Independency or not?

A comparative analysis of the effect of (non-) sovereignty on the economic performance of small states and dependencies in the Caribbean

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1. Introduction

Since the creation of the United Nations in 1945, more than 80 new states have emerged mainly due to the decolonisation and the more recent dissolution of the Soviet Union and Yugoslavia (Armstrong, De Kervenoael, Li & Read, 1998, p. 639). The majority of these newly emerged states are classified as 'small states'. In this thesis, small states will be conceptualised as sovereign, juridical entities with less than 1 million inhabitants. A more detailed description of this concept will be provided in the theoretical framework and methodology section. For a long time, gaining full sovereignty from the colonial powers seemed to be the inevitable result of the decolonisation process of small states (Oostindie, 2006, p. 609). With the adoption of the Declaration on the Granting of Independence of Colonial Countries and People in 1960, the United Nations made clear that all people should exercise full sovereignty.

'*Convinced that the continued existence of colonialism prevents the development of international economic co-operation, impedes the social, cultural and economic development of dependent peoples and militates against the United Nations ideal of universal peace'* (Declaration on the Granting of Independence of Colonial Countries and People, 1960).

The United Nations thus states that the economic development of dependent territories is hindered by the colonial structures and that the realisation of the ideal of universal peace is being restrained. However, a considerable amount of non-sovereign territories in the world favoured to have closer ties with and integrate more in their metropolitan state. Since the beginning of the 20th century, the number of territories who are partially independent has grown exponentially. Whereas less than 10 territories were dependent on a metropolitan state in the 1940s, this number has grown to 47 in 2014 (Rezvani, 2014, p. 12). It is the level of sovereignty that distinguishes dependent territories from independent states. Although this alternative political structure has become more acceptable over the years and a growing number of non-sovereign territories favour such a status, hardly any information is known about these territories. Why do non-sovereign territories decide to share part of their sovereignty with a more powerful state?

According to Armstrong and Read, non-sovereign territories clearly benefit from their special status. The results of their systematic analysis indicate that, in general, non-sovereign territories economically outperform sovereign small states (Armstrong & Read, 2000, p. 303). Armstrong and Read (2000, p. 290) came to this conclusion by comparing the gross domestic product (GDP) per capita of 105 entities, of which 41 are dependencies and 64 sovereign states, located all over the world. According to the authors, 36,6% of the dependencies were classified as upper income countries, whereas this percentage was only 20,2% for the examined sovereign states (Armstrong & Read, 2000, p. 292). However, since the used data in this study dates back to 1994, the results might be obsolete. Furthermore, the general economic performance of an entity comprises more than only GDP per capita (Khramov & Lee, 2012, p. 4).

Although the number of small states is growing since 1945, little academic research has been done to examine the general economic performance of small states and non-sovereign territories as well as their economic performances compared to each other (Armstrong, De Kervenoael, Li & Read, 1998, p. 639). Within the academic world there is a tendency to focus more on superpowers and emerging economies, such as the BRIC countries, since these countries represent the majority of the world population. In contrast to most smaller countries, the actions of these countries have a greater influence on the international system (Neumann & Gstöhl, 2006, p. 3). Because the subject of small states and dependencies has often been overlooked, limited data is available which makes it therefore difficult to study. Most research that has been conducted on the economic performance of small states and non-sovereign territories has a predominant focus on their vulnerability to external shocks, their scarce capacities and human and material resources and their focus on niche markets such as tourism (Armstrong & Read, 2000, p. 285).

The aim of this study is thus to build on previous research and to examine the difference in economic performance of small states and non-sovereign territories, based on the most recent available data. This will be conducted by a small-n comparative analysis of two small states – namely Suriname and Saint Lucia – exercising full sovereignty, and two non-sovereign territories – Aruba and the Cayman Islands – who are to a certain extent incorporated in the metropolitan state. It is no coincidence that the four selected cases are all located in the Caribbean region, since the Caribbean is a region of small states and non-sovereign territories with small and open economies (Veenendaal, 2016, p. 148). A selection of cases has been made, because a large-n statistical analysis on all the states and non-sovereign territories in the entire Caribbean region would be too extensive and too difficult due to the lack of national (economic) data. Collecting national data is often problematic, because of the limited capacities and financial means that small states and territories possess. The research design and case selection will be discussed in greater detail in the methodology section. The expectation of this study is that the non-sovereign territories in the Caribbean have a better economic performance than the Caribbean states who gained their independence from the European powers. This is because of the economic and military advantages non-sovereign territories obtain from the metropolitan state, such as preferential trade agreements, administrative assistance and external defence. The advantages and disadvantages of non-sovereignty will be discussed in the theoretical framework section, together with a brief case description and the main concepts used in this thesis.

