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From Home Rule to Independence

New opportunities for a new generation in Greenland*

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Introduction.

Home rule orders can be looked upon as a transitional phase of a developmental process in which colonised people struggle for sovereignty and independence. Home rule is a form of the state according to which some functions of the state of a sovereign independent nation, the colonial power, have been taken over and institutionalised locally by the colonised nation, but which at the same time is intended to secure the ideological hegemony and territorial and military rule of the colonial power. The colonial power is secured in the last instance the monopoly of violence (M. Weber) and the trajectory of development, usually in an Eurocentric form of modernisation. In that sense the home rule orders, as political systems, resemble colonial relations. In economic terms, home rule orders go beyond colonial relations as the colonised people are granted economic freedom to trade freely on the world market and to tax local enterprises. In reality there is a strong tendency towards the reproduction of colonial economic relations, due to uneven development and 'organisational dependency' (I. Jonsson 1996). We will discuss this tendency in the following section, but first we will discuss the concept of statehood and then compare state functions of sovereign independent states with the present home rule regime in Greenland.

Home rule, sovereignty and independence.

In the international debate since the 1950s within the United Nations and in international political science on the possibility of independence of microstates - states with less than one million inhabitants- the legal principle of sovereignty has persistently been confused with the political science concept of genuine independence (B. Bartman 1995: 162-9). The legal principle of sovereignty refers to the ultimate source of power. A sovereign population is sovereign in so far as itself decides its own constitution, laws and rules of conduct. A nation is sovereign in so far its laws are decided upon by herself and only herself. The political science concept of genuine independence refers to the capacity to realise social, political and economic functions that are essential for the reproduction of the political unit in question, i.e. the independent state (we will discuss these functions below in more detail).

Now, these two phenomena, sovereignty and independence, are of different order and do not necessarily go together. A state can be sovereign without being genuinely independent, i.e. it can be sovereign without fulfilling all of its essential functions of the political science concept of genuine independence. Let's have a closer look at this phenomenon as it appears to be paradoxical to many.

Traditionally, there are three main functions that are considered vital to realise if a state is to be independent: a) a state must be capable of physically protecting itself; b) a state must be capable of representing its interests in the "normal" channels of diplomatic intercourse and; c) a state must be capable of being economically self-sufficient (ibid., 168).

Following these presumptions, those who are against establishing microstates argue that microstates can not defend themselves as they lack minimum military capacities. Further they claim that microstates can not afford normal diplomatic intercourse and finally they can not produce enough to be economically self-sufficient.

In fact all these arguments fail when compared to actual microstates: 1) As concerns the question of defence it must be highlighted that sovereign independent microstates tend to arrange special defence contracts with larger states in order to defend themselves. The case of Iceland is illuminating in this respect as Iceland has had a defence contract with USA since 1951 and joined NATO when it was established. Furthermore, even small independent states like the Nordic countries can not defend themselves against super-powers. The occupation of Denmark in the Second World War proved that she is incapable of defending itself, let alone her territories, Greenland and the Faroe Islands or Iceland which was then a sovereign state. So, this can hardly be an argument against independence of microstates; 2) As for the question of diplomacy, microstates are very successful in organising diplomatic relations in collaboration with other states. Iceland, e.g. collaborates much with the Nordic countries in terms of embassies, international business services etc. The same goes for the other Nordic countries and larger states who collaborate in the diplomatic field in order to keep costs down; 3) As for the question of economic sufficiency, microstates tend to be rich. This applies both to European microstates which tend to be rich and microstates in the Third world which tend to be richer than large developing states (I. Jonsson 1991 and 1995a).

What is at stake here is that the political science concept of genuine independence can at best be accepted as ideal type, i.e. a pure theoretical concept which can be used when comparing the level of independence of different states. In reality independence is a matter of degree. No "independent" state is fully independent as presumed by the ideal type (we will discuss this in more detail below, see table 2). The states that constitute the European Union (EU) have transferred a lot of their powers to the EU which restricts their jurisdiction alternatives in all fields of policy making, such as economic-, social- and foreign policy. But, they still are independent as they are sovereign states - i.e. their source of power is the population within their territory - that can abandon the EU if they choose to do so.

