

Illiteracy at 7	Diskors ta' I-Istudenti	Strengths and Weaknesses of Small Islands	Trade Schools in Gozo	Theses by Gozitan Students
Profile: Joe Xuereb, sculptor	Aspects of Health of the Gozitan people	Tourists in Gozo	Il-Gwardjani Lokali	Book Profile: The Maltese Migrant Experience
Book Profile: The Placenames of the coast of Gozo	Mini-Medicine in Gozo	Poems	Typing Maltese Characters	Front Cover

1. INTRODUCTION

This paper describes the special economic strengths and weaknesses faced by small islands. As I shall show, there are very few strengths, and many weaknesses, which arise mostly from small economic and territorial size, insularity and peripherality. These weaknesses often threaten the viability of these territories. Reference will be made to the island of Gozo, which enjoys a number of strengths, notably its attraction as a tourist destination, but which also suffers from the weaknesses associated with its small size and double insularity. There are about 20 island regions in the EU with a jurisdiction over 13 million inhabitants. The fact that these island regions contain together a relatively small population limits their political clout, and as a result their plight tends not to be given enough importance in major decisions affecting the European Union. To

make matters worse, data required to measure the economic conditions in which the island regions find themselves is often lacking. The paper argues that the predicament of islands would be given better

consideration by the EU if statistical information about the conditions in which islands find themselves are collected and processed on an ongoing basis.

2. THE STRENGTHS OF BEING A SMALL ISLAND

The strengths I will refer to in this section are economic ones, relating to the comparative advantages in tourism services and in financial services, and the flexibility administrative possibilities of a small jurisdictions.

2.1 Comparative Advantage in Tourism

Islands are naturally attractive for tourists. This is evidenced by the high success rate that many small islands (not only those located in the tropics) have had in tourism inflows. This has enabled many small islands, including Malta and Gozo, to derive considerable income and to generate employment in tourist related services. Many small islands find themselves competing with much larger states for tourists and often succeed. Thus for example, Gozo competes with Spain and Greece for British, French, Scandinavian and German tourists. It cannot do this as successfully in manufacturing, because of the scale factor - but in the case of tourism, small scale operations need not constitute a handicap - on the contrary, they can offer advantages.

2.2 Financial Services

Many small islands attract offshore finance and manage to develop a thriving financial and banking sector. The successful ones exploit their special forms of jurisdiction, although not all of them are fully independent states. This advantage comes mainly from the ability of these jurisdictions to offer special fiscal attractions, secrecy and flexible instruments, which larger jurisdictions find it more difficult to offer. This strength is not available to islands like Gozo, which are part and parcel of a larger entity and do not enjoy special jurisdictional forms.

2.3 Other Strengths

There are many cases which can be used to back the argument that large scale is not necessary for economic success and that smallness is not fatal in this regard. In small islands for example, decision taking at government level tends to be more flexible than in larger territories. A point that is often cited as a strength is the ability to take quick decisions

without excessive bureaucratic constraints. Gozo is a case in point. In recent years, the administration of Gozo has had a degree of autonomy, and several administrative decisions have been taken on the basis on information which is readily at hand due to the proximity of the authorities to the people - a direct result of the relatively small population and small territorial area.

3. WEAKNESSES

The major weaknesses faced by small islands relate to small economic size, insularity and peripherality, and environmental fragility.

3.1 Smallness Economic Size

The small size of the domestic markets constrains the production possibilities in the islands due to inability to exploit economies of scale. In addition, the small territorial area gives rise to very limited availability of natural resources. As a result the islands tend to depend heavily on imports.

Because of small economic size, overhead costs in small islands tend to be relatively high per capita, and this applies to all infrastructural developments, including roads, ports, schools and so on.

Another problem is that small islands tend to depend on a narrow range of goods and services (notably tourism and financial services), and this carries the risks associated with having too many eggs in one basket.

3.2 Insularity, Double Insularity and Transport

Due to their insularity and peripherality, islands tend to experience relatively high transport costs and infrequency of scheduled trips, which effect movement of people and of goods. Islands also face problems relating to infrastructural development (ports, equipment etc). This is of course a very real problem for Gozo, which is a classic example of double insularity, since the island is on the peripherality of another small island.

Transport is especially important for islands because they depend heavily on external trade (imports and exports) and tourism. It is to be expected that transport costs associated with the external trade of small islands tend to be relatively higher per unit of export than in other countries. The main reason for this is that islands are separated by sea

and are therefore constrained to use air and sea transport only for their imports and exports. Land transport is of course out of the question, and this reduces the options available for the movement of goods and of people. Apart from this, a small economy tends to require relatively small and fragmented cargoes, leading to high per unit costs. Moreover, the small size of small islands often excluded them from the major sea and air transport routes, which give rise to delays and constrains the ability of these states to exploit the advantages of modern and technologically advanced means of transport.