2. Theoretical framework

Before starting the actual analysis, it is necessary to clarify the concepts ‘small state’, ‘sovereignty’ and ‘economic performance’. Whereas the definitions of the latter two are commonly accepted, the definition of a small state is rather contested (Browning, 2006, p. 670). This lack of consensus arises from the different theoretical perspectives scholars have on small states. Scholars who look at the international system from a realist perspective, will consider small states as irrelevant actors in the world. This is because realists always measure power in terms of military and economic capabilities. In addition to that, the influence a state has will be determined by their military strength (Fox, 2006, p. 40). Since the absolute size of the economy and territory is smaller in general, small states and dependencies are unlikely to possess hard power assets. Small states are thus considered as objects rather than subjects in the international system, because the system is shaped and dominated by great powers (Fox, 2006, p. 39). Small states are sometimes referred to as ‘system-ineffectual states’, because they do not have the capacities to change system outcomes (Keohane, 2006, p. 59). Keohane (2006, p. 60) thus defines a small state as ‘a state whose leaders consider that it can never, acting alone or in a small group, make a significant impact on the system’.

Social constructivists on the other hand, tend to look at small states from a more qualitative perspective. They argue that the influence and the position of small states cannot be determined by using only quantitative, measurable variables. Qualitative variables, such as knowledge, expertise, administrative skills and image also have to be taken into account to determine whether a state is small or not (Thorhallsson, 2012, p. 139). Because small states have fewer resources available, they strategically choose to specialise themselves and focus on specific policy areas or niche markets in which they can exert influence (Panke, 2012, p. 317). Social constructivists thus look at the influence that small states do exert in specific fields, while realist scholars take a more narrow approach and associate small size with weakness (Thorhallsson, 2012, p. 142).

In this thesis a comparison will be made between two sovereign states and two dependent territories. The two groups of cases thus differ in their level of sovereignty. It is important to note that this thesis does not attempt to explain why some ex-colonised countries became independent and others did not, since the circumstances are different in each case. The question that this thesis does attempt to answer is whether or not there is a difference in economic performance in Caribbean territories that are, at the moment, either sovereign or non-sovereign. Sovereignty can be defined as ‘the untrammelled and undivided power to make laws’ (Hague & Harrop, 2013, p. 14). This means that a state that is fully sovereign has the absolute authority and control within a defined territory, without being limited by a higher authority. The Peace of Westphalia in 1848 is considered as the starting point for the recognition of states as sovereign entities (Schrijver, 2011, p. 20). Non-sovereign or dependent territories on the other hand, do not have this absolute authority, because their sovereignty is shared with a more powerful state. It is important to note the difference between sovereignty and autonomy in this context. Whereas sovereignty can be defined as the absolute authority a state has, autonomy is the right of self-government on certain policy areas (Cambridge Advanced Learner’s Dictionary, n.d.). Dependencies can possess varying degrees of autonomy on different policy areas, but this right of self-governance needs to be approved by a higher authority, which is the metropolitan state. Dependent territories are thus subject to the ultimate rule of their metropolitan state. The majority of the non-sovereign territories have significant power over their domestic affairs, while their foreign policy and security and defence policy is determined by the metropolitan state (Rezvani, 2014, p. 22). Most of the non-sovereign territories are thus not under the full control of the metropolitan state nor are they a regular member-unit, such as a province, of that state (Rezvani, 2014, p. 21).

From the perspective of the dependent territory, there are several advantages and disadvantages of sharing sovereignty with a more powerful state. These will now be discussed in order to understand why some territories choose to not be fully sovereign. Traditionally sovereignty is considered as the ultimate goal for dependent (colonised) territories, because of the dominant idea that gaining independence is necessary for the development of national identities and political emancipation (Oostindie, 2006, p. 612). Subsequently, the political interference of an ‘outsider’ can evoke frustration and anger among the local population. In addition to that, the non-sovereign territory cannot determine its own foreign policy and, therefore, bilateral agreements with other states have to be in line with the foreign policy of the metropolitan state (Veenendaal, 2016, p. 152-153). Fourth, since dependent territories are under the rule of a more powerful state, it is neither possible to become a full member of the international community nor to obtain full membership in most international organisations (Veenendaal, 2016, p. 152). The last important disadvantage is the frequent underrepresentation of the people of the dependent territories in the parliament of the core state. The dependent territory is not directly involved in the decision-making, while the decisions do affect these dependencies (Veenendaal, 2015, p. 153).

The advantages of sharing sovereignty on the other hand are primarily materialistic (Veenendaal, 2016, p. 150). First of all, the special status of dependent territories results in improved access to the metropolitan domestic market. These preferential trade agreements reduce trade barriers between the metropolitan state and the dependent territory (Baldacchino, 2005, p. 5). This is particularly beneficial for small dependencies, since their small size makes it more difficult to compete with larger economies who have lower production costs and lower transportation costs (Peretz, 2001, p. 42). Subsequently, the dependent territory has access to special free trade zones that the metropolitan state joins, such as the European Union Customs Union (Veenendaal, 2016, p. 151). Third, the metropolitan state usually provides disaster relief when necessary, because of the devastating economic and societal impact that natural disasters can have on these small islands (Baldacchino, 2005, p. 5). Furthermore, the relatively good (direct) transport connections between the metropolitan state and the dependent territory stimulate tourist arrivals (Veenendaal, 2016, p. 151). In addition to that, having a passport of the metropolitan state makes it possible to migrate to the respective metropolis and benefit from the various higher education institutions. As a result of their small size, dependent territories often do not have high-quality education (Veenendaal, 2015, p. 17). This can, however, also lead to brain drain because educated or highly skilled people leave the country for financial or educational purposes (Veenendaal, 2016, p. 152). The last important advantage for dependent territories is security related. In most cases the metropolitan state is responsible for the costly external defence, since dependent territories have too few financial and human resources to do so. Because these small territories are not responsible for their defence, their scarce financial and human resources can be invested in other policy areas such as good governance and the economy (Baldacchino, 2005, p. 5).