We must therefore conclude that sovereign states may be characterised by different levels of independence. To illustrate this point the Greenlandic home rule regime may be compared with the Icelandic home rule and the formation of the Icelandic state. Both the Greenlandic home rule (1979 - ?), and the Icelandic home rule (1904-18) were not based on the sovereignty of the local population, but its powers were allocated to it by the Danish Parliament. In Greenland the sovereign is in the hands of the Danish parliament. The home rule government in Iceland had in 1918 taken over all powers characteristic for genuinely independent state, except foreign affairs and defence. In the early 1990s the situation in Greenland was approaching this stage. However, both the court system and defence and foreign affairs were in the hands of Denmark and Greenland was still not a sovereign nation. In 1918, the independence struggle in Iceland and the international acceptance of the principle of self-determination, brought about by the Americans following the First World War, had finally forced the Danes to accept the principle of Icelandic sovereignty 1918. But the Icelandic sovereign state was not independent in the "genuine" sense as defence and foreign policy was in the hands of the Danish state. However, the contact of sovereignty from 1918 secured that Iceland could unilaterally leave the Danish Commonwealth in 25 years time, which Icelanders certainly did as Denmark had once again proved to be incapable of defending Iceland and was at that time occupied by Germany. In 1944 the Republic of Iceland was established. With the US Navy taking care of her defences, Iceland was among the first nations to join the United Nations despite the fact that Iceland had not declared war on Germany which was a precondition at that time to join the UN.

Table 1 highlights the difference between the Greenlandic home rule and the different stages in the development of the Icelandic state, as well as the cases of Cook Islands and Niue that have 'free association' relationship with New Zealand (discussed below).

Table 1.

Sovereignty and independence - the cases of Cook Islands, Greenland, Iceland and Niue

	Dependent state	Independent state
Sovereign nation	Iceland's sovereignty 1918-44 Cook Islands' 'free association' with New Zealand since 1965 Niue's 'free association' with New Zealand since 'free association' 1974	Republic of Iceland established 1944
Non-sovereign nation	Greenland's home rule 1979-? Iceland's home rule 1904-18	

The Greenlandic home rule and independence.

We will now discuss the Greenlandic home rule regime in more detail and compare it with the 'ideal type' of a genuine independent state. As the following table highlights, the Greenlandic home rule regime is relatively powerless compared to 'ideal typical' independent states. The source of power of the Greenlandic home rule government is the Danish parliament that allocates powers to it, but the Greenlandic nation is not a sovereign nation. Law and order is Danish rather than Greenlandic as violence is not monopolised by the local Greenlandic home rule authorities, but by the Danish state that runs the police in Greenland. The Danish state is also responsible for the court system in Greenland.

The rights of the Greenlandic population to its territorial land, shelf and waters are allocated to them by a foreign independent state, i.e. the Danish state. Furthermore, The Greenlandic population does not have full access to the exploitation of territorial resources as the Danish state claims 50% of tax revenues from potential resources

such as oil and minerals. As a consequence, the Greenlandic home rule government can not independently negotiate the use of its(?) territory with foreign state or firms.

The role of the home rule government is greatly reduced by the fact that it does not control exchange rates and money supply. In addition it lacks effective means to control inward and outward flow of capital as well as to stabilise the economy.

The cultural sovereignty of the Greenlandic nation has for a long time suffered from aggressive Danish integration policies according to which Danish modernisation projects have required the priority of the Danish language over the Greenlandic languages and Danish cultural values over Greenlandic values. Danish language was the priority language of the primary schools until the early 1990s and the official language of the Greenlandic home rule is both Danish and Greenlandic. Furthermore, the ruling language in Greenland is Danish as most professionals and managers are Danish.

