

# **Sovereignty Versus Prosperity? How did affiliated small island economies end up richer than sovereign independent ones 1900-2020?**

History Programme of the School of History, Philosophy, Political Science and  
International Relations

Geoff Bertram

24 May 2024

## Background publications

Geoff Bertram, 'Sovereignty and material welfare in small island jurisdictions', chapter in A. Holz, M. Kowasch and O. Hasenkamp (eds) *A region in transition: politics and power in the Pacific Islands*, Saarbrücken University Press, 2015.

Geoff Bertram, 'Is independence good or bad for small island economies? A long-run analysis'. *Region et Developpement*, (42):31-54, 2015.

## The post-colonial setting in the Pacific

- Almost all of the Pacific islands have at some stage in the past century been colonies, associated territories, or integrated parts of larger industrialized countries. A significant number continue to operate as **sub-national jurisdictions (SNJs)**:
  - Hawai'i, Guam, Northern Marianas, and American Samoa are fully under US rule; New Caledonia, French Polynesia, and Wallis and Futuna are territorial parts of France; Easter Island and the Galapagos are included within Chile and Ecuador respectively; Tokelau remains part of New Zealand despite continual pressure from Wellington to force “decolonisation”.
  - A number of other entities (Cook Islands, Niue, Palau, Marshall Islands) are self-governing or notionally independent, but politically associated, more or less closely, with metropolitan patrons.
- Nine countries (Papua New Guinea, Samoa, Fiji, Kiribati, Solomon Islands, Tonga, Vanuatu, Nauru and Tuvalu) are fully independent nation states.
- Trade flows, capital flows, asset ownership, official languages, government structures and currencies in use have been determined over the past century by the existence of eight main spheres of influence - British, French, US, Australian, New Zealand, Chilean, Japanese and German, the last two of which became absorbed by the others during and after the two world wars of the century.

## Small islands are distinctive

- Able to sustain relatively autonomous jurisdictions even when part of larger political entities
- Seem to be a natural haven for democratic forms of governance
- Stand out in global statistical comparisons for relatively high per capita incomes as conventionally measured (GDP)
- Enjoy remarkable ability to colonise and exploit niches of economic opportunity in the global system (with tacit support of major powers)
  - Ship registries
  - Tax havens and money laundries
  - Money for voice in UN etc => high aid per capita doesn't cost the donor too much
- Have repeatedly presented anomalous responses to decolonisation pressures from UN agencies

## Perceptions of “sovereignty” during and after the decolonisation era 1945-1970s

- Enormous demand for “national liberation” flowing on from Indian independence in 1947 and the UN Charter
- Binary view: either “sovereign independent” or “subject territory/unfree/dependent”
- The wave of sovereign independence swept over Africa, Asia and much of the islands world but reached its geographic limits as it washed into the small-island universe
- Small islands are an important part of the residue left after the decolonisation wave receded
- They are thus a good place to measure the limits of advance by the Westphalian notion of the nation state, and to ask why the wave advanced more or less under different conditions

# 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

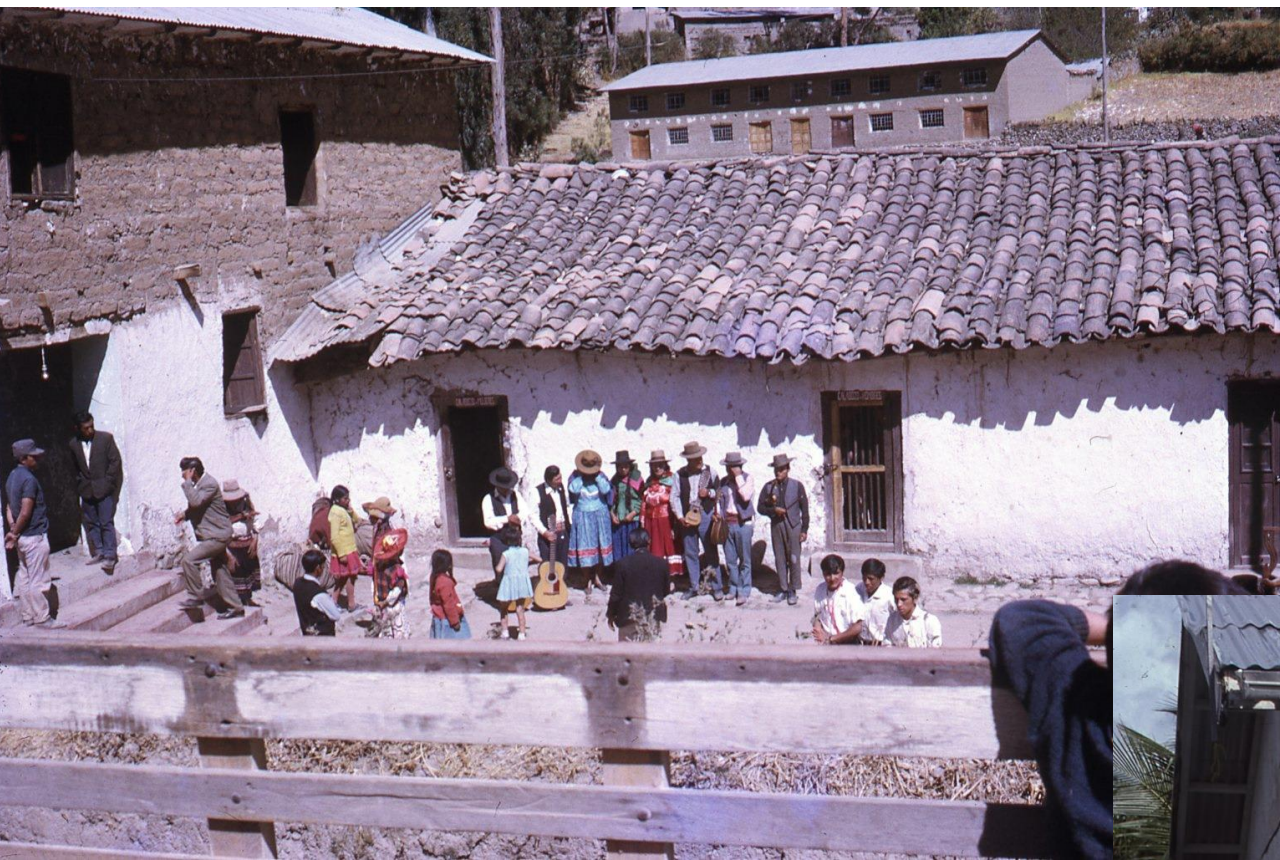
Island territory	Component islands	Colonial power
Leeward Islands	Antigua	UK
	British Virgin Islands	UK
	Montserrat	UK
	St Kitts-Nevis	UK
	Anguilla	UK
Malta	Malta	UK
Mauritius	Mauritius	UK
St Helena and Dependencies	St Helena	UK
	Tristan da Cunha	UK
	Ascension Island	UK
St Lucia	St Lucia	UK
St Vincent	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

## My own research trajectory

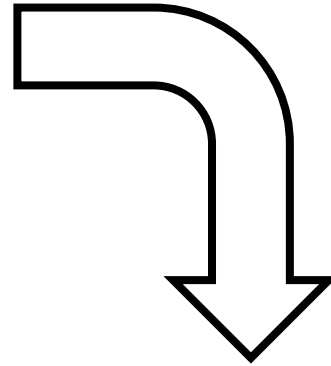
- Started from New Zealand where, as in other settler colonies, the modern independent nation state was established by and for the settlers, with ambiguous (often negative) consequences for indigenous communities
- In the 1960s and 1970s I worked not in Asia or Africa, but on Peru – a nation state in a Latin America where formal national sovereignty was 150 years old and its limitations were being explored by dependencia theorists
- After Peru I went to do the 1979 census in Tuvalu, a brand new sovereign independent nation state with just over 8,000 people and a seat in the General Assembly – surely this had to be pushing the limits of commonsense?
- In 1984 I collaborated with Ray Watters on a big study of New Zealand policy in the South Pacific, focusing on Cook Islands, Niue, Tokelau, Tuvalu and Kiribati => MIRAB model of small islands development which emphasised
  1. the irrelevance of standard large-country models of self-sustaining and self-contained economic development and the importance of non-standard sources of external funding for import needs; and
  2. the importance of transnational networks and connections, both formal and informal, that traded on and in the spaces and opportunities opened up by non-sovereignty: preferential aid allocation; preferential migration access to metropolitan economies, reinforced by citizenship rights; widespread networks of travel and remittances binding together extensive islander diasporas and their home communities
- 1986-2009 a long-running research programme around the question of the relative merits of sovereignty versus affiliation/dependency from the point of view of material living standards in small islands, converging with the work of Godfrey Baldacchino at UPEI\*

\*G. Baldacchino and D. Milne (eds) *The case for non-sovereignty: lessons from sub-national island jurisdictions* (Routledge 2009); G. Baldacchino and G. Bertram, The beak of the finch: Insights into the Economic Development of Small Economies, *The Round Table*, 98(401):141-160, 2009.





From here



To here



2012-2018 I refuted one of my own hypotheses



The high tide for that hypothesis was my paper to the Stout Centre in 2011 titled  
“Sovereignty and Material Welfare in Small Island Jurisdictions”

## I argued:

- 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. Higher incomes today, in other words, seemed to be explained by past, not current, economic growth.)
- Sovereign independence was likely to be an inferior option for very small islands
- Political integration – if done on the right terms – could well be superior to free association or full sovereignty.
- Integrated political status was estimated to add between \$5,600 and \$7,500 in USD to per capita income, relative to sovereign independence
- Sub-national jurisdictions ought not to be confused with “colonies”

... and I hypothesised that causality ran from political status to prosperity:

‘Provisionally, it seems reasonable to regard political connections as more a source than a consequence of economic welfare. This proposition, that in the Pacific relative wealth flows from "dependency", and relative hardship from independence, has seemed paradoxical to many social scientists familiar with the larger developing economies of Latin America and Asia.’

*G. Bertram, ‘Economy’, in M. Rapoport (ed)( The Pacific Islands: Environment and Society, Hawai’i University Press, 2011, p.961.*

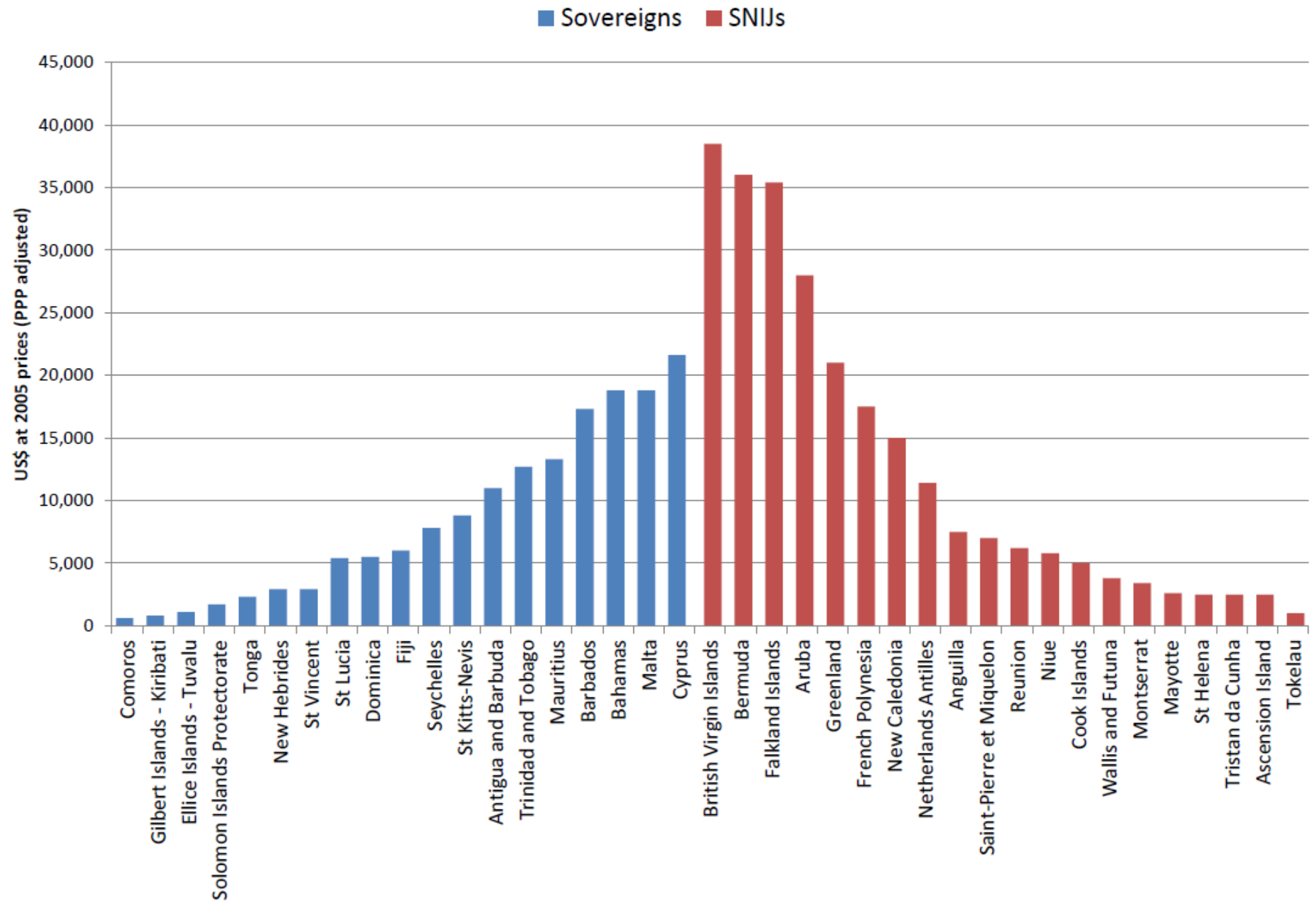
# The evidence

**Table 27.2 Per Capita GDP/GNI by Political Status 2005: US**

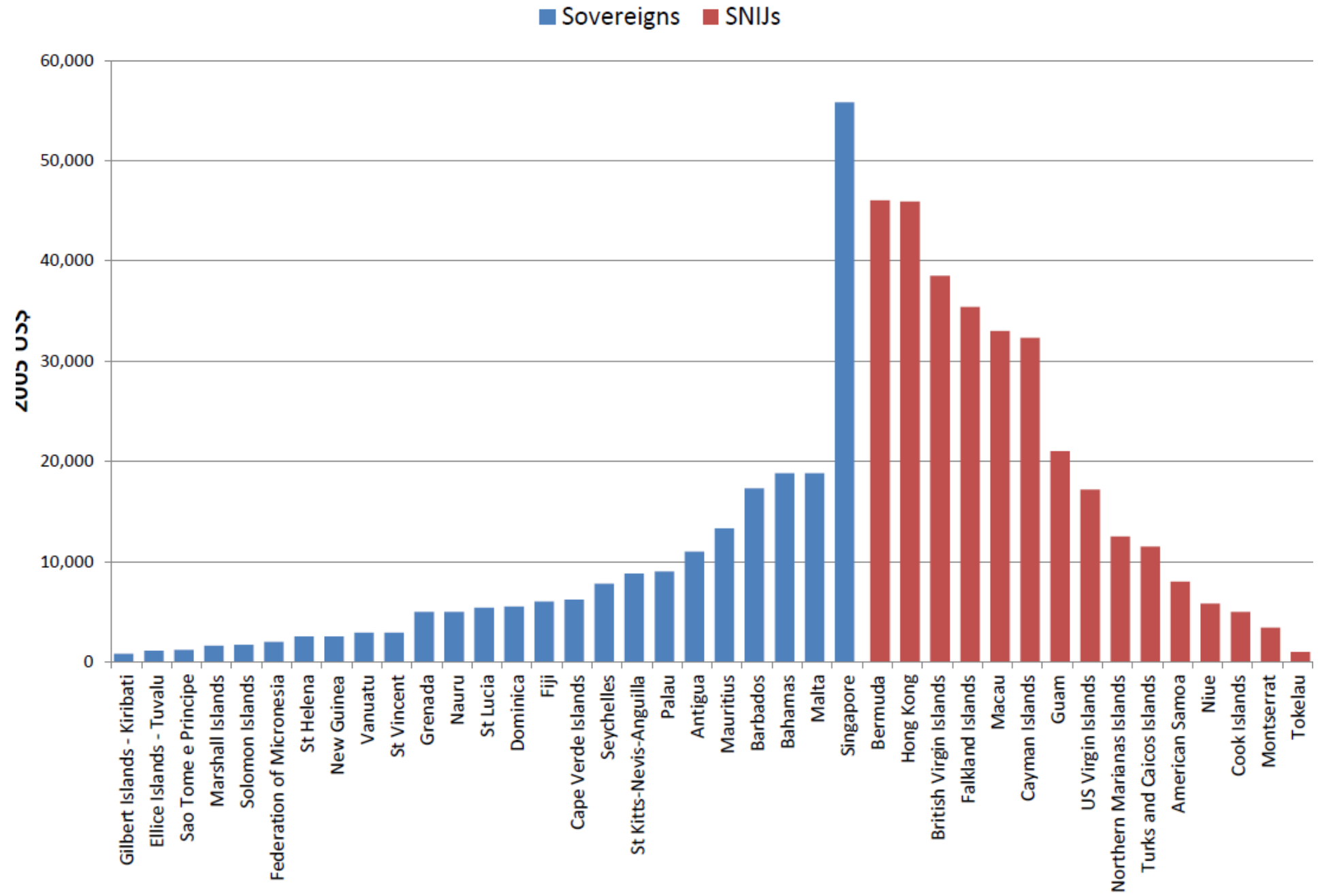
<b>Dollars All</b>	<b>Excl PNG</b>	<b>Excl PNG and Hawai'i</b>
Sovereign nations*	1,193	2,433
In free association	3,782	3,782
Integrated	35,793	13,466
Region average	9,052	5,673

Geoff Bertram, chapter "Economy" in M Rapoport (ed) *The Pacific Islands: Environment and Society*, chapter Economy, pages 959-967. Hawai'i University Press, 2011.

