which might harm productivity and subsequent foreign investment flows; while

jurisdictional agencies are more likely to include interest groups in the formulation and implementation of policy and will thus have vested interests in supporting these associations, especially in following more moderate policies perhaps closer to the interests of the state itself.

In summary, we are therefore confronted with a clannish, “societal corporatist” variant of the model of pluralism deemed as the hallmark of modern democratic polities: one whose social capital has the potential for durable, consensual and moderate politics. Is it a coincidence that the oldest and regular democratic institutions in both the Western and Eastern hemispheres are to be found in small islands - the Isle of Man and Iceland and Bermuda and Barbados, respectively?

PROPOSITION NO. 5: THE POTENTIAL for durable, consensual and moderate politics in small territories can be accompanied by a second advantage: that of *rapid policy deployment*. Once an opportunity presents itself, it should be relatively easier for the micro-jurisdiction to perform the necessary “turn-around” to exploit it and maximise its returns. Against a global scenario of turbulence, dynamism and uncertainty, smaller systems are argued to stand a better chance of coping with and surviving rapid changes in their environment than do larger systems. The vibrant, organic, “just-in-time” oriented enterprise is more likely to be small. Most small economies have managed a very rapid, smooth transition from primarily agricultural/plantation to primarily service economies; while others became manufacturing platforms within a couple of decades. The dense psycho-social atmosphere, ready association of persons with specific decision-making acumen and the intricate role networking and role multiplicity of actors render policy co-ordination and the management of change potentially easier and faster.

Such a condition of transparency and personalisation of authority structures has been described as resulting in a “soft state.” The Head of State of a small territory (or anyone of substance, for that matter) is typically two phone calls away: and such access would be known and available to a substantial chunk of the population. This condition might work against institution-building; but a lean and identifiable deci-

sion-making structure certainly improves on critical, reaction time. This may be a precious policy instrument which helps to balance and complement the more conservative and slow machinations of consensual politics.

PROPOSITION NO. 6: SUCH A macro condition has parallels at in dustrial, organisational and individual levels. It has to do with *economic capacity*- the ability of a people in a jurisdiction (or of economic elites therein) to respond to opportunity and adversity. While response capability is a behaviour pattern probably synonymous with the human condition, it may nevertheless be diluted or swamped by overtly protectionist or paternalist public policies. Economic capacity can ironically also be weakened by *successful* political resourcefulness when diplomacy and international relations enable the micro-economy to be “killed through kindness.” It is the capacity of governments, communities, trade unions, employers, firms, households and individual men and women to prove their salt as opportunists, intermediaries and flexible specialists. This is how they are best disposed to manage “glocalisation” - the inevitable, complex confluence and interplay of the local and the global.

There is a clear synergy and cumulative pattern resulting from these six propositions. Smallness and islandness can provide the geographical stimulus for administrative autonomy; 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. This is perhaps the closest we have come to grasp the proper “ecology” of small islands.

TENSIONS BETWEEN AU tonomy and dependence take on new significance for micro-economies in the process of globalisation. Given the structural openness of small island territories, the equally structural dependence on “externalities” is a fact of life. Yet, does such a dependence necessarily imply weaknesses, risks and handicaps? Yes, but only if we somehow believe that surviving on an externally-driven economy is wrong. Only if we are still glibly pursuing the phantom goal of

economic self-reliance. Only if we are convinced that exposure results in fatal hypothermia.

Yet, contemporary economic history reads differently. Many micro-economies prosper today, precisely by having thrown the economic self-reliance model overboard: it was a model which, let’s face it, they could never have taken seriously anyway. Instead, they have been discovering and crafting a different type of self-reliance, a *jurisdictional* self-reliance which guarantees the control over the instruments, and consequently the terms, of economic dependence.

For many small territories, the best road forward appears to include a strengthening of jurisdictional powers with the intention to deploy these in economic directions. The opportunities for such a deployment are more numerous now, given the multiple layers of layered identity, representation and negotiation, ranging from the sub-national to the supra-national. Proclaiming vulnerability is one strategic application of such powers, lucrative and viable in its own strange way. The most successful here are probably the “ultra peripheral regions” of the European Union, all of which (except French Guyana) are islands. These have now achieved an even stronger recognition of the permanence of their “major structural backwardness” in Article 299 of the Treaty of Amsterdam.

Competing on the global playing field by niching both products and/or services as well as the terms of their trade is another viable strategy. Perhaps the major debate amongst Lilliputs today is whether to go for the former (non-competitive) or the latter (competitive) route; perhaps both routes can be skilfully deployed concurrently. What should *not* be debated is that the choice of either, or both, of such routes, is best to rest securely in the hands of the small territory. □