Another problem relates to uncertainties of supply. Insularity and remoteness from the main commercial centres may also give rise to additional problems such as time delays and unreliability in transport services. These create uncertainties in the provision of industrial supplies.

An additional problem is that when transport is not frequent and/or regular, enterprises in islands find it difficult to meet sudden changes in demand, unless they keep large stocks. This implies additional cost of production, associated with tied up capital, rent of warehousing and wages of storekeepers.

3.3 Environmental Fragility

As is well know, small islands tend to have a very fragile ecosystem. The pressures on the environment arising from the process of economic development in small islands tends to be much higher than in larger territories, as can be witnessed her in the island of Gozo. In many islands, increased demand for residential housing and industrial production has given rise to a fast depletion of agricultural land. Small islands also experience intense use of the coastal zone for tourism and marine related activities. They also tend to generate a relatively large amount of waste. These problems are of course also faced by countries undergoing a process of economic development, but their effect on small islands is likely to be much stronger due to their small size. The process of economic development also brings with it an increased demand for resources, some of which are non-renewable.

Apart from the pressures of economic development, small islands also face problems associated with their geographical and natural characteristics. They tend to have a unique and very fragile ecosystem.

The uniqueness, which is an outcome of the insularity of small islands, renders such islands as important contributors to global diversity. The fragility is the result of the low level of resistance of small islands to outside influences, endangering bird and other endemic species of flora and fauna.

A major environmental problem associated with islands is global warming and rising sea level. Many small islands, especially the low-lying ones, are faced with the prospect of proportionately large land losses as a result of these changes. Another problem in this regard relates to erosion. Small islands have a relatively large coastline in relation to the land-mass. Thus a relatively large proportion of land in such islands is exposed to sea-waves and winds, giving rise to a relatively high degree of erosion of land and soil

4. TAKING CARE OF PERIPHERALITY

4.1 What the EU Islanders Want

In the various fora where islands are represented the authorities of the islands, and other spokesperson representing the islands, generally demand the following from the authorities of the European Union:

- Consideration of the specific problems of island, in particular those related to small economic size, transport, energy, all of which tend to lead to economic backwardness;
- Compensatory measures when EU policies have special negative effect on the islands;
- An improved commitment by the EU to mitigate costs associated with transport;
- Environment and energy policies which takes into consideration the special constraints in islands;
- Actions to promote awareness of the special conditions of islands.
- More coordination on the part of the EU with regard to policies and measure affecting island regions.
- A community fiscal policy which is flexible enough to take account of the special constraints faced by islands.

4.2 Data Limitations

The major problem that arises when it comes to providing concrete evidence to back these demands relates to lack of data on island regions.

Generally speaking, the indicators most commonly used for eligibility criteria of regional and structural funds are based on GDP per capita and unemployment rates, which in the case of islands sometimes understate or conceal the real problems.

The case for availability of data is even stronger when one considers that the low GDP per capita and high unemployment rates are not themselves the cause of backwardness, but a manifestation of underlying physical characteristics, notably small size and insularity.

4.3 The Need for Development of Appropriate Statistics

As stated, proper statistical information will help islands regions in many ways, most importantly because this will enable islands to make their case more forcefully and more credibly.

It is therefore emphasised that better and more appropriated data to assess the real conditions of the island regions of the EU are essential.

The usefulness of statistical evidence can be demonstrated by the very useful work carried out by CRPM/Eurisle in a report published in 1997, where a quantitative exercise was carried out to measure the peripherality of some island regions within the EU.

5. CONCLUSION

This paper has briefly described the special characteristics of the island regions of the EU, which are the main cause of the economic disparities in which these regions find themselves. It has been argued that statistical information is required for strategies aimed to reduce such disparities.

Reference has been made to the 1997 Eurisle/CPMR report which is considered to be a very important step in the right direction. Although the report focused on one aspect of island problems, namely transport, it showed that it is possible to provide original statistics, with the aim of backing the demands of the island regions and to enable such regions to master more support for their demands.

The study has also shown by cooperating between themselves, island regions could facilitate and transfer information to an organisation for data processing and interpretation for the regions own benefit, rendering

the demands by the island region more credible.

It is in therefore in the interest of the island regions themselves to see to it that organisations such as the CPMR, which is a very important pressure organisation operating in favour of island regions, with one of its missions being mission to provide information about island regions, be properly backed, financially and otherwise, to enable it to support the demands of the island regions by appropriate statistics. This organisation is today represented by Mr Jean Didier Hache, the executive secretary of its Islands Commission, who, through this organisation is promoting the objective of the EU regional policy, namely to reduce disparities between different regions of Europe.

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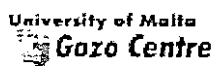
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