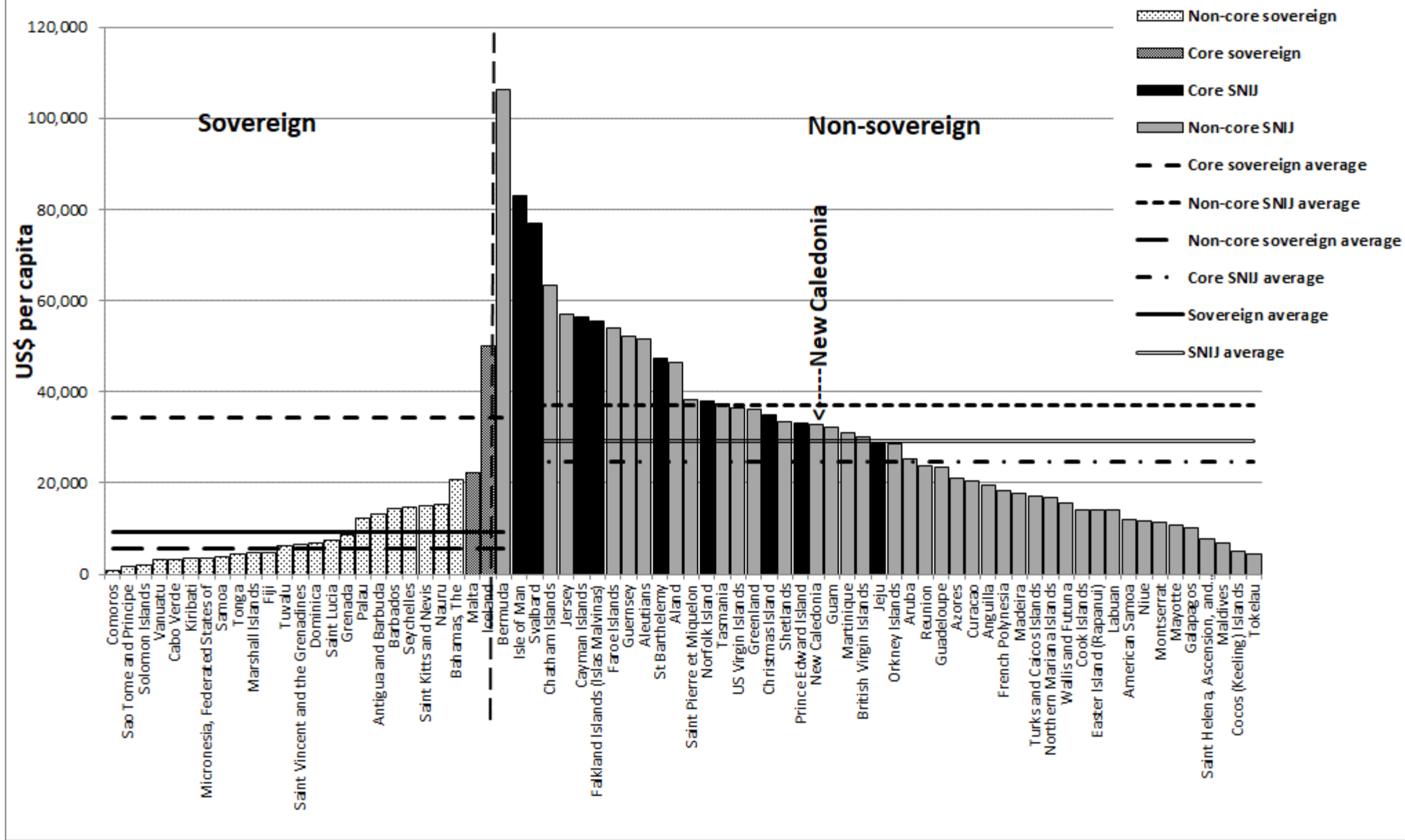
# Per capita GDP, US dollars at 2005 prices, CIA data



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

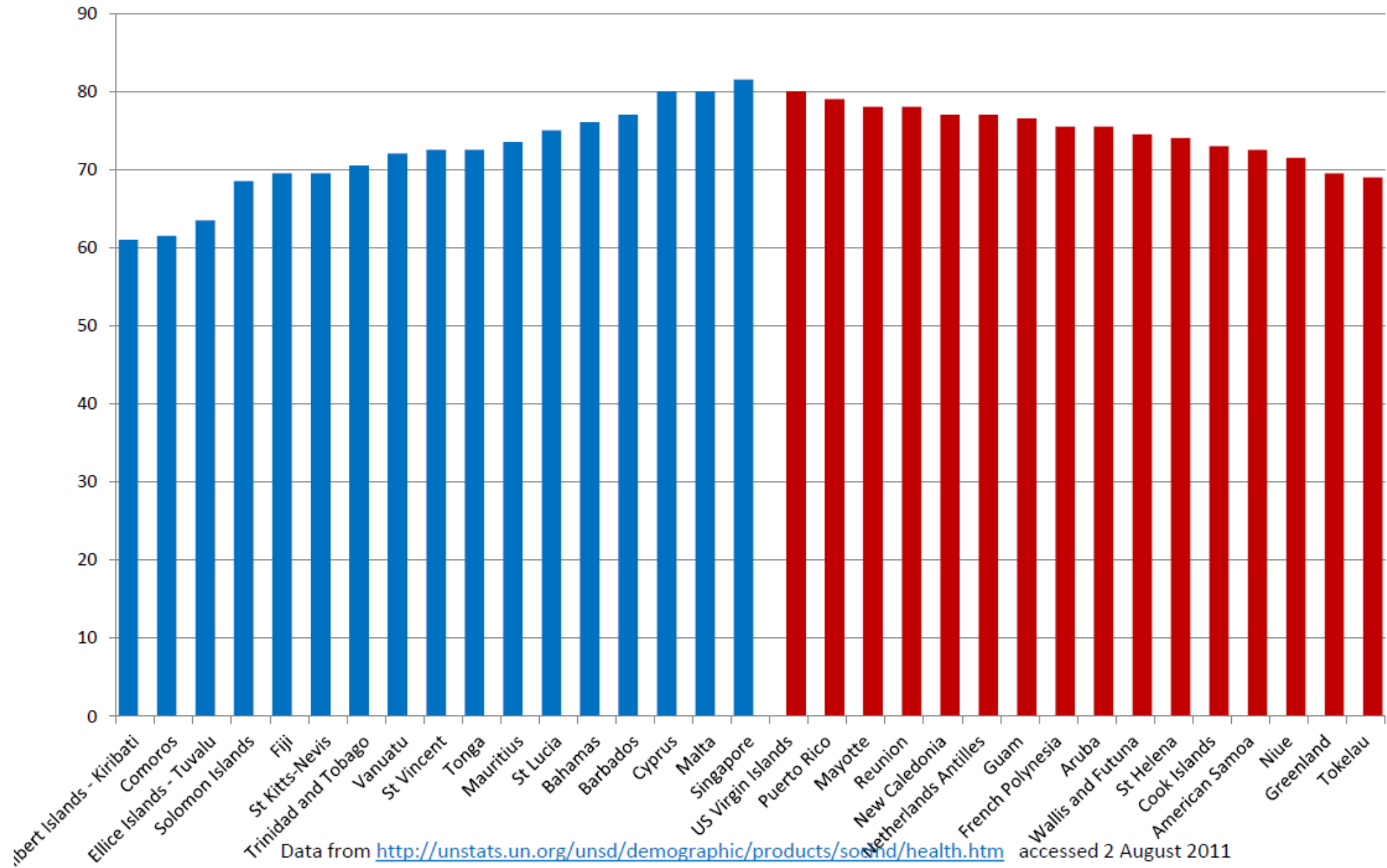




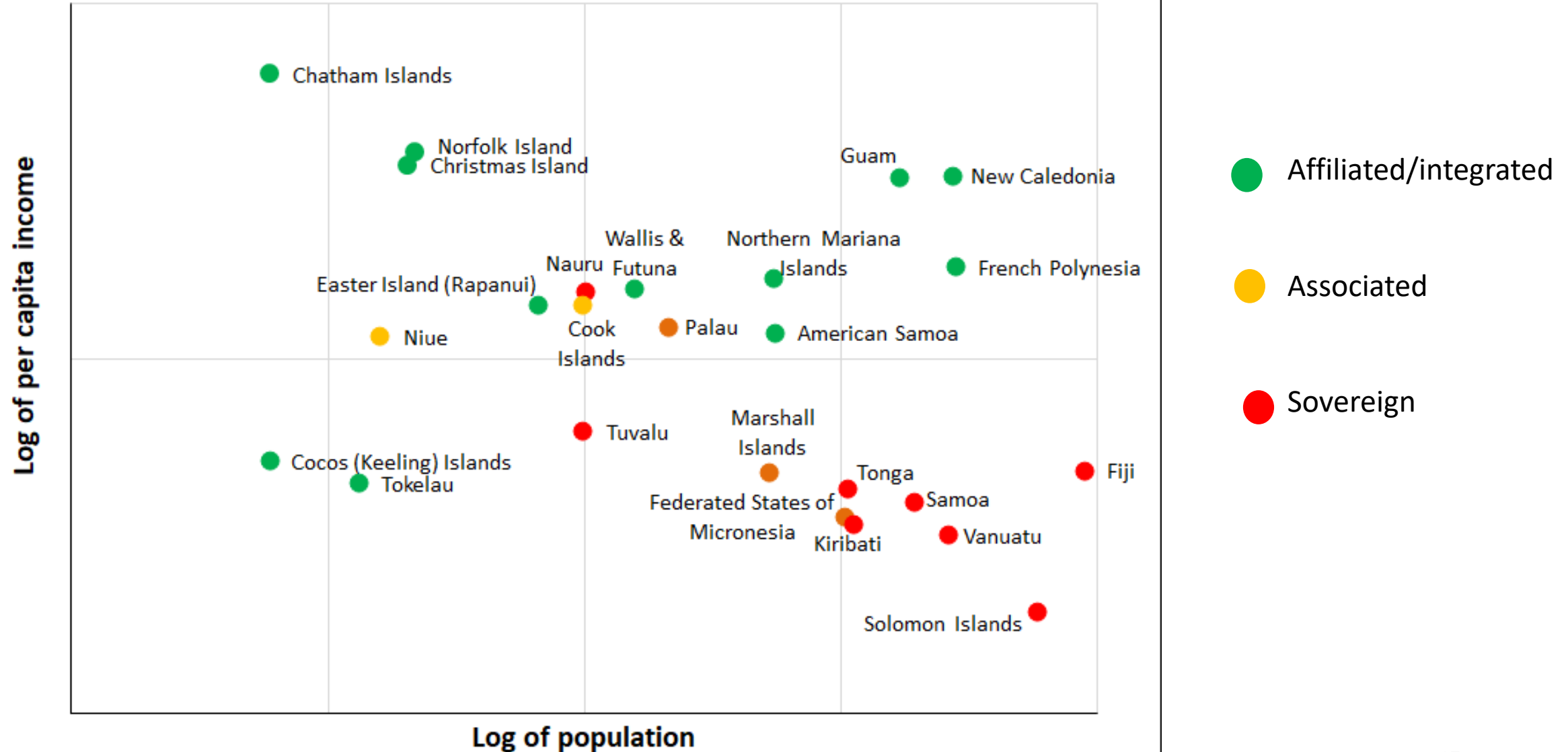


# Life expectancy at birth 2010

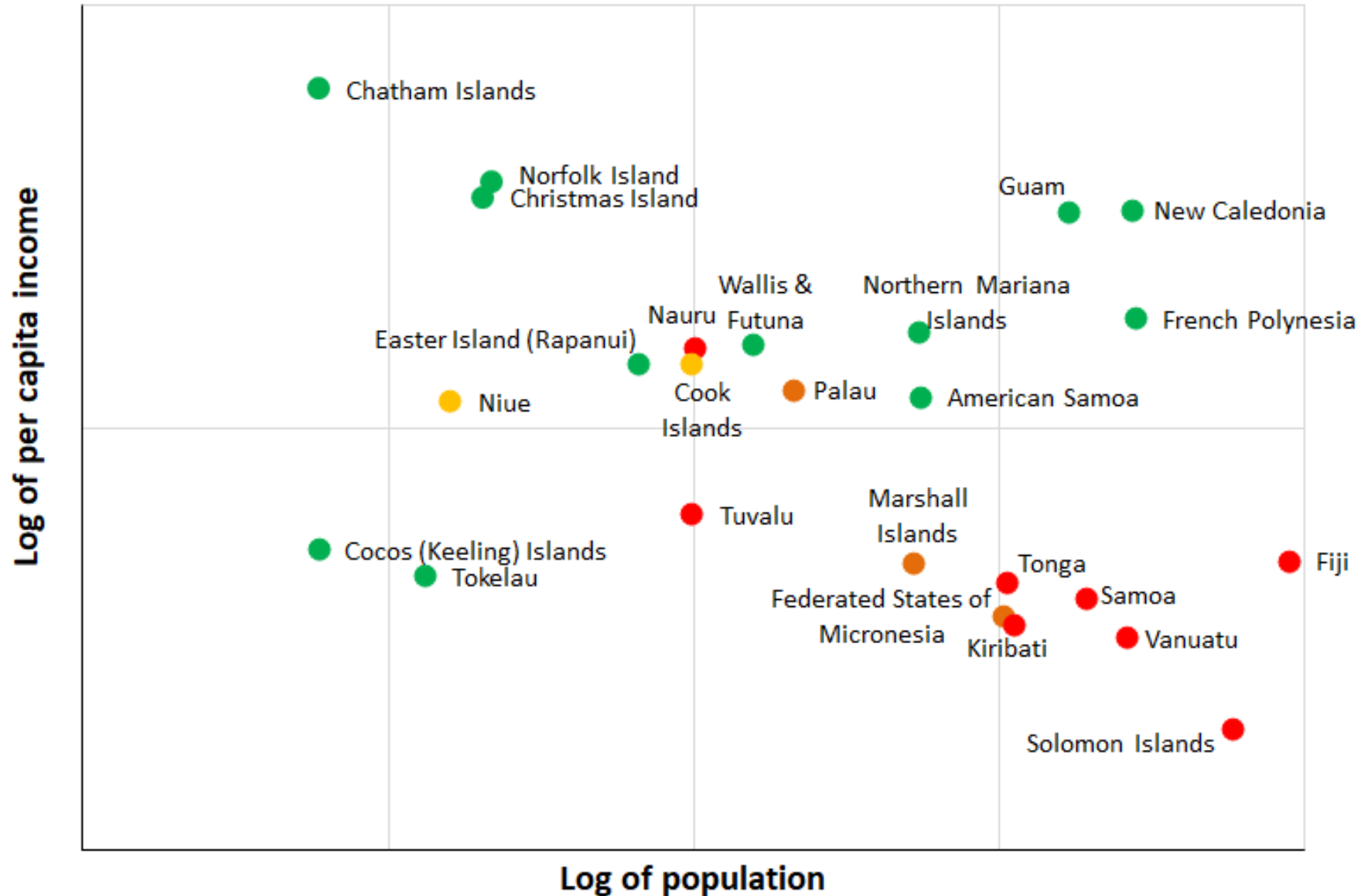
■ Sovereigns ■ SNIJs



Relationship of per capita income to population and political status c2015: 24 small Pacific Islands