The decision to exercise full sovereignty or to share it seems to be a pragmatic choice as a result of a cost-benefit analysis. Especially very small islands are incapable of exercising full sovereignty over their entire territory due to their lack of resources (Oostindie, 2006, 613). This is the reason why the smallest territories in the Caribbean, except for Puerto Rico that has a population of nearly 3,6 million, are all, to various extents, under the rule of a more powerful state (Oostindie, 2006, p. 610). There are currently five very small overseas Caribbean territories under the sovereignty of the United Kingdom (UK). These territories are: Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands (Foreign and Commonwealth Office, 2012, p. 10). The Cayman Islands has the largest number of inhabitants in comparison with the four other British overseas territories

(CIA World Factbook, 2016). In the 17th century the Cayman Islands came, like numerous other Caribbean islands, under direct rule of the UK. Nowadays it still has constitutional links with the UK (Foreign and Commonwealth Office, 2012, p. 12).

However, the British presence in the Caribbean region used to be greater than it is today. This is because the British government attempted to peacefully disengage from its remaining Caribbean colonies (Veenendaal, 2015, p. 16). In the 20th century most Caribbean territories gained their independence from the UK (Foreign and Commonwealth Office, 2012, p. 11). One of these newly independent states is Saint Lucia, exercising full sovereignty since 1979 (CIA World Factbook, 2016). Together with multiple other Caribbean islands that were colonised by the British, Saint Lucia joined the West Indies Federation in 1958. The federation was created to set up a political union which was independent from the UK but it was dissolved in 1962 due to conflicts within the federation (Brown, 1963, p. 3). After the dissolution, most of these territories became independent, while a couple of territories voluntarily decided to retain links with the UK (Foreign and Commonwealth Office, 2012, p. 11). The British government states that 'any decision to sever the constitutional link between the UK and a Territory should be on the basis of the clear and constitutionally expressed wish of the people of the Territory' (Foreign and Commonwealth Office, 2012, p. 15).

Besides the United Kingdom, the Netherlands was also present in the Caribbean region. From 1954 to 2010 the Netherlands Antilles, consisting of Curacao, Bonaire, Saba, St. Eustatius and St. Maarten, was an autonomous country within the Dutch Kingdom. Until 1975, Suriname was also a non-sovereign territory within the Kingdom of the Netherlands (Oostindie, 2006, p. 614). However, the political support from the Afro-Surinamese inhabitants for a nationalistic, pro-independence movement became stronger over time. The Members of the Surinamese Parliament, who were mostly of Afro-Surinamese origin, voted with the smallest absolute majority possible (50 per cent of the votes + 1) in favour of independence for Suriname. Eventually the sovereignty has been transmitted in 1975 (Oostindie, 2006, p. 616-617).

Whereas supporters of Surinamese independence achieved their ultimate goal, these movements did not receive substantial attention and support from politicians nor from the local population on the six islands of the Netherlands Antilles (Oostindie, 2006, p. 617). However, dissatisfaction with the political structure grew on the islands due to the regional dominance of Curacao within the Netherlands Antilles. As a consequence, Aruba eventually gained the status of an autonomous country within the Kingdom of the Netherlands in 1986 (Oostindie, 2006, p. 615). From the five remaining islands, the two biggest ones – Curacao and St. Maarten – also expressed their discontent about the status quo and aspired such an autonomous status (Oostindie, 2006, p. 619). After referendums on the desired constitutional change were held on each of the islands, Curacao and St. Maarten became, like Aruba in 1986, autonomous countries within the Kingdom in 2010, whereas the three smallest islands – Bonaire, Saba and St. Eustatius – voted for direct relations with the Netherlands and integrated partially in the metropolitan Netherlands as 'special municipalities' (Ministerie van Buitenlandse Zaken, 2009, p. 7).

3. Methodology

Since there is a lack of consensus among scholars on how to exactly define a small state, this concept has been conceived and operationalised very differently. Whereas realists make use of only objectively measurable variables, social constructivists take a more comprehensive and qualitative approach to determine the size and influence that a state possesses (Browning, 2006, p. 672-673). Taking such a comprehensive approach would be problematic since qualitative variables such as expertise and international reputation are more difficult and too arbitrary to measure. It is for this reason that small states are most often defined by objectively measurable variables, such as population size, total surface area or GDP (Neumann & Gstöhl, 2006, p. 6). Because population size has been the most frequently used variable among scholars, in this thesis small states will also be classified by their number of inhabitants (Armstrong & Read, 2000, p. 289). Additionally, classifying states by their level of economic development would not be appropriate in this case, since this analysis aims to examine the variety in economic performance between small states and non-sovereign territories.

