

Sovereignty and Material Welfare in Small Island Jurisdictions

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Three bits of conventional wisdom under threat in small islands

- The presumption that there are economies of scale and scope in government
- The presumption that there are crucial economies of scale and scope in economic development
- The presumption that developmental success in a small open economy requires strong trading performance on the export side to sustain material standards of living.
- Over the past three decades I have gradually worked my way up that list, using data on a widening set of small islands around the world.

Empirically observed unimportance of strong trade performance to sustain living standards

- MIRAB model: Bertram and Watters 1985; Bertram 1986, 1993, 1998, 2006.
- Strength of tourism as a leading sector: McElroy 2006
- Wide range of other options - “resourcefulness of jurisdiction: Baldacchino and Milne 2000; Baldacchino 2006
- Synthesis of nine development strategies with export-led growth only one: Bertram and Poirine 2009

Empirically observed failure of the 'vulnerability paradigm'

- Small islands intuitively seen as vulnerable: Streeten 1993, Briguglio 1995
- Empirical work showed 'vulnerability' was inversely related to income per head: Armstrong et al 1998, Easterly and Kraay 2002, Sampson 2005
- Alternative model emphasises the power of local agency and the strategic-flexibility model of island success: Baldacchino and Bertram 2009

World Development indicators Top Ten Countries by 2007 GNI per capita
(Atlas method)

1	Monaco	173,310
2	Liechtenstein	111,690
3	Luxembourg	78,470
4	Norway	76,190
5	Channel Islands	68,600
6	Iceland	58,430
7	Switzerland	57,020
8	Denmark	54,700
9	Isle of Man	49,300
10	Sweden	48,900

That's six very small countries, three of them islands, in the top ten

- WDI misses a lot of small islands: Bermuda, Aruba, Cayman Islands, Sint Maarten.....
- Easterly and Kraay 2002 p.2015: “if we control for the location by continent of all countries, whether they are oil producers, and whether they belong to the OECD, then small states are actually significantly richer than other states”.
- Diseconomies of scale and scope did not turn out crippling – again this led to the research on development strategies I mentioned earlier

Easterly and Kraay's (2002) scatter relating population to income per capita



Figure 1. Per capita income and population size, averages 1960–95.

Easterly, W. and A. Kraay, 2002 “Small States, Small Problems? Income, Growth, and Volatility in Small States” *World Development* 28(11): 2013-2027, November

A by-product of the empirical work on size and import financing was the explanatory power of political status

- Strong statistical evidence that non-sovereign status is positive for the level of per capita GDP: Armstrong *et al* (1998, 2002), Bertram (2004), McElroy and Pearce (2006), and Sampson (2005 p.7)
- Sampson found, however, no significant effect of sovereignty status on the growth rate, and a negative effect on growth of being a small state, after controlling for sovereignty. Higher incomes today, in other words, seemed to be explained by past, not current, economic growth.
- Bertram (1987)
 - reviewed the various options for decolonisation: sovereign independence, integration with another state, self-government in free association, and possible unspecified other options
 - argued the case that sovereign independence was likely to be an inferior option for very small islands
 - further argued that integration – if done on the right terms – could well be superior to free association.
- Bertram (2004): Integrated political status was estimated to add between \$5,600 and \$7,500 in USD to per capita income, relative to sovereign independence

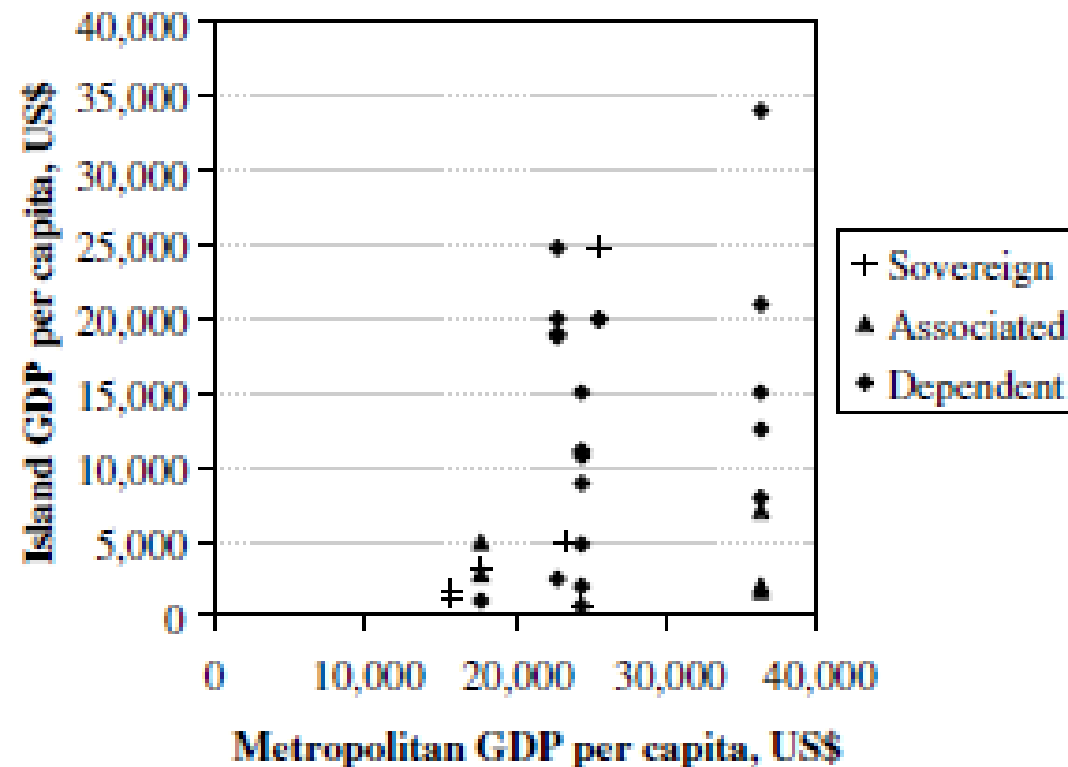


Figure 3. Scatter plot of real per capita GDP in 32 island economies and their metropolitan patrons.

G. Bertram, 2004, 'On the convergence of small island economies with their metropolitan patrons', *World Development* 32(2): 343-364, p.346

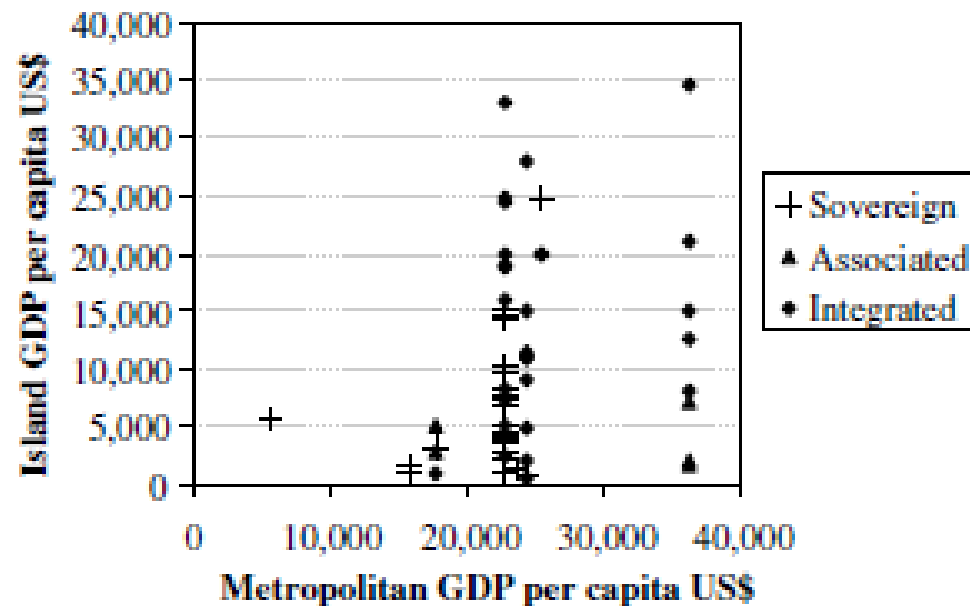
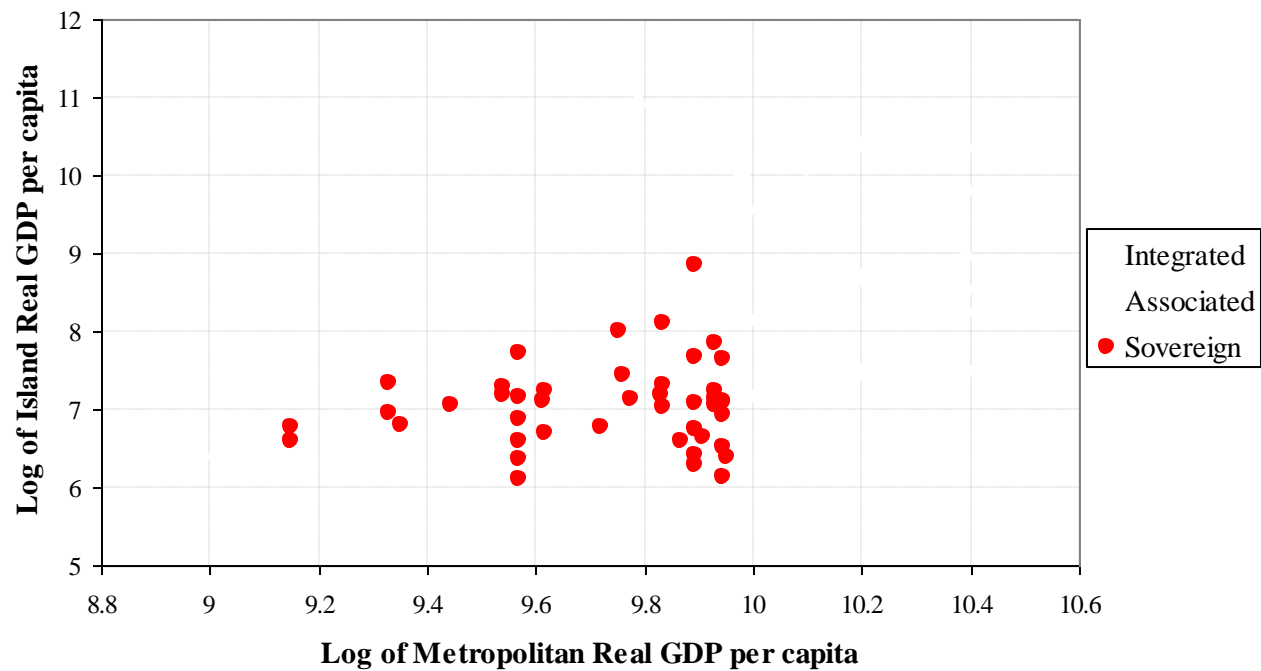


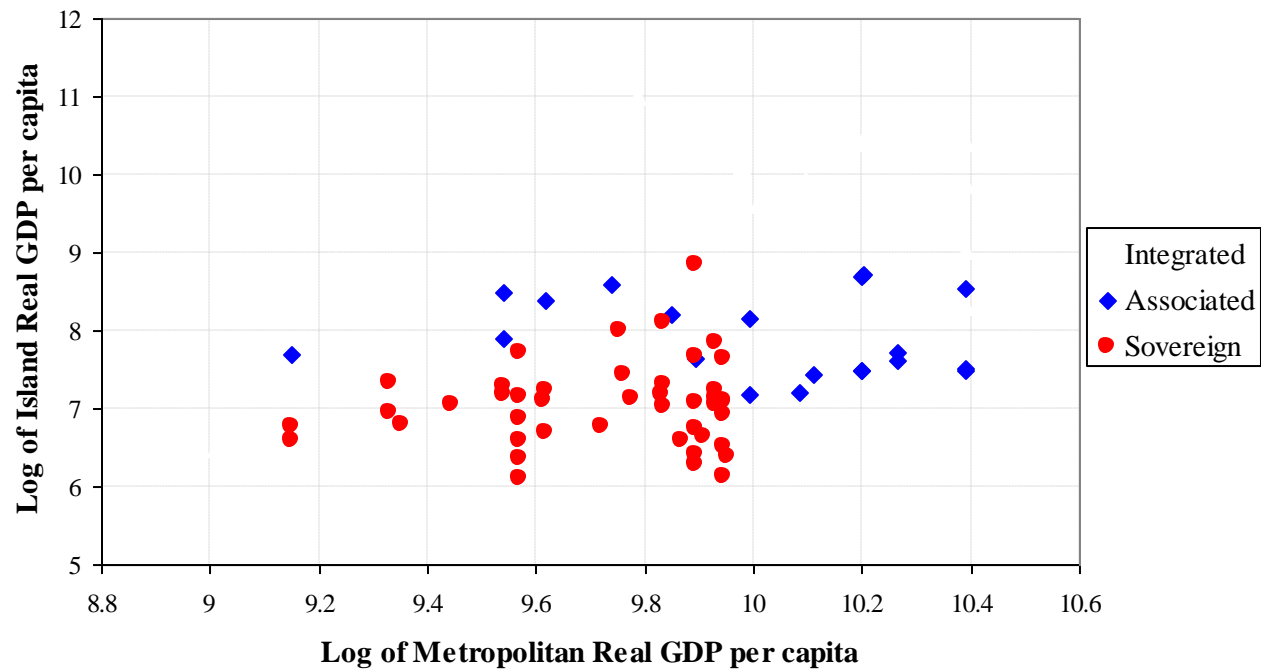
Figure 4. *Relation among METY, political status and ISLY for 61 island economies, assigning colonial powers as patrons in ambiguous cases.*

G. Bertram, 2004, 'On the convergence of small island economies with their metropolitan patrons', *World Development* 32(2): 343-364, p.352.