## Relationship of per capita income to population and political status c2015: 24 small Pacific Islands



Sub-national jurisdictions

● Integrated/SNJ

● Associated

● UN seat but associated

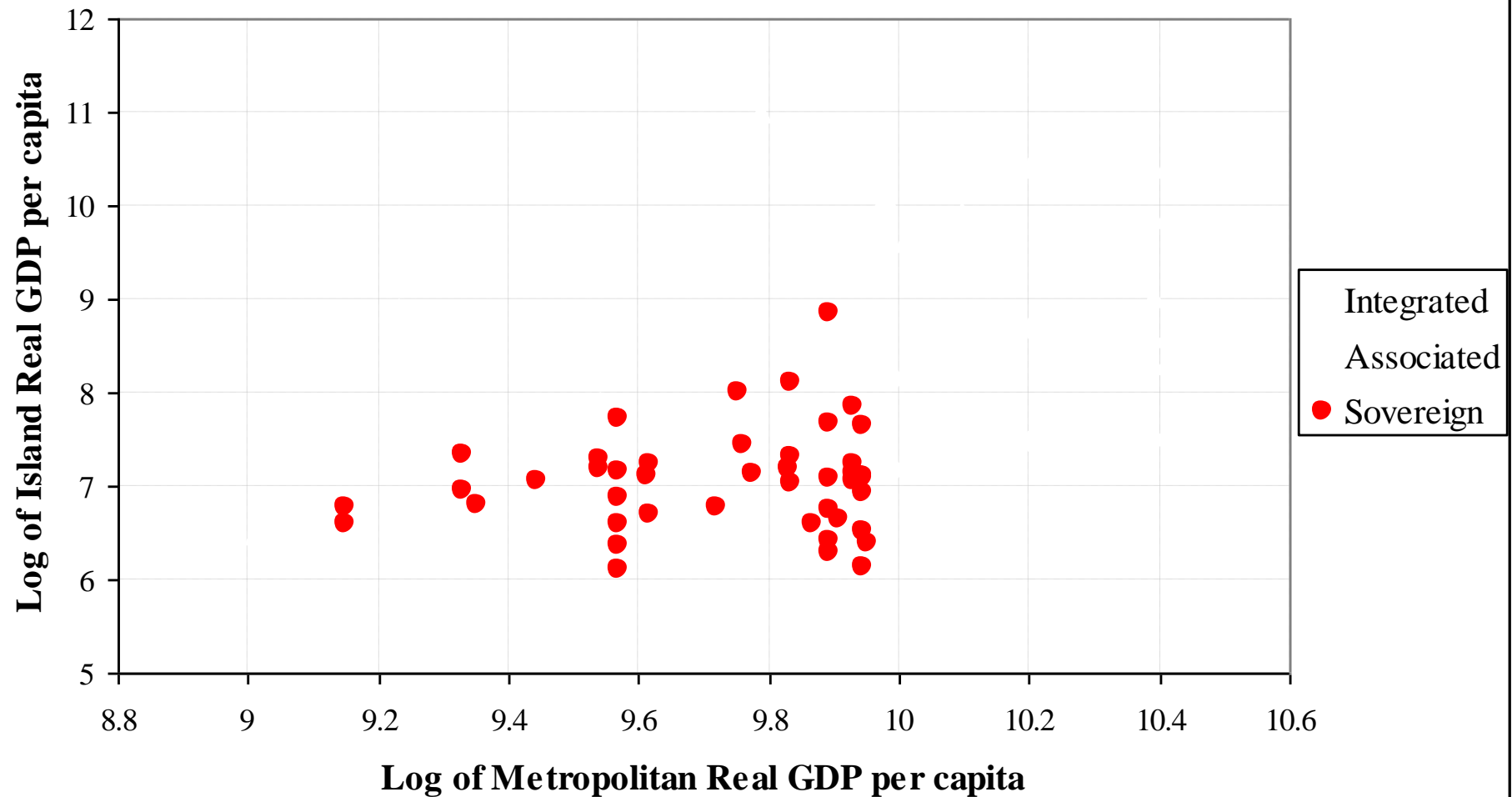
● Full sovereign

Sovereign independent

Data from Appendix 9.1 pp.239-241 in Geoff Bertram and Bernard Poirine. *The Routledge International Handbook of Island Studies*, chapter Economics and development, Routledge, 2018.

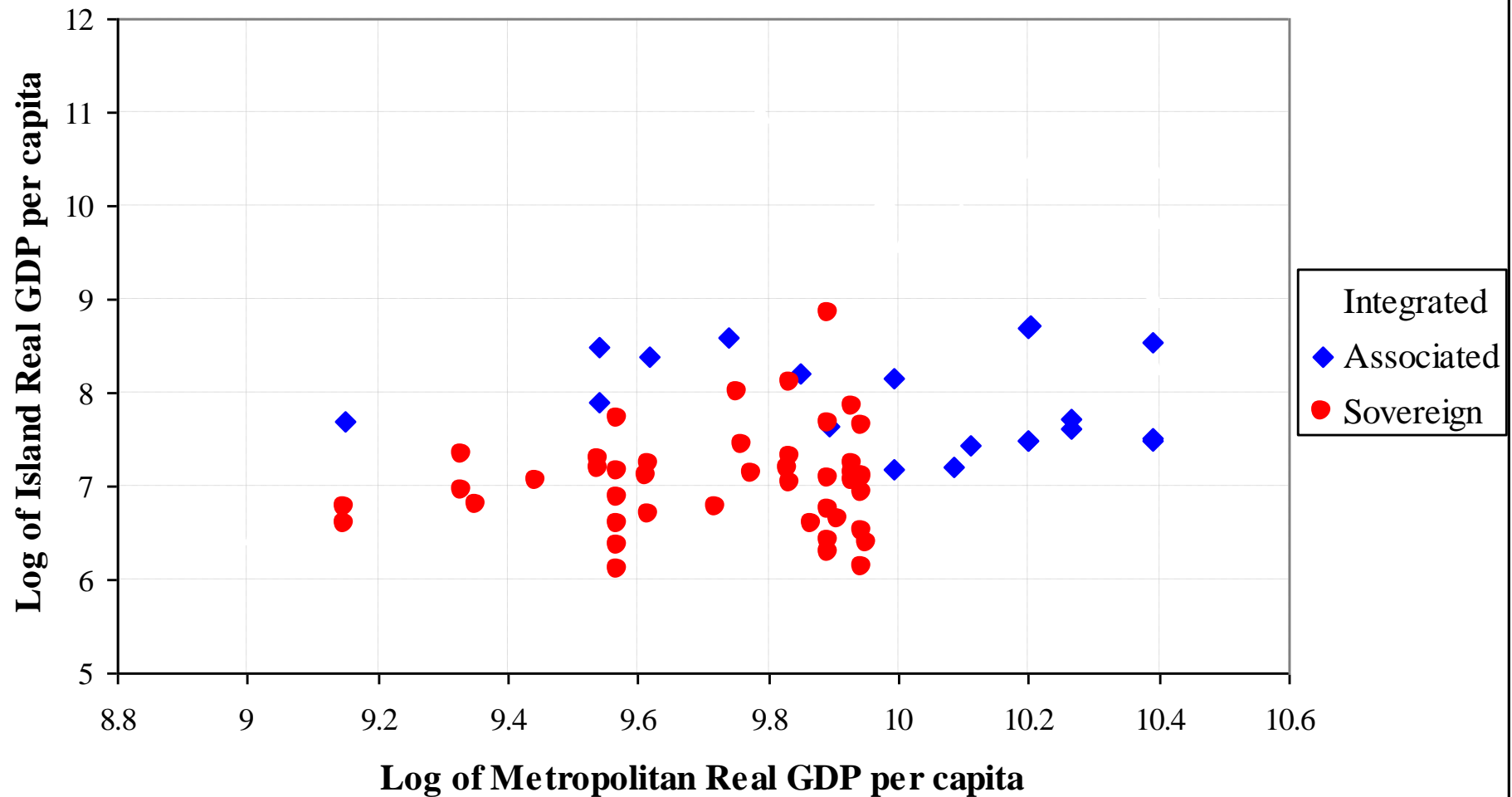
## 22 Pacific Island Economies, Panel Data 1970-2000

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



## 22 Pacific Island Economies, Panel Data 1970-2000

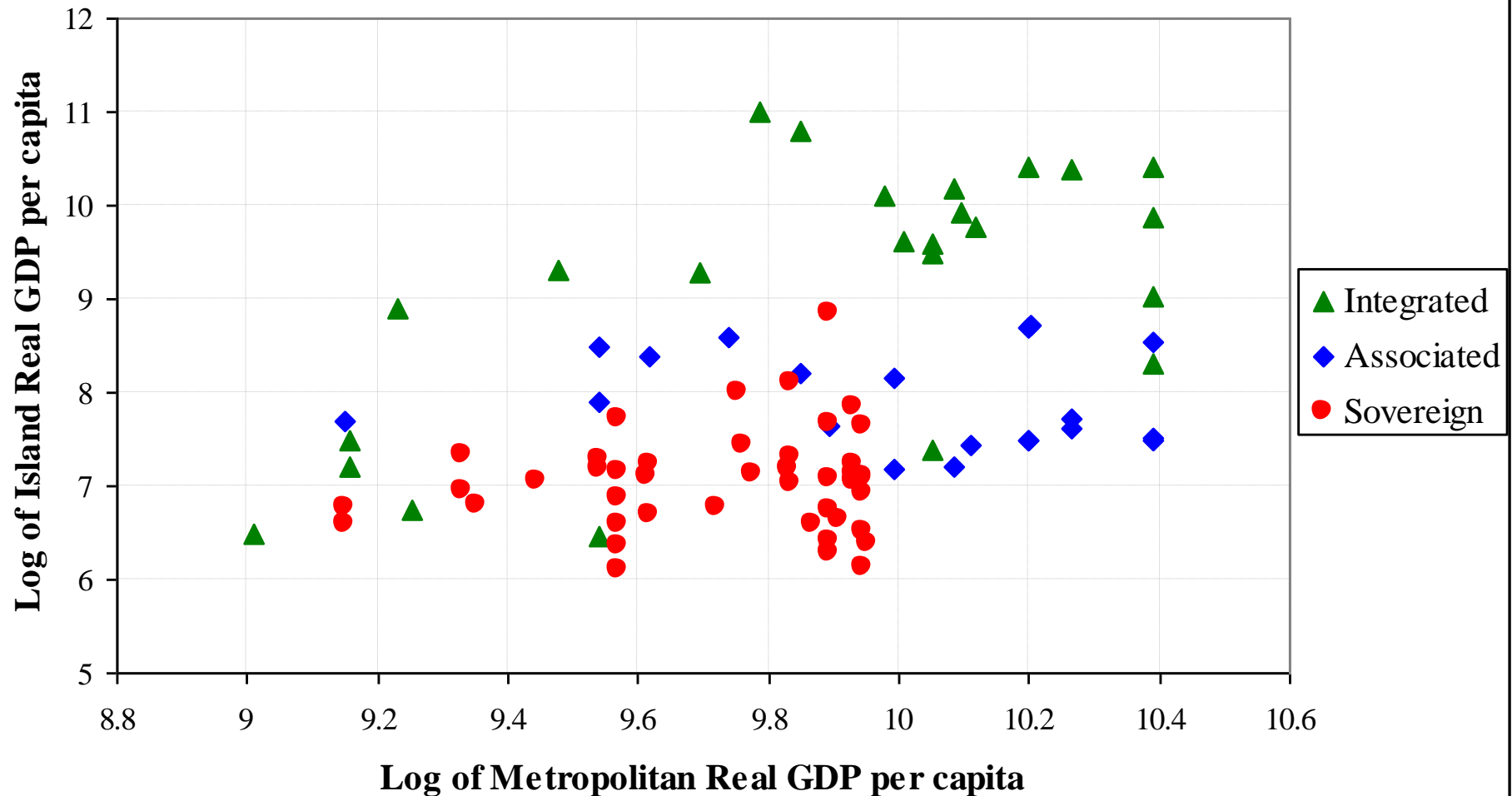
Relationship of Real Per Capita Income of Islands and their  
Metropolitan Patrons, Panel Data at Five-Yearly Intervals, Log Data



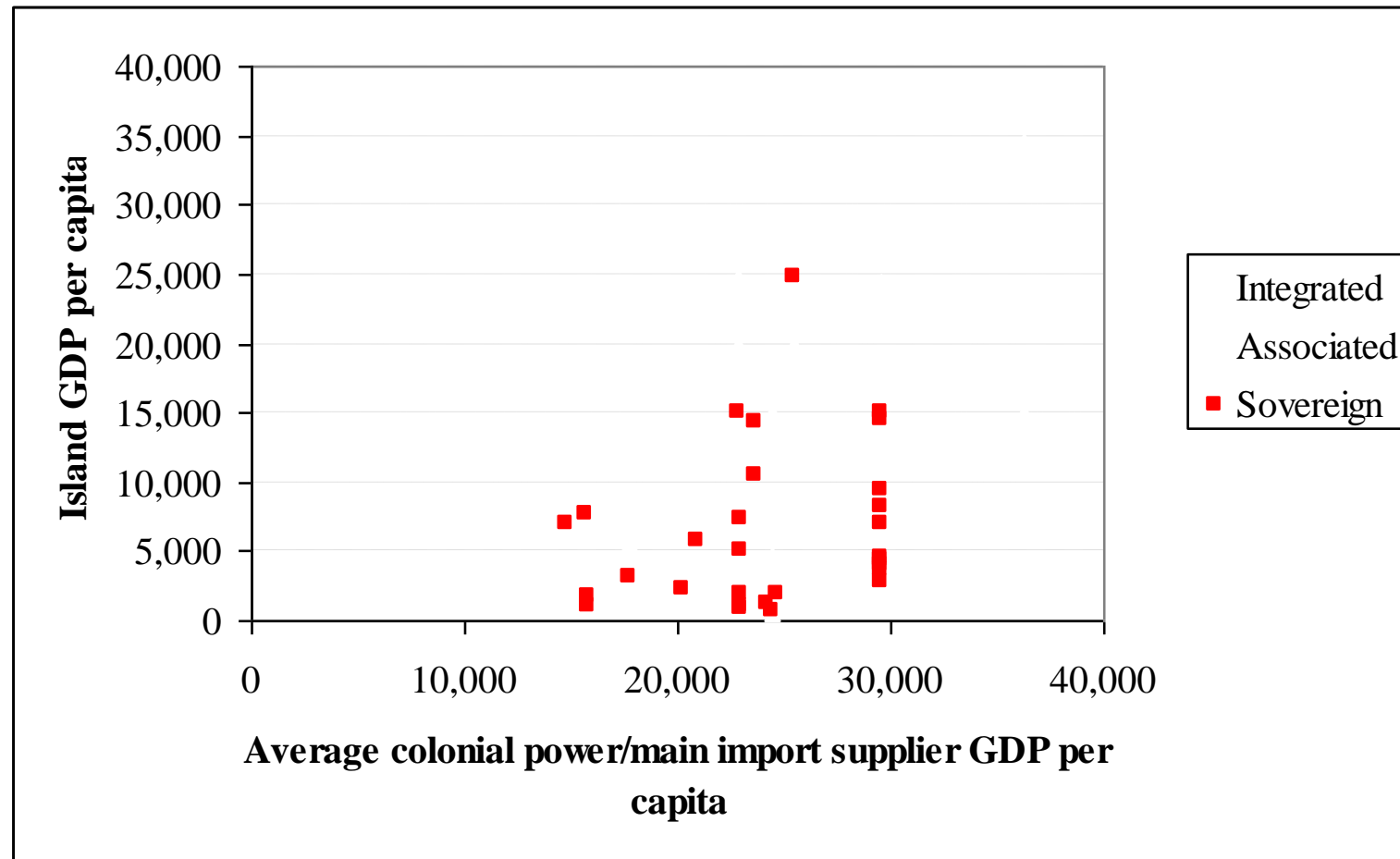


## 22 Pacific Island Economies, Panel Data 1970-2000

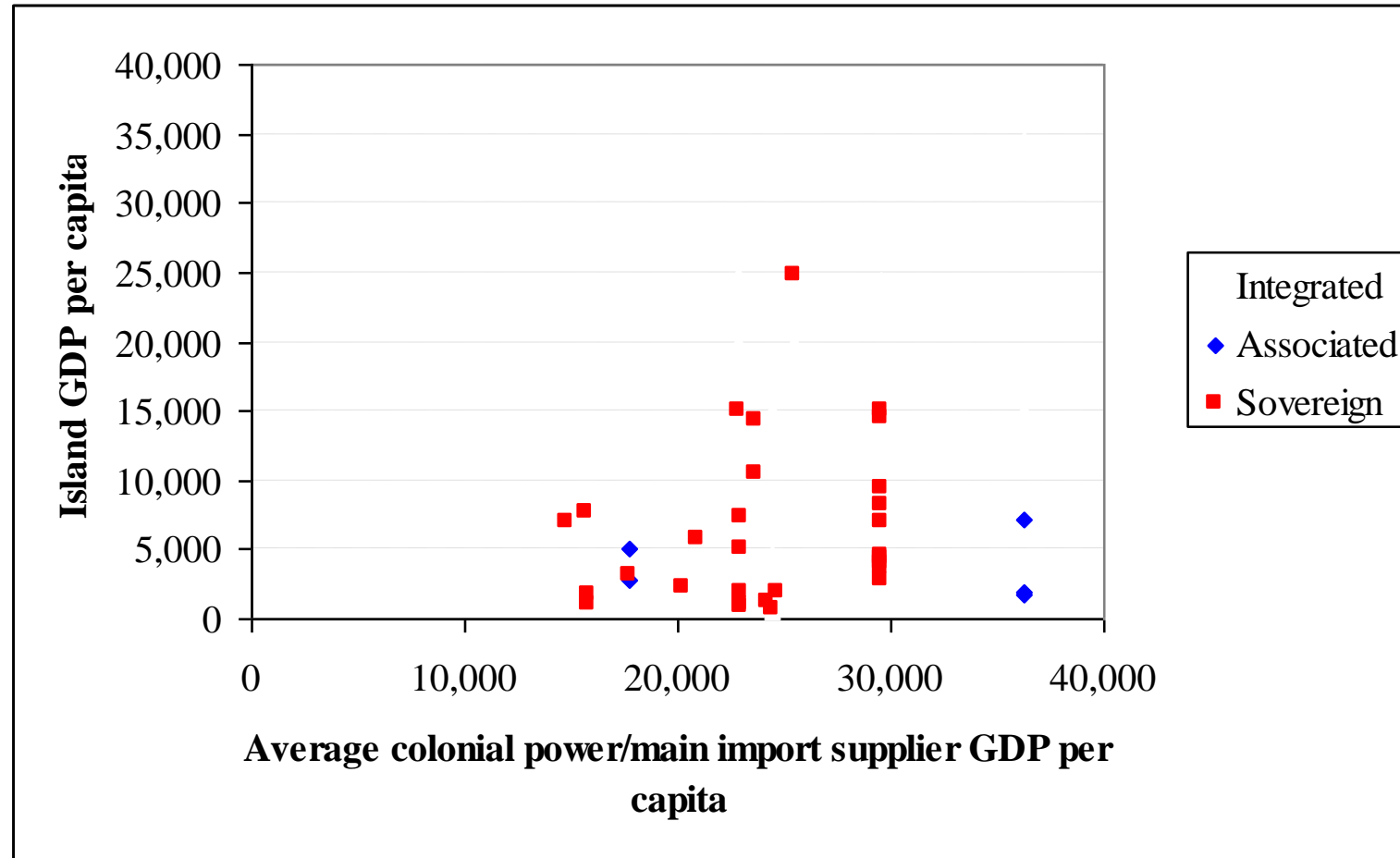
Relationship of Real Per Capita Income of Islands and their  
Metropolitan Patrons, Panel Data at Five-Yearly Intervals, Log Data