Before analysing the economic performance of the chosen cases, the research method and the case selection will first be discussed. In this study a most similar systems design will be applied because this research design seeks to identify the cause(s) that lead to a difference in the dependent variable among similar cases (Tarrow, 2010, p. 234). The dependent variable in this study is 'economic performance'. Although the level of GDP and the GDP growth rate are standard indictors to measure economic performance, it fails to look at other important indicators such as the standard of living and the level of unemployment (Khramov & Lee, 2012, p. 4). In this thesis the general state of the economy will therefore be determined by the following economic indicators: annual GDP growth, level of GDP per capita, level of unemployment and the Human Development Index. The cases vary in the independent variable, which is 'sovereign or not sovereign', in order to measure whether there is a substantial difference in economic performance. As mentioned earlier, this thesis hypothesises that non-sovereignty leads to better economic performance due to the economic and military advantages these territories have.

In a most similar systems design it is necessary that the cases are essentially alike in order to identify a direct causal relationship between the independent and dependent variable (Tarrow, 2010, p. 234). Because the importance of similar cases is being stressed, this research design is suitable for area studies. It would be impossible to draw a perfect comparison, because no case is perfectly identical. Although no identical cases can be found, academics have identified five main factors that positively or negatively influence the economic performance of states and non-sovereign territories. The factors are 1) population size, 2) geographic location, 3) regime type, 4) (former) core state and 5) year of emergence (Rezvani, 2014, p. 251). These factors have been applied to select cases with fairly similar conditions. By choosing cases that are similar on these aspects, the possibility that the economic performance is influenced by one of these factors will be excluded. The relevance of these background factors for economic development will now be discussed.

Population size, as outlined above, has been used to distinguish small states and territories from the larger ones. In the European context, the population size of the Netherlands, which is 16 million, is often considered as the upper boundary (Neumann & Gstöhl, 2006, p. 6). However, the British Commonwealth (2016) defines small states as 'sovereign countries with a population of 1.5 million or fewer'. Because in this research small sovereign states will be compared with non-sovereign territories, the upper boundary has been set on 1 million inhabitants. This is because all non-sovereign territories in the world, with the exception of Puerto Rico and Hong Kong who have a total population of respectively 3,598,357 and 7,141,106, have less than 1 million inhabitants (CIA World Factbook, 2016). Many economists have pointed out the impact of small size on the economic development of states. They argue that the physical smallness of these territories results in a dearth of (natural) resources, while the possession of resources is an important requisite for the economic development (Neumann & Gstöhl, 2006, p. 11). A small population size can additionally limit a territory's economic development, because of the small domestic market, low research and innovation investments, a high homogeneity of trading products, a lack of competition and higher production costs (Neumann & Gstöhl, 2006, 11).

The geographic location is also considered a key factor that determines the economic development of a country, because some countries or regions benefit from their geographical conditions, whereas others suffer from it. Diamond (n.d.) explains how geographical factors such as climate and natural resources affect the way of living and how it can eventually lead to human migration and poverty. Moreover, Diamond argues that solving environmental problems is sometimes hindered by the economic and political circumstances in a country (n.d.). Besides these geographical factors, countries can also benefit from good trade relations with a regional power (Rezvani, 2014, p. 251). The four selected cases are thus, as already stated above, all located in the Caribbean region, because of both the large number of small states and non-sovereign territories. In addition, the Caribbean territories are very open economies because of their small market size and product specialisation (IMF, 2013, p. 4). Although Suriname might seem an outsider in this list since it is not an island in the Caribbean Sea, the countries and dependent territories that are generally considered within the Caribbean region are all the islands in the Caribbean Sea, plus Belize, Guyana, French Guiana and Suriname (Oostindie, 2006, p. 625). The focus of the latter four has always been on the Caribbean islands, the United States and Europe rather than the South American countries. Oostindie (2006, p. 625) thus describes these territories as 'virtual islands, isolated from their South American neighbours'. It is also worth mentioning that none of the selected cases have recently been hit by a tropical storm or hurricane, which could otherwise have had a devastating impact on the economy and infrastructure. Their small size makes these territories highly vulnerable to the consequences of external shocks (Commonwealth, 2016).

The case selection only includes democracies, since several scholars have stressed the influence of regime type – democracy or autocracy - on economic growth. Autocracies would enjoy higher levels of economic growth due to the great leadership and the strong and often painful measures that these leaders have to take to finance investment programs to stimulate economic growth (Przeworski & Limongi, 1993, p. 54). Opponents such as Sen (1999, p. 3) argue that economic performance comprises more than only economic growth levels. Higher levels of economic and social security and extensive political rights are beneficial for the living circumstances of the population, something that people in autocracies often lack (Sen, 1999, p. 4). The decision to only select democracies is rather a practical one. This thesis does not assume that democracies do have a better economic performance nor does it favour autocratic systems, but the only territory in the Caribbean that might satisfy the criteria of being an autocracy is Cuba, currently under the rule of Raúl Castro (Corrales, 2004, p. 35). The assumption that is made is that, in this thesis, regime type does not lead to better or worse economic performance, since (almost) all states and territories in the Caribbean are currently democratic.