Relationship of Real Per Capita Income of Islands and their
Metropolitan Patrons, Panel Data at Five-Yearly Intervals, Log Data

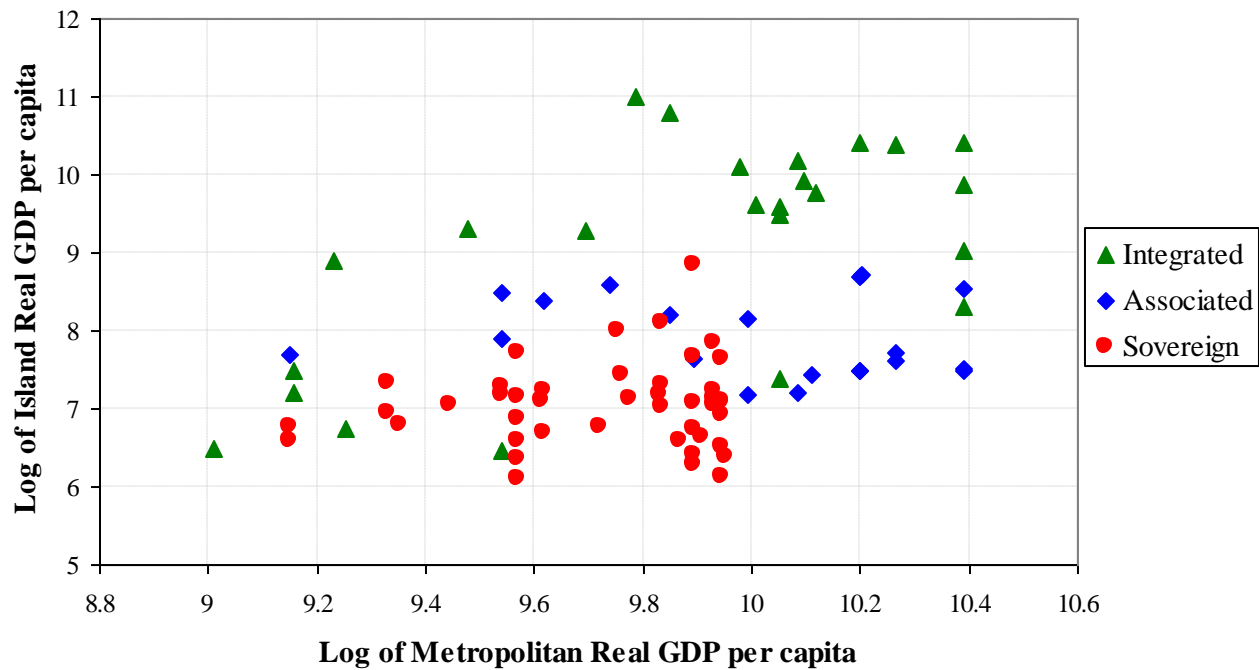


Relationship of Real Per Capita Income of Islands and their
Metropolitan Patrons, Panel Data at Five-Yearly Intervals, Log Data



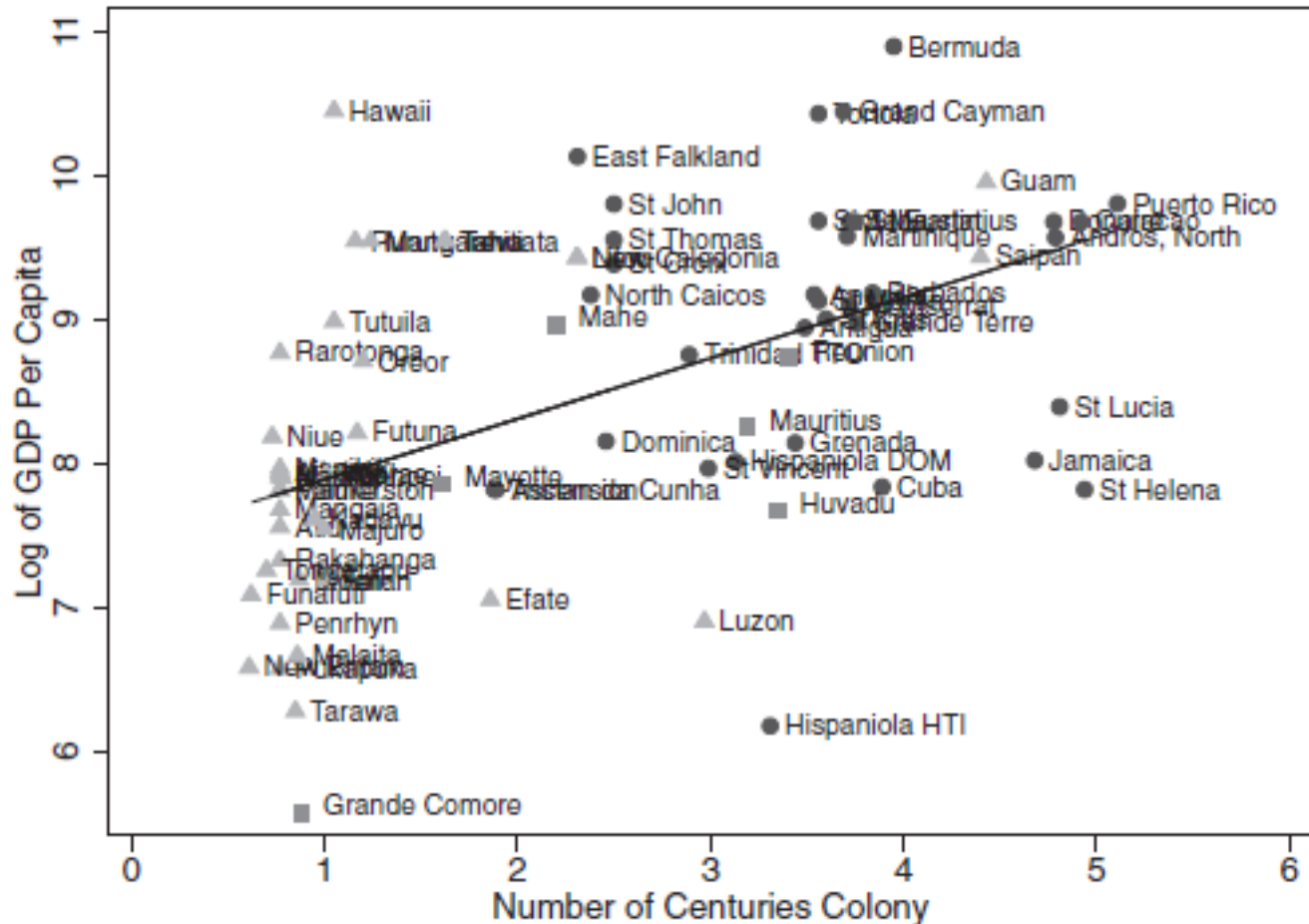
Source: Geoff Bertram, "On the Convergence of Small Island Economies with their Metropolitan Patrons", *World Development* 32, 2 (February 2004) pp.343-364.

Relationship of Real Per Capita Income of Islands and their
Metropolitan Patrons, Panel Data at Five-Yearly Intervals, Log Data



- I hypothesised that non-sovereign political status conferred advantages in political-economy terms, because by being integrated with a larger, usually richer, economy, a small island community could secure more favourable treatment in terms of financial aid, migration access, other market access, and ability to leverage off some functions of large-country government services such as education and health.
- Poirine (1999) demonstrated that in the 1990s not only did islands receive more aid per capita than larger, non-island countries, but that non-sovereign islands secured 36 times more bilateral aid than comparable sovereign independent island states.
- Feyer and Sacerdote 2009 began to nail down the long-term effects of colonialism – and hence the outcomes of decolonisation - across a sample of 81 islands
- They found “a robust positive relationship between colonial tenure and modern outcomes. “
- They also found that (2009 p.256) “Being a colony at the end of the twentieth century remains very positively associated with income.”
- For them, this was an accidental by-product of statistically establishing a separate result, that “Conditional on making it to the end of the century as a colony, years as a colony in the twentieth century are negatively associated with income.”

FIGURE 1.—GDP PER CAPITA VERSUS YEARS OF COLONIALISM



Circles represent islands in the Atlantic, triangles are islands in the Pacific, and squares are islands in the Indian Ocean.

Feyrer, J. and B. Sacerdote, 2009, "Colonialism and Modern Income: Islands as Natural Experiments" *Review of Economics and Statistics*, May, 91(2): 245–262, p.251.

- By “remaining as a colony”, Feyrer and Sacerdote meant being a sub-national political unit, subordinated in some sense to a larger metropolitan power.
- But this misconstrues the issue
- Decolonisation does not necessarily have to consist of moving to a sovereign independent nation state.
- On the contrary, small islands have been the laboratory for exploring various ways of exiting from the colonial era, and sub-national status in the early twenty-first century is fully compatible with genuine exercise of autonomous local agency in economic and social development, as Godfrey Baldacchino and I have been arguing (Baldacchino and Bertram 2009).
- To develop and explore this issue, more historical data research is needed, and so I have been working towards assembling a data set to trace case-by-case outcomes from different sorts of decolonisation.

Some history

- Decolonisation was one of the great historical transformations of the twentieth century
- But it has to be borne in mind that in the Americas there was a similar political upheaval in the years 1775 to 1825, as a colonial order operated on the North and South American continents by Britain, Spain, Portugal and France was supplanted by a swarm of new sovereign nation states.
- The dominant process in both cases was installation of sovereign national governments in place of the colonial administrators
- That resulted in other options getting relatively little attention in the past half-century, so that sub-national jurisdictions tend to be confused with colonies
- The real issue is the extent of local autonomy, agency and initiative, and decolonisation in the sub-national context is a change in degree rather than in kind on these dimensions

Note that the decolonisation of the Americas ran aground on the islands of the Caribbean

- Only in Haiti did an independent nation state emerge
- Initially, the elites controlling the Caribbean islands threw in their lot with the metropolitan colonial powers as a matter of straightforward self-interest.
- Over time the number of groups that benefited from the colonial relationship grew to encompass a growing proportion of the islander population
- Eventually this developed into the great post-World War II burst of West Indian migration to Britain; between 1948 and 1970 about half a million people moved out of a population in the British West Indies of 3-4 million – about 15% out-migration.
- Spanish colonial rule in the Caribbean was broken by the USA in 1898 by conquest - but the outcome was one nation state (Cuba) and one sub-national jurisdiction (Puerto Rico) which remains cheerfully non-sovereign
- And then the USA went and bought the US Virgin Islands from Denmark (1917) – still an “unincorporated organized territory”

US inhabited island territories

US State			
		Since	Other history
	Hawaii	1959	Annexed by US 1898
Commonwealths of the United States			
	Puerto Rico	1952	US colony 1898-1952
	Northern Mariana Islands	1978	UN Trust Territory 1946-78
Unincorporated organized territories			
	Guam	1898	Conquered from Spain
	US Virgin Islands	1917	Purchased from Denmark
Unincorporated unorganized territory			
	American Samoa	1898	
Extraterritorial jurisdiction			
	Guantanamo Bay	1903	

Source: http://en.wikipedia.org/wiki/Territories_of_the_United_States#cite_note-0 accessed 1 August 2011

None of these really think of themselves as colonies any more

After World War II the UN progressively became the agent of decolonisation worldwide

- Chapter XI of the United Nations Charter contains a “Declaration Regarding Non-Self-Governing Territories”.
- Administering powers were to foster self-government and local political aspirations (Article 73(b)) and to report to the UN on their administration (Article 73(3))
- In 1946 a list was produced of such territories
- The list missed the Portuguese territories and several small British possessions, and did not include the trust and mandate territories which had separate reporting lines
- A further list was prepared in 1963, with substantially different coverage

The two UN lists provide me with two samples for analysis of the impact of decolonisation

- In each case I take out the small island countries as a representative sample of candidates for “decolonisation”
- I divide them between those that (as of 2011) have moved to become sovereign states, and those that have become sub-national island jurisdictions (SNIJs)
- I aim to compare the two groups on indicators such as population, income per head, life expectancy, early childhood mortality, imports per head
- This is only work in progress at this stage, though – the time-series data sets are still being assembled

Sample 1: the 1946 UN list

- Under Article 73(e) of the UN Charter, administering powers were required to report on non-self-governing territories under their control
- In 1946 the UN produced a list of the territories covered by this requirement.
- The list contained 64 named territories of which 33 were islands or groups of islands
- Decomposing the island groups according to their eventual identities and excluding Madagascar (but including its previous dependency the Comoros) the 33 island listings in the 1946 list contained 50 individual islands or archipelagoes with distinct identities
- The number drops to 46 if the Netherlands Antilles excluding Aruba but including Curacao are treated as a single entity (which will be done here, although the political unit was dissolved in 2010, since statistics usually refer to the group)
- Two of the islands, Singapore and Puerto Rico, are marginal as “small islands”, coming in under the 5 million population mark but much bigger than the rest of the sample
- Excluding those two gives 44 small islands that were non-self governing in 1946
- Dividing them between those which are now sovereigns and those which are SNIJs we can check whether it was the big ones that became independent (20) and the small ones that did not (26):

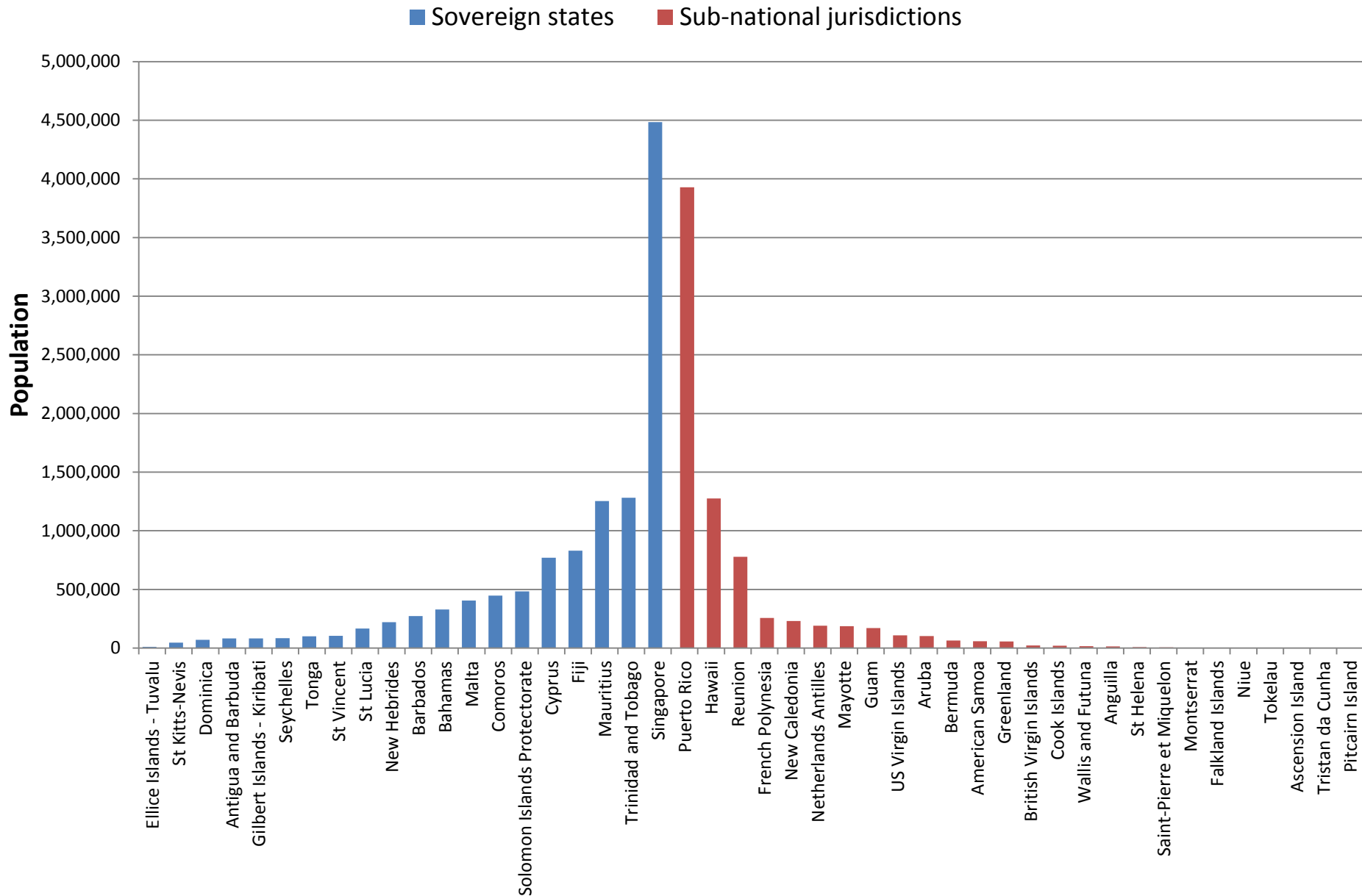
Islands in the UN's 1946 list of non-self-governing territories

Island territory	Component islands	Colonial power
Greenland	Greenland	Denmark
Madagascar and Dependencies	Madagascar	France
	Mayotte	France
	Comoros	France
French Establishments in Oceania	French Polynesia	France
	Wallis and Futuna	France
New Caledonia and Dependencies	New Caledonia	France
Saint-Pierre et Miquelon	Saint-Pierre et Miquelon	France
New Hebrides	New Hebrides	France/UK
Reunion	Reunion	France
Netherlands Antilles	Aruba	Netherlands
	Bonaire	Netherlands
	Sint Maarten	Netherlands
	Saba	Netherlands
	Sint Eustatius	Netherlands
Surinam and Curacao	Curacao	Netherlands
Cook Islands	Cook Islands	New Zealand
	Niue	New Zealand
Tokelau	Tokelau	New Zealand
Bahamas	Bahamas	UK
Barbados	Barbados	UK
Bermuda	Bermuda	UK
Cyprus	Cyprus	UK
Dominica	Dominica	UK
Falkland Islands	Falkland Islands	UK
Fiji	Fiji	UK