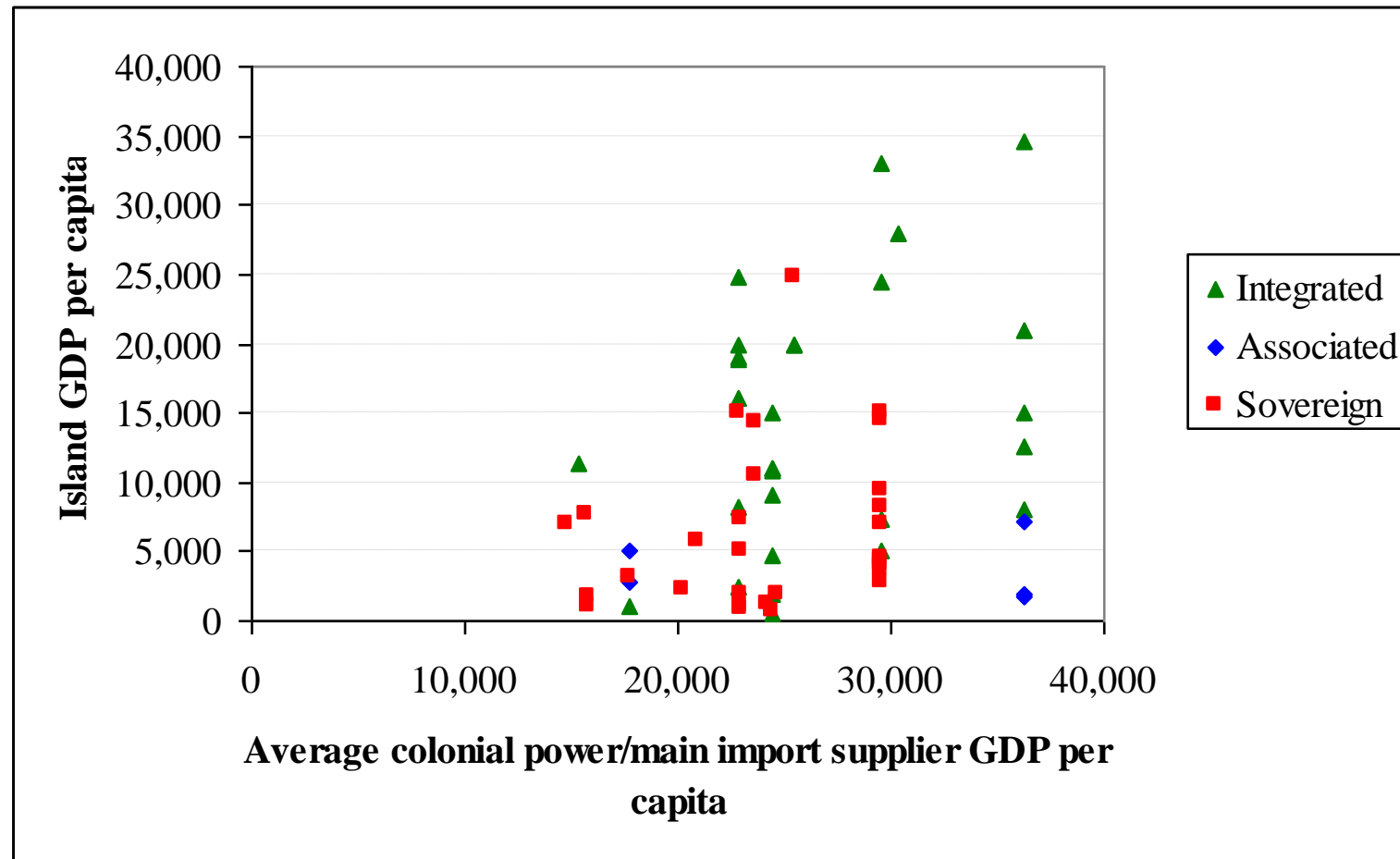
Worldwide sample of 63 island states, cross-section data at c2002, “metropolitan partner” = combined weight in colonial history and import supply



Worldwide sample of 63 island states, cross-section data at c2002, “metropolitan partner” = combined weight in colonial history and import supply



Worldwide sample of 63 island states, cross-section data at c2002, “metropolitan partner” = combined weight in colonial history and import supply



With regional dummies and regression line for each jurisdictional type

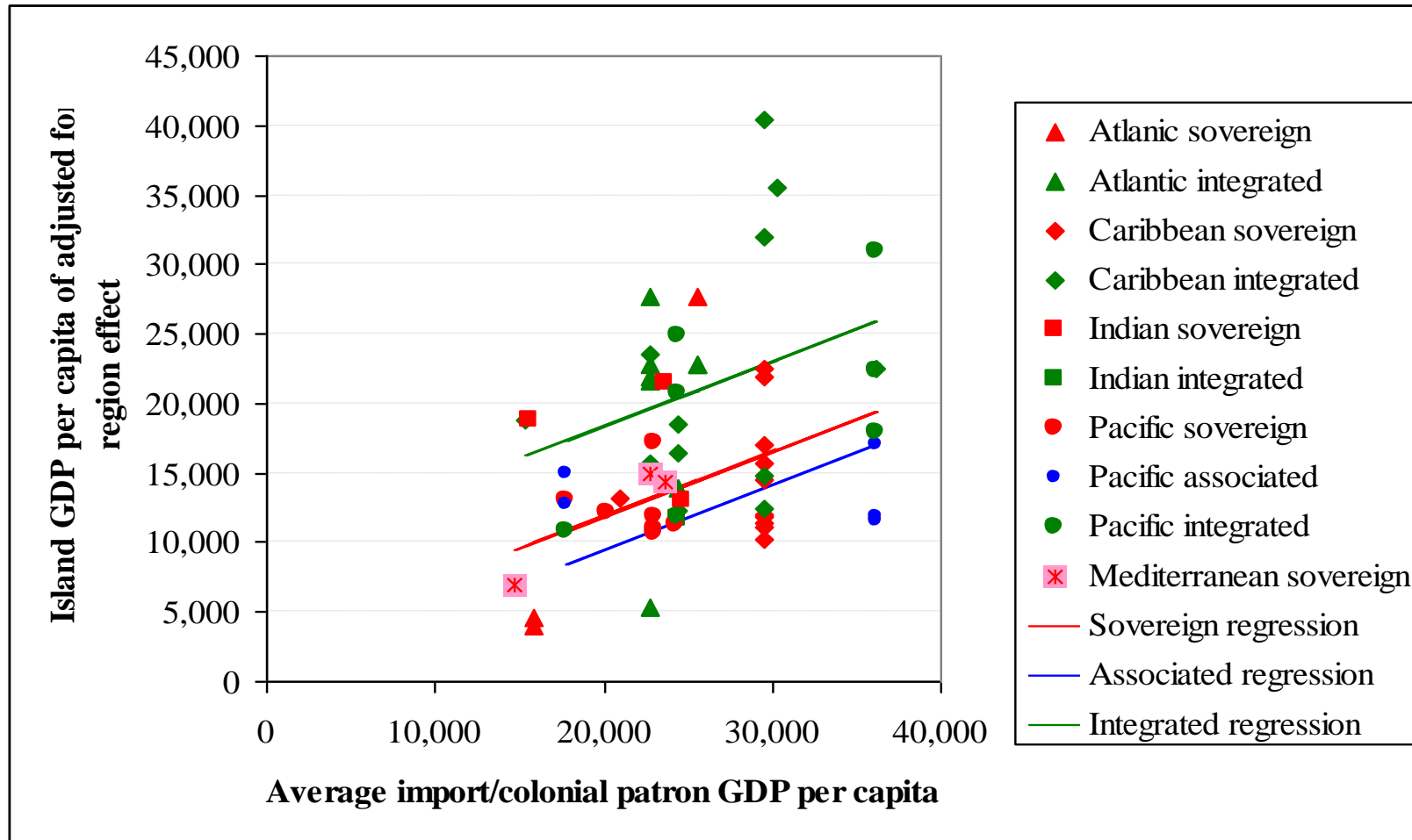
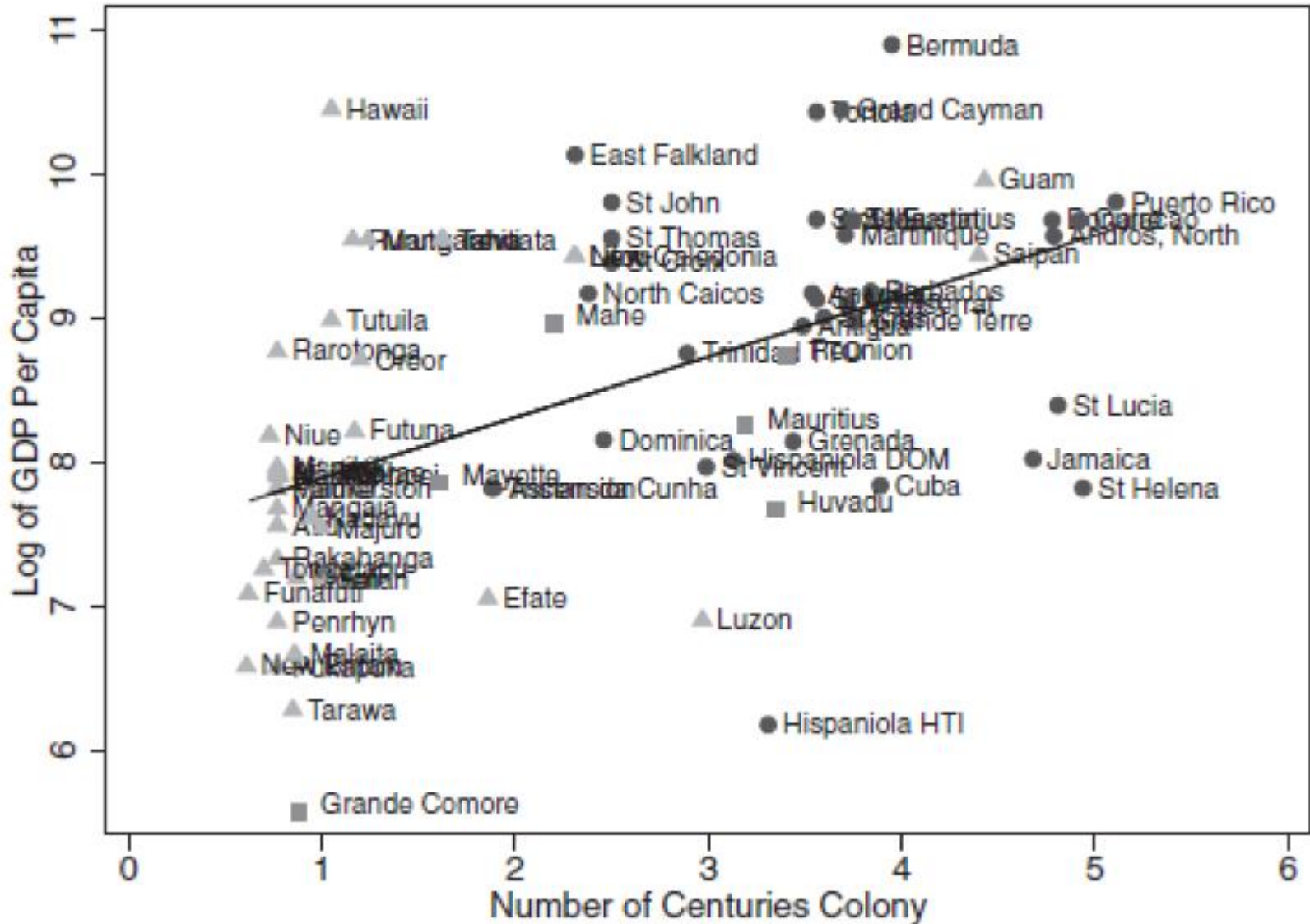


FIGURE 1.—GDP PER CAPITA VERSUS YEARS OF COLONIALISM



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.



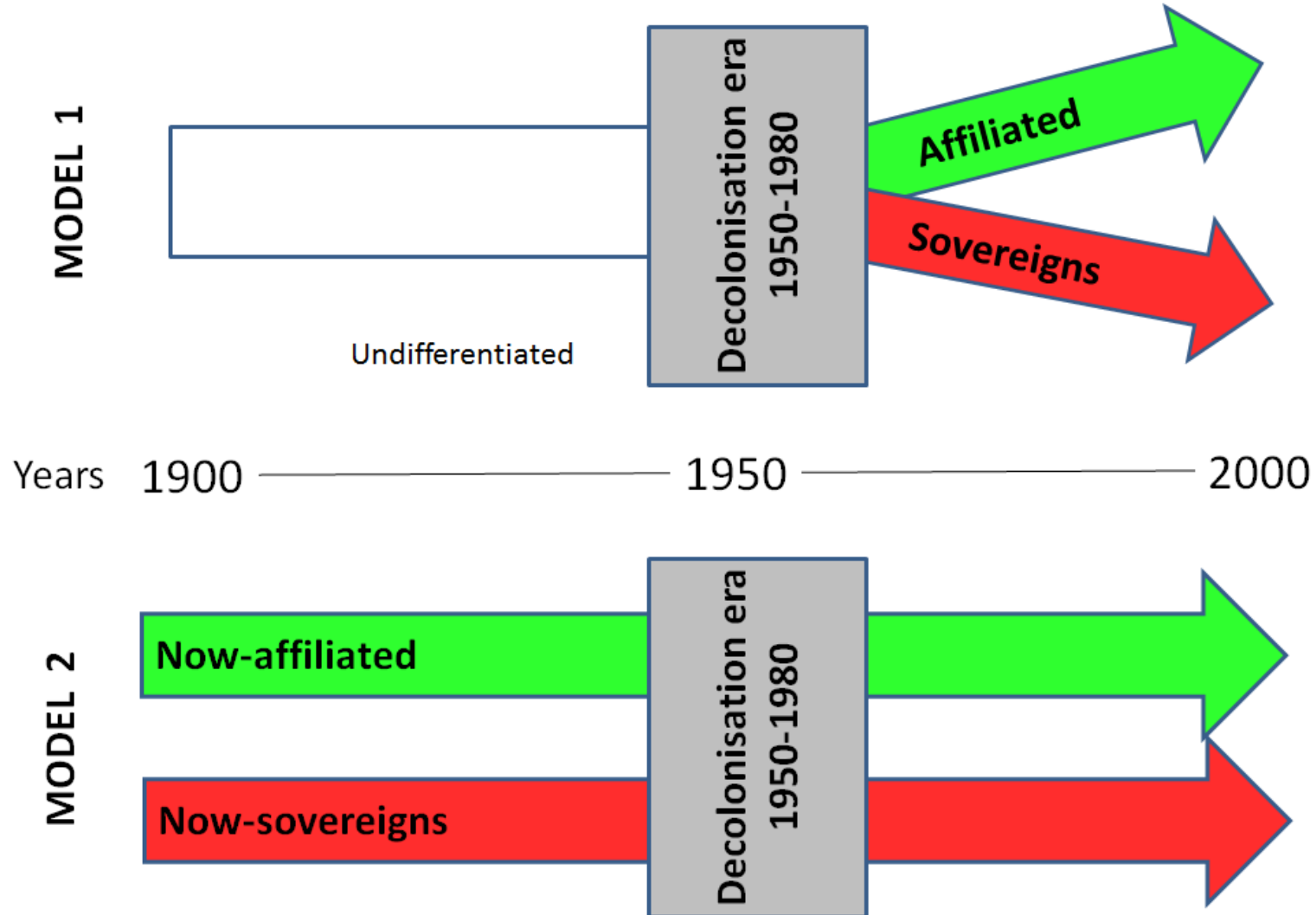
## Things I used to say...