Besides geographic and demographic factors, the history and current relations with the (former) core state can also influence the level of economic development. Financial aid flows vary greatly depending on the political construction and the policy of the metropolitan state regarding its dependent territories (Rezvani, 2014, p. 92). France aims to fully integrate its overseas territories in metropolitan France and to improve the quality of life until it reaches metropolitan levels (Agence Française de Développement, 2013, p. 3). The United Kingdom and the Netherlands on the other hand, adopted a similar decolonisation policy, aiming to peacefully disengage from their overseas territories. All the British Caribbean islands, with the exception of the smallest ones, indeed became independent, while the Dutch Caribbean islands did not favour this independent status (Veenendaal, 2015, p. 23-24). Instead, the islands of Curacao and St. Maarten achieved greater autonomy since 2010, after referendums were held on the six islands (Veenendaal, 2015, p. 15). Due to the lack of economic data on the smallest Caribbean entities, selecting four cases with the same (former) core state would not be possible. The World Bank and the International Monetary Fund do, for instance, not provide sufficient economic data on small entities such as St. Eustatius, Saba or Montserrat. One British sovereign and non-sovereign territory and one Dutch sovereign and non-sovereign territory will therefore be compared in this thesis, since the decolonisation policy of these two European states is relatively similar (Veenendaal, 2015, p. 23-24).

The year of emergence is the last factor that has been applied, simply because newly independent countries need time to create institutions and implement their policies. Additionally, the 'implementation time' for dependent territories is necessary before the consequences of having links with a more powerful state will be visible (Rezvani, 2014, p. 251). The year of independence or the year in which the autonomous status has been attained, ranges therefore from 1962 to 1986. Aruba gained its autonomous status in 1986 and is the only Dutch Caribbean island that attained this status in the 20th century (Oostindie, 2006, p. 615). Because Curacao and St. Maarten are autonomous countries since 2010, significant changes in their performance would not be visible yet. Aruba has therefore been chosen, together with Suriname, the only former Dutch colony in the Caribbean region (Oostindie, 2006, p. 614). The Cayman Islands has been selected as a British non-sovereign territory, since it is the largest (based on population size) out of the in total five Caribbean territories that are, at the moment, partly under the British rule (Foreign and Commonwealth Office, 2012, p. 10). The largest territory has been chosen, since there is insufficient data availability of smaller British entities, such as Montserrat. Moreover, by choosing cases that are as equal as possible on population size, the results of the analysis will be more comparable. Saint Lucia completes the selection, also chosen because of its relatively large population size compared to former British dependencies such as Antigua and Barbuda. To summarise, this thesis aims to examine whether non-sovereignty is an explanatory factor for the variety in economic performance or not, by creating a comparative situation in which the identified background factors that most likely have a significant impact on the economy, are fairly similar. Table 1 presents an overview of the factors that have been applied to select the cases.

Table 1: Overview of the relevant background factors by (non-)sovereign territory

Factors	**Aruba**	**Suriname**	**Saint Lucia**	**Cayman Islands**
Inhabitants	112,162	579,633	163,922	56,092
Regime type	Democracy	Democracy	Democracy	Democracy
(Former) core state	Netherlands	Netherlands	UK	UK
Full sovereignty	No	Yes	Yes	No
Year of emergence	1986	1975	1979	1962

Data has been retrieved from the CIA World Factbook (2016).

4. Results

To examine if there is indeed a positive correlation between non-sovereignty (the independent variable) and economic performance (the dependent variable), the recent economic situation of each of the cases will now be described. Additional quantitative data on the annual GDP growth, the level of GDP per capita, the level of unemployment and the HDI will be provided in the tables below. The HDI is a composite index with a health, educational and standard of living dimension, used by the United Nations Development Programme (UNDP) to distinguish (highly) developed countries from developing and underdeveloped countries. Possible scores range from 0 to 1. The higher a country scores, the more developed it is and the better the human conditions are (UNDP, 2015, p. 3). The HDI scores are often used to rank countries and to compare their human development relative to each other. However, non-sovereign territories are excluded in the annual reports, since they do not exercise full sovereignty which makes it not possible to become a member of the United Nations. The scores for the two non-sovereign territories, Aruba and the Cayman Islands, have therefore not been calculated by the UNDP. For these territories, other sources than the UNDP have been used to determine the HDI scores. These scores have been measured by the same method as the UNDP makes use of, thus by composing data about health, educational and standard of living dimensions.

Suriname

Being a fully independent state in the international community made it possible for Suriname to determine its own policies and join international organisations. On the 4th December 1975, a couple of weeks after the sovereignty has been transmitted, Suriname became a member state of the United Nations (UN, 2016). After the independence, however, the former Dutch colony struggled to create a stable economy and political system (CIA World Factbook, 2016). Financial aid flows from the Netherlands to Suriname gradually diminished, while this aid was a substantial part of the Surinamese government revenue (Oostindie, 2006, p. 617). Many Surinamese people decided to migrate to the Netherlands during the negotiation process because they had little faith in the future of the newly independent country. Approximately thirty per cent of the total population left the country, causing an extensive brain drain (Oostindie, 2006, p. 617). When the Netherlands was not responsible for the defence anymore, a successful military coup led by Dési Bouterse in 1980, resulted in a military regime for one decade (CIA World Factbook, 2016).