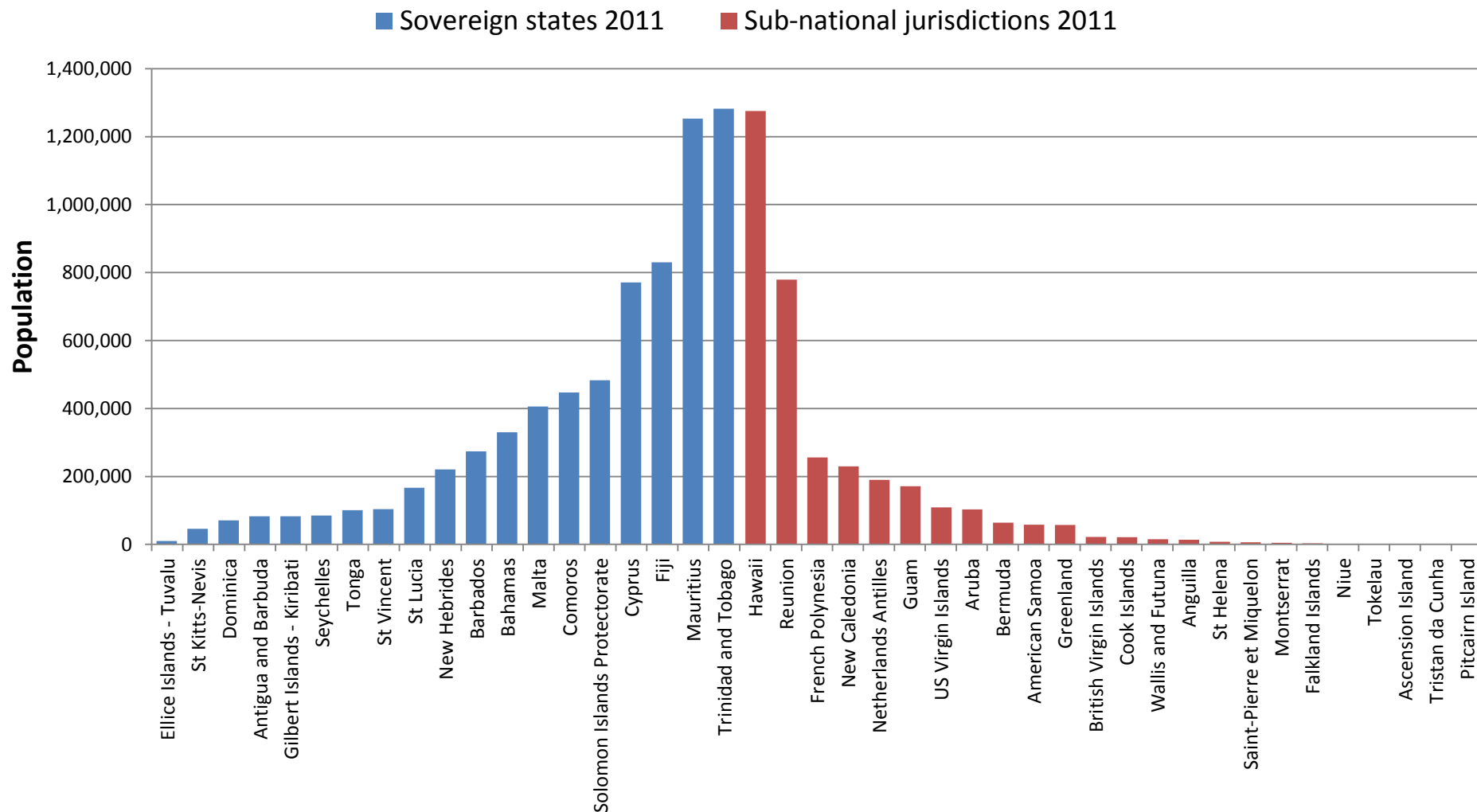
Island territory	Component islands	Colonial power
Leeward Islands	Antigua	UK
	British Virgin Islands	UK
	Montserrat	UK
	St Kitts-Nevis	UK
	Anguilla	UK
Malta	Malta	UK
Mauritius	Mauritius	UK
St Helena and Dependencies	St Helena	UK
	Tristan da Cunha	UK
	Ascension Island	UK
St Lucia	St Lucia	UK
St Vincent	St Vincent	UK
Seychelles	Seychelles	UK
Singapore	Singapore	UK
Trinidad and Tobago	Trinidad and Tobago	UK
High Commission Territories of the Western Pacific	Gilbert and Ellice Islands	UK
	Solomon Islands Protectorate	UK
	Pitcairn Island	UK
American Samoa	American Samoa	USA
Guam	Guam	USA
Hawaii	Hawaii	USA
Puerto Rico	Puerto Rico	USA
US Virgin Islands	US Virgin Islands	USA

First question: was it that bigger islands became sovereigns and smaller islands became SNIJs?

Island territories listed by the UN in 1946, arrayed by size and political status as at 2011



Island territories listed by the UN in 1946, arrayed by size and political status as at 2011, excluding Singapore and Puerto Rico



There's certainly a tendency for larger entities to have become sovereign independent states, but there's a wide range of sizes on both sides

- The average population of the sovereigns at about 2006 is 371,000 and the average of the SNIJs is 145,000
- But the standard deviations are 394,000 and 293,000 respectively, which means the relationship of size with propensity to become sovereign is pretty weak
- Ask now how the two sets of islands rank in terms of GDP per capita half a century after being listed by the UN in 1946

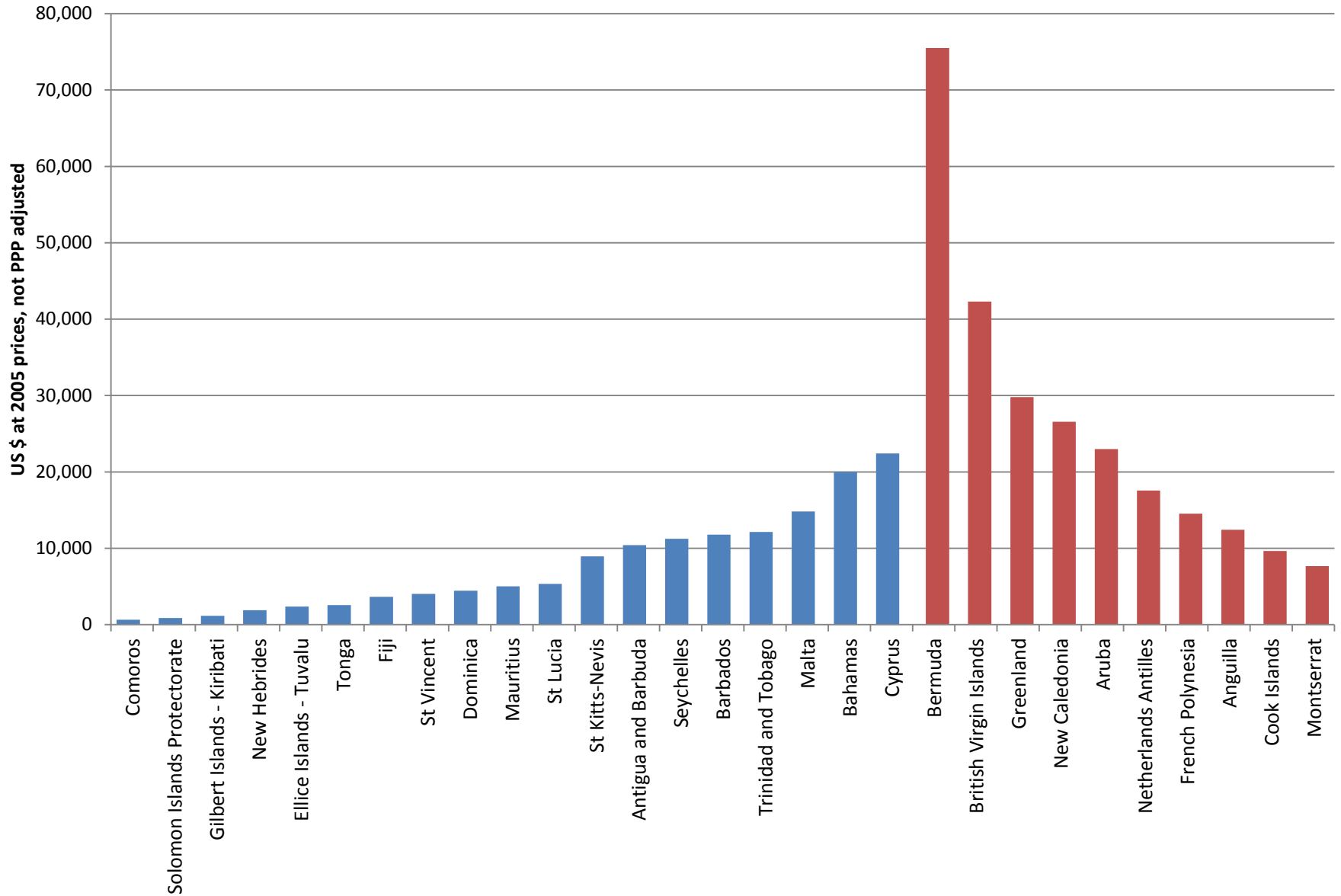
Independence and GDP per capita

- There's an immediate data problem: the big databases (Penn World Tables, World Development Indicators, UN National Accounts Statistics) cover sovereign states well but only a few sub-national jurisdictions
 - PWT includes Bermuda but none of the other SNIJs
 - WDI has no sub-nationals at all
 - UN National Accounts Statistics cover Greenland, French Polynesia, New Caledonia, Aruba and Netherlands Antilles, Cook Islands, Bermuda, British Virgin Islands, Montserrat and Anguilla – that's ten entities, or nine of the 25 SNIJs in the earlier charts (we now separate Aruba from the rest of the Netherlands Antilles); but data is not PPP-adjusted
- The *CIA World Factbook* covers all the SNIJs with PPP estimates of per capita GDP but is a bit dodgy

Try first the UN data

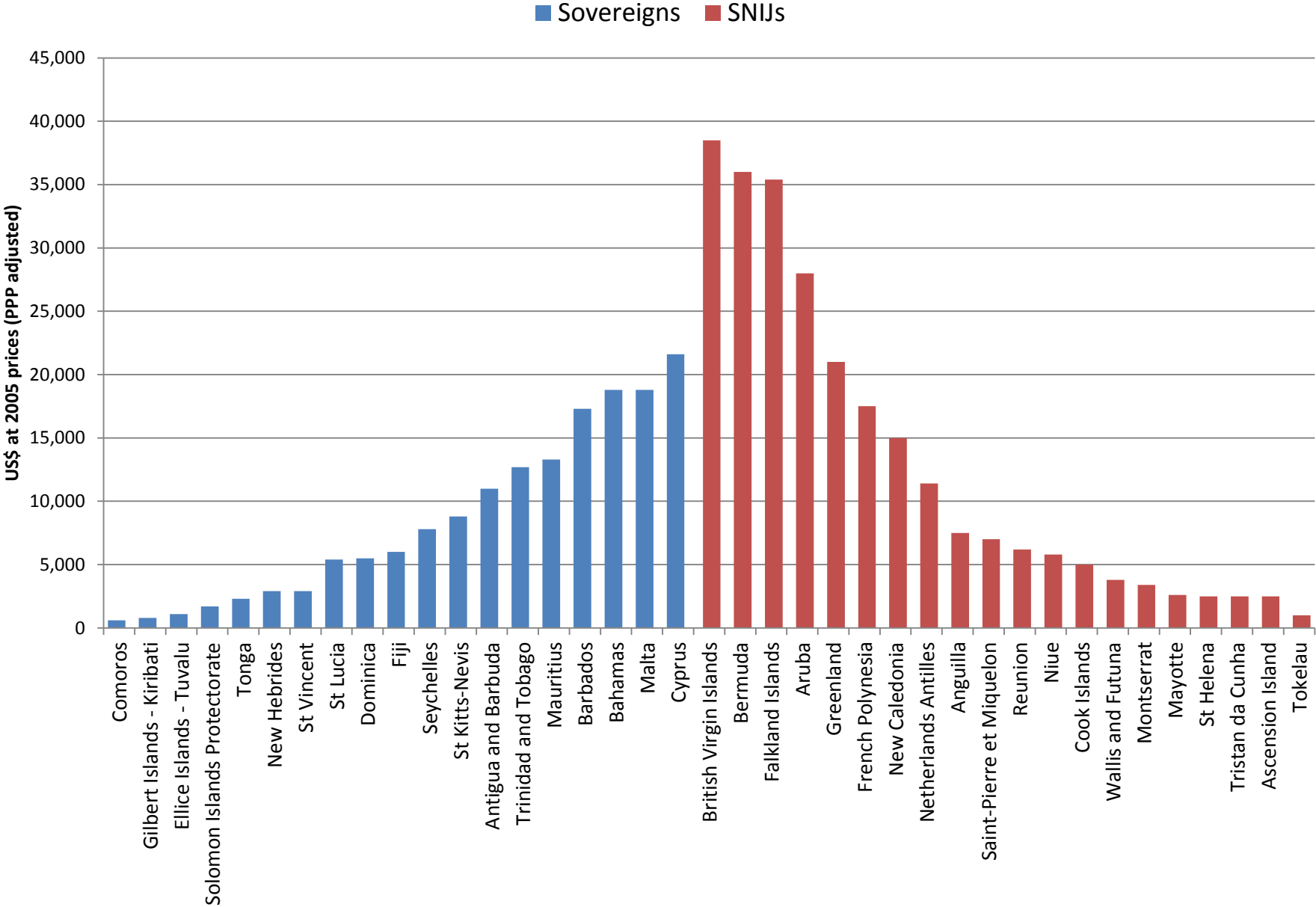
Per capita GDP, US dollars at 2005 prices, UN Statistics Division data

■ Sovereigns ■ SNIJs



Now the CIA's 2005 PPP-adjusted data as collated by McElroy and Parry

Per capita GDP, US dollars at 2005 prices, CIA data

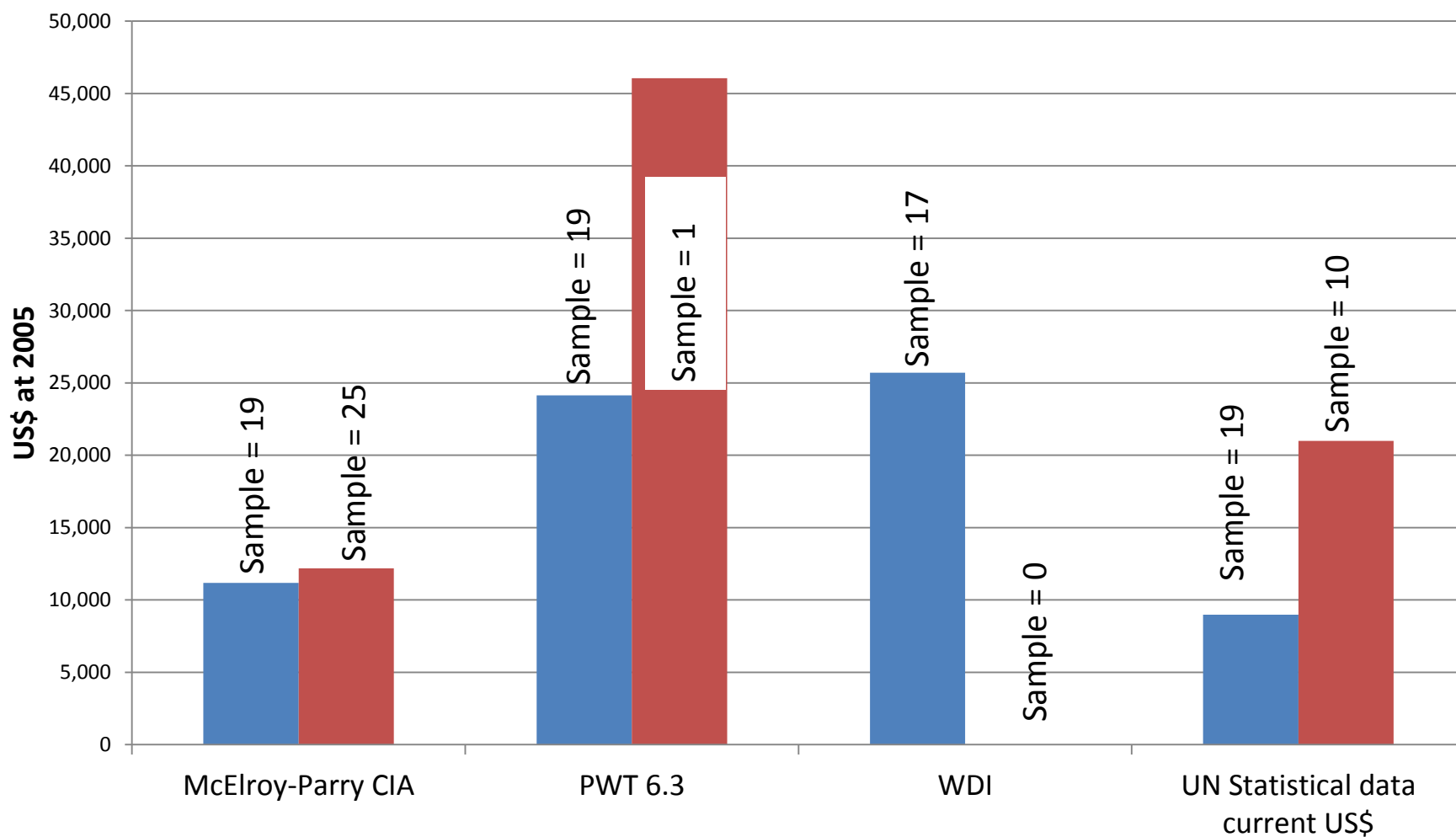


Still looks as though SNIJs ended up ahead

- Weighting each entity's observation by population and then taking the population-weighted average for those that became sovereign and those that became SNIJs gives some confidence that the result is robust
- But the data are still not good enough to support much statistical sophistication
- The good sources - PWT and WDI - have virtually no SNIJ observations, so we're stuck with comparisons from the other two sources
- UN Statistical Division is probably better data, but CIA has at least tried PPP adjustment
- Summary findings:

Population-weighted average per capita GDP: various sources and samples from 1946 UN list

■ Sovereigns ■ SNIJs

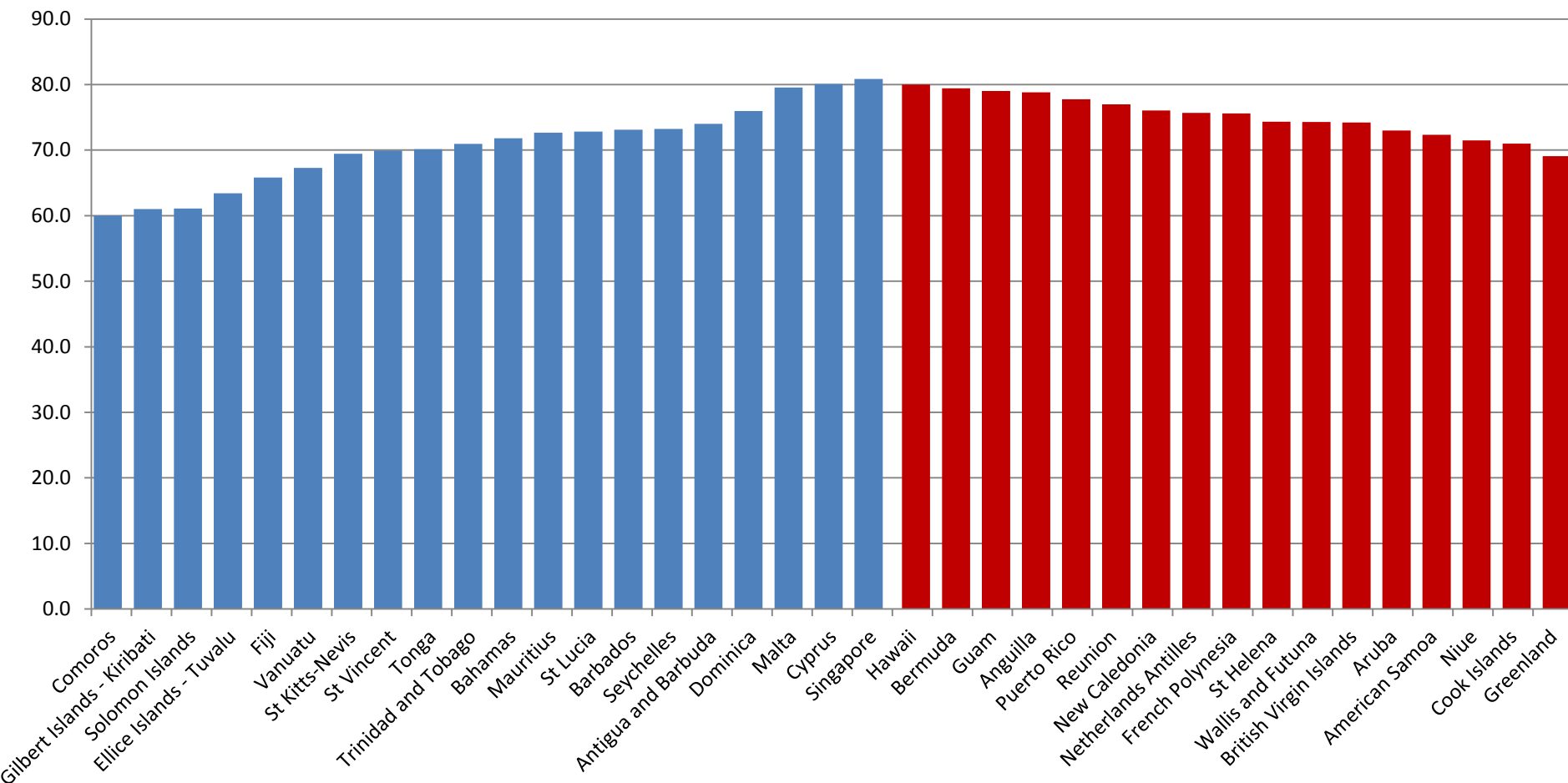


Other indicators of welfare

- Life expectancy and child mortality both seem to correlate with material welfare
- The UN life expectancy statistical database at <http://unstats.un.org/unsd/demographic/products/dyb/dyb2008.htm> has 35 of the 46 islands in the 1946 list (including Singapore and Puerto Rico), including 17 SNIJs
- The WHO life expectancy database at <http://apps.who.int/ghodata/?vid=710#> has 2009 data for 21 islands but only 2 of them are SNIJs
- Although the UN data is more mixed in its dates – mainly around 2000 – I use it here to get coverage except for the Comoros where the WHO figure is used (no UN figure)
- This gives me 19 sovereigns and 17 SNIJs

Life expectancy at birth c 2000

■ Sovereign ■ SNIJs

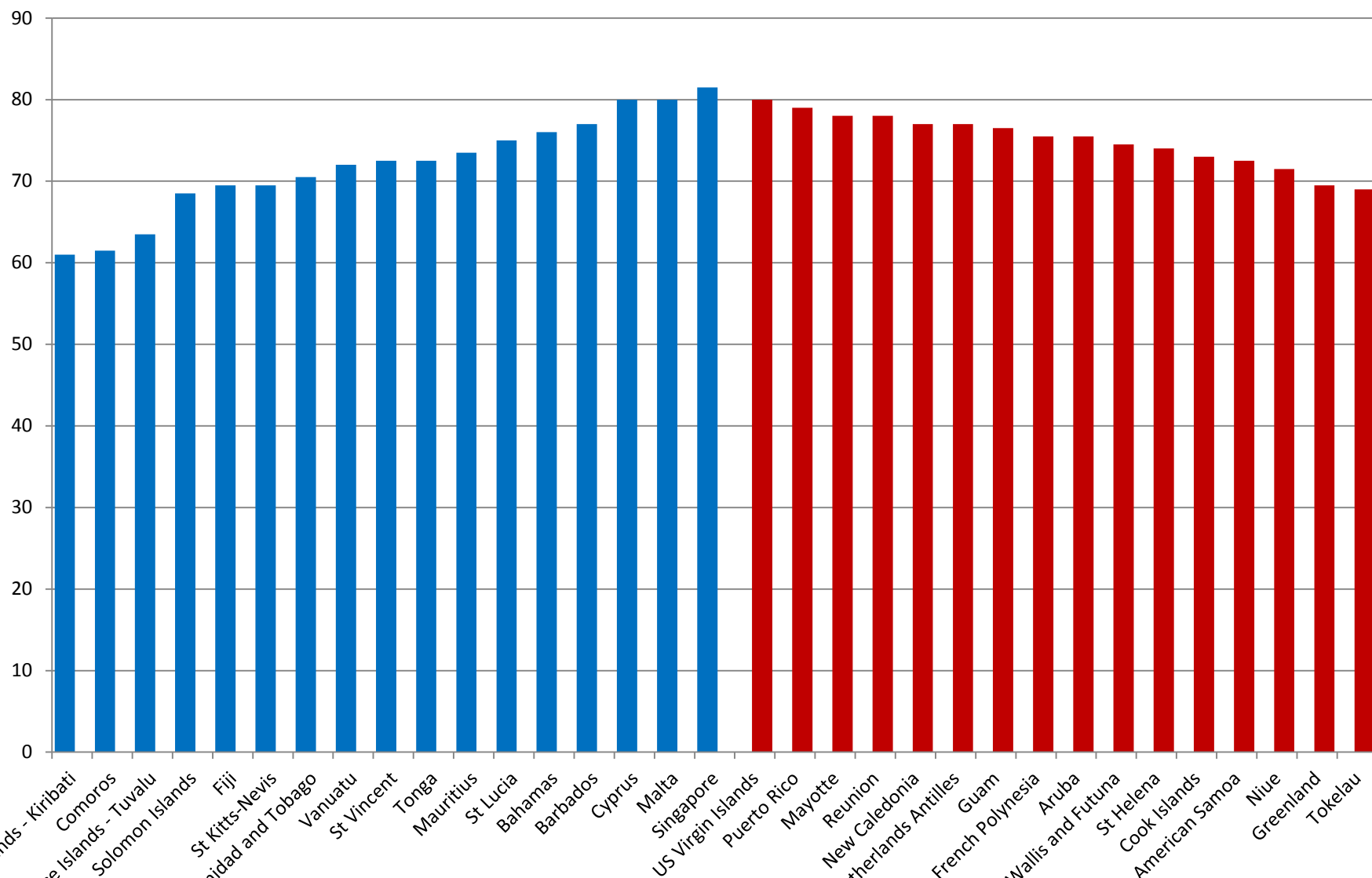


Data from <http://unstats.un.org/unsd/demographic/products/dyb/dyb2008.htm> downloaded 2 August 2011
 plus (for Comoros) <http://apps.who.int/ghodata/?vid=710#> accessed 2 August 2011 .

- There is also data at <http://unstats.un.org/unsd/demographic/products/socind/health.htm> showing life expectancy estimates mainly for 2010-2015 but a few older figures) for 17 sovereigns and 16 SNIJs
- This gives a second chart with slightly different samples

Life expectancy at birth 2010

■ Sovereigns ■ SNIJs



Data from <http://unstats.un.org/unsd/demographic/products/socind/health.htm> accessed 2 August 2011

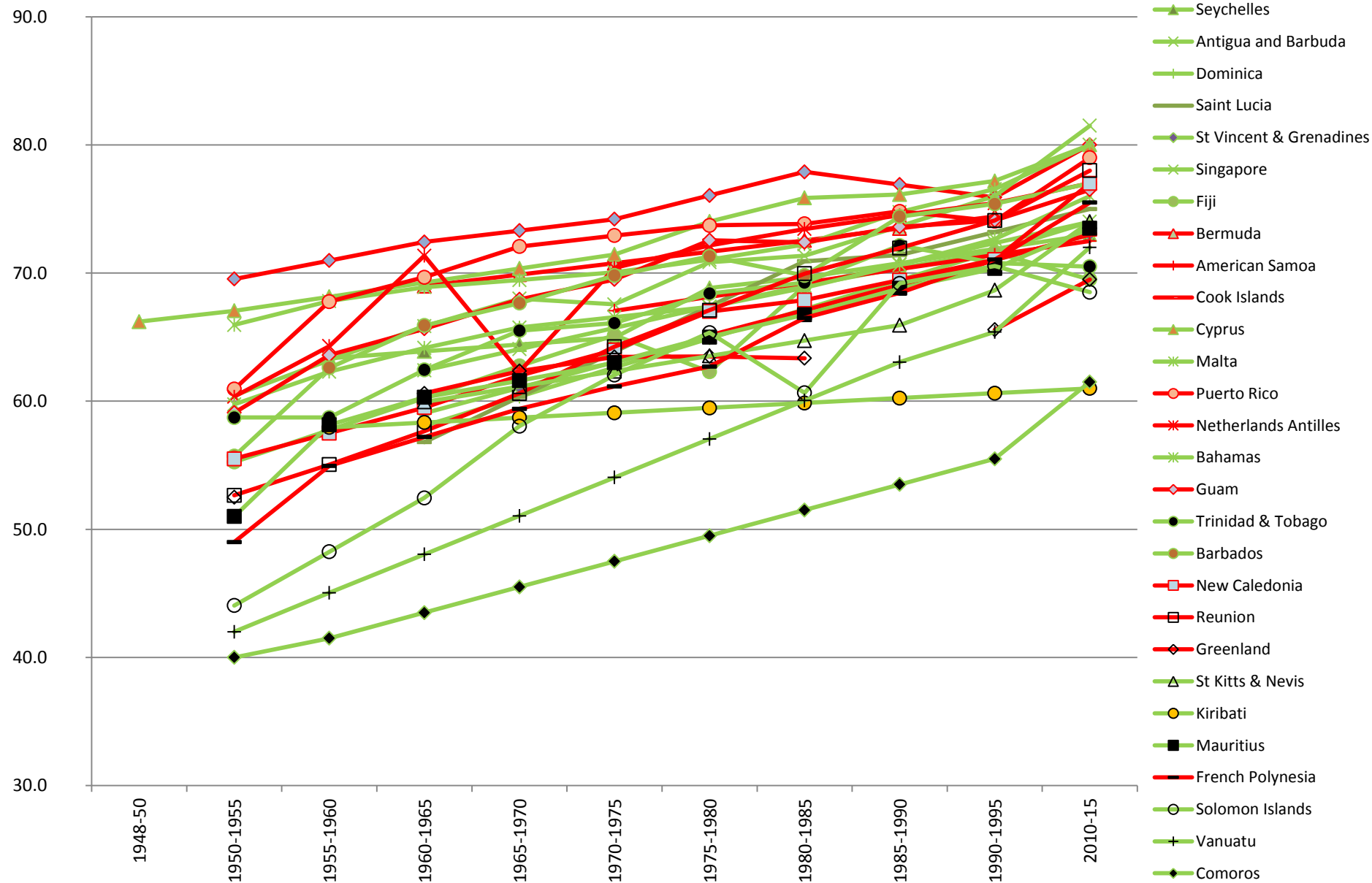
Here again the SNIJs seem, if anything, a nose in front.

- On a population-weighted basis, in the first chart the sovereigns have average life expectancy at birth of 74.8 years and the SNIJs have an average of 77.7 years
- In the second, more up-to-date, data set, the population-weighted averages are 76.5 years for the sovereigns and 76.83 for the SNIJs
- This provisionally says that the SNIJs have certainly come out no worse, and may have come out ahead

How about trends over time?