- “The nation state and all its trappings is the biggest threat both to sustaining decent living standards in the islands and to getting sensible behaviour out of aid donors and host labour-markets. The nation state ... confers spurious legitimacy on the notion of sovereign independence as being necessary both for indigenous self-esteem and for “sustainable development” in the usual sloganistic sense. Sovereignty places a deadweight burden on living standards and economic performance when it is pushed beyond the limits of history and common sense. The surrender of carefully-selected aspects of sovereignty is fundamental to small states’ ability to survive and thrive in the modern global order...”
- “Two key attributes of sovereign independence in the Pacific are separation from citizenship in larger developed countries and the need to sustain a far more complex and demanding set of governmental institutions than can be warranted by the size of the populations involved.”
- “Two key features of sub-national non-sovereign jurisdictions in the Pacific are high living standards and easy migratory movement. Poverty in the Pacific is found in PNG, Vanuatu, the Solomon Islands and Kiribati – not in the Cook Islands, French Polynesia, the Northern Marianas, Guam or Hawai’i.”

Geoff Bertram, “Viability, Aid, Migration and Remittances in the Pacific: Some Thoughts” (2010)

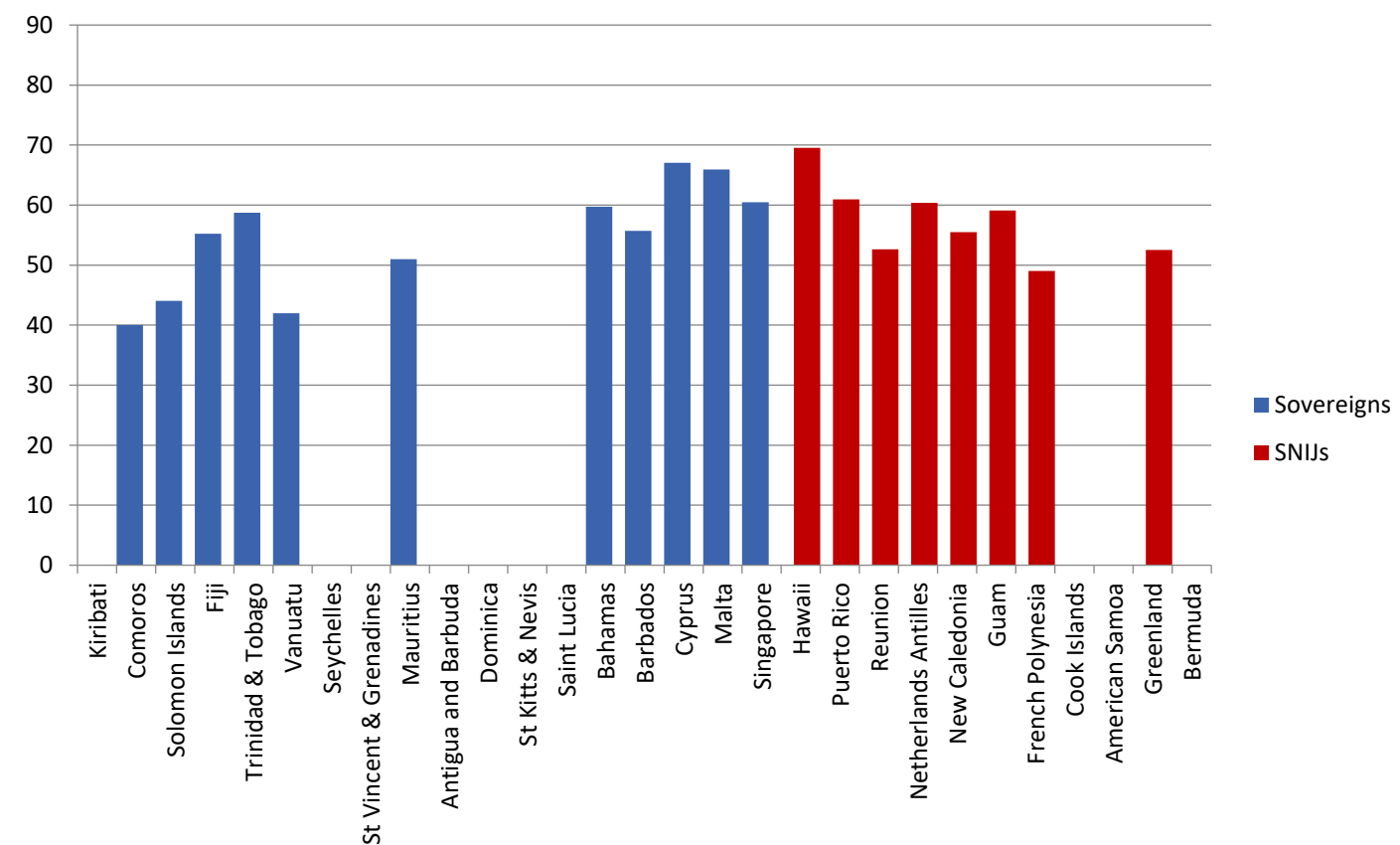
## Two competing models of the origin of modern differences

In 2014-15, I  
switched from  
Model 1 to  
Model 2

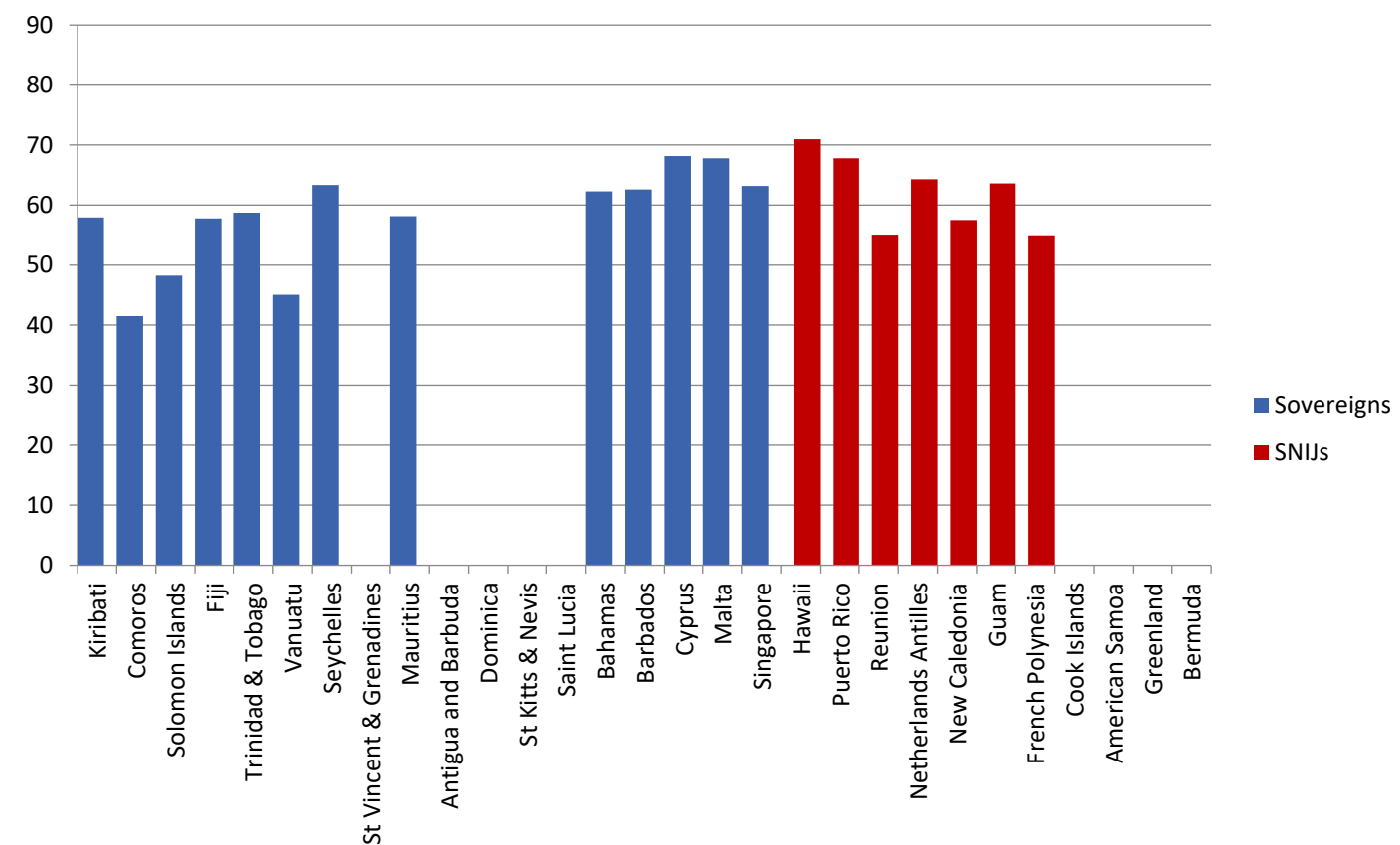


Why did I change my mind?