Suriname's economy is heavily dependent on the export of gold and oil which makes the country vulnerable to price volatility. Diversification of the economy is therefore highly prioritised to become less vulnerable to these market shocks (IMF, 2014, p. 20). In spite of the fact that annual economic growth percentages are still positive, the growth levels have declined in the previous years, mainly because of declining gold and oil prices since 2013 (IMF, 2014, p. 4). This partly resulted in a growing public deficit (IMF, 2014, p. 27). The IMF (2014, p. 8) expects moderate growth for the Suriname's economy in the future, partly because of necessary IMF financial support. Suriname's main trading partners are the United States, Canada, the Caribbean islands, the United Arab Emirates and the Netherlands, Belgium and France, representing 88% of Suriname's total exports (IMF, 2014, p. 28).

The HDI of Suriname, which was 0,714 in 2014, is one of the lowest in the entire Caribbean region, making the quality of life for the Surinamese people average (UNDP, 2015, p. 209). In addition, despite the country's high and persistent youth unemployment, unemployment insurances do not exist. Providing basic social security is, however, essential for the quality of life of the population (IMF, 2014, p. 18). Because many Surinamese governments were unable or unwilling to deal with the problem of illegal and informal economic activities, Oostindie (2006, p. 617) questions whether Suriname will be able to recover, both economically and politically, and survive as an independent country within the international community.

Saint Lucia

Like many of the former British Caribbean colonies, Saint Lucia achieved its independence in the second half of the 20th century after several years of self-governance (CIA World Factbook, 2016). On the 18th September 1979, Saint Lucia became a member of the United Nations (United Nations, 2016). The small island country has also joined other international organisations, such as the Caribbean Community (CARICOM), created to deepen economic integration within the Caribbean region and to strengthen the international competitive position of the small-sized countries and territories (Lewis, 2002, p. 20). Due to the lack of resources, Saint Lucia has a national police force, but no national army (CIA World Factbook, 2016).

Saint Lucia's economy used to be based largely on agriculture. The main export partners are other Caribbean islands, the United States and the United Kingdom (CIA World Factbook, 2016). For a long time, the export of bananas was the most important export revenue of the island, followed by coconuts (IMF, 2016, p. 18). Like several other Caribbean islands, Saint Lucia benefited from preferential trade agreements with the European Union. However, since these preferential trade agreements have been eliminated in the 1990s and competition of Latin American countries that enjoy economies of scale has increased, Saint Lucia's agricultural sector is in a constant decline (IMF, 2016, p. 23). Nowadays, the economy is primarily based on tourism, which makes the island's revenues unpredictable. American and British tourist arrivals declined due to the global financial crisis in 2008. In addition to that, the rising fuel prices resulted in a decline in cruise ship visits (IMF, 2016, p. 4). These major external shocks have also affected employment on the island, with the result that approximately a quarter of the country's labour force was unemployed in 2014 (IMF, 2016, p. 51). The country's GDP per capita is relatively low for Caribbean standards and the quality of life conditions are average (UNDP, 2015, p. 209).

Aruba

Although the Kingdom of the Netherlands comprises three autonomous counties, Aruba received in 1989, on some aspects, more autonomy than Curacao and St. Maarten did in 2010 (Veenendaal, 2016, p. 158). The Dutch government is, for instance, not financially accountable for Aruba's public expenditure, in contrast to Curacao and St. Maarten (Financiële Dagblad, 2015). The external defence of each of the Dutch Caribbean islands remains the responsibility of the Netherlands, as well as the Kingdom's broad foreign policy and global political issues such as human rights and sustainable (economic) development (Ministerie van Buitenlandse Zaken, 2009, p. 5). Because of its autonomous status and with the help of Dutch financial aid and support, Aruba successfully liberalised its economy. Aruba presently is classified as a highly developed country with a HDI of 0,888 out of 1 (CBS Aruba, 2009). Moreover, with a GDP per capita of nearly 25,000 US dollars, the islands belongs to one of the most prosperous countries and territories in the Caribbean region (Ministerie van Buitenlandse Zaken, 2009, p. 9).

Aruba successfully liberalised its economy with the help of financial aid and assistance from the Netherlands (Oostindie, 2006, p. 618). Aruba's main trading partners are the United States, Venezuela and the Netherlands (IMF, 2015, p. 24). Tourism revenues are pivotal for Aruba's small economy, since more than 85 per cent of the economy is based on tourism. However, this low level of economic diversification can lead to large economic shocks, something that actually happened as a result of the global financial crisis (IMF, 2015, p. 4). Tourist arrivals from the United States declined during the crisis, while 68,4% of the tourists were American in 2008 (Ministerie van Buitenlandse Zaken, 2009, p. 20). Another main source of government revenue used to be from oil refining activities, but the closure of the oil refinery in 2012 resulted in a greater focus on the tourism industry (IMF, 2015, p. 5). Despite these two large shocks, future growth predictions by the IMF are positive and the economy is recently recovering (2015, p. 24). The continued decline of the employment rate additionally supports this prediction (IMF, 2015, p. 26).

