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AN ISLAND LIVING

Preface to the Series



The cold dark waters of the North Atlantic are as bewitching as they are forbidding. For centuries European civilizations looked west with awe. Some dreamed of legendary cities in the setting sun; many more feared that beyond the horizon lay only the abyss. Eventually, Europeans looked west in order to find the East. But for generations of sailors and explorers, fear would prevail over adventure.

It would be the Vikings, those masters of seamanship and navigation, who would be the first to cross these seas. They set forth in their celebrated longboats, as remarkable for their beauty as for their speed and craftsmanship, eventually reaching the shores of the New World at L'Anse aux Meadows on the Great Northern Peninsula of present-day Newfoundland. Today we can trace the rich cultural residue of these hardy people in a Nordic trail of European civilization stretching across a necklace of islands, from the Ålands and Gotland in the Baltic, to the Shetlands, the Orkneys, and Man, and further to the Faroes, Iceland, Greenland, and Newfoundland.

Of course, the Viking expeditions reached far beyond the North Atlantic, deep into the Frankish and Saxon lands, the Mediterranean and Byzantium. But it is the sheer romance of their Atlantic voyages and discoveries which is such an apt inspiration for their descendants in the small islands of the North Atlantic today as they face the challenges of survival and development in a rapidly changing world.

The acknowledgement of the common cultural and historical links across most of the small islands of the North Atlantic region was clearly an inspiration for the volumes in this series. But so too was the recognition that these small northern islands share formidable problems of adjustment in an increasingly challenging international environment. Most of these island communities have had to cope with disabilities concomitant with small size and relative remoteness: peripherality both in terms of real physical distances as well as relative neglect in metropolitan centres; acute dependence on limited resources with attendant crises of supply or terms of trade; and heartbreaking cycles of outward migration. Indeed, most of



these islands have diaspora communities scattered across the western world.

Yet, the story of northern islands is not one of unrelieved hardship and pain. Among these small communities are some truly inspiring examples of creativity and initiative which have brought unprecedented prosperity to their peoples. And it is this range of experiences, both positive and negative, which is the abiding focus of this series. What insights might we glean from looking at both the historical and contemporary circumstances of North Atlantic islanders within a comparative context?

The need for comparative analysis across the North Atlantic Rim was recognized early on when the Institute of Island Studies at the University of Prince Edward Island first took up its mandate in 1985. Curiously, given the obvious links among them, this arc of small islands was largely neglected in the literature of small islands scholarship, particularly in comparative studies, and more particularly in a trans-Atlantic comparative context. In its first international conference, "An Island Living," the Institute invited students and representatives of North Atlantic islands to Brackley Beach, Prince Edward Island, in September 1992.

It was a remarkable gathering of some fifty participants from island universities and governments and intergovernmental bodies with special interests or programmes that touched upon island peoples. The sessions offered a full and genuinely comparative exchange of familiar historical experiences and common contemporary challenges in the face of mounting regional and global change. To be sure, not all the islands shared the deep-rooted cultural ties alluded to earlier. But even the more southerly islands of Bermuda, the Azores, and the adjacent Mediterranean islands of Malta and Cyprus have more than passing links to the peoples of the North Atlantic Rim. Whether as fishermen on the Grand Banks, as diaspora settlers in Britain and Canada, or as participants in growing trans-Atlantic travel and financial networks, they have their own ties to this rim of island communities. And they certainly face the same challenges which participants addressed throughout their meetings. The Conference focused on the relationship between varying levels of constitutional status and jurisdictional competence to a broad range of economic options and strategies. What powers do these small island jurisdictions have at their



disposal and how best can they exploit those powers to promote their own agendas for self-reliant development in an increasingly competitive but integrated global economy?

The papers in this three-volume set represent the richness of this exchange at Brackley Beach. Volume One examines the variations in constitutional jurisdiction, and perhaps more importantly, the ever-changing realities of political autonomy in these islands, most of which have enjoyed long pedigrees of self-government. Now they must meet the opportunities for creatively exploiting their jurisdictional capacity as a resource unto itself. Volume Two explores the wide-ranging opportunities for niche development, already successfully tapped in many other very small jurisdictions, from the export of knowledge-based services to the restructuring and strengthening of traditional enterprises. Niche opportunity may yet belie the seemingly unassailable orthodoxies surrounding very small size and peripherality. Volume Three addresses issues concerning the North Atlantic fisheries, the lifeblood of so many of these island societies and thus an almost all-abiding concern in any discussion of their future. The tragedy of the collapse of many of the fisheries, and the catastrophic impact this has had on some island communities, is, of course, a central concern in the discussion. So too are farsighted strategies for management and recovery which have spared some island fishing communities from the worst of the devastation.