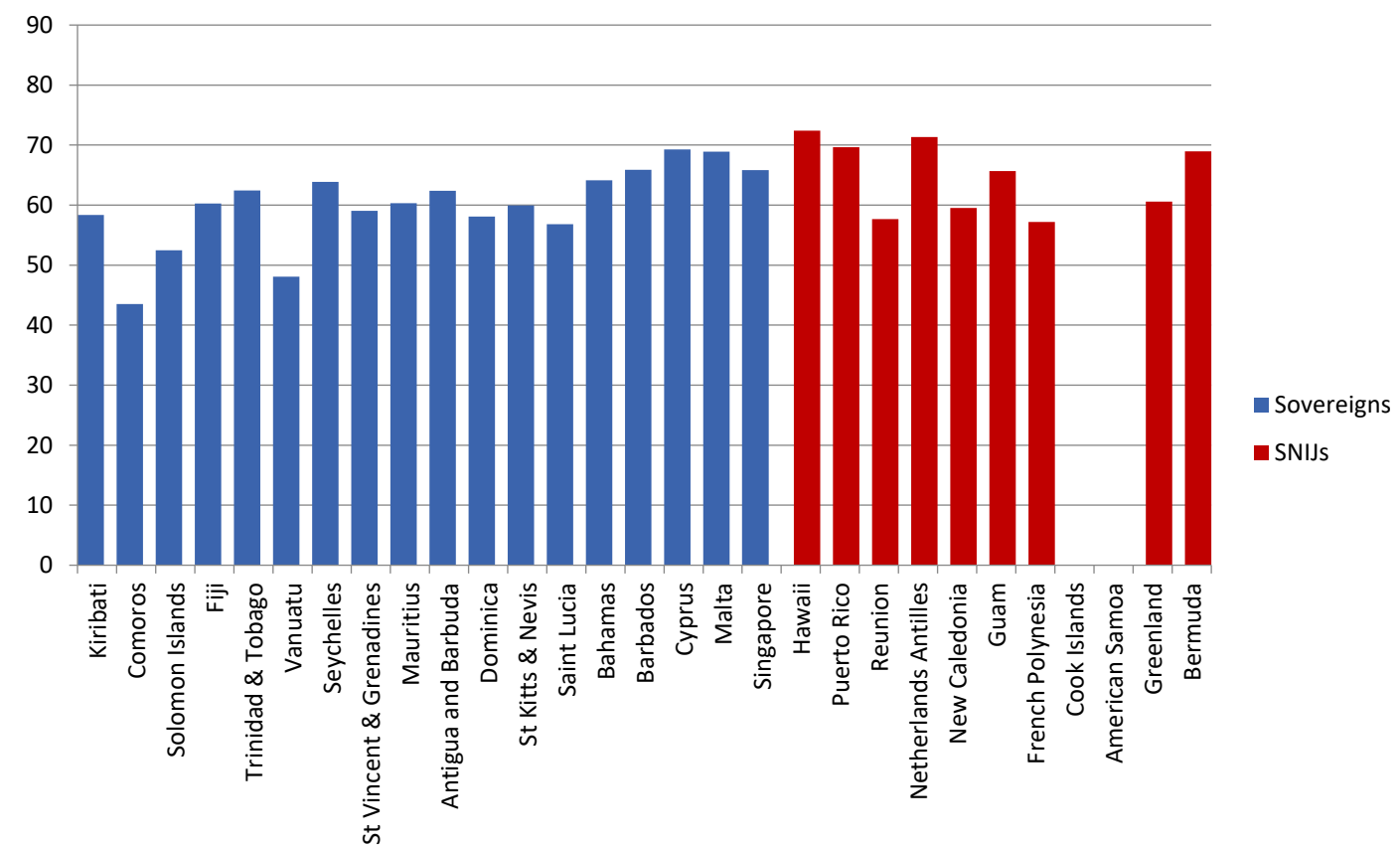
# Life expectancy at birth 1950-55



# Life expectancy at birth 1955-60

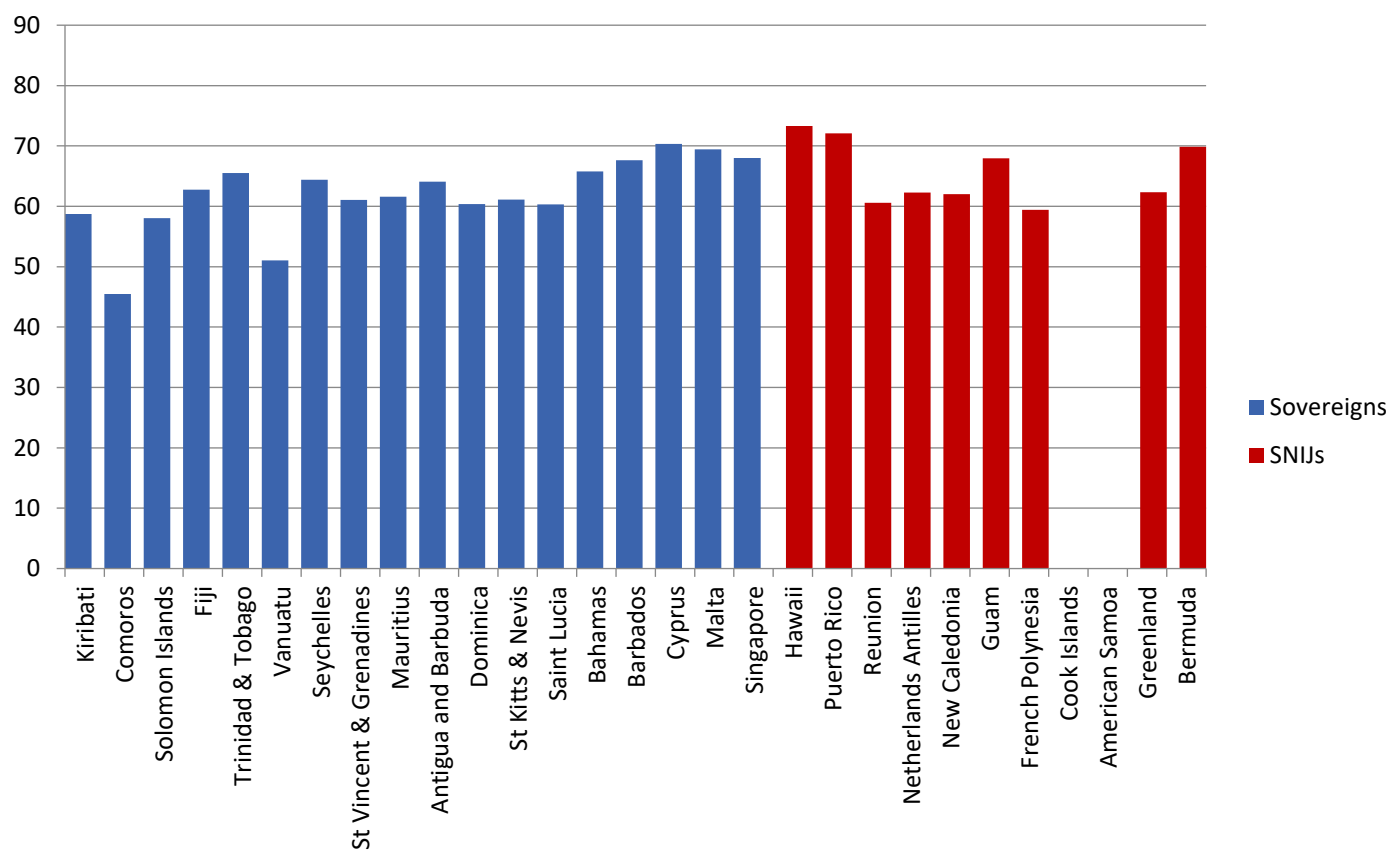


# Life expectancy at birth 1960-65

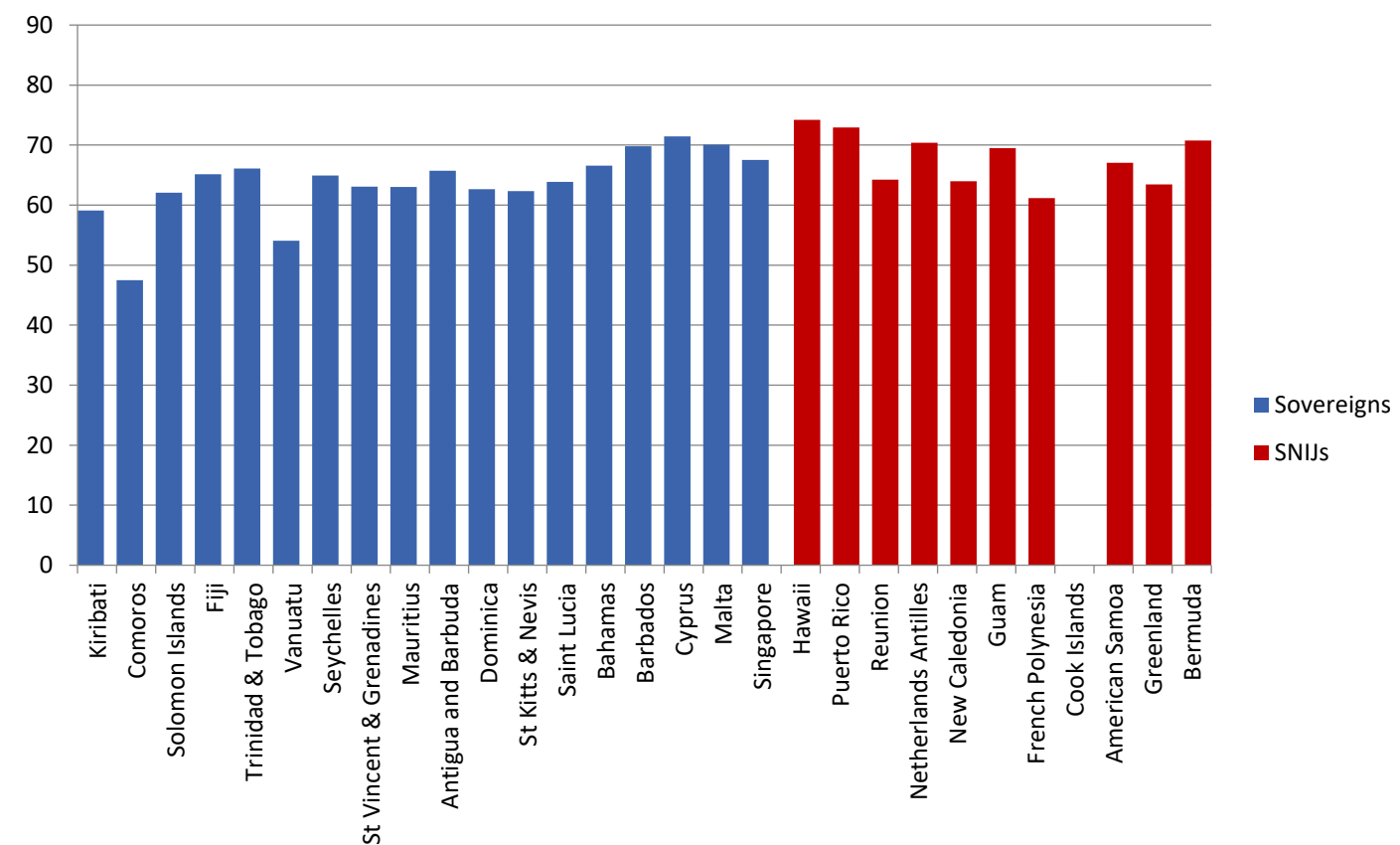




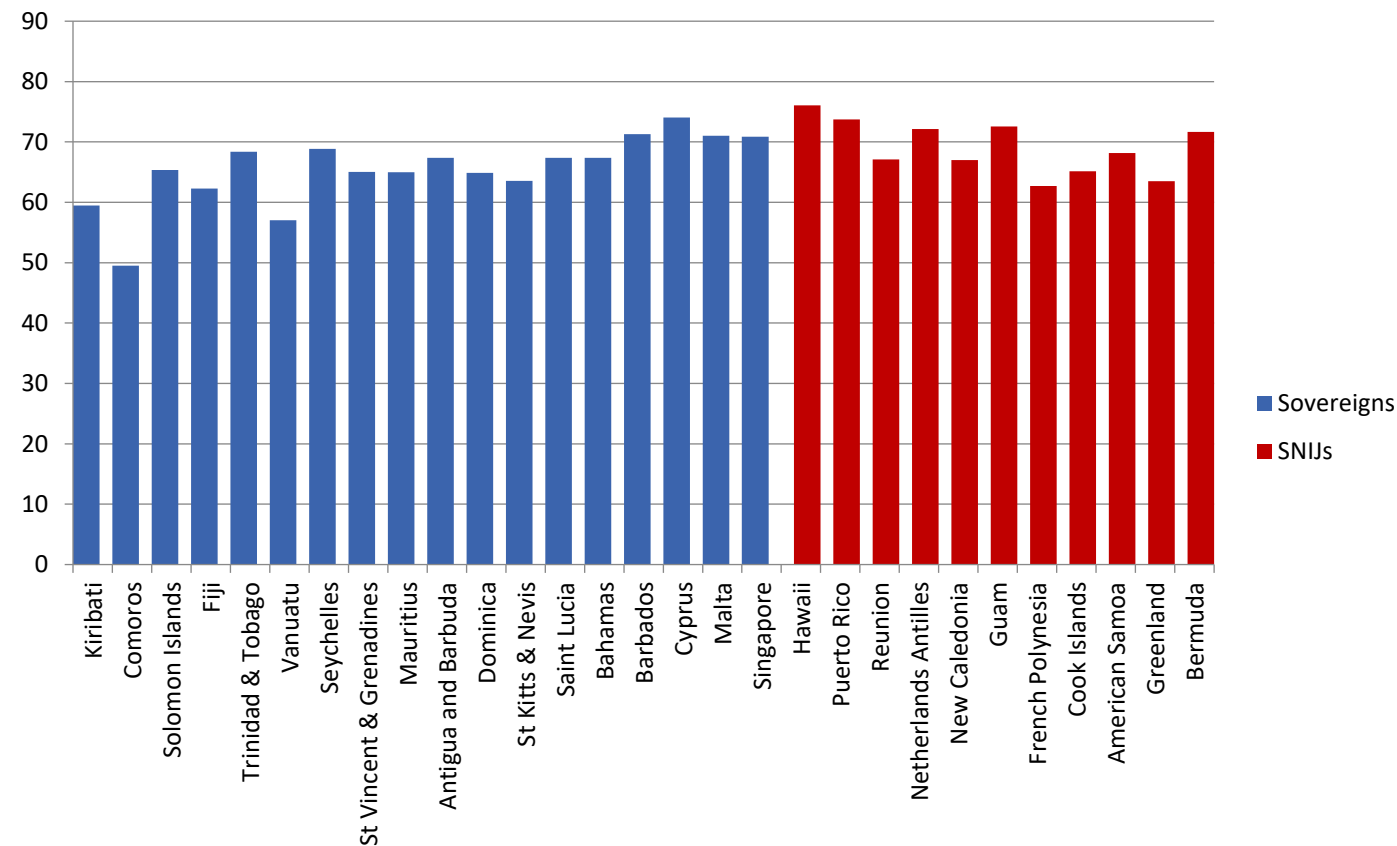
Life expectancy at birth 1965-70



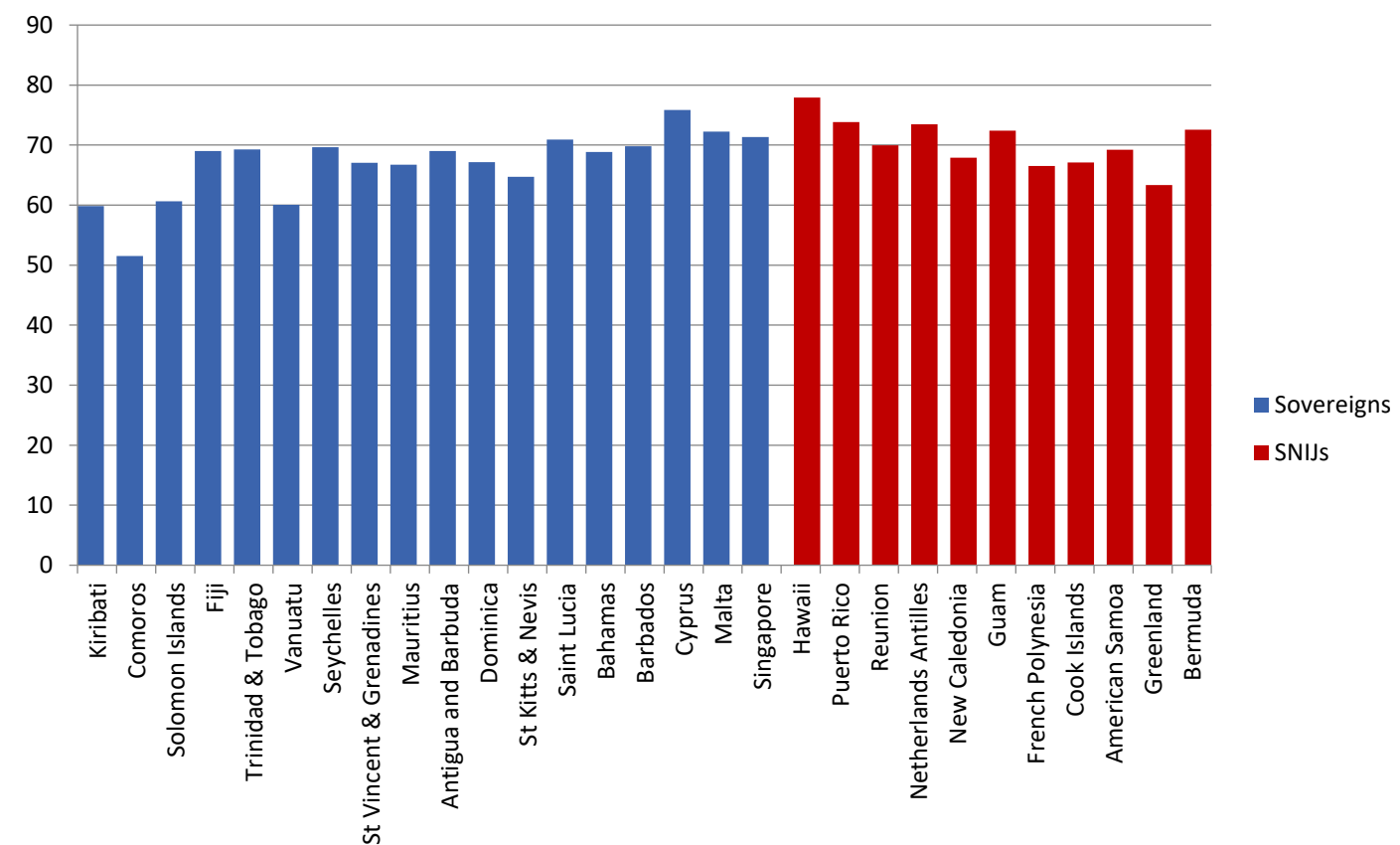
# Life expectancy at birth 1970-75



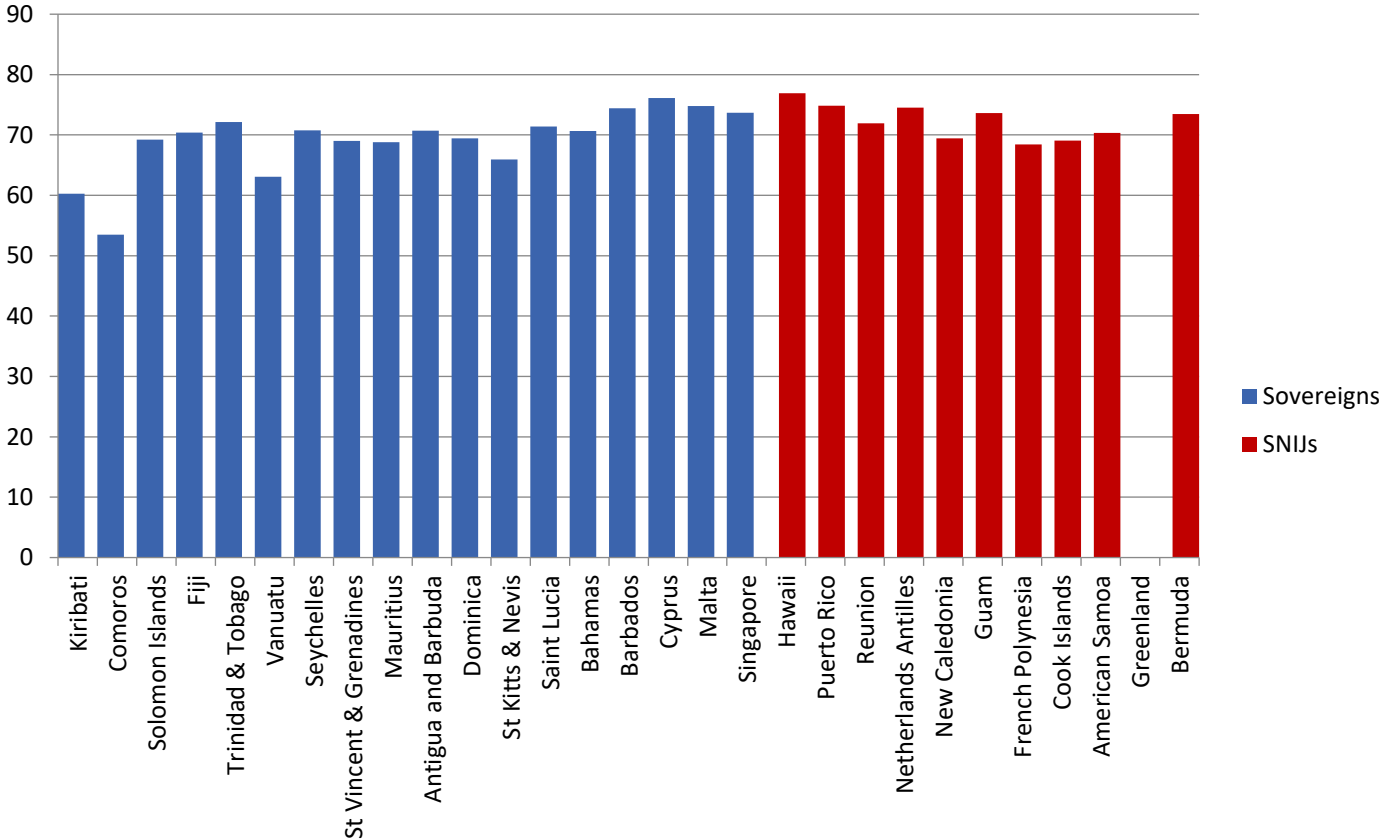
Life expectancy at birth 1975-80



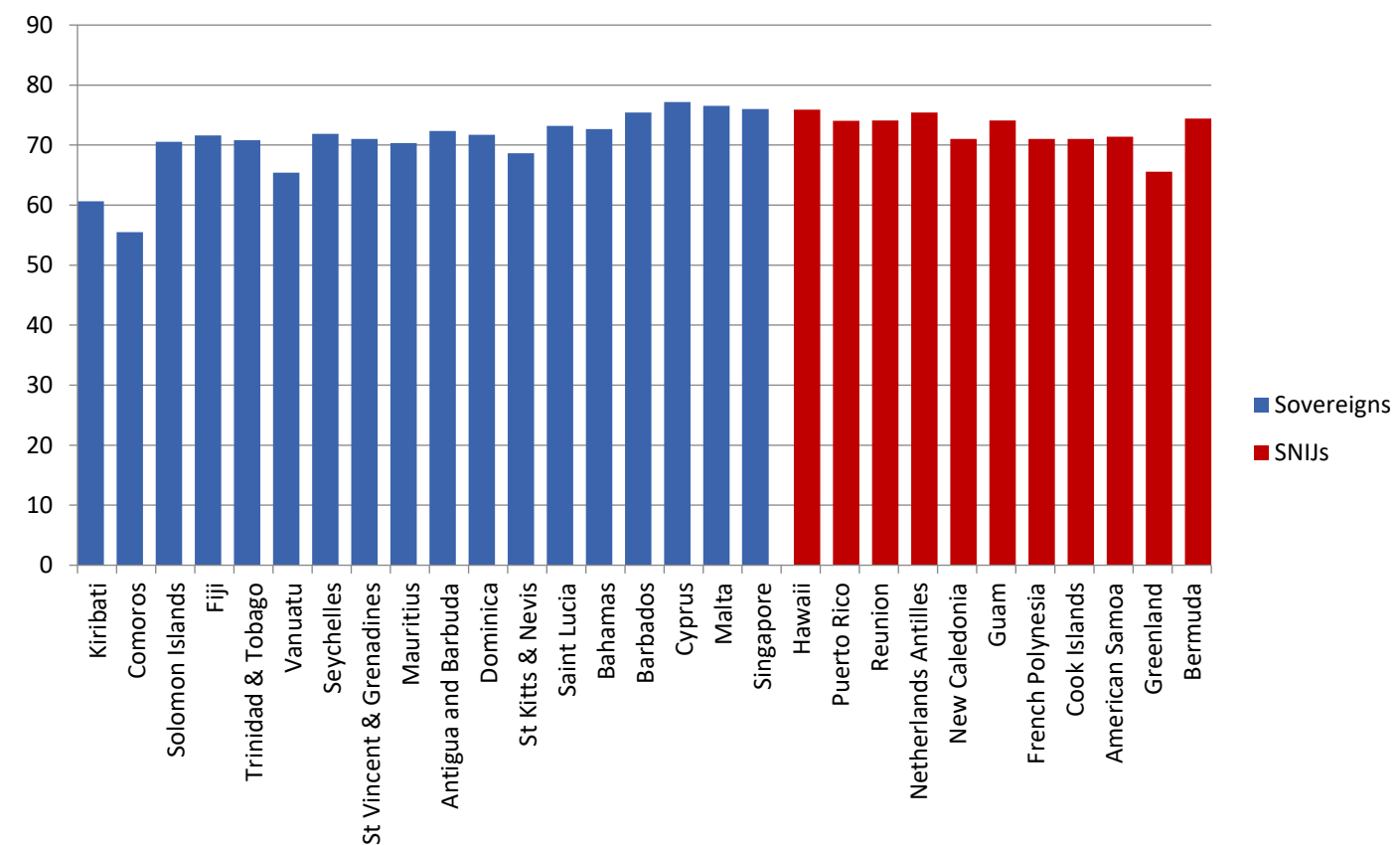
# Life expectancy at birth 1980-85



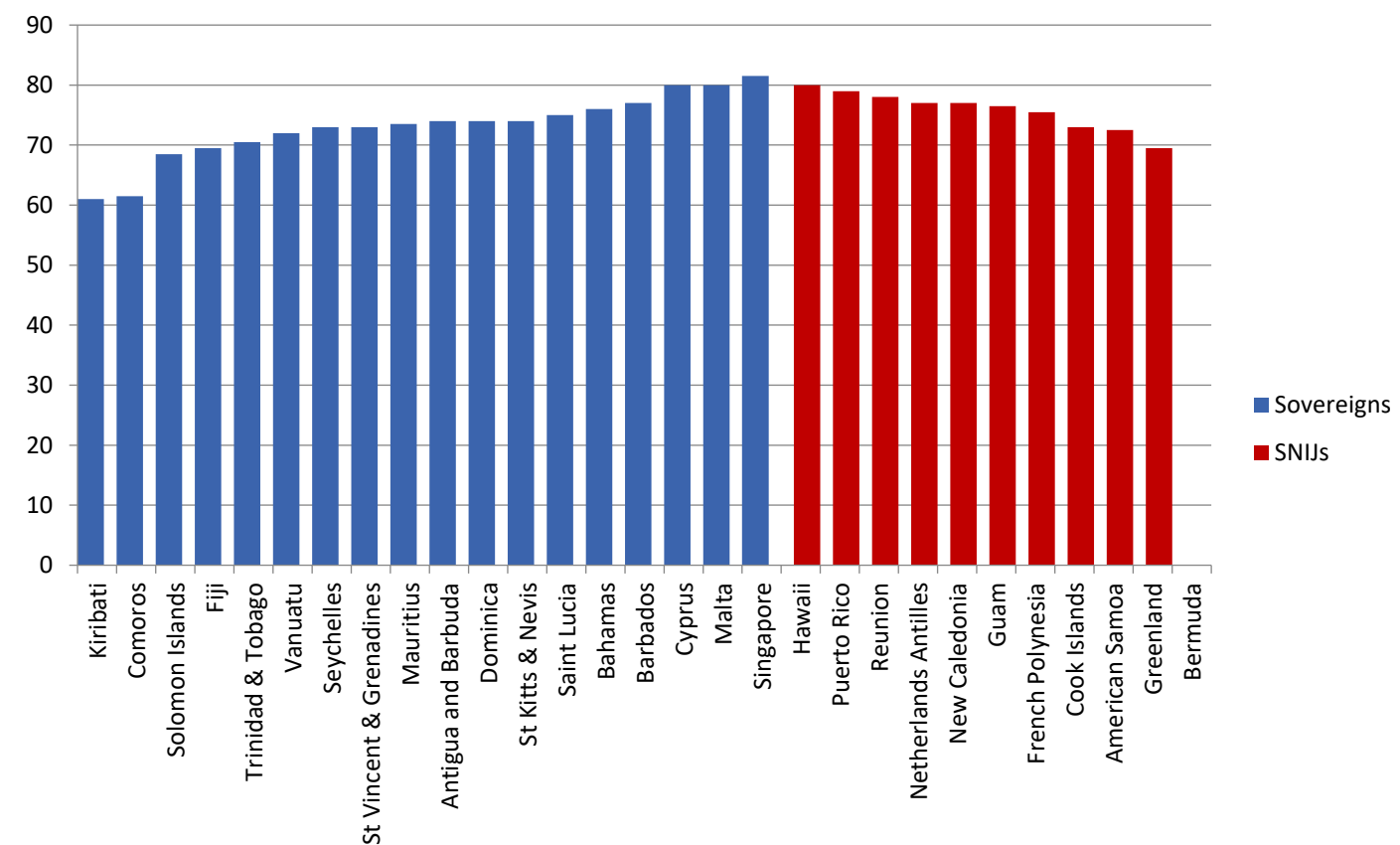
# Life expectancy at birth 1985-90



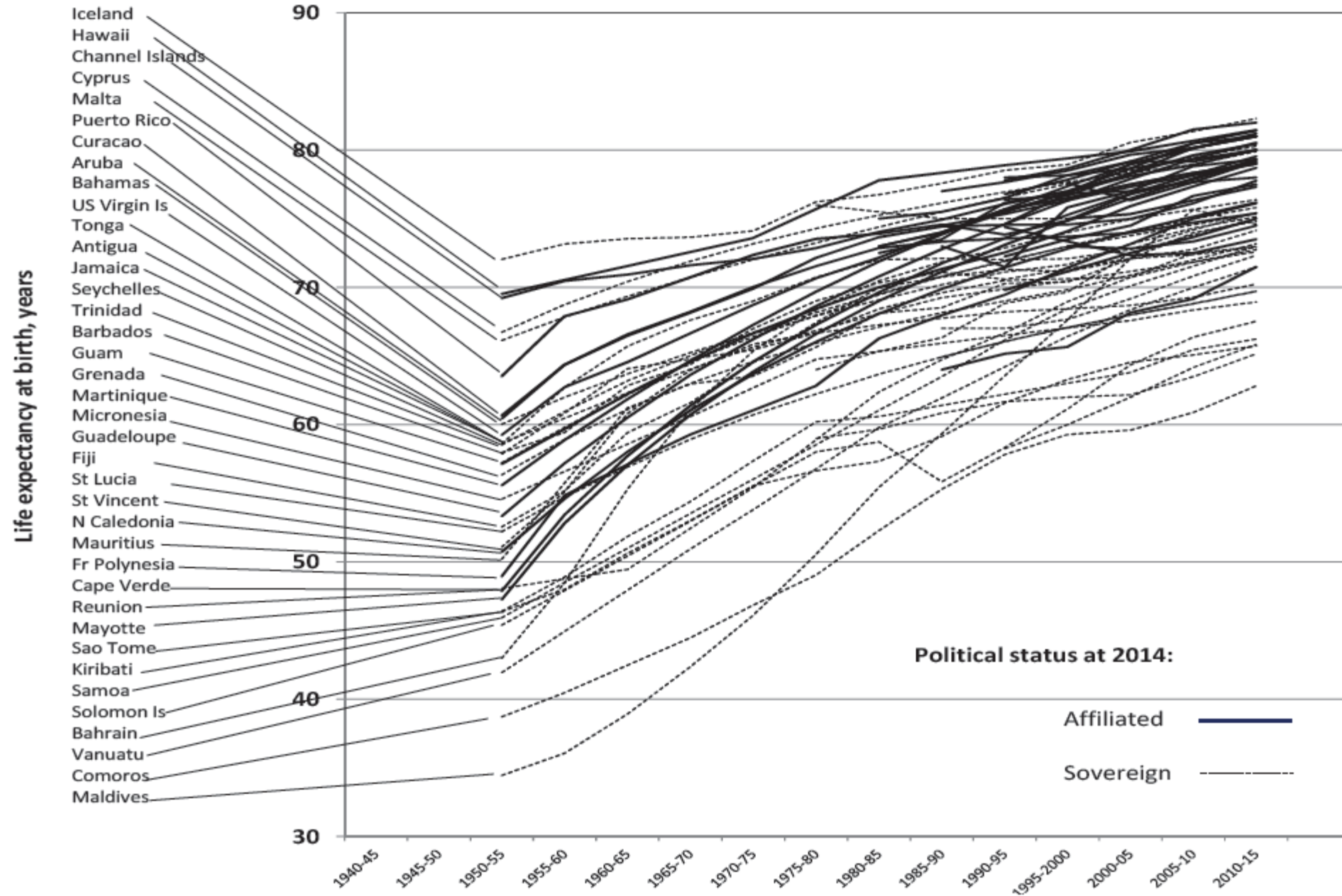
# Life expectancy at birth 1990-95



# Life expectancy at birth 2010-15



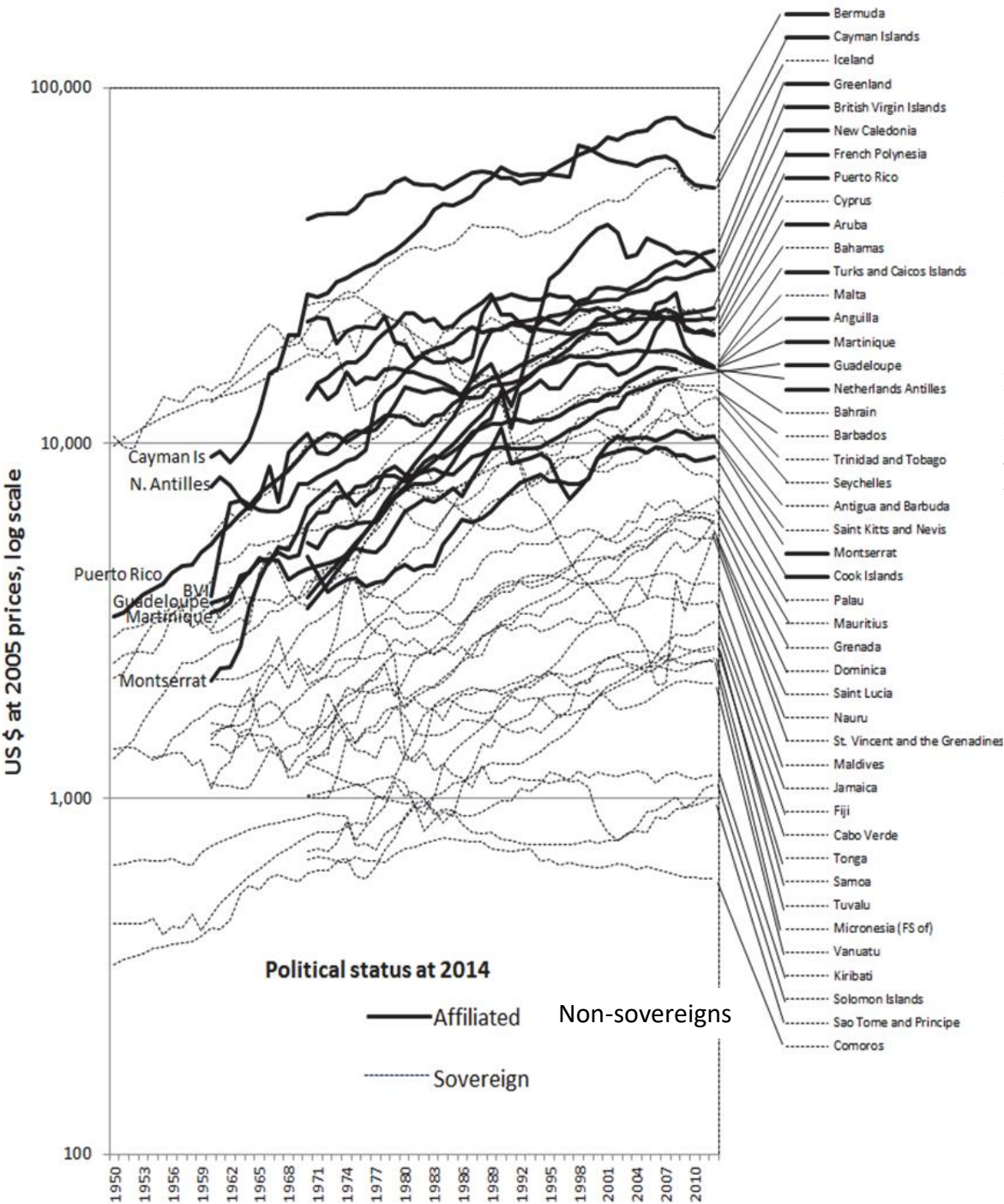