Cayman Islands

As already stated, the Cayman Islands has continued its constitutional relationship with the UK (Foreign and Commonwealth Office, 2012, p. 12). This implies that the UK is responsible for the defence and security of the island territory. This also includes financial and technical assistance in the case of a natural disaster. Besides security and defence, the UK also ensures good governance by providing administrative, economic and technical assistance for various activities (Foreign and Commonwealth Office, 2012, p. 14). Because of its domestic policy autonomy, the Cayman Islands can establish its own financial policies (Rezvani, 2014, p. 57). The predominant economic activities are in the financial sector and tourism. Unlike most countries and territories, the Cayman Islands does levy neither direct income taxes not corporation taxes, making the territory very attractive for foreign investment (IMF, 2009, p. 7). In addition to their favourable financial policies, the Cayman Islands enjoys high credibility and reliability, partly because of its constitutional relationship with the UK. The good British reputation strengthens the position of its overseas territories (Foreign and Commonwealth Office, 2012, p. 14).

The Cayman Islands has successfully developed itself into a financial services centre, by creating investment incentives (Rezvani, 2014, p. 6). The island territory has made significant improvements in financial regulations and risk-based supervision, as a result of the previous IMF assessment in 2003 (IMF, 2009, p. 11). Nowadays, the Cayman Islands is classified as a highly developed country with a HDI of 0,888 out of 1 (Avakov, 2015, p. 62). Moreover, the GDP per capita, which was nearly 56,000 US dollars in 2014, is among the highest in the Caribbean region and the unemployment rate remains around the 3-4 per cent level (IMF, 2009, p. 8). The scores of the four cases on each of the economic indicators are presented in table 2, followed by the analysis section.

Table 2: Overview of the selected economic indicators by (non-)sovereign territory.

Indicators	Suriname	Saint Lucia	Aruba	Cayman Islands
Annual GDP growth (in %)	4,1 (2013)[1]	0,5 (2014)[3]	1,2 (2014)[4]	1,7 (2014)[6]
GDP per capita (in US dollars)	8,910 (2012)[1]	8,305 (2014)[3]	24,764 (2014)[4]	59,481 (2014)[7]
Level of unemployment (in %)	8,5 (2012)[1]	24,4 (2014)[3]	7,6 (2014)[4]	4 (2008)[6]
Human Development Index	0,714 (2014)[2]	0,729 (2014)[2]	0,888 (2007)[5]	0,888 (2013)[8]

Sources:

[1] IMF. (2014). *Country Report No. 14/316: Suriname.* Retrieved from: https://www.imf.org/external/pubs/ft/scr/2014/cr14316.pdf
[2] United Nations Development Programme (2015). *Human Development Report 2015: Table 1: Human Development Index and its Components.* Retrieved from: http://hdr.undp.org/ sites/default/files/2015_human_development_report_1.pdf

[3] IMF. (2016). *Country Report No.16/52: St. Lucia*. Retrieved from: https://www.imf.org/external/pubs/ft/scr/2016/cr1652.pdf

[4] IMF. (2015). *Country Report No. 15/116: Kingdom of the Netherlands - Aruba*. Retrieved from: https://www.imf.org/external/pubs/ft/scr/2015/cr15116.pdf
[5] CBS Aruba. (2009). *Human Development Index Aruba 2000-2007*. Retrieved from: http://cbs.aw/wp/index.php/2009/07/28/human-development-index-aruba-2000-2007/

[6] CIA World Factbook. (2016). *Cayman Islands.* Retrieved from: https://www.cia.gov/library/publications/the-world-factbook/geos/cj.html
[7] Economics and Statistics Office. *Gross Domestic Product Indicators.* Retrieved from: http://www.eso.ky/indicators_page.html#2
[8] Avakov, A.V. (2015). *Table 1.10 Human Development Index*. In Quality of Life, Balance of Power, and Nuclear Weapons: A Statistical Yearbook for Statesmen and Citizens. Algora Publishing.

Case comparison

Comparing the results of Suriname and Saint Lucia on the one hand and Aruba and the Cayman Islands on the other hand, a couple of differences in economic performance are noticeable. To start with, the analysed dependent territories have a significantly higher GDP per capita. The Cayman Islands and Aruba have a GDP per capita of respectively 59,481 and 24,764 US dollars, whereas the GDP per capita of Suriname and Saint Lucia is respectively 8,910 and 8,305 US dollars. This indicates that, despite the fact that the year of emergence of the four cases ranges from 1962 to 1986, the dependencies have made more economic progress. Additionally, while the Cayman Islands received its autonomous status the earliest (1962) and Aruba the latest (1986), they both have a higher GDP per capita in comparison with the fully sovereign countries.

Besides the difference in GDP per capita, the unemployment rate in Saint Lucia is 24,4 per cent, which is particularly striking. Many unskilled labourers have difficulty finding employment since Saint Lucia’s economy is transitioning from a primarily agricultural economy to a service economy. Compared to Saint Lucia, Suriname’s unemployment rate is significantly lower, with 8,5 per cent of the labour force being unemployed. However, improvements in the persistent youth unemployment have not yet been made and the country is struggling with declining oil and gold revenues and a large budget deficit. Aruba’s unemployment rate is 7,6 per cent and is only 0,9 per cent lower than the rate of Suriname, but Aruba’s national unemployment rate continues its steady decline in contrast to Suriname. This is because Aruba’s economy is gradually recovering from the two recent shocks, while the economic situation of Suriname is worsening and forces the country to approach the IMF for financial aid. The unemployment in the Cayman Islands remains low, due to its successful financial policy. With regard to the living conditions, the two non-sovereign territories both have a HDI of 0,888, comparable to many European countries (UNDP, 2015, p. 209). The sovereign countries on the other hand, score significantly lower on the HDI, since Suriname’s and Saint Lucia’s HDI is respectively 0,714 and 0,729.

