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Les défis de développement pour les villes et les régions dans une Europe en mutation

Growth and convergence of small insular economies

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Résumé / Summary

Introduction

The small island States and territories meet a particular interest within development economics since the 1960s (Seers, 1964; Demas, 1965). Early literature on small islands has focused on the structural constraints associated to "islandness" (Bertram and Poirine, 2007), such as a reduced size, remoteness and a relative proneness to natural disasters (Briguglio, 1995), that prevent them from following the growth path of other States and territories. This assumption led to the development of an economic vulnerability paradigm specific to the Small Island Developing States (Briguglio, 1995; Adrianto and Matsuda, 2004; United Nations, 2005; Briguglio and al, 2009; Naudé and al, 2009; Santos-Paulino, 2010; Angeon and Bates, 2015). It also led in putting up some small island specific economic development models such as the Migrations, Remittances, Aid, Bureaucracy (MIRAB) model (Bertram and Poirine, 2007) the People, Resources, Overseas management, Finance and Transport (PROFIT) model (Baldacchino, 2006) or the Small Island Tourist Economy (SITE) model (McElroy (2006) et Oberst et McElroy (2007), which basically are all path-dependent with more or less options for small islands to differentiate their strategy.

By questioning the path-dependent models and the vulnerability paradigm, a series of studies have focused on the differentiation of the long-term growth trends of the small island economies, with regards to their GDP per capita.

A first series of studies consider political affiliation as the main factor of the GDP per capita disparities among islands. According to Poirine (1999), the GDP per capita level is quite higher in politically affiliated islands

than in sovereign small islands States. While some initial work on small islands using cross-section data had argued in favor of a causal relationship with independence acting as a drag on development performances, recent studies (Bertram, 1999; McElroy and Mahoney, 2000; Baldacchino, 2006; McElroy and Pearce, 2006; Bertram and Poirine, 2007; Baldacchino and Bertram, 2009; Dupont, 2010, McElroy and Parry, 2012) generally admit a negative correlation between sovereignty and per capita GDP. This is mainly due to the fact that affiliated island economies don't have to carry the expenses of a sovereign statehood and a full-service government, but also because of lower trade barriers between these islands and their metropolitan patron. In a recent original work, Bertram (2015) uses long-run time series of GDP per capita and health statistics to provide support that the divergence of the growth performances of the small islands is not due to their post-colonial status but was established prior to decolonization. Trade data indicates that the divergences between the two groups of islands became apparent during the 1920s and 1930s and was well entrenched by the time the decolonization process got underway in the 1950s.

A second series of studies tests whether the GDP per capita of the small island economies converge or not. Cashin and Loayza (1995) apply a Solow-Swan model with panel data from nine Pacific small island States in order to test convergence in GDP per capita between 1971 and 1993. Their results reject the convergence assumption and show a dispersion of the GDP per capita trends mainly due to the level of exchanges and transfers with their main commercial partner. McCarthy and Zanalda (2001) apply a Barro's growth model to a panel of Caribbean small island State economies in order to compare their GDP per capita long-term performances to variables such as the importance of the external trade, the investments in human capital or the quality of the institutions. Bertram (2003) produces a robust econometric analysis with cointegration models in order to test whether the per capita GDP of 60 small island economies can be explained by the political linkages tying each island to a corresponding metropolitan patron over the last three decades of the twentieth century. He delivers evidence that small islands converge to the income levels of their patrons but not to each other.

Although they admit that most of these economies meet high nominal growth rates, Charles and al (2011) contest the assumption of a convergence of the GDP per capita of the French overseas Departments and Territories with metropolitan France on the long run, when not taking into account the financial transfers and aids they receive from the latter. They also deliver evidence that these insular economies suffer from a structural lack of competitiveness in the international markets.

The aim of this paper is to study the long-term growth of the small island economies, by using panel data for 32 islands with GDP per capita series from 1995 to 2011, in 2011 fixed prices. Data is provided by the World Economy fact book and from Eurostat for the European overseas insular Departments. The paper delivers evidence that small economies don't converge; on the opposite, they seem to follow parallel growth trends. When taking into account their political status (sovereign or affiliated) or their geographical position (European, Caribbean, Indian Ocean, Pacific).

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