Life expectancy at birth, 64 island economies 1950-2014



Geoffrey Bertram. Is independence good or bad for small island economies? A long-run analysis. *Region et Developpement*, (42):31-54, 2015, p.43.



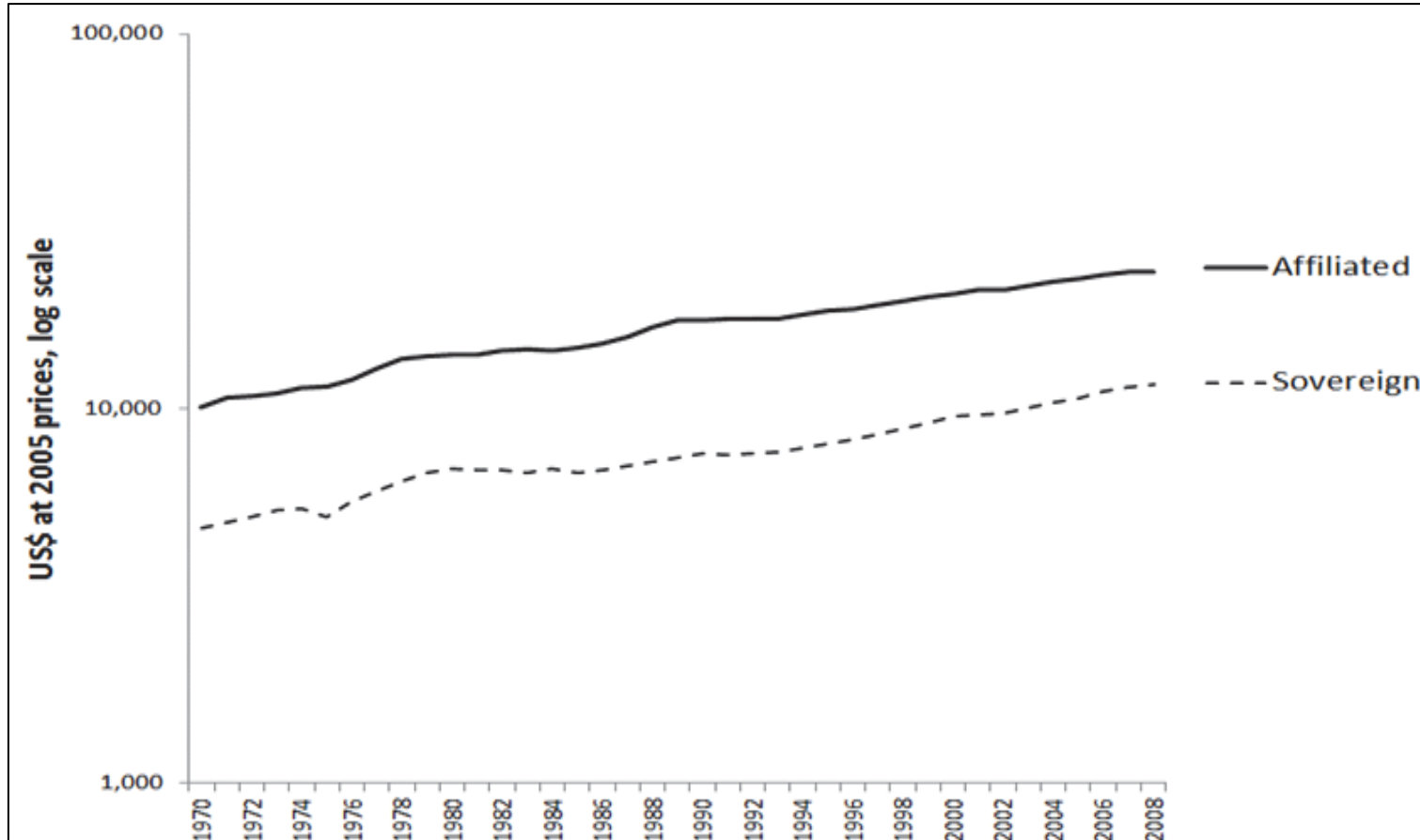
Per capita GDP (in US\$ at 2005 prices) for 47 small island economies around the world, 1950-2012



“Overall ... the available GDP data are insufficient to sustain any strong general propositions pre-1970, and for 1970-2012 they demonstrate parallel growth with no sign of divergence. If indeed political status explains current income levels, the relevant events had all happened by 1970 and nothing since then suggests persistent growth advantages flowing from political affiliation”.