In preparing these collections, the Institute was determined to maintain a truly trans-Atlantic comparative perspective. With this in mind, two editors — one from either side of the Atlantic — were selected for each volume. As their introductory essays demonstrate, the editors sought to bring a synthesis of trans-Atlantic experiences and a genuinely comparative treatment to all three volumes. Moreover, considerable attention has been given to the many significant changes since the Conference in both the islands and the larger global environment. Authors and editors have been meticulous in recasting and revising papers whenever that was appropriate.

The volumes in this series should offer a constructive contribution to the larger literature on small islands. The central concerns of these northern islands, while in some respects unique, speak to the experiences reiterated throughout the burgeoning literature of small island studies,



whether those societies are in far-flung regions in the Indian Ocean or the Pacific or within the more accessible waters of the Caribbean or Mediterranean. Indeed, southern islanders may be surprised to discover so much that is familiar in these distant cold water oceans.

Today the routes across the North Atlantic, both air and sea lanes, are a grand global highway, the most travelled routes in the world, linking the major centres of Europe and North America. In moving from one hub to another, modern travellers may barely be aware of the small islands that lie across their congested flight paths. Yet it was this route across the top of the world that carried one civilization to unknown lands.

Today, when one looks out from Land's End in Britain or from Cape Spear in Newfoundland, the North Atlantic can still seem vast and even menacing. One marvels at how the Vikings did it. From island to island they went, exploring, settling, and moving on. This group of northern islands is an inspiring historical record of endurance and confidence in the face of extreme adversities. Perhaps it is in that context that we might view these islanders again. The Atlantic may no longer be so forbidding, but the challenges of reaching beyond the water are still daunting. Initiative and imagination are now the resources which all these islanders must call upon.

BARRY BARTMANN, SERIES EDITOR

Barry Bartmann teaches in the Department of Political Studies, University of Prince Edward Island. Chair of the international conference "An Island Living," Professor Bartmann is now Chair of the International Advisory Committee for "Lessons from the Edge: The North Atlantic Islands Programme," a joint initiative of the Institute of Island Studies at UPEI and NordREFO, the Nordic Institute of Regional Policy Research.

INTRODUCTION

Strategies of Development for Small Island Territories of the North Atlantic:

Common Sense versus Good Sense



GODFREY BALDACCHINO AND
ROBERT GREENWOOD

THE SETTING

In 1992, the European Community was experiencing the full measure of the effects of the barrier-free single European internal market and bracing itself for the implications of the Maastricht agreement, envisaged to see the EC move closer to a European Union. At the same time, Canada, the United States, and Mexico were seeing through the legislative processes that would bring NAFTA into force come January 1993. Nudged betwixt these two mega-developments, islanders from the broad North Atlantic region met to discuss the political, economic, and cultural sense of their contemporary identity.

The symbolism of this historical conjuncture could not be more powerful and evocative. The motley group of "islanders" who converged on Prince Edward Island in September 1992 were evaluating and comparing their own understanding of being, of having, and of becoming; of political status, resource management, and development strategy. They were doing so all too aware of the impact that their powerful, federated neighbours would invariably have on their own destiny and future. At the same time, they were keen to promote critical reflection on their status quo, an exercise that was not predetermined and jaundiced by external factors but rather one giving due recognition to inner resources and strengths.



A CELEBRATION OF EXISTENCE

The International Conference, “An Island Living,” held in Prince Edward Island, was first of all a celebration of the existence of a broad array of fragments of sea-bounded civilization. These consist in island provinces, semi-autonomous island territories, island sovereign states, and island colonies, together flaunting an impressive assortment of constitutional profiles. The remarkable diversity is no doubt in part a testimony to the possibilities of insularity; the evidence is that islandness is a stable geophysical and cultural variable that is an anchoring comfort in the current turbulent context of shifting boundaries and politico-economic fusion and fission.

But the islands sprawling across the broad North Atlantic do not merely exist; there is more to “in-betweenity” than a simple geophysical sense. They are not merely in between; nor are they on the fringe; nor are they on the periphery; and they are not the microcosmic invisible occupants of an empty quarter of the earth. All of these are attributes that emerge from a big-state or mainland bias. Islands exist; and, to enlist yet another metaphor associated with insularity, they are very much at the centre of the world, from their privileged point of view.