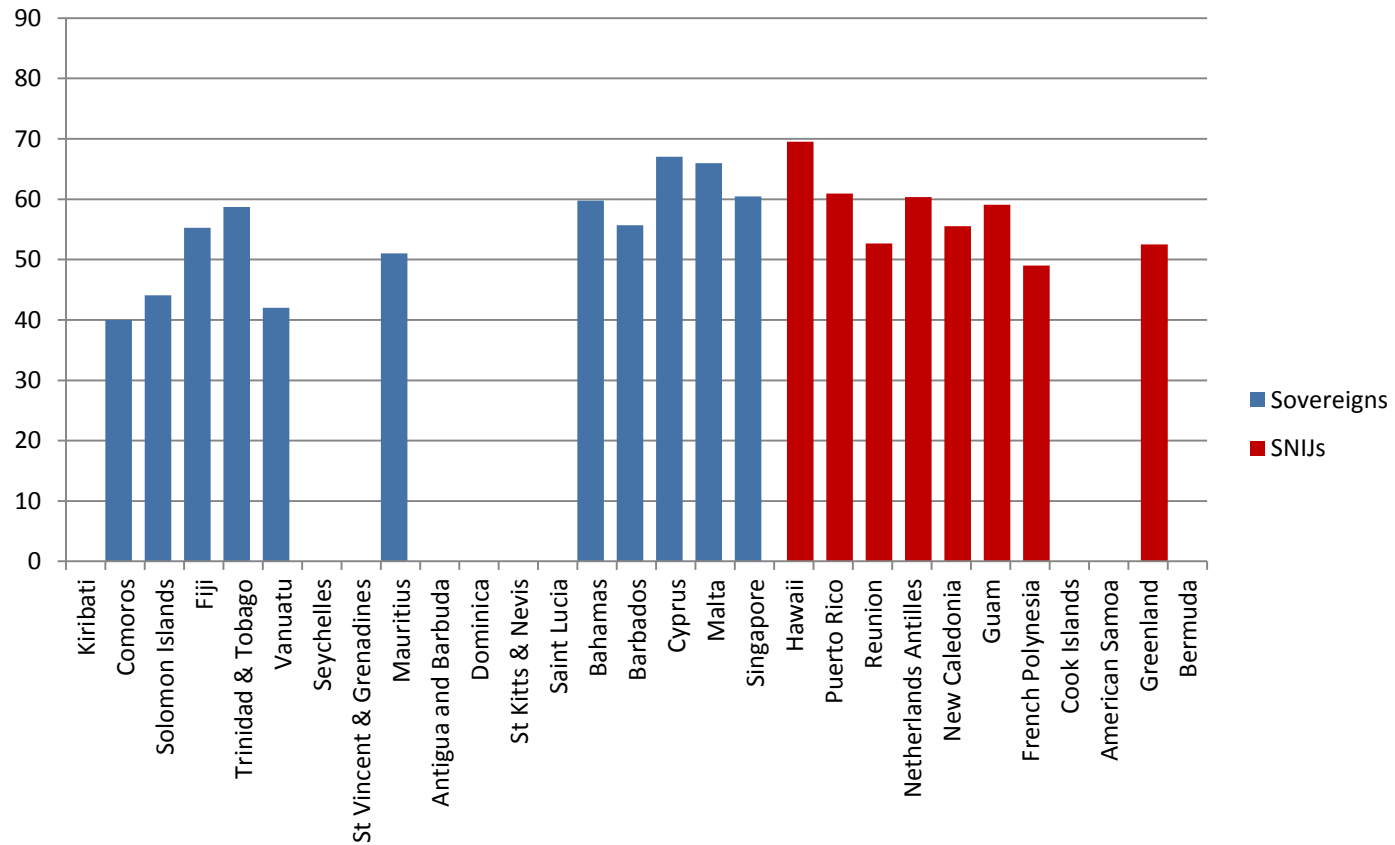
- An historical supplement to the *UN Demographic Yearbook* at <http://unstats.un.org/unsd/demographic/products/dyb/dybhism.htm> has historical data from 1948 to 1997
- The coverage matches some of the 1946 UN sample of small islands
- A quick plot of the data (next slide) indicates that
 - there is convergence over time (low starters improve more rapidly than high starters)
 - Territories that started out with low life expectancy were somewhat more likely to become sovereigns
 - Solomon Islands, Trinidad and Tobago, and Vanuatu, may be slipping in the past decade, whereas no SNIJs slipped
 - SNIJs are among the best performers but have shared the space with plenty of sovereigns
 - There does seem some basis for suggesting that the poorest colonies were especially apt to get independence

Life Expectancy Data 1948-2010 for UN 1946 list countries

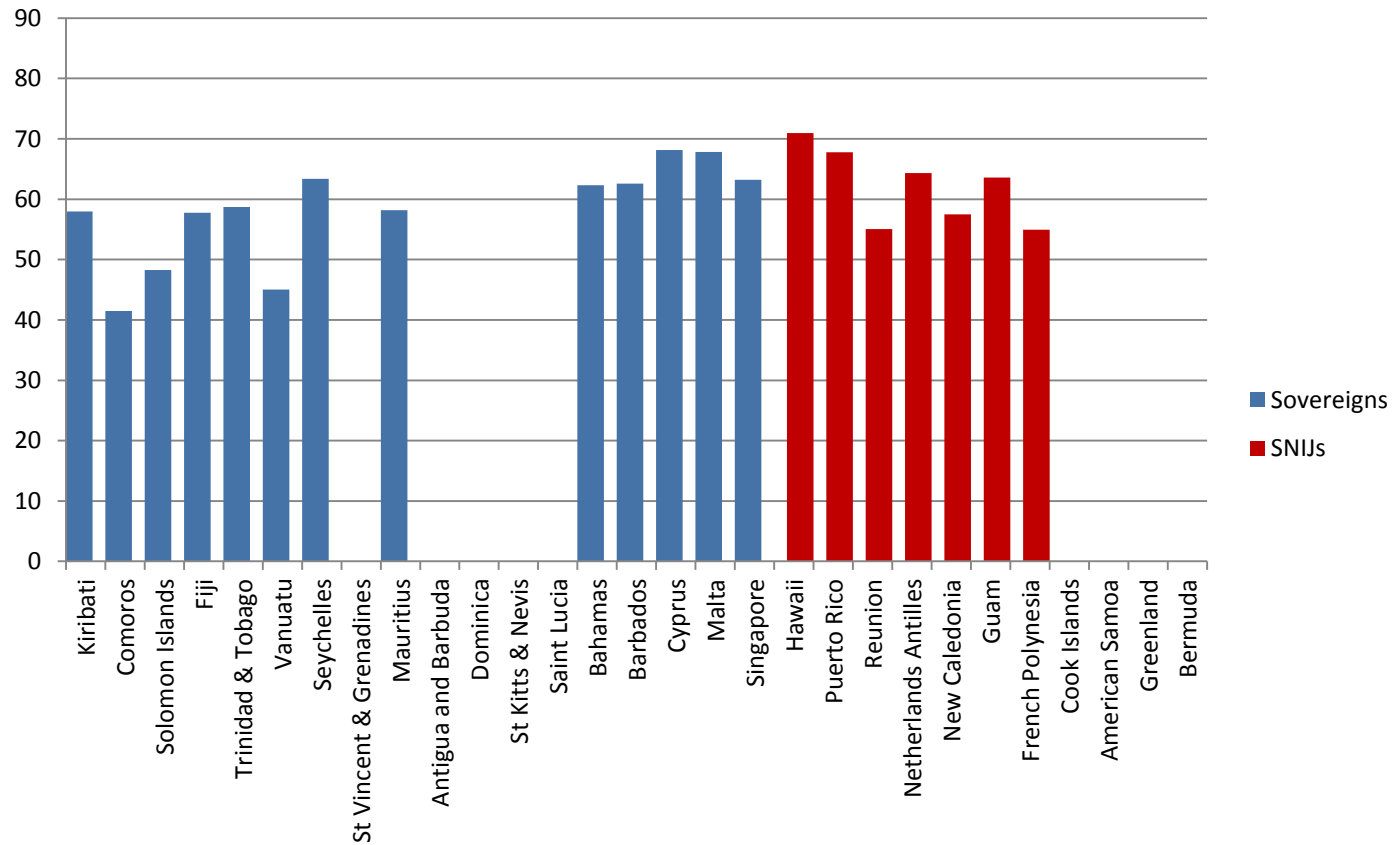


Here's the movie...

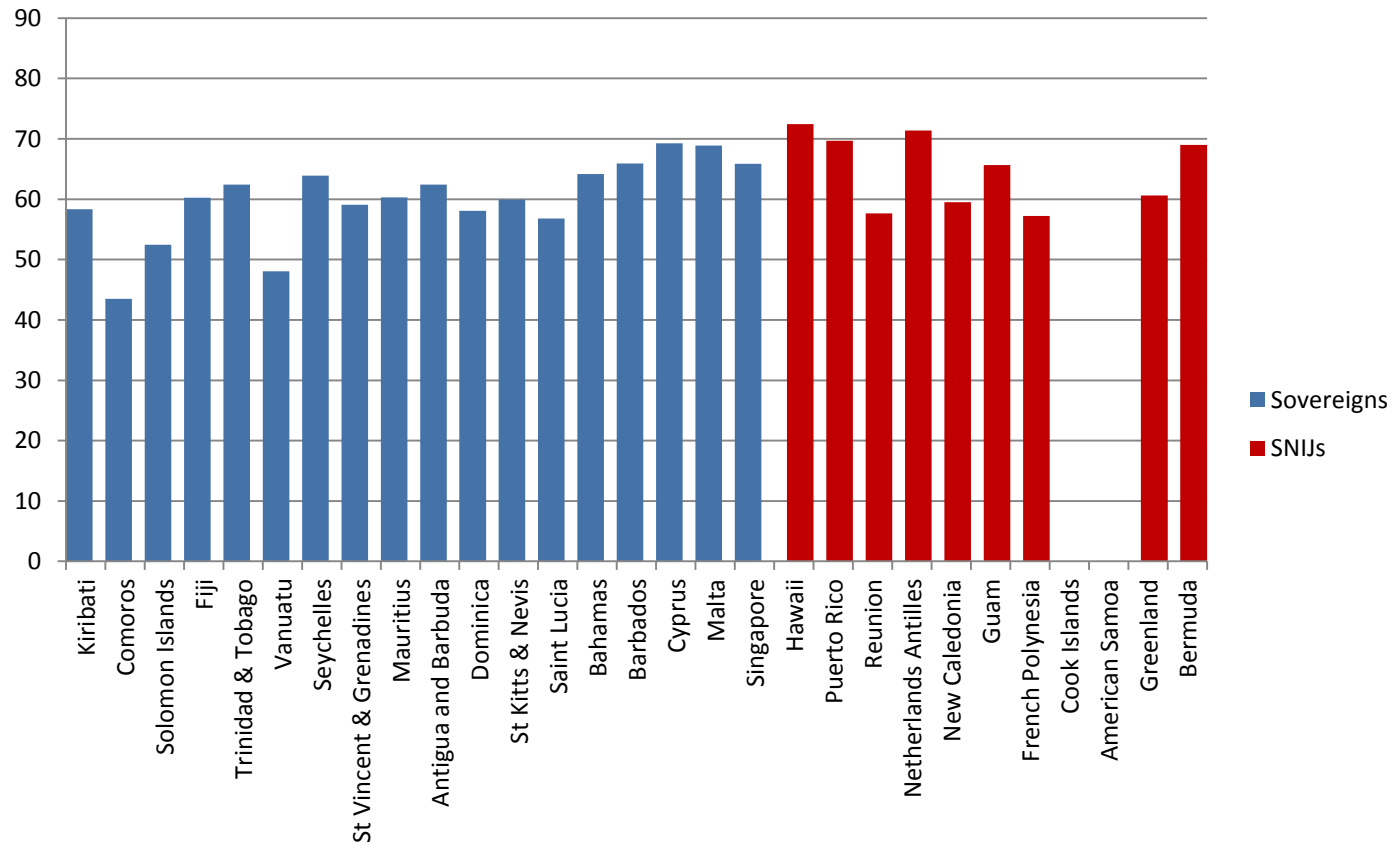
Life expectancy at birth 1950-55



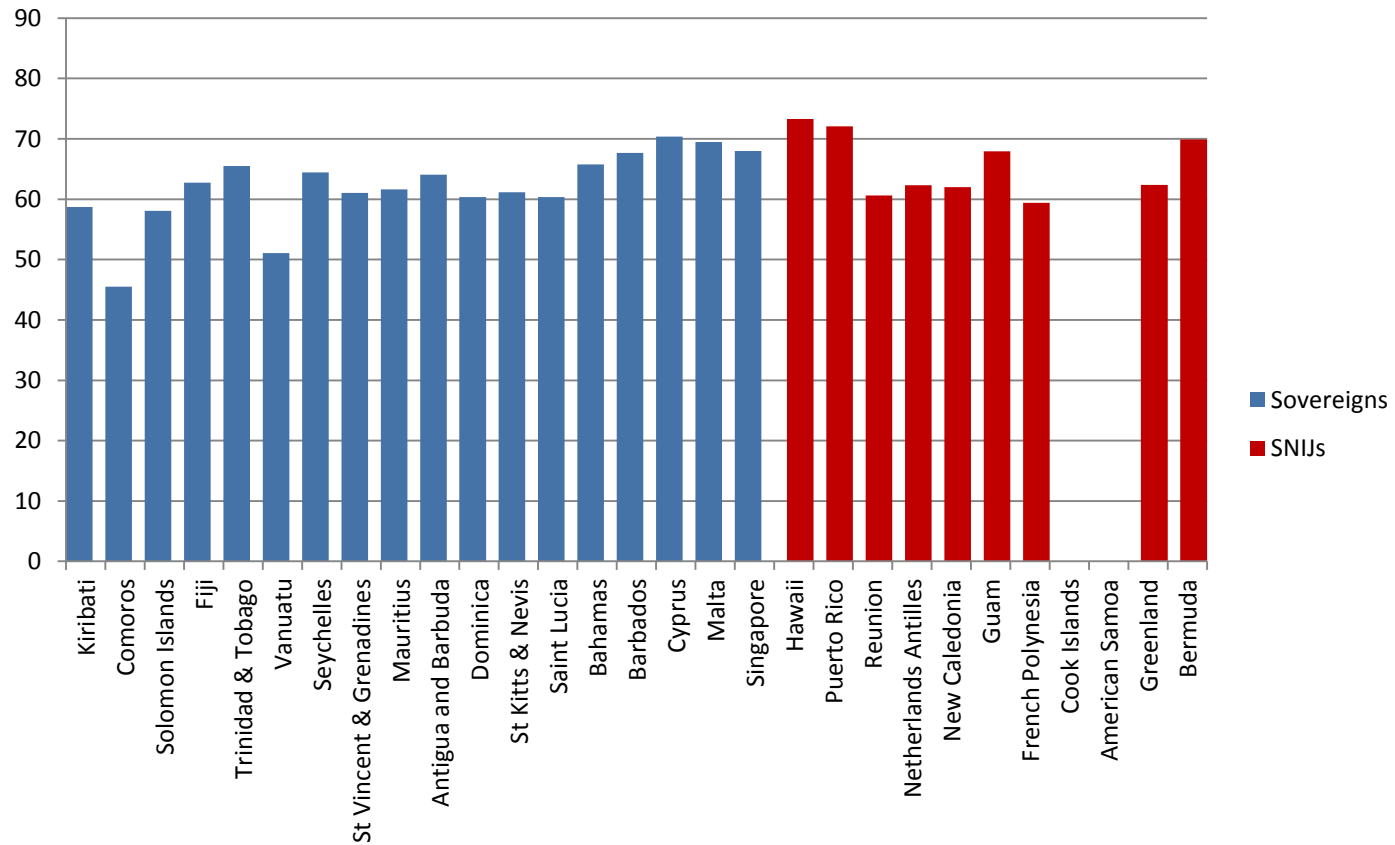
Life expectancy at birth 1955-60



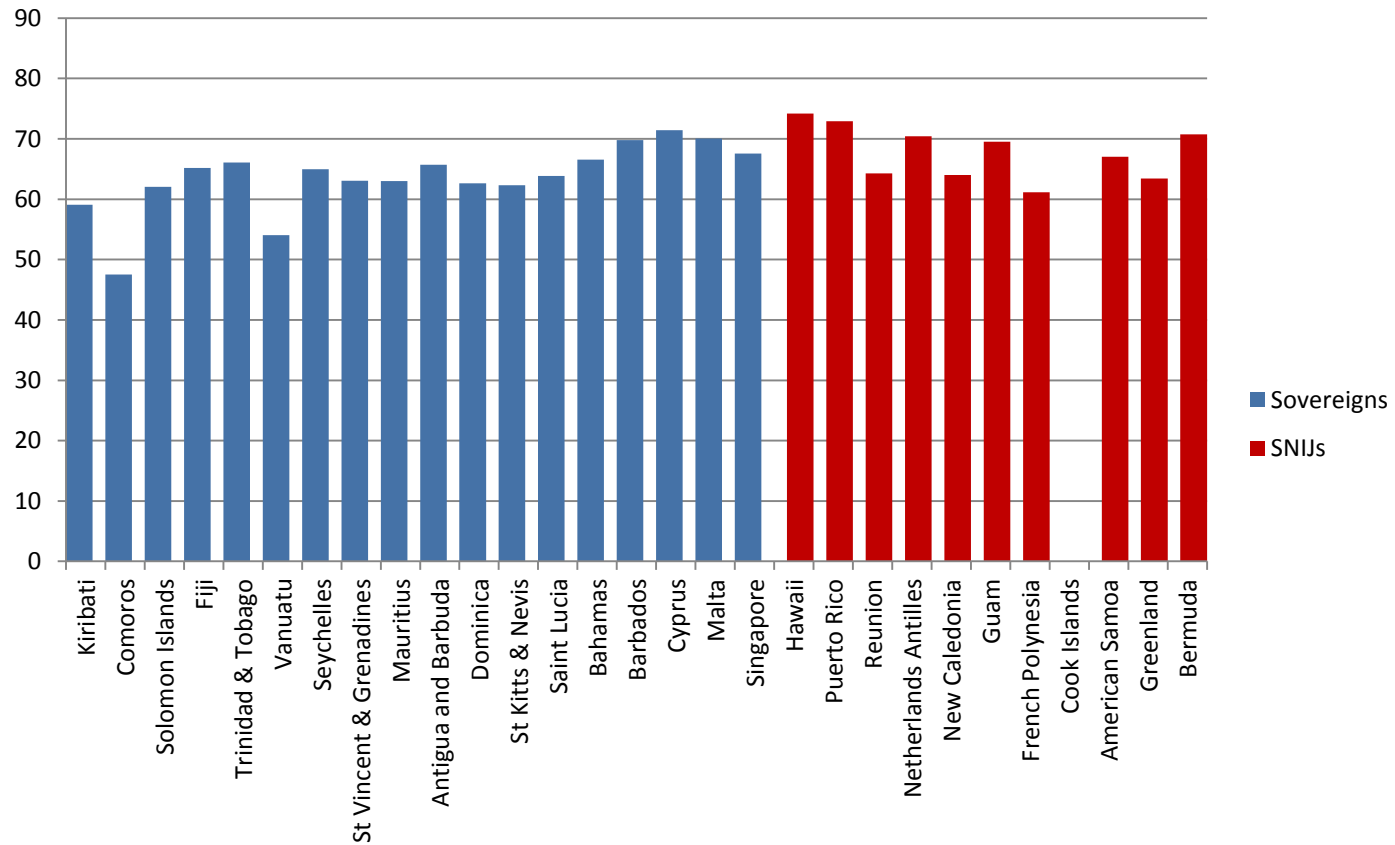
Life expectancy at birth 1960-65



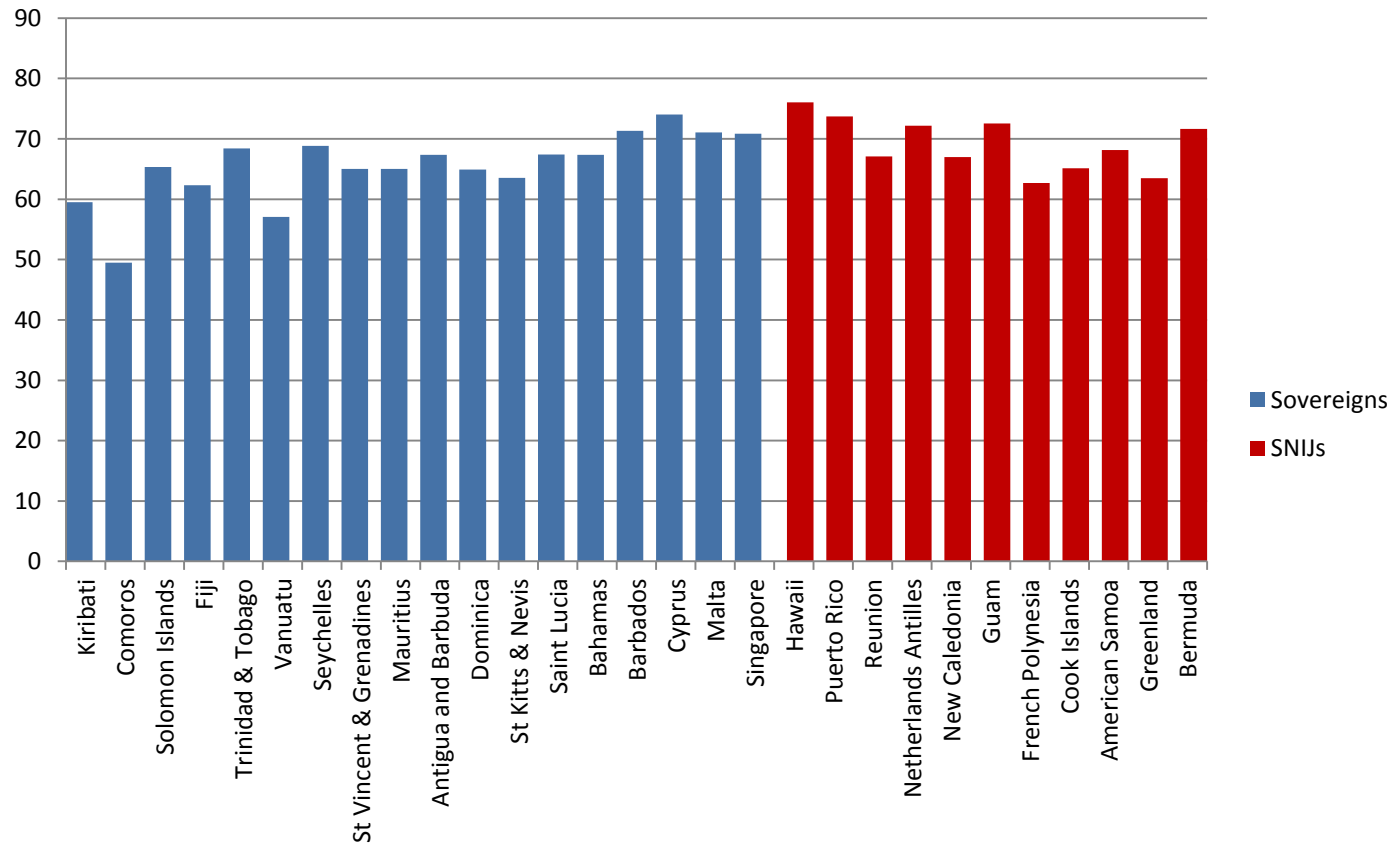
Life expectancy at birth 1965-70



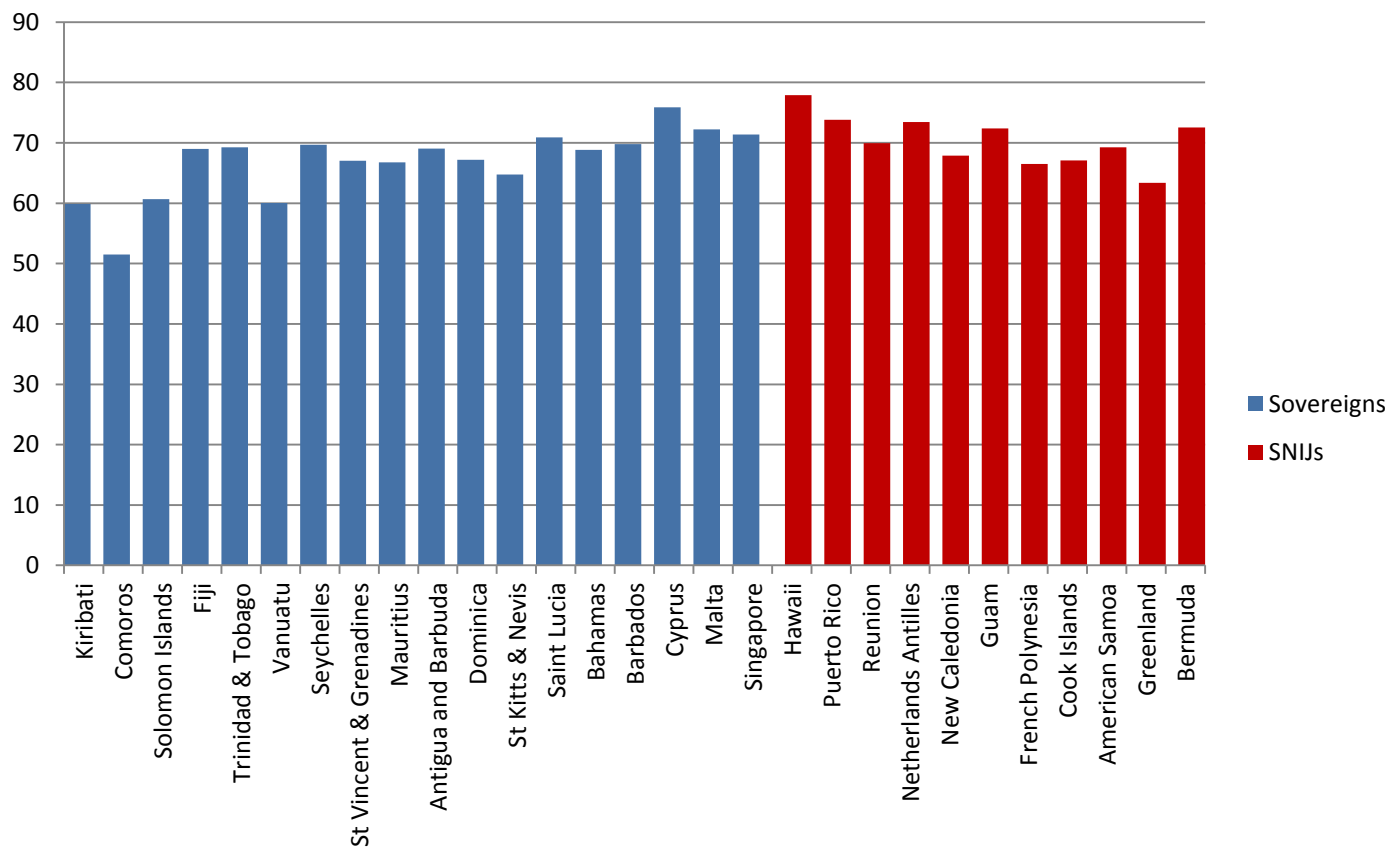
Life expectancy at birth 1970-75



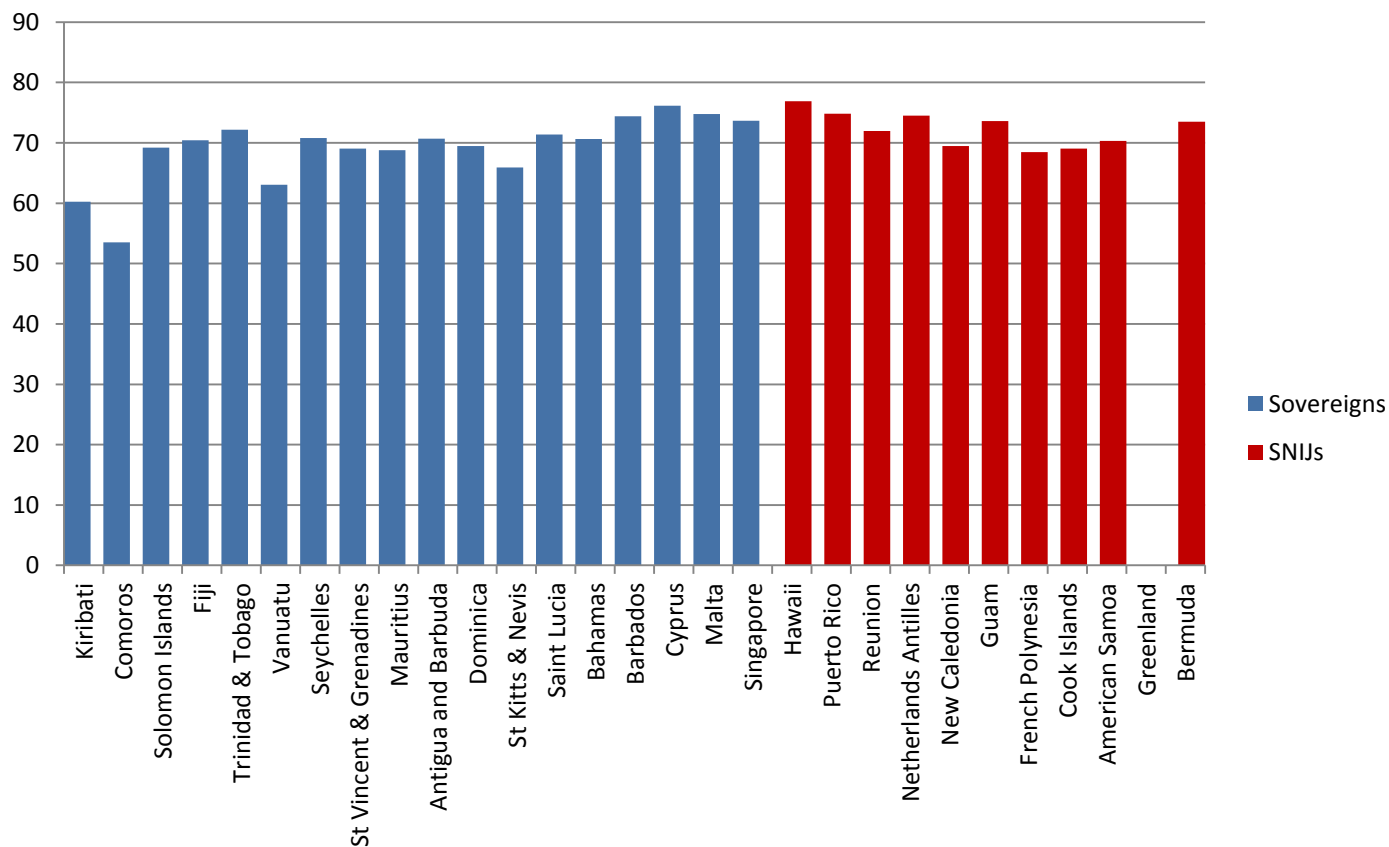
Life expectancy at birth 1975-80



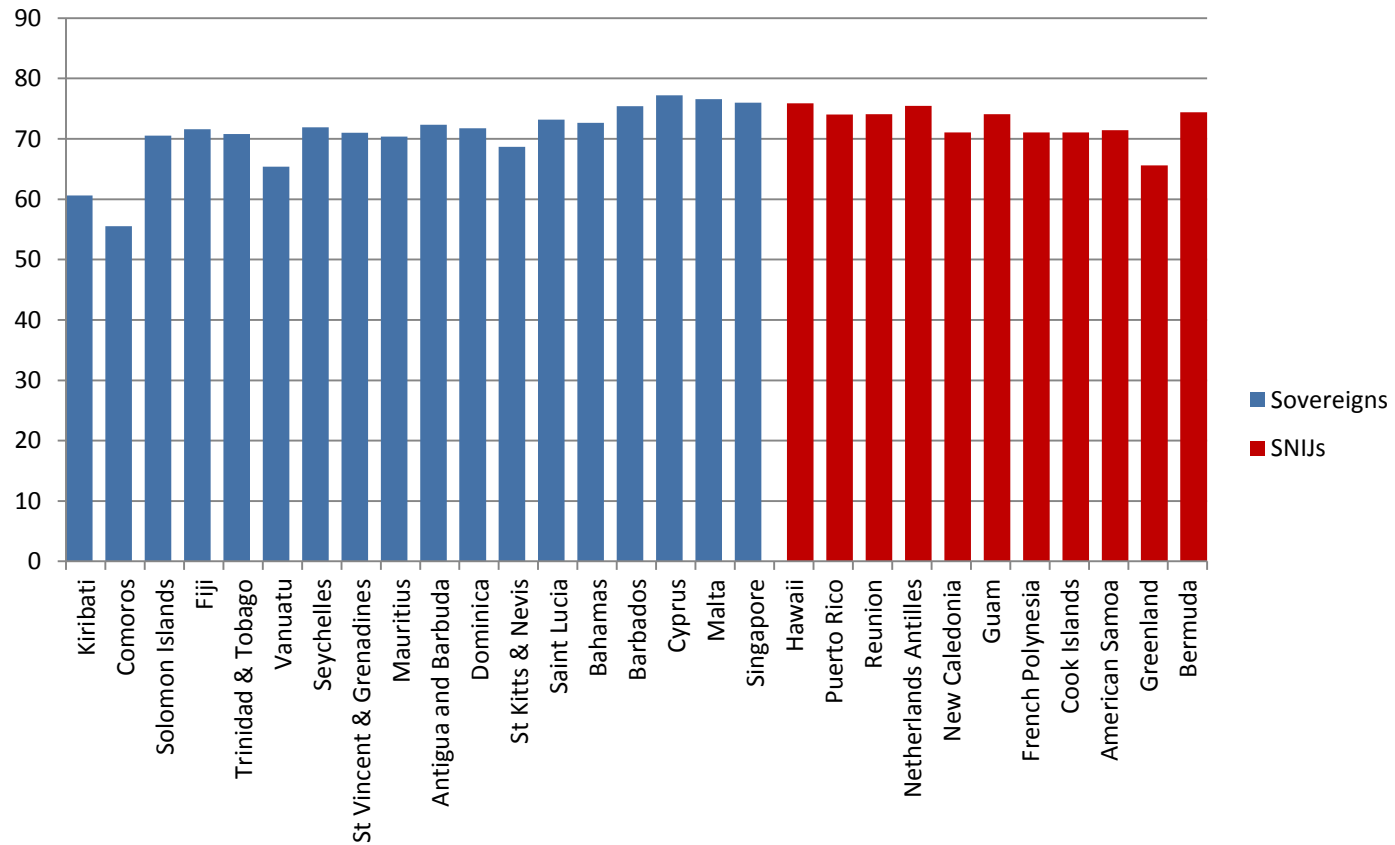
Life expectancy at birth 1980-85



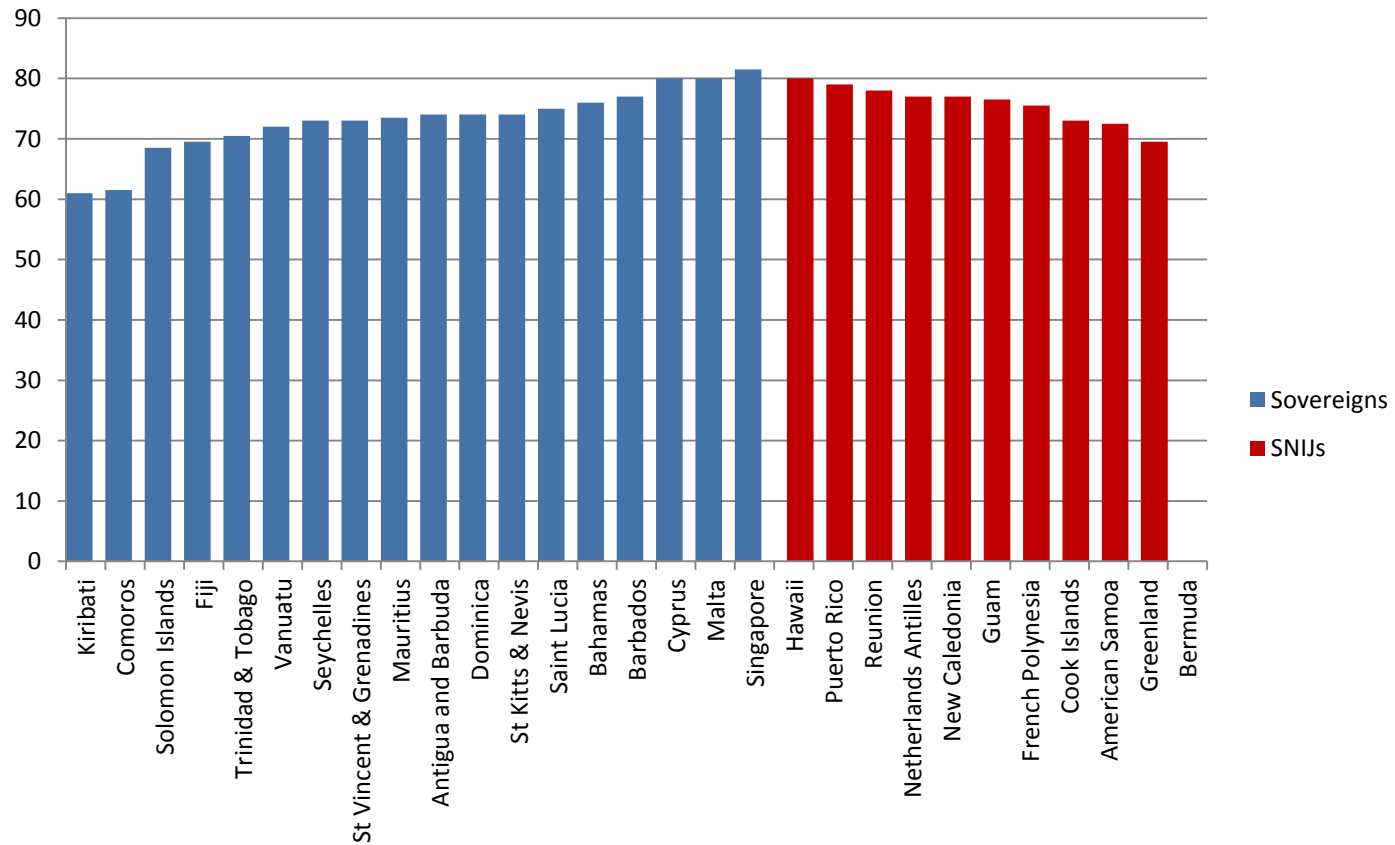
Life expectancy at birth 1985-90



Life expectancy at birth 1990-95



Life expectancy at birth 2010-15



Sample 2: the 1963 UN list

- The UN role in decolonisation became strongly pro-active in 1960
- Resolution 1514 set out a Declaration on Granting of Independence to Colonial Countries and Peoples
- Resolution 1541 spelled out the types of political change that could relieve governing powers of their reporting obligations under Article 73(e).
- In 1961, General Assembly Resolution 1654 established a Special Committee to push decolonisation along.
- In 1963 a new list of non-self-governing territories was produced
 - This list had 65 territories, of which 40 were small islands or collections of small islands
 - When decomposed into identifiable islands and island groups the list contains 42
 - Of these, 26 had been on the 1946 list and 16 were new additions – mainly the Portuguese island colonies, the US Pacific Trust Territories, Nauru, HongKong, and several small Caribbean islands that missed the cut in 1946 or were buried in larger entities then
- Spectacular disappearances since 1946 were the French territories which were accepted as having been decolonised by integration into the French Republic in 1947, and the Netherlands Antilles which had been similarly integrated to the Kingdom of the Netherlands in 1951
- The same procedures have been repeated for the 1963 sample

Islands in the UN's 1963 list of non-self-governing territories

Listed entity	Constituent islands	Administering power
New Hebrides	Vanuatu	France & UK
Cook Islands	Cook Islands	New Zealand
Niue	Niue	New Zealand
Tokelau	Tokelau	New Zealand
Bahamas	Bahamas	UK
Barbados	Barbados	UK
Bermuda	Bermuda	UK
Dominica	Dominica	UK
Falkland Islands	Falkland Islands	UK
Fiji	Fiji	UK
Antigua	Antigua	UK
British Virgin Islands	British Virgin Islands	UK
Montserrat	Montserrat	UK
St Kitts-Nevis-Anguilla	St Kitts-Nevis-Anguilla	UK
Malta	Malta	UK
Mauritius	Mauritius	UK
St Helena and Dependencies	St Helena	UK
St Lucia	St Lucia	UK
St Vincent	St Vincent	UK
Seychelles	Seychelles	UK
Singapore	Singapore	UK
Gilbert and Ellice Islands	Gilbert Islands - Kiribati	UK

Listed entity	Constituent islands	Administering power
	Ellice Islands - Tuvalu	UK
Solomon Islands Protectorate	Solomon Islands	UK
Pitcairn Island	Pitcairn Island	UK
American Samoa	American Samoa	USA
Guam	Guam	USA
US Virgin Islands	US Virgin Islands	USA
Cape Verde Islands	Cape Verde Islands	Portugal
Sao Tome e Principe	Sao Tome e Principe	Portugal
Macau	Macau	Portugal
Cocos (Keeling) Islands	Cocos (Keeling) Islands	Australia
Cayman Islands	Cayman Islands	UK
Grenada	Grenada	UK
Hong Kong	Hong Kong	UK
Turks and Caicos Islands	Turks and Caicos Islands	UK
New Guinea	New Guinea	Australia
Nauru	Nauru	Australia
Trust Territory of the Pacific	Federation of Micronesia	USA
	Marshall Islands	USA
	Palau	USA
	Northern Marianas Islands	USA

French Overseas Territories and Departments

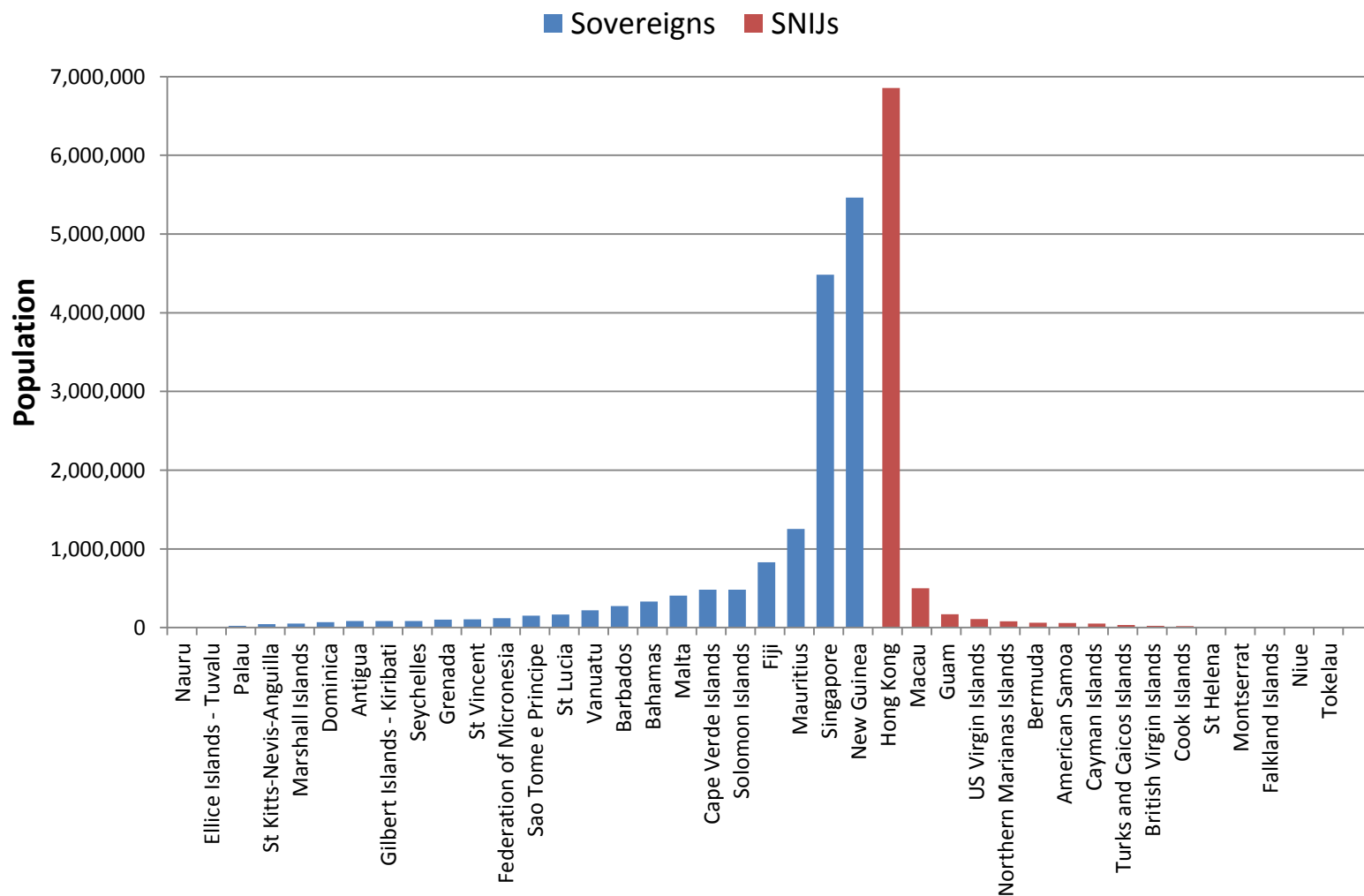
Overseas Departments			Other history
		Since	
	Guadeloupe	1946	
	Martinique	1946	
	French Guiana*	1946	
	Reunion	1946	
	Mayotte	2011	TOM 1976-2003
Overseas Collectivities			
	French Polynesia	2003	TOM 1946-2003
	Saint-Pierre et Miquelon	2003	TOM 1976-2003
	Wallis and Futuna	2003	TOM 1961-2003
	St Martin	2003	Formerly part of Guadeloupe
	St Barthelemy	2003	Formerly part of Guadeloupe
Special Collectivity			
	New Caledonia	1999	TOM 1946-1998

- The only non-island

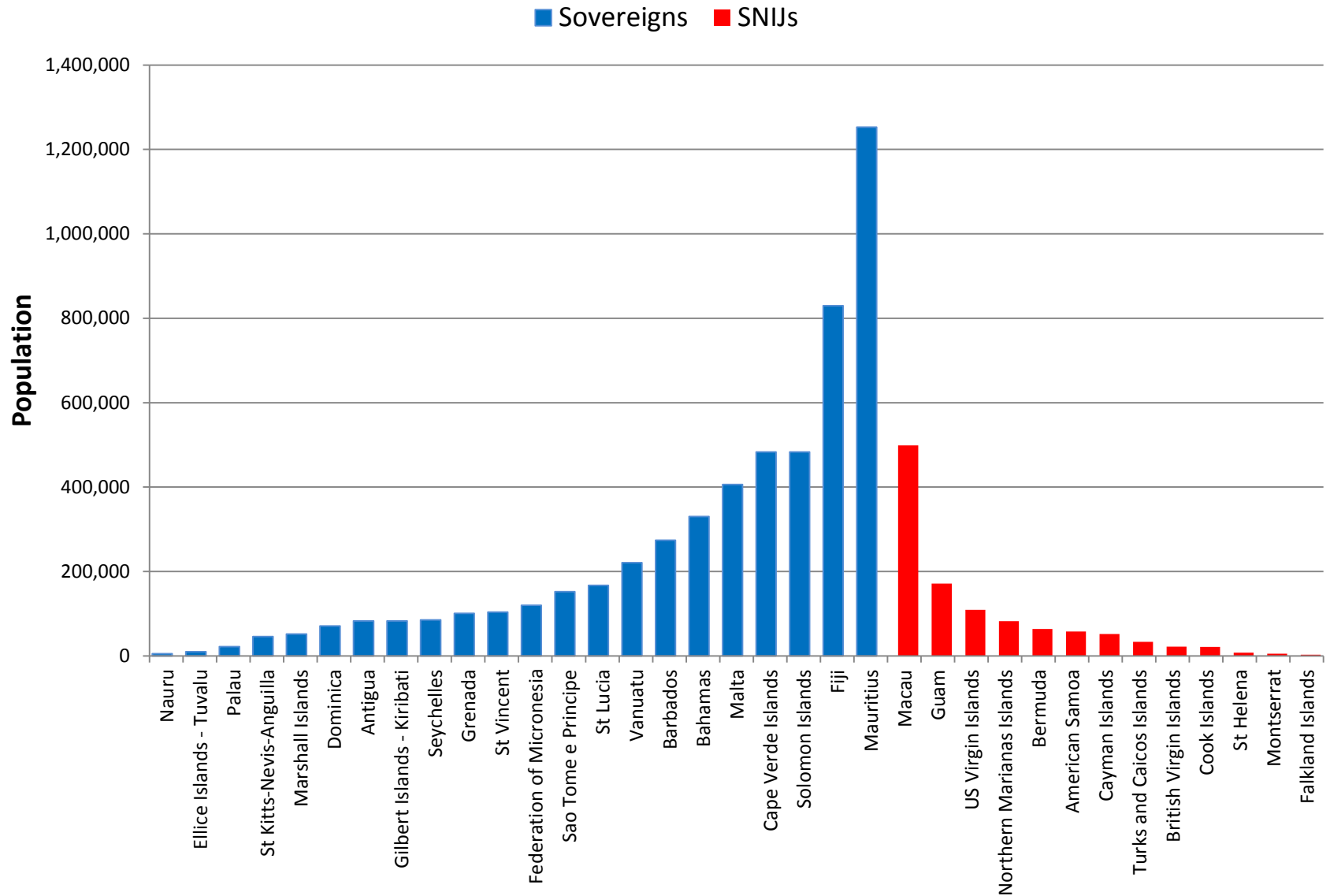
Source: http://en.wikipedia.org/wiki/Overseas_departments_and_territories_of_France accessed 1 August 2011

- The new sample contains 24 territories that have become sovereign states and 18 that are SNIJs.
- Again there are three large territories with 2011 populations around the 5 million mark: Hong Kong, Singapore, and Papua New Guinea
- Excluding these gives the second chart when we ask whether it was just big islands that became independent

Island territories listed by the UN in 1963, arrayed by size and political status as at 2011



Island territories listed by the UN in 1963, arrayed by size and political status as at 2011, excluding Singapore, HongKong and PNG



Here selection by size seems more apparent

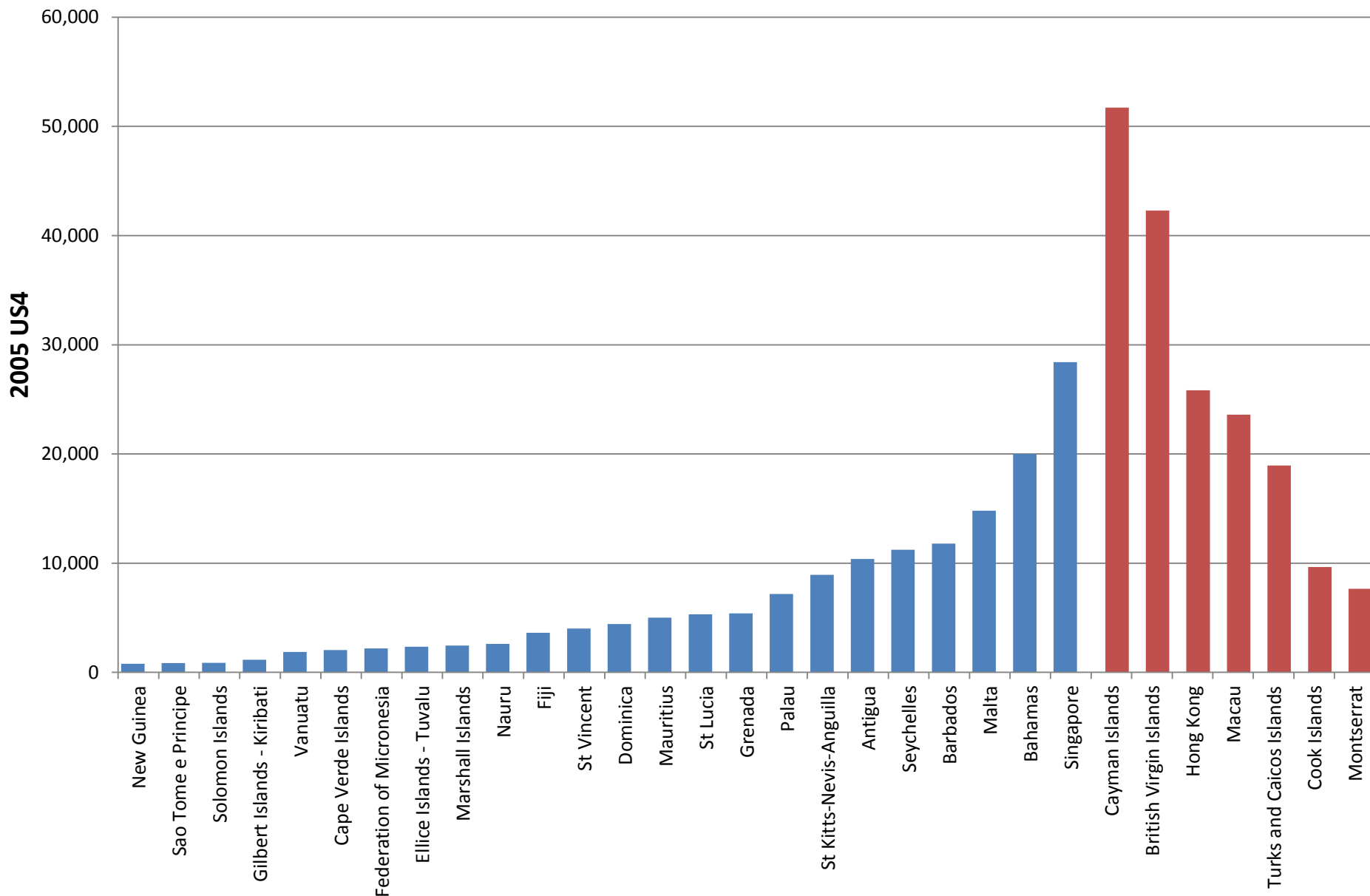
- Again, however, the range of sizes in both groups is very wide
- With HongKong, Singapore and PNG excluded,
 - The sovereigns have mean population of 245,000 with standard deviation of 302,000
 - The SNIJs have mean population of 75,000 with standard deviation 126,000
- Conclusion is still that there is a lot more than size driving the choice of political status

GDP per capita today

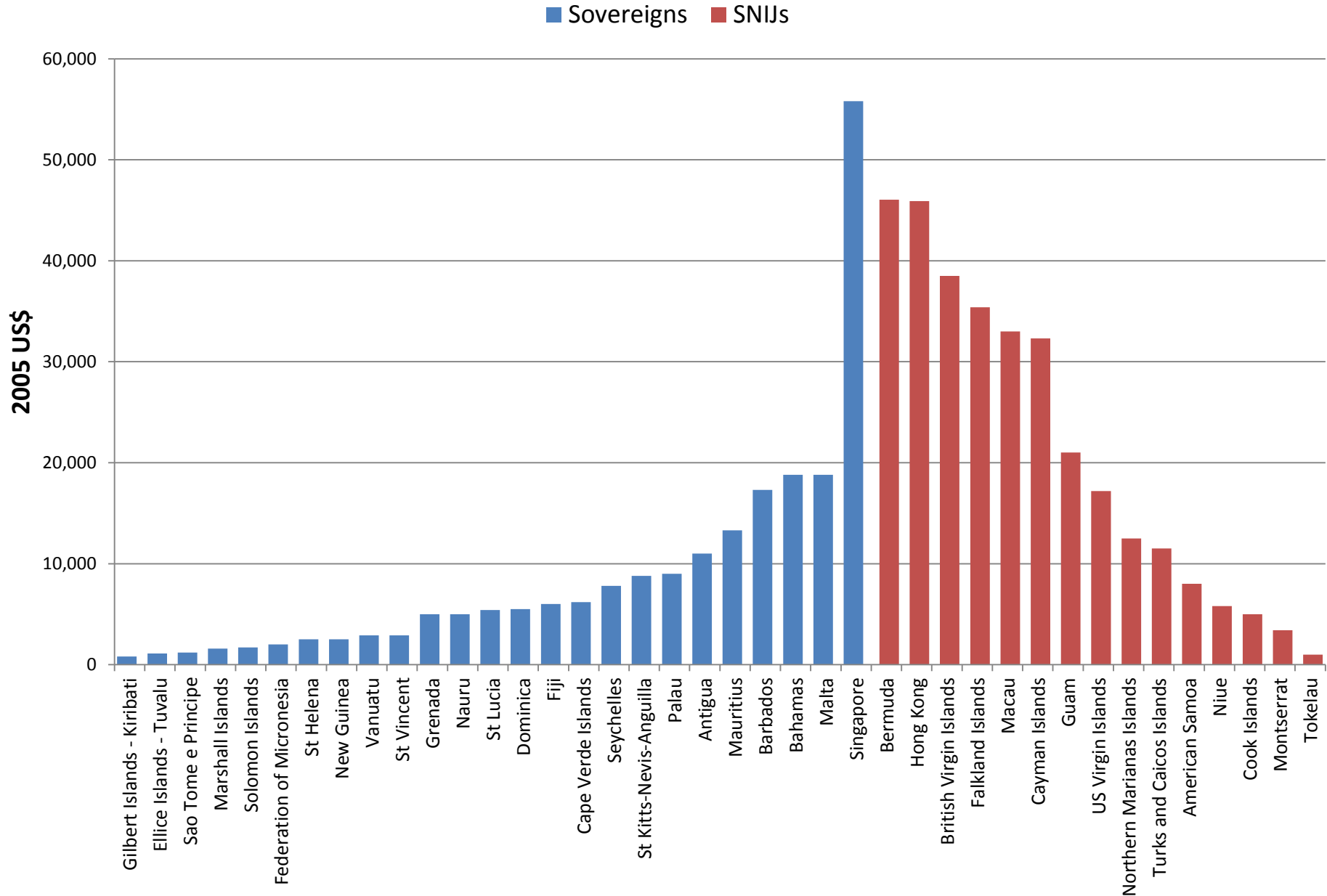
- Again there are data problems with only 2 SNIJs from the list in the Penn World Tables 6.3, and only 3 in the WDI
- So again at this stage I'm using the CIA and UN data

Per capita GDP at 2005, US dollars at 2005 prices, UN data

■ Sovereigns ■ SNIJs

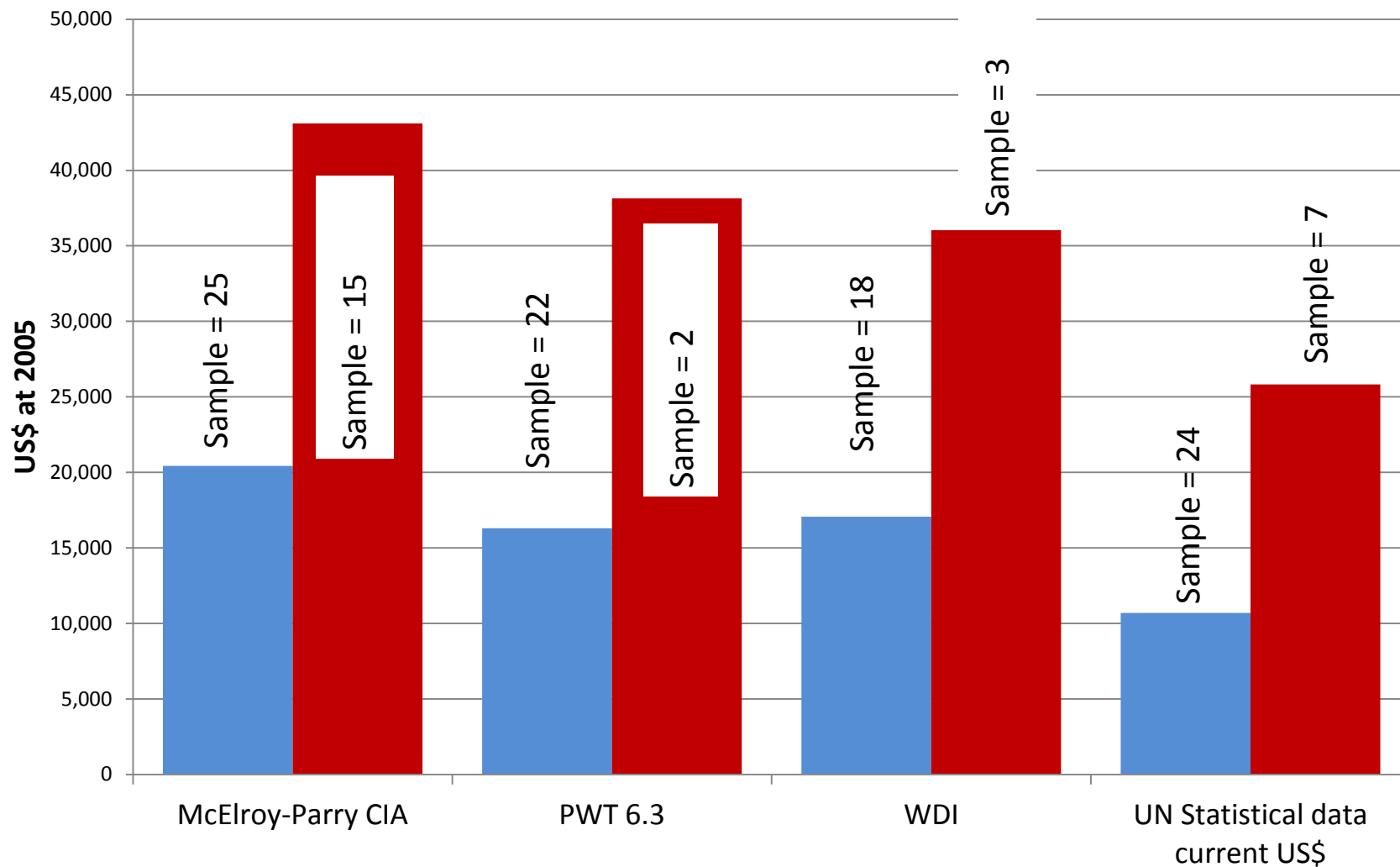


Per capita GDP at 2005, US dollars at 2005 prices, CIA data



Population-weighted average per capita GDP: various sources and samples from 1963 UN list

■ Sovereigns ■ SNIJs



Again all the results point in the same direction despite diversity of sources and gaps in the data

- There's a wide spread of incomes in both sets of islands, which means one can't say that any particular island would necessarily have ended up better by changing its historical track out of colonialism
- But in terms of tendencies, the SNIJ success stories seem to outnumber the sovereigns

The next stage is to make serious progress on time-series data for GDP per head and imports per head

- One possibility will be pair-wise comparisons of entities that share some characteristic but followed different paths. There the big problem is to make sure international comparability is maintained....
- Look, e.g., at the UN data for three former French-dominated Pacific territories....

UN Statistical Division GNI per capita US\$ at 2005 prices