Table 2.**The Greenlandic home rule and independence**

Functional spheres	Independent State	The Greenlandic Home Rule Regime
Source of power	Popular sovereignty of the nation.	Foreign parliament, i.e. the Danish parliament, allocates powers to the home rule government.
Monopoly of violence	Within the territory of the state violence is monopolized by the respective authorities in the form of police and military forces.	The police and theoretically in case of war, defence is monopolized by a foreign state, i.e. the Danish state.
Court system	All levels of the court system are determined by the sovereign nation.	The court system in Greenland is determined by the Danish state and the high court is Danish and located in Denmark
Legislature	Legislature works in principle within a constitutional framework determined by the nation and laws are determined by the national parliament that decides whether or not to join international law and regulations.	The Greenlandic judicial system works only partly within a framework defined by Greenlandic law. The Danish state is responsible for the running of the court system in Greenland. Furthermore, in cases where Greenlandic laws do not exist Danish laws are valid. In practice Greenlandic laws tend to mirror Danish laws.
Foreign relations	The territorial land, shelf and waters of the population are under the rule of their independent state. Consequently, negotiations with foreign countries are monopolized by the independent state.	The rights of the local population to the territorial land, shelf and waters are allocated to them by a foreign independent state, i.e. the Danish state. The Greenlandic population does not have full access to the exploitation of territorial resources.
Economic regulation	Fiscal revenue and monetary policy determined by local independent state, i.e. taxes and tariffs; exchange rates and supply of money and hence inward and outward flow of capital.	Fiscal revenue determined partly by the home rule and local government, i.e. taxes and tariffs. However, the Danish state determines substantial part of the revenues by allocating aid ('bloktilskud'). Monetary policy determined by a foreign state, i.e. Denmark (exchange rates and supply of money). Hence, control of inward and outward flow of money is severely limited.
Cultural regulation	Traditionally cultural homogeneity has been secured by means of one national language policy within the territory of the state and in the educational system. Furthermore, cultural and educational policy is used to defend national culture. Today the principle of monoculturalism is in many western states undermined by policies advocating multiculturalism.	Cultural homogeneity is difficult to secure. The local administration is obliged to use two languages, i.e. the local Greenlandic language as well as the foreign Danish language. Education, media and cultural activity is heavily influenced by Danish culture.
Social welfare and health	Social welfare and the health system is financed and run by the independent state although parts of the services may take place in other countries.	Parts of the social welfare system in Greenland are determined by the Danish state, e.g. the labor legislation and the occupational health and safety administration in Greenland are under the jurisdiction of the Danish state. Social services and health services are financed by the home rule and substantial part of health services take place in Greenland.

There are two points that are important to elaborate on following the short discussion and table above.

Firstly, the ideal typical' independent state does not exist in reality as no state is so "genuinely" independent as we presume in the table. Besides, more and more national states are joining international organisations such as e.g. the EU. Against this, we will argue that although 'ideal typical' the model of an independent state highlights criteria that are valid for comparison of actual states and different forms of the state. Independence is always relative and some states are more independent than others. It is clear that the states that have joined the EU are more independent than Greenland is within the Danish commonwealth as the EU nations can vote themselves out of the EU due to their source of power, i.e. they are sovereign nations. The Greenlandic home rule government is allocated its powers from a foreign nation. Furthermore, the eurocentric determinist point is sometimes made, that nations are bound to join international organisations as this is somehow presumed to be unavoidable. But, one must not forget that the 15 EU member states are very few compared to the number of independent states in the world today and the number of independent states is increasing. In 1945 there were some 60 states in the international system, now they are 192, all but eight are in the UN (B. Bartman, 163). Furthermore, one must not forget that EU is in the last instance an organisation of indeed independent states.

Secondly, the home rule order in Greenland today is but a phase in the independence struggle of the Greenlandic nation. The powers that the Greenlandic home rule government lacks according to the table above will be claimed in the future. Theoretically, the struggle for increased independence does not necessarily have to lead to the establishment of an independent state as Greenland may become more independent in terms of self-government without becoming a sovereign state. However, as economic development in Greenland is likely to increase domestic production and there are great possibilities for oil production and mineral, Greenland is likely to become economically self-sufficient in the near future. This situation will very likely lead to the demand for the sovereignty of the Greenlandic nation and the establishment of an independent Greenlandic state.

Independent state or 'free association'.

As a sovereign nation, the Greenlandic people may establish either a fully independent state or free association with another independent state, as a transitional phase leading to fully independent state. According to Resolution 1541 (XV) of the UN from 1960, territories that establish a free association with another independent state have the right to determine their internal constitution without outside interference in accordance with due constitutional processes and freely expressed wishes of the people (Principle VII, b). In principle, Resolution 1541 guarantees the sovereignty of the people who have free association with an independent state. There are two nations that have free association with an independent state today, i.e. Cook Islands and Niue that both freely associated with New Zealand in 1965 and 1974 respectively. Niue had at that time population of 3000 inhabitants. These freely associated countries base their legislature on New Zealandic laws, but are not bound by them and can write their own laws in all fields quite independently of New Zealand. Although New Zealand is responsible for Niue's foreign relations and defence, Niue can cancel this arrangement whenever she chooses to since the country is a sovereign territory with her own constitution. Finally, Niue retains the unilateral power to terminate its relationship of free association with New Zealand at any time (H. Hannum, 400-1).

The actual form of the sovereignty of the Greenlandic nation will depend on political as well as economic factors as well as the intensity of conflicts between Greenlanders and the Danish state. Today, the discussion on sovereignty in Greenland is beginning to roll , but the public discussion still concentrates on the preconditions for increased economic and political independence. We will in the following discuss the conditions for increased economic independence of Greenland in the near future.

The Greenlandic home rule and structural limits to growth - minieconomies and uneven development.

The Greenlandic economy is characterised by very low level of production of goods and services for the domestic market and therefore low level of GDP. There are mainly two factors that explain the low level of GDP. On the one side, Greenland suffers from being a minieconomy with size related problems of growth. On the other side, she suffers from being locked into voluntary colonial trade relations that lead to unusually high level of outward flow of capital and low level of saving. Despite these structural limits to growth, Greenlandic

home rule governments have not utilised fully the economic policy measures provided by the home rule order

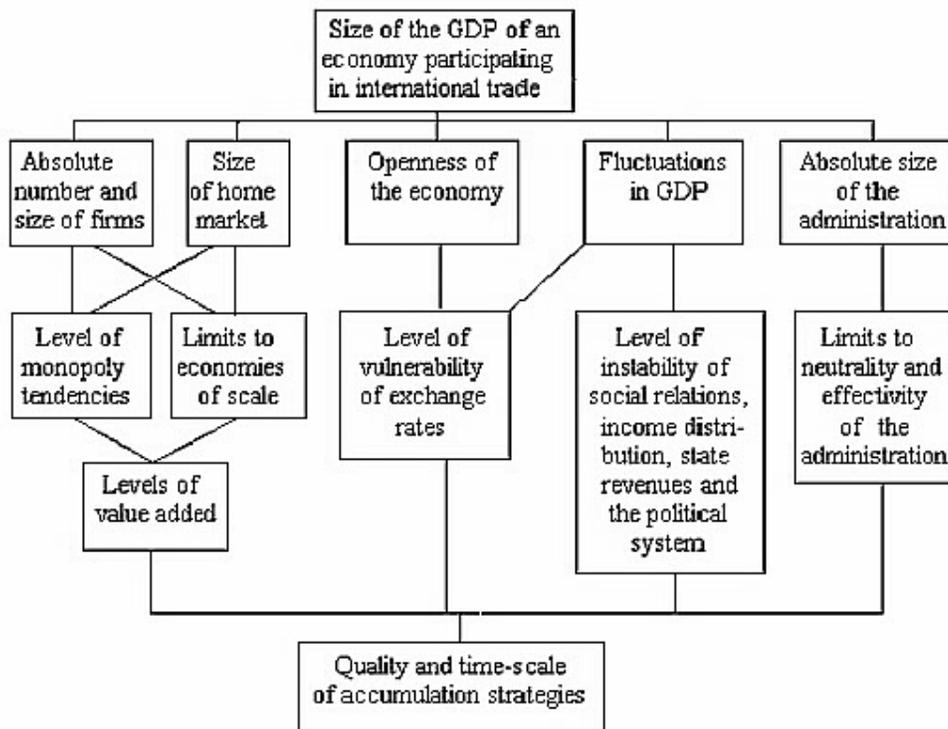
We will now look closer at the main features constraining the growth in the GDP.

a) Characteristics of the minieconomies.

Minieconomies, i.e. economies with less than one million inhabitants, have particular size related problems of accumulation that are different from large economies (Jonsson 1991, 1992 and 1993). These size related problems of accumulation in minieconomies appear as five fundamental structural constraints of capital accumulation which are highlighted in figure 2. These constraints are:

- a) the absolute number and size of firms tends to be very small in minieconomies (as the cases of the Faroe Islands and Iceland indicate, see table 3;
- b) the very small size of the home market;
- c) great openness of the economy;
- d) great fluctuations in GDP and;
- f) the very small absolute size of the administration.

Figure 1.
Size as a Causal Factor in Economies



The logic of causality of the figure reads from the top to the bottom as follows: The size of a society and its economy will affect the five fundamental structural conditions of capital accumulation in the figure, i.e. 1) the absolute number and the size of firms; 2) the size of the home market; 3) the openness of the economy; 4) fluctuations in GDP and; 5) the absolute size of administration. A small economy is characterised by a small home market in absolute terms and the smaller the home market/s is/are, the fewer firms can be established. In addition, firms will tend to be small and threatened with over-investment due to difficulties of exploiting economies of scale. The smaller the size of the economy is, the more unlikely it is to be self-sufficient in terms of production of goods demanded (depending on the diffusion of markets and consumption of industrially produced goods). As a consequence, the smaller the economy is, the more open it must be and the greater will the fluctuations in GDP be. This is the case because the smaller the economy is, the fewer the branches of industry are. Thus, fluctuations in one part of the economy may not be met by counter-affecting fluctuations in other parts of the economy as is the case in larger economies. Finally, the smaller the economy is, the smaller is the administration in absolute terms. The size of the administration constrains its quality, forms and way of conducts.

As figure 1 indicates, the size of the home market and the absolute number and size of firms (whether in terms of turnover rate or person years) determines monopoly tendencies and chances of exploiting economies of scale. These two last mentioned factors affect levels of value added as monopoly and oligopoly result in decreased output of the economy and increasing costs of other non-monopoly sectors (Yarrow 1985). In addition, lack of economies of scale leads to relatively low levels of productivity. The figure also indicates that the openness of the economy affects the role of the exchange rates. The smaller the size of the economy, the more open it will tend to be and the more important exchange rate policies will be for the economy. This is the case both in terms of costs of imported goods for consumption and production as well as in terms of profitability of export sectors and long term rationality of investment in these sectors. Fluctuations in GDP, affect social and political stability. Fluctuations in GDP lead to changes in income distribution which will affect class relations on the one hand and as well as fluctuations in state revenues and party voting on the other hand. Finally, the absolute size of administration, determines its grounds to function as a formally neutral body vis-à-vis social and economic interests and to contribute to collective policy making. The smaller the size of the administration in terms of number of persons, the more likely it is to depend on short term influences of governments

and interest groups. and to lack resources and specialisation to contribute to long term policies and economic and political stability (Jonsson 1991). Despite the small size of the administration, there is a greater need for a rationalising role of the state and public institutions in the economy because of the small number of firms, monopoly tendencies and inability of firms as concerns industrial innovation which can be attributed to their unusually small size and unstable economic environment.

The size of an economy affects the resources and level of social, economic and political stability upon which the quality and time-scale of economic policies and accumulation strategies depend (Jonsson 1991).

The size related problems of accumulation in minieconomies set limits to collective entrepreneurs located in such economies. This is a challenge that collective entrepreneurs need to overcome with special measures. Due to the low level of value added and scant R&D of individual firms and limited possibilities of user-producer networks as firms and branches of industry are few in absolute terms, ineffective use of R&D resources and the risk of investing in industrial innovations is high. Furthermore, as firms tend to be very small in minieconomies, problems of crossing minimum capital thresholds in R&D and lack of marketing new products is severe.

Due to all these constraints the need to rationalise entrepreneurship and the need to develop productive systems of collective entrepreneurship is even greater in minieconomies than in large economies. Two principles appear to be necessary cornerstones of strategies to develop such systems in minieconomies: On the one side, it has to be based on country specific know-how in order to develop firms, branches of industry, technological milieus and firms-networks of innovation that are able to enter particular market niches; On the other side, in many cases it has to be based on collaboration between domestic and foreign and/or multinational corporations in order to decrease risk and provide the small domestic firms with access to relevant components as well as marketing channels.

As a consequence of the very small homemarkets of minieconomies they tend to be very open in terms of imports and exports compared to large economies (see Appendix). The small homemarkets tend to be too small for new products and they are quick to saturate. The need to export new products is therefore great already in the early stages of the life cycle of

products. Hence, the constraints of the development of international markets is great for entrepreneurial activity in minieconomies.

Growth in international trade, increased FDI and globalization of firms create both new opportunities and constraints for collective entrepreneurship in minieconomies. This development creates opportunities for small firms in minieconomies to access market niches and to become sub-contractors of global firms. However, the competition between sub-contractors undermines their position vis-à-vis the global firms. Furthermore, small firms have weaker position in competing with large firms as the former have more difficulties in exploiting new technology than is the latter. Research into transfer of technology shows as an example that MNCs invest more intensively in information technology than national firms and big firms are more information technology intensive than small firms (Kaplinsky 1984). In this situation the need for productive collective entrepreneurship is felt even more greatly in minieconomies because of the small size of firms.

The problem of uneven development

Economies participating in international trade are constantly under the pressure of the tendential law of uneven development of economic growth. This 'law' refers to superior position of economies which are characterised by firms and production/services located within their territories that produce high level of value added (the sum of profits, wages and taxes). The high level of value added in such economies allows firms and the state to invest relatively more in research and development and human capital so that they can be leading in productivity in the different branches of industry and hence international competitiveness (I. Jonsson 1988, 1995a and 1995b and 1995e). In short, given effective organisation of the collaboration of public research institutes and firms (whether national or foreign) in R&D and technical change they will be able to organise more effectively or productively globally embedded 'national systems of innovation' (see C. Freeman 1987 and I. Jonsson 1988, 1995a and 1995 b). As a consequence, high value added economies are better fitted to benefit from the development of international division of labour (see R.B. Reich)

These tendencies are not only international, but work within national economies as well on regional basis. The division of labour and hence distribution of the pool of value added within an national economies determines the tendencies towards uneven development within national economies in a similar way as on the international market or within international

regional markets such as the European Union, BAFTA etc. Regional policy which aims at improving mechanisms of technical change within regions counteracts the tendencies towards uneven development. Home rule territories within an independent state suffer from the same tendencies towards regional uneven development, but they may have better means to counteract uneven development. This is particularly because they can self determine tax policies and hence collect revenues that can be used to invest in preconditions for improved competitiveness of local firms. This refers to R&D facilities as well as the condition of human capital and skills. Furthermore, they have better means to steer foreign investment in a selective way and protect local industries with tariffs if necessary in the infant phases of industrialisation.