AGAINST IMPORTED PARADIGMS?

The difficulty here is to struggle consciously against paradigms of being, of having, and of becoming, which are of alien, typically Western, provenance. These, for all their appeal, may not be necessarily the best suited to insular interests. The challenge here is to start thinking inductively, consciously, and explicitly, avoiding a blind and blanket adherence to those imported prescriptions and definitions which had, all along, been assumed to hold. Indeed, whenever a mismatch occurred between theory and practice, then it has been the insular practice that was dismissed as being at fault.

This is why the discussions on the theme of *An Island Living* were an engagement, often implicit and unconscious, between two essential forms of sense: on one hand, *common sense* — counsel dictated by established expertise and typically supported by international organizations, state



bureaucrats, and policy makers; and, on the other hand, *good sense* — often a haphazard collection of intuitive, homegrown, resilient, and environmentally proven and sustainable ideas (Hoare and Nowell Smith, 1971). Common sense is powerful and legitimate; it travels top down, driven by authoritative rationality; it is a dogma that typically finds a ready and enthusiastic depository among the modernized elites of island territories (who are often trained on the mainland and therefore even more disposed to receive and accept “superior” imported advice). Good sense is subdued, often silent and oppressed; being indigenous, it can be seen as primitive and decadent and therefore wrong and incorrect; it has a bottom-up dynamic, deriving its energy from experience. Where the two paradigms of thinking clash, it is often common sense that emerges triumphant.

This volume forms part of a series of internationally edited comparative publications that document the stimulating debates triggered on Prince Edward Island in 1992. One volume grapples with *having*, focusing on strategies for the effective management of a key natural resource in the region: fish (Arnason and Felt, 1995). This second volume deals with *becoming*, critically outlining strategies and self-reliant development within increasingly integrated regional and global economies. Yet another text handles debates on *being*, documenting how a wide range of constitutional arrangements serve as instruments with which to negotiate the treacherous balance between sovereignty and marginalization, while also drawing lessons from sectoral research on how business and management practice link with political structures and processes.



SELF-RELIANCE REASSESSED

The notion of self-reliant development has gone through some radical changes in meaning since it was initially coined. The original scenario was painted in the most optimistic of hues in the 1960s, when territory after territory achieved political independence and presumed, not always correctly, that the political infrastructure was finally in place to permit an autonomous, self-directed development trajectory. In a few years, this set-up would find former colonies “taking off” and enjoying the vistas of an enviable quality of life already enjoyed by their erstwhile masters (e.g.,



Rostow, 1956; Lewis, 1966). The role models, the funds, the expertise, and the ideological backing were available, perhaps too easily so, in the context of the Cold War between East and West.

The lessons of recent history suggest otherwise; private or state capitalism has not been a simple matter of replication. The notion of a collective third world broke apart in the late 1980s in the wake of natural disasters, galloping inflation, rampant indebtedness, or, surprisingly, rapid rates of economic growth. The last has come about thanks mainly to a policy that was diametrically opposed to self-reliance: a state-regulated policy of attracting significant foreign capital and expertise within a global economy that operates on the basis of an international division of labour (Gregory and Urry, 1985; Sklair, 1991).

These events also consigned to the dogs another popular paradigm of development theory. Propositions of dependency and under-development theory deftly turned the modernization principle on its head and argued that the roots of the crisis of development could be traced to an exploitative relationship that enriched the rich and impoverished the poor (e.g., Thomas, 1974). North/South, metropole/satellite, and core/periphery were the new dualisms that explained away the difficulties of transition and robbed the South from any strategic alternatives other than delinking. But it was those who delinked who fared worst economically and politically; the best results by far were achieved by those who had negotiated an almost total integration into the all-important flows of (Western) largesse.



ISLANDS ARE NOT AMUSED

These policy debates, and the economic booms and crises that inspired them, occurred without much effect on the world's small island jurisdictions. For them, the possibility of development had been theoretically defined away. Socialist autarchy was not attractive, accustomed as these islands were to the reception and consumption of various forms of imports, while liberal economic precepts advocated equally elusive economies of scale. With their skill shortages, financial shortfalls, and low-risk orientations, small islanders were faced with an academic repertoire of development



options restricted to a dismal trio: restructuring, austerity, or borrowing (Crusol, 1980; Helleiner, 1982).

Furthermore, micro-territory domestic political forces have been more enthusiastically engaged at forestalling independence than clamouring for it. Their experience has been one of “upside down decolonization,” where the initiative for independence has emanated from the colonizing power — Britain, Portugal, and the Netherlands especially — to set what had become perennial fiscal liabilities adrift to earn their keep (Baldacchino, 1993).

Indeed, many small island dependencies cling tenaciously and proudly to their dependent status. Most cannot even entertain the thought of anything resembling self-reliance. Their economic and cultural fabric is based on a staggering range of imports: a high dependence on international trade; on foreign markets; on foreign expertise; on tourism; on aid and transfers; on remittances from emigrants. Many island settlements have been virtually created from outside by imperialist penetration. De-linking has all along been their major fear, rather than their hopeful route to autonomous development. Even in the heyday of decolonization, Malta sought integration with Britain (in 1956), Newfoundland joined Canada (in 1949), and St. Pierre-et-Miquelon was integrated as a French department (in 1946).

It was not mere coincidence that the wave of post-war decolonization was triggered off by the largest colony, India. The smallest sovereign states were last to become independent; and no small territory has gained full sovereignty since Brunei Darussalam in January 1984. The only island territories today with a strong secessionist movement are New Caledonia (Kanaky) in the South Pacific and Nevis in the Caribbean. Other small island jurisdictions, considered barely a decade ago (Sutton, 1987) as likely candidates for independence — Aruba, Bermuda, Greenland, Gibraltar — remain disinterested in the prospects of full self-determination. Judging by the turn of events, there are likely to be only four small territories forfeiting their current political status during the last decade of the twentieth century: rather than expressions of economic self-reliance, all four constitute examples of negotiated dependence and assimilation into a larger, one hopes benevolent, state. The Marshall Islands and the Federated States of Micronesia have become “independent” after having entered into a



Compact of Free Association with the United States of America; while Macao joins Hong Kong as a semi-autonomous province of China.



PROSPECTS OF GLOBALIZATION

Following self-reliance and dependency, there is today a third, powerful principle that is vying for relevance and exclusivity in discussions on economic development. Globalization has today replaced east-west and north-south as a major and unitary mode of thinking. In the process, new beliefs about development are being diffused, particularly about the bland benefits of free trade, market access and integration, cost minimization, strategic selective specialization, deregulation, and standardization. This new, powerful, top-down philosophy propounds the lucrative possibilities of trans-state and inter-state collaboration, with mobile capital within the EU, NAFTA, and the various multinational corporations leading the way.

Once again, it is common sense versus good sense: the former advocating the importance of plugging into the international networks of bounty and trade, advertising island territories as what they have always been — platforms at the service of international capital. The approach does, however, carry its dangers, including an excessive dependence on foreign markets and export goods and services; an abandonment of traditional productive activity, such as artisanal industry and agriculture; unemployment and emigration; and a gradual absorption of a mass, anonymous, urban-industrial, metropolitan culture (Frobel, Heinrichs, and Kreye, 1980). In the meantime, good sense doggedly presses on, armed with the conviction that surely globalization is not a given and can be either checked or else somehow favourably negotiated. The globalization of impact itself breeds the diversification of response; island territories party to a similar impact may yet learn profitably from the trials of differing strategies; and that the bitter results of misguided development may be the opportunity to shake oneself loose of yet another imported paradigm and look within, rather than without, for some new recommendations. Here, the similar predicament, and the ensuing options, adopted by comparable small island territories, are bound to be instructive;



even the mere establishment of a small island forum or network can present some startling comparative experiences.

Lessons from the Edge: The North Atlantic Islands Programme emerged from the 1992 Conference as an effort to explore more systematically the lessons to be learned from meaningfully similar small island jurisdictions. Prince Edward Island, Newfoundland, Iceland, the Isle of Man, Greenland, the Faroe Islands, and the Åland Islands are all wrestling with the implications of globalization. These islands, and those additional islands featured in this volume — Malta, The Azores, Jersey, the Shetland Islands, and Cape Breton — are encountering similar external forces with local political, natural, and strategic resources that are as varied as they are similar.

As with any comparative research, generalization from complex cases to statistically rigorous models is impossible. What the North Atlantic Islands Programme is learning, and what the papers in this volume demonstrate, is that appropriate development strategies require — consistent with the dictates of good sense — the confidence to build on specific local strengths and capabilities, in the context of external opportunities and threats. National and sub-national jurisdictions are only just beginning to understand that self-reliance models and strategies cannot be imported; they must be constructed.

In the process, the so-called “new economy” of globalization and information technologies must be engaged critically by small islands. The simplified core and periphery models of global development economics must be adapted and applied sensitively to the realities of individual jurisdictions. The divide between raw material producer and manufacturer is being superseded by a more complex and multi-tiered global division of labour typified by core and peripheral firms; core and peripheral workers; and core and peripheral regions.

The entrepreneurial hype around small business development and the increasing numbers employed by small- and medium-sized enterprises (SMEs), obscures the reality of vulnerability and insecurity implicit in corporate downsizing and subcontracting. Increasingly, a core of multinational firms, with greater concentrations of ownership, is focusing on high-end, value-added production activities, along with specialized services such as finance and research and development. While ownership concentrates, production decentralizes, as non-core activities are out-sourced to



SMEs that compete for contracts and absorb the vulnerability implicit with sub-contracting.

These core and peripheral firms are matched by core and peripheral workers. Core workers are the beneficiaries of the one-third/two-thirds society; trading on their expertise in specialized trades and professions. Lacking the social conscience that accompanied traditional elites who inherited their positions, this new meritocracy distances itself from the “unfortunates” who did not have the commitment to stay in school, or the brains to excel once there (Lasch, 1995). Peripheral workers are the flexible workforce of the information age, McJob economy. Lacking the pay and benefits of unionized workers in large firms — which increasingly out-source to avoid same — peripheral workers adapt, of necessity, to the new organization of production. Combining multiple-job individuals with multiple-income households, the eroded middle class fights harder to stay in place. Those who lack the networks or opportunities to access the part-time, low-wage positions that typify the service economy are left to manage with fewer supports from a down-sized state that is forced to praise as virtue the fiscal necessity of privatization and increased reliance on the voluntary sector.

The regional manifestations of these characteristics impinge on the strategic opportunities and threats for small island territories. Improved global information and transportation links undermine the economic insularity that might have favoured self-reliance strategies previously. Corporations can now source components and services according to the skills required and the cost of providing them. Contrary to the post-industrial maxims that geography has been overcome by technology, there is a re-agglomeration of specialized economic activity in high-tech industrial districts. Often located in regions untainted by the outdated infrastructure and inflexible workforces of industrialized regions, these core regions thrive on the synergies and economies of spatial proximity. Core firms and workers concentrate where research and development capacity, venture capital pools, and quality-of-life attributes favour the beneficiaries of the new economy (Piore and Sabel, 1984; Porter, 1990).

The new peripheral region may still be characterized by resource extraction, but development efforts are now pursued in the context of the new organization of production. Out-sourcing to SMEs creates opportunities



for peripheral regions — island jurisdictions included — which were never available when centralized production required large pools of workers and proximity to markets. The vulnerability of subcontracting and the flexibility of peripheral workforces are nothing new to regions accustomed to the boom, bust, and seasonality of resource dependence (e.g., Brookfield, 1975; Looney, 1989). The fishery, forestry, and agriculture sectors always demanded workforces that could combine different sources of income at different times of the year. Earned income was also supplemented by the non-cash inputs of the informal or subsistence economy of such regions, providing greater economic stability than their precarious resource sectors could have afforded (Hadjimichalis and Vaiou, 1990; Greenwood, 1991).

Ironically, the characteristics of underdevelopment yesterday may be strengths in adapting to the realities of globalization today. The common sense of economic development is now challenged from all sides as all countries wrestle with restructuring in the private and public sectors. For small island territories to build on their strengths and realize emergent opportunities, they must be able to learn from one another, as well as from other regions. To do so requires recognition that lessons gained from comparative study must be adapted to local conditions. Only systematic study can unearth such lessons; only local adaptation can make them take root in ways appropriate to diverse conditions.



THE POLITICS OF DEVELOPMENT

Recognition of the need for new development strategies is only part of the equation for island territories, or any jurisdiction, to adapt to the changing economic landscape. How structure and strategy interpenetrate must also be acknowledged and accommodated. In the parlance of the French Regulation School of political economy, the “Regime of Accumulation” — the organization of the economy — has changed with globalization and restructuring, and the “Mode of Regulation” must follow suit. The institutions that evolved to support the modernization efforts of post-war development — the welfare state, corporatist labour relations systems, international trade agreements — constituted the regulatory framework



within which Western economic growth flourished (Lipietz, 1987). As the economy changes, so too must the institutional supports for economic development change. All too often, the segmented fields of academic study — as with the segmented responsibilities of government departments — prevent critical consideration of how economy and governance relate.

Comparing the development structures and strategies of island territories enables these interrelated forces to be examined more easily than for larger jurisdictions, where the scale of the economy and government obscures relationships at play. The papers in this volume, along with those in the accompanying volumes of this series, constitute a political economy of island development. Constitutional status, decentralization of decision making, fiscal autonomy — all must be seen as component parts of the economic development mix. Institutional structures, political culture, and level of autonomy condition any efforts to implement development strategies. Implementing the right strategy without the necessary structural capacity will be as unsuccessful as implementing the wrong strategy. The challenge is to delineate which functions and capacities are necessary at which level and adapt these lessons to the pre-existing conditions of any one jurisdiction. Not easy, but necessary, if we wish to move beyond externally imposed common sense and build on good sense.



WHO WANTS DEVELOPMENT?

Building on our strengths and recognition of good sense must also be approached critically if we are to avoid romanticized visions of island identity and traditions which oppose change for its own sake. As noted above, those islands that have embraced globalization and rejected delinking are the most prosperous. But at what price?

Schumpeter (1934) noted the “creative destruction” of capitalist development, and few — other than new-age Luddites — would argue for the status quo, especially at a time of fiscal constraint and reduced opportunities to access transfers. Implicit in the search for comparative lessons from related island territories is an acknowledgement that lessons are needed. Once the initial ethnographic honeymoon of comparative research is over, no jurisdiction is without significant obstacles to overcome.



It may strike the reader as very strange that a critique of the glib talk about globalization and its purported standardizing impact should come from a motley band of small and scattered islands. But in addressing the socio-economic development trajectories of small island territories in the broad North Atlantic, the evidence confirms that the global project does not render all flush and even under its crushing weight. In itself, globalization tolerates and even reinvents differences and inequalities (Massey, 1994). So many islands qualify easily as advanced, mature exponents of — after McLuhan (1960) — “global villages.” Still, they appear all the more alert to the idiosyncrasies of their existence, as well as to the significance of insularity in their discovery of indigenous identity.

Hence, there is a parallel cultural — apart from economic — argument for investing in home-grown strategies that exploit local strengths. In a twist of irony, islands may have been looking all along beyond their shores for solutions to pressing socio-economic problems. But the world may yet look at islands for solutions to its own problems in the not-too-distant future: the eclipse of community; the rise of unmitigated rationality; the rendering of placelessness and namelessness at the hands of transnational capital and its blanket corporate philosophies in such growth areas as knowledge-based industries or tourism ... insularity begets an ecology and anthropology of place. Far from being a quirk (of geography, of development, of political status), islands may provide intriguing lessons in cultural, economic, even managerial, sustainability (e.g., Baldacchino, 1997).



ORGANIZATION OF THE TEXT

The layout of this book allows the reader to identify the key theoretical debates surrounding the economic status of island territories. Different “island imaginations” suggest different clusters of advantages and disadvantages, opportunities, and threats towards sustained economic growth. There is a fine balance between optimists and pessimists in this assessment, and there is a fair share of both common sense and good sense pronouncements on analyzing extant conditions and charting future paths. After all, the “island question” remains a burning one and no clear-cut



answers are available. Insularity itself compounds this issue further because it begets difference, and, hence, the greater difficulties one faces in attempts at comparative, across-island evaluations.

There are, nevertheless, two broad categories within which a delineation of development options can begin. They are by no means mutually exclusive groupings. Indeed, in some cases, greater divergencies may be found within each category than between them. As with all comparative research, it is necessary to acknowledge that the cluster of characteristics in any one context will not be duplicated elsewhere. By discerning the conditions that pertain to varying contexts, intermingling them with unique and place-specific features, it is possible to generalize lessons — if not theories and models. The categorization, then, is driven by the underlying assumptions of development strategy, rather than the specific outcomes. More in-depth comparative inquiry, such as that encompassed by the North Atlantic Islands Programme, is necessary to examine the interpretation of generalizable “necessary” variables with localized “contingent” variables as they produce specific results in specific places (Massey and Meegan, 1985).



INTERNAL SUSTAINABILITY:

DEVELOPMENT FROM THE *INSIDE-OUT*

The first generalized framework for categorizing small island economic development is to focus on *internal economic organization and resource management*. The papers on Newfoundland by Shrimpton, House, and Greenwood highlight, in turn, the successes, the frustrations, and the possibilities of generating economically sustainable activity by marshalling private- and public-sector organizations into strategically focussed activity. Shrimpton details the constructive role played by government in maximizing the benefits of offshore oil development in Newfoundland. Largely by adapting lessons from oil development elsewhere, the provincial government in Newfoundland negotiated development agreements with the federal government and with multinational oil companies that have contributed significantly to direct and indirect economic benefits.



Efforts to move beyond “megaproject” resource development to a more balanced, innovative approach to economic development have yet to bear substantial results in Newfoundland. In a first-hand account of his efforts as the head of a provincial development agency, House (a Memorial University sociologist) provides a unique perspective on the impact of politics and bureaucracy on development. Consistent with House’s critical analysis of government, Greenwood contends that innovative development approaches require a decentralization of decision-making away from federal and provincial bureaucracies if competitive advantage is to be forged at the regional level. Only in this way, he argues, can infrastructure be tailored to suit the needs of small firms, allowing them to realize the opportunities presented to them during a period of trade liberalization.

Blackadder, MacKinnon, and Briguglio mirror the Newfoundland papers with similar conclusions on the prospects for organizing for development. Blackadder updates the experience of the Shetland and Orkney Islands in offshore oil development. The Shetlands, in particular, are a telling example of prudent and successful negotiation and management of oil development, through local government. By contrast, MacKinnon reviews the massive exercise in federal-provincial development planning that began in Prince Edward Island in 1969. The politics of development once again saw insufficient devolution of economic decision-making and “common sense” modernization models were imposed on an island population more intent on preserving its rural identity. Writing from the perspective of the Maltese economy facing the dismantling of import controls and a closer relationship with the European Union, Briguglio explores, like Greenwood, the prospects for small firm competitiveness in an era of trade liberalization. He suggests that small firms, like small economies, can prosper by exploiting the benefits of flexibility. He calls for the national government to assist small firm competitiveness. While decentralization of economic development policy is difficult to conceive in the geographically confined island state, Briguglio adds the possibility of supra-national development assistance — a theme that leads to our second category of development strategies.



EXTERNALITY MANAGEMENT: DEVELOPMENT FROM THE *OUTSIDE-IN*

This second strategy relates to *external integration and dependent development*. The focus here lies on international diplomacy and politics as impacting on viable and profitable economic and commercial links between islands and the world. Such an option becomes Hobson's choice if an island lacks commercializable or underdeveloped local resource strengths. The status of linkage with the European Union (EU), with the North American Free Trade Agreement (NAFTA), as well as within intranational associations between islands and the mainland, reveals the advantages and dangers of smallness in negotiating a durable, special (privileged or specialized) arrangement with a larger, continental sponsor.

Both these strategies suggest themselves as lucrative if successful . . . but it's a fairly big *if*. They also carry their own problems. In the first instance, the main difficulty lies in the localization of value creation, both in terms of geography as well as in terms of ownership and control. Far too easily, the verticalization of production may be taken over, in whole or in part, by foreign capital, especially since the eventual markets will always be away from the island and the bulk of required raw material must be imported and must conform to individual firm specifications. Initiatives may be lost or gained, and here the availability of a human resource skill pool and the right set of fiscal and monetary policies is critical. In the second case, the process of assimilation into/by a larger partner risks getting easily out of hand. The small island may end up negotiating away its identity and limited economic capacity in exchange for transfer payments. The outcome could well be an enviable First World standard of living (as measured by consumption level per capita, state of the art infrastructure, modern health services, and widespread educational opportunities), but hardly any local productive investment. If the first and second strategies go wrong, an island can find itself relegated to the status of a simple platform of convenience for the (especially low-cost) production and consumption of somebody else's economic and developmental gain.



The papers by Baldacchino (on Malta), Carse (on the Isle of Man), and Monteiro da Silva (on the Azores) all explore the delicate relationship of these island dwarfs with the largest trading block in the World, the European Union. And (in the case of Carse and Monteiro da Silva), there is also the national entity (the United Kingdom and Portugal respectively) to be reckoned with at a tense, intermediary level. The issue of indigenous capacity (manufacturing in Malta; finance and tourism in the case of the Isle of Man; and agriculture in the case of the Azores) is a main stumbling block towards negotiating a harmonious *modus vivendi* with the EU for these jurisdictions.

Hampton documents the finance and tax haven of the island of Jersey and the intention of the islanders to maintain their comparative advantage in this sector with respect to other small and not-so-small neighbours. Finally, on the other side of the Atlantic, Bickerton argues for the option of mini-regionalization, to be considered in situations where small islands are geographically close to each other and have an incentive in getting their act together in relation to a larger entity. (Such regionalisation is practised in the Caribbean and South Pacific in the case of, for instance, tertiary education.) This proposal is elaborated for three Atlantic Canadian islands (Prince Edward Island, Newfoundland, and Cape Breton) in relation to NAFTA.



GENERAL PAPERS

While the above two sections comprise the main body of this volume, they are sandwiched between four general papers that provide a broad overview of key, topical debates. The first two contributions are attempts at grappling with definitional issues concerning islands. Hache explores the political issue of insularity based on an extensive and historical literature survey, leading up to an understanding that bears a rare sensibility to its social and attitudinal implications. Fischer, in collaboration with Encontre, adopts a more economic approach and takes pains to unpack the issue of vulnerability, long synonymous with insularity. As a result, they draw out a series of implications of this condition which act to hinder development policy.



The last two papers develop considerations regarding the future prospects of islands. Doumenge elaborates on the importance of human resource development; he optimistically augurs that this factor proves itself as the providential solution to many of the so-called structural problems faced by islands. Streeten unpacks the complex issue of sustainable development and charts a less hopeful picture for the future of islands in an inevitably more interdependent world.

In compiling these papers, as with those in the rest of this trilogy, we have included a vast range of experiences and a diversity of results. The uniqueness of each case is worth appreciating and celebrating; and this is treasured all the more when underlying common patterns of internal organization or external linkages are highlighted.

Readers are also to be aware that the two basic development strategies deliberated in this text do not constitute the sum total of possible economic survival options open to island territories. What this volume does *not* do is appraise the contemporary challenges which a globalizing, information-driven economic system makes available to small jurisdictions. As editors, we have deliberately steered away from weighing the merits of the arguments and evidence that suggest the allegedly structural constraints resulting from peripherality and insularity are nowadays being rendered redundant. Indeed, many argue that these same conditions can ironically provide competitive advantages to small, cost-effective, knowledge or technology-intensive, export-oriented firms practicing flexible specialization from these, erstwhile marginal, locations.

As the impact of the tertiary (services) and quaternary (knowledge) sectors of the economy becomes more significant, and, as a liberalizing regimen sweeps away the vestiges of protectionism and market localism, the conditions on which strategies for economic development are based are liable to radical, dramatic change. The management of internal economic organization and resource capacity is bound to shift in focus and substance, as manufacturing industries restructure, out-source, and/or concentrate their operations, while information and communications technology reduce the obligation for close physical proximity of production facility to material input, backward and forward production linkages or large size of plant to those companies engaged in the processing of raw materials.



Meanwhile, proclaiming vulnerability and the shameless search for benevolent sponsorship may have, so far, proved to be a useful instrument for attracting (in lieu of creating) value. Yet, these essentially political and diplomatic (rather than economic, albeit in their own way entrepreneurial) ploys may undergo fundamental changes if the material circumstances of resource poverty are superseded by the ascendancy of new types of resources — particularly intellectual and technological — where the small and insular may find out that they have lost the historical excuse for claiming structural handicaps. The critical exploration of these exciting themes, and the potential idiosyncracies of the small island response to their unfolding, constitute the topic of ongoing comparative research.

But the past is only prologue. We reaffirm that further comparative analyses are required to reveal the underlying forces contributing to successful — or not successful — strategies and structures for economic development in island territories. What is common to all, nonetheless, is commitment to place, combined with recognition of the need for change. The knee-jerk reaction against change of many who value island identity, culture, and “way of life” is largely the result of seeing change imposed from the outside, or seeing outside models adopted uncritically by islanders. If we can create change based on appropriate lessons, adapted to local conditions, within the internal and external constraints we face, development may become part of our identity. If we can generate such change, development will integrate what is strong and desirable in our cultures, but extend them in ways that enhance our prosperity and stem the out-migration that characterizes so many island societies.

Wishful thinking? New economy idealism? Read the papers that follow, engage the issues, and join the dialogue started in Prince Edward Island in 1992. All we have to lose is our dependency.



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