Geoffrey Bertram. Is independence good or bad for small island economies? A long-run analysis. *Region et Developpement*, (42):31-54, 2015, pp.37-38.

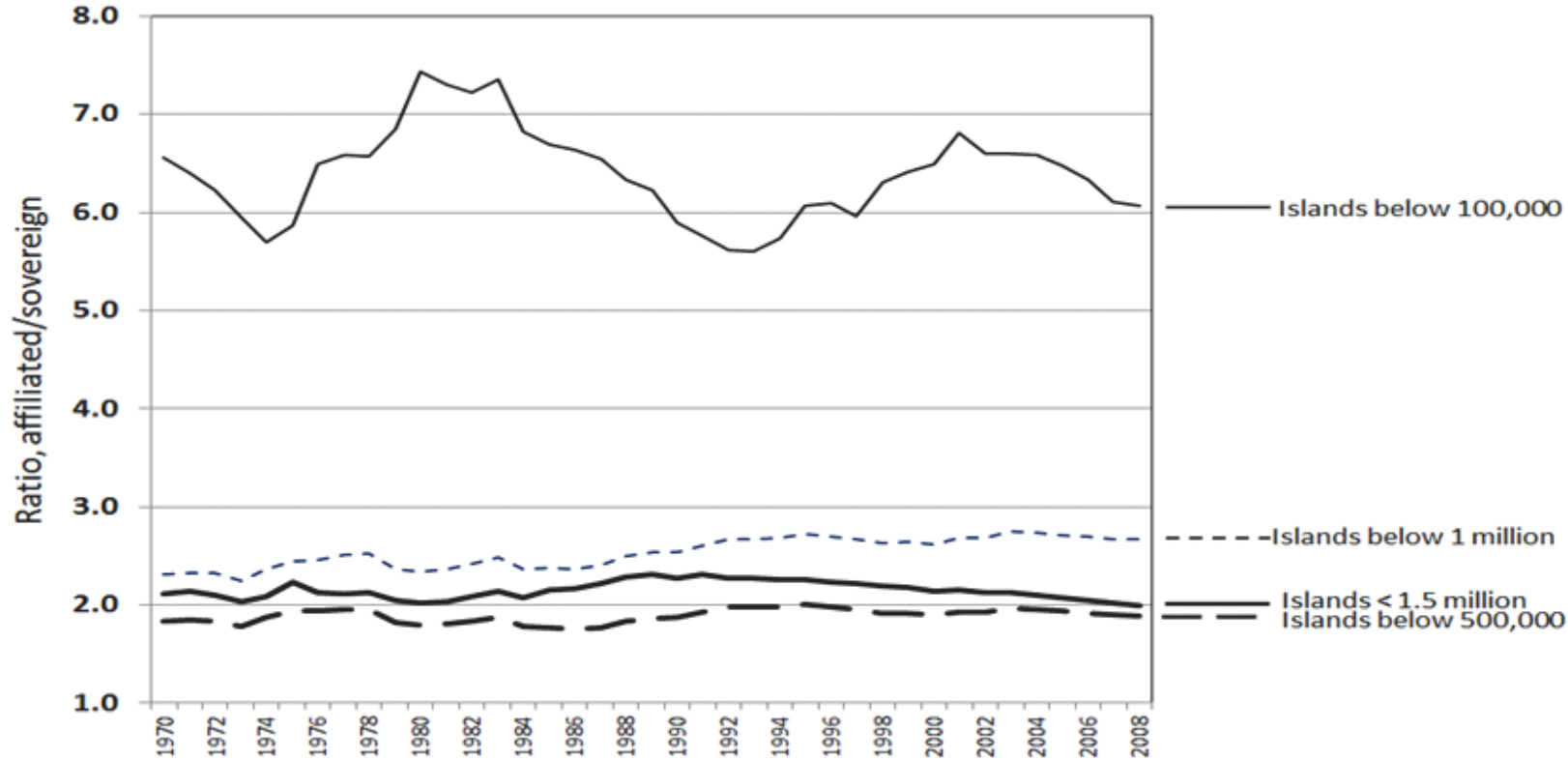
## Population-weighted real per capita GDP for 47 small island economies, 1970-2008



‘The result of this exercise is unequivocal with regard to the period 1970- 2008: among small island economies with less than 1.5 million population, those that became affiliated during decolonisation already at 1970 enjoyed, collectively, double the per-capita income of those that became sovereign, and at the end of the forty-year period the ratio was basically the same. For the more restricted sample of islands below 100,000 population, affiliated islands had on average a far more dramatic advantage at the start (five to six times the per capita income of now-sovereign islands back in 1970) and retained that lead in 2008, although the ratio exhibits wide swings over the four decades.’

Geoffrey Bertram. Is independence good or bad for small island economies? A long-run analysis. *Region et Développement*, (42):31-54, 2015, pp.38-39.

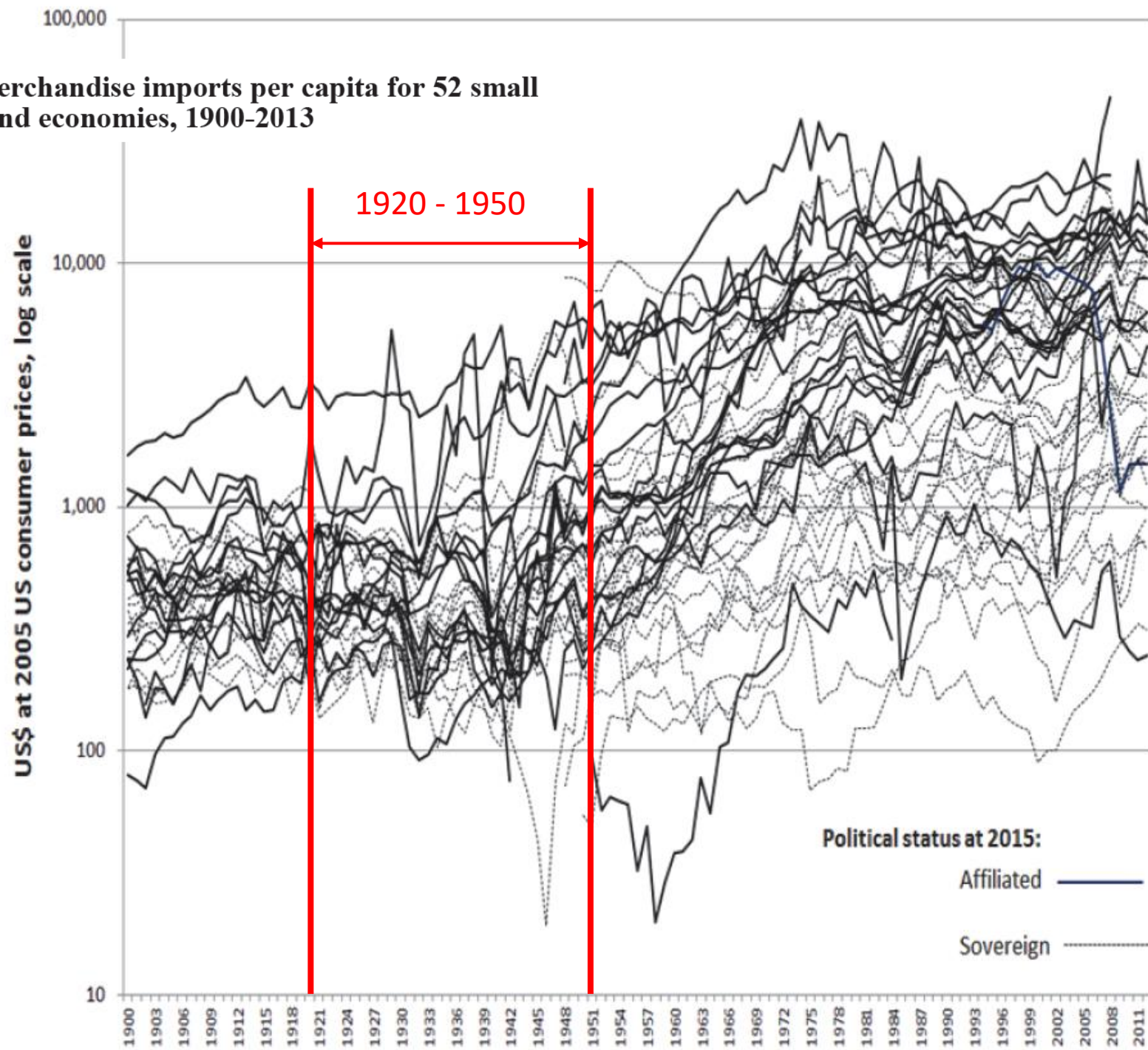
## Ratio of population-weighted real per capita GDP between affiliated and sovereign islands, 1970-2008



‘The statistical evidence of higher incomes in affiliated islands in recent decades ... therefore represents not the end-product of divergence over the past half-century, but rather the persistence of a long-established gap between the two groups dating back at least to the 1960s - a dying echo of some original “big-bang” event either coincident with decolonisation or prior to it.’

Geoffrey Bertram. Is independence good or bad for small island economies? A long-run analysis. *Region et Développement*, (42):31-54, 2015, p.39.

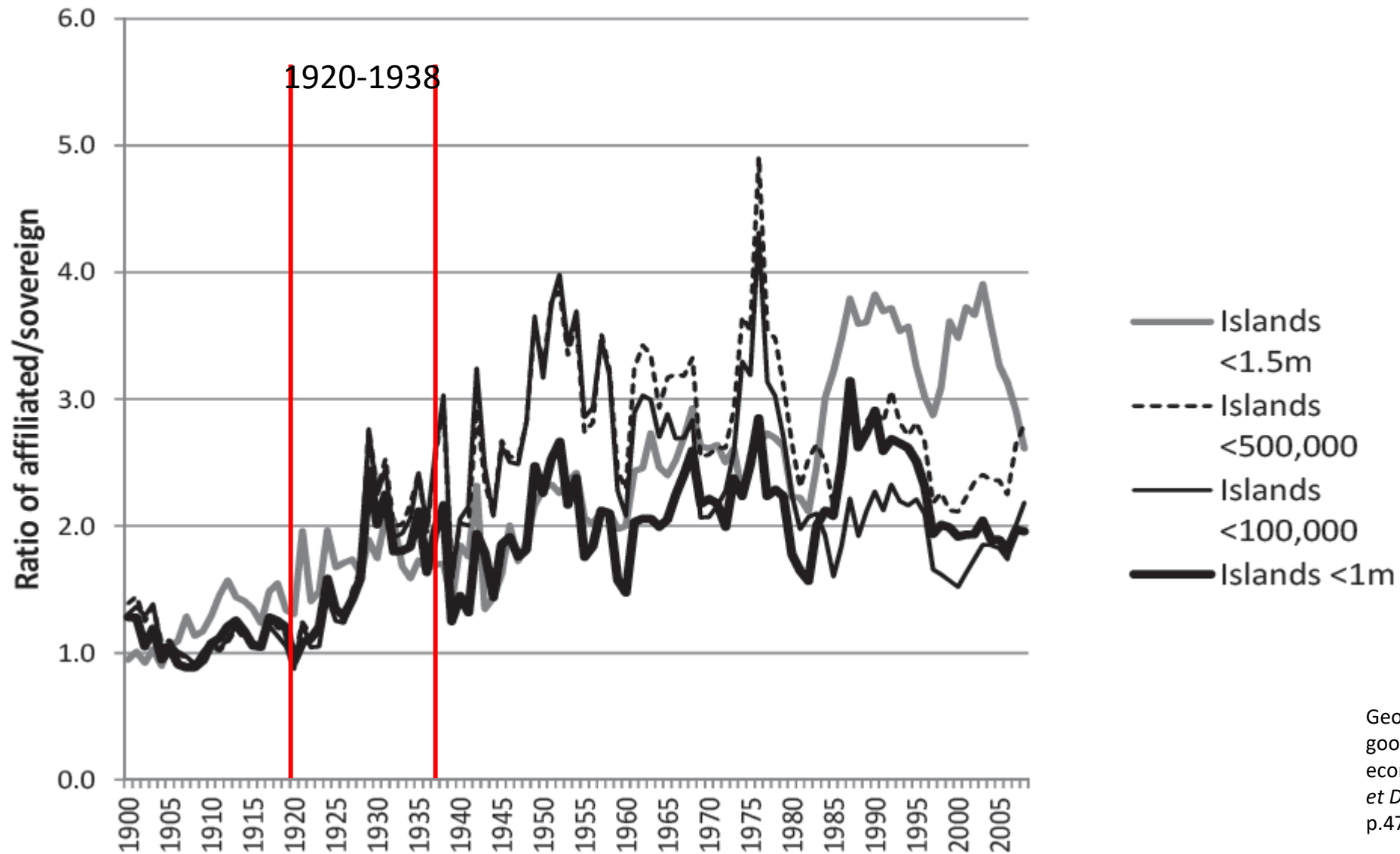
**Graph 12. Real merchandise imports per capita for 52 small island economies, 1900-2013**



Geoffrey Bertram. Is independence good or bad for small island economies? A long-run analysis. *Region et Developpement*, (42):31-54, 2015, p.46.



## Ratio of population-weighted imports per capita (2005 US\$) for 24 small islands, 1900-2008



Geoffrey Bertram. Is independence good or bad for small island economies? A long-run analysis. *Region et Developpement*, (42):31-54, 2015, p.47.

Conclusion: If there's any causality between prosperity and sovereignty it has to run mostly the other way, from the former to the latter.

## 2017 I'm in New Caledonia

“ For New Caledonia, moving to a fully-autonomous, prosperous existence within a self-sufficient regional economy is not an option. Relationships with the outside world beyond the Pacific will remain dominant, and policy options will involve balancing alternative external patrons. Neither Australia nor China has obvious advantages over France as patron, so the first step must surely be to get the best possible results out of the relationship with metropolitan France.

Economic history suggests that no significant economic gains would follow independence from France, though there may well be political and cultural gains for the Kanak people. Whether there would be economic losses from independence is less clear, because of uncertainty about whether France would continue to provide financial support and whether an alternative patron might emerge. The choice is really about which patron to prefer – not about escaping altogether from any patron – and how to identify the institutional arrangements that gain for New Caledonia's population the greatest possible gains from the patronage relationship. ”

- Two ideal-types of colonies
  - Colonies of exploitation: Most of Africa, south and southeast Asia, tropical Latin America
    - In the small-islands setting Samoa, Tonga, Kiribati, Solomon Islands, Vanuatu, Micronesia, Marshall Islands, ...
  - Settler colonies/'Neo-Europes': Canada, USA, Australia, New Zealand, Argentina, Uruguay, Chile, South Africa
    - In the small-islands setting, Hawai'i, French Polynesia and New Caledonia, Reunion and Mauritius, quite a few of the Caribbean islands...
- Among settler-colony islands, a crucial issue is whether there is a surviving indigenous population in occupation
  - Jurisdictional authority is contested when the settler population seeks or asserts superiority/priority over the indigenous
  - Sovereignty can then mean either suppression or liberation for the indigenous people



# Some points about sovereignty

- Three dimensions:
  - freedom from direct control and coercion
  - collective agency in managing local affairs and having the home community represented in, e.g., the General Assembly
  - distributional concerns which can be central – New Caledonia.
    - ❖ Settler colonies v exploitation colonies: settler ones end up with higher GDP per capita but with big issues around conflicting communities, settlers v indigenes - Palestine, New Caledonia, NZ....
- The economic costs and benefits are murky, but my suggestion that moving to sovereignty would be economically damaging is now dead
- A huge issue is exactly who assumes the mantle of power in an independent nation state – and who holds the power in a sub-national jurisdiction

# The French take over the data and the research work

Nicolas Lucic, Vincent Geronimi and Armand Taranco, 'Note sur la mise à jour et l'extension des données des importations des petites économies insulaires (1900-2018)', *Cahier du CEMOTEV* n°1-2021, Paris, November 2021.

Jean-François Hoarau and Nicolas Lucic 'Testing for the imports-led growth and the growth-led imports hypotheses in panels for the small island world', *Revue d'Economie Politique* 2023/4 (Vol.33): 569-600.

Nicolas Lucic and Jean-François Hoarau, 'Le status politique des petites économies insulaires a-t-il influence sur leurs performances de développement?', *Mondes en Développement* 2023/4 No 204.