When analysing the provided data, it seems that the causal relationship between non-sovereignty and economic performance is present in this Caribbean case study. Having stated this, one essential question remains yet unanswered. How can the better economic performance as a result of non-sovereignty be explained? Various advantages of sharing sovereignty have been discussed, but not all these advantages can be applied to each case. For instance, the Cayman Islands does not have direct connections to the UK, which makes travelling between the UK and its overseas territory more difficult. Three quarters of the total airline arrivals in 2015 were from the United States (Cayman Islands, 2016). Aruba and the Netherlands do have direct connections, which stimulates tourist arrivals between these two territories.

Besides this connection aspect, neither Aruba nor the Cayman Islands are responsible for their own defence and foreign policy. This implies that these dependent territories can invest their relatively scarce resources, as a result of their small size, in other policy areas. Like many small-sized dependencies, Aruba and the Cayman Islands have specialised themselves in specific niche markets. Aruba is primarily focussing on tourism, whereas the Cayman Islands grew as a successful financial services centre. Both economies thus focus on their service sector development, as they are benefiting from the good international reputation of the Netherlands and the UK. In addition to this higher credibility and reliability, the British and Dutch governments provide technical and administrative assistance to their overseas territories to ensure good governance. For instance, despite Aruba's financial autonomy, the Dutch and Aruban governments agreed in 2015 on independent supervision on the Aruban public expenditure (Rijksoverheid, 2015). Currently the islands receive no direct financial aid from their respective core state anymore, due to their economic prosperity. Furthermore, Aruba, the Cayman Islands, Suriname and Saint Lucia all enjoy preferential access to the European Union market (World Trade Organization, 2016). The non-sovereign territories are thus, contrary to expectations, not being favoured on this aspect.

5. Conclusion

In sum, does non-sovereignty lead to better economic performance? In this Caribbean comparative analysis it certainly looks like it does. Aruba and the Cayman Islands do have higher standards of living and score better on several economic indicators in comparison with Suriname and Saint Lucia. In general, all countries and dependencies in the Caribbean region are vulnerable to external shocks, such as natural disasters and price fluctuations, due to their small size and low economic diversification. It seems, however, that the small-sized sovereign countries are particularly vulnerable to these shocks, since they receive little help from outside. Suriname's and Saint Lucia's economic prospects are moderate, as they both struggle with dropping market prices. Saint Lucia's agricultural economy has been hit hard by competition from larger-sized countries and the termination of preferential trade agreements with the European Union. Furthermore, the tourism industry is highly dependent on regional and international developments. Suriname's economy was for a long time partially dependent on Dutch financial aid and struggles with economic recovery, high youth unemployment and high public expenditure.

The dependent territories that have been discussed in this thesis, benefit from their special links either with the Netherlands or the United Kingdom. Although not all the mentioned advantages apply for all the cases, being autonomous on some specific policy areas and having a more powerful state that provides assistance when necessary, seems to combine the best of both worlds. The Cayman Islands enjoys a very high GDP per capita and has low unemployment rates, due to its successful economic policy, British administrative assistance and the islands' close association with the UK. Aruba has a high GDP per capita and a declining unemployment rate, due to its successful economic liberalisation policy, stimulated by Dutch technical and financial assistance. Although both dependencies benefit from the international reputation of the respective core state, bilateral trade agreements between the dependencies and core states do, however, not exist.

It thus seems that the advantages as a result of sharing sovereignty, such as administrative and financial assistance and a higher credibility and reliability due to the constitutional link with a more powerful state, make economic (and social) development in the Caribbean cases more likely. This may explain why no Caribbean territory decided to become independent since the late 1980s. Even if some people wished to live in a fully sovereign state, this alternative will, for pragmatic reasons, most likely not be taken into account in very small dependencies. Many dependencies simply have too few resources in order to survive and function as a fully sovereign state in the international system. Financial and human resources are often scarce, which are likely to constrain these small territories in their development and in the realisation of (potential state) obligations. Priority is therefore given to some specific policy areas in which small territories try to exert influence in.

The analysis in this thesis, however, only comprises four (Caribbean) cases, which limits the external validity. The findings in this analysis cannot be generalised to all the small states and dependencies in the world, since the scope of this study is limited. In addition, very small states and dependencies have not been included in the analysis, due to the lack of national data. De population size of the selected cases ranges from 56,092 to 579,633, which could make it more difficult to apply the findings to states and territories that do not fall within this range. Moreover, the selected cases are all located in the same geographical region. Since the geographical location has been identified as one of the key factors that can determine economic performance, studies about cases in other parts of the world might result in other findings. Furthermore, the five factors that have been identified by scholars as relevant for the economic performance, have been applied to select the cases. These factors are 1) population size, 2) geographic location, 3) regime type, 4) (former) core state and 5) year of emergence. This means that the selected cases are relatively similar on these factors, but they may differ in yet unidentified factors. In order to generalise these results, more research is needed to find evidence in support of this positive causal relationship between non-sovereignty and economic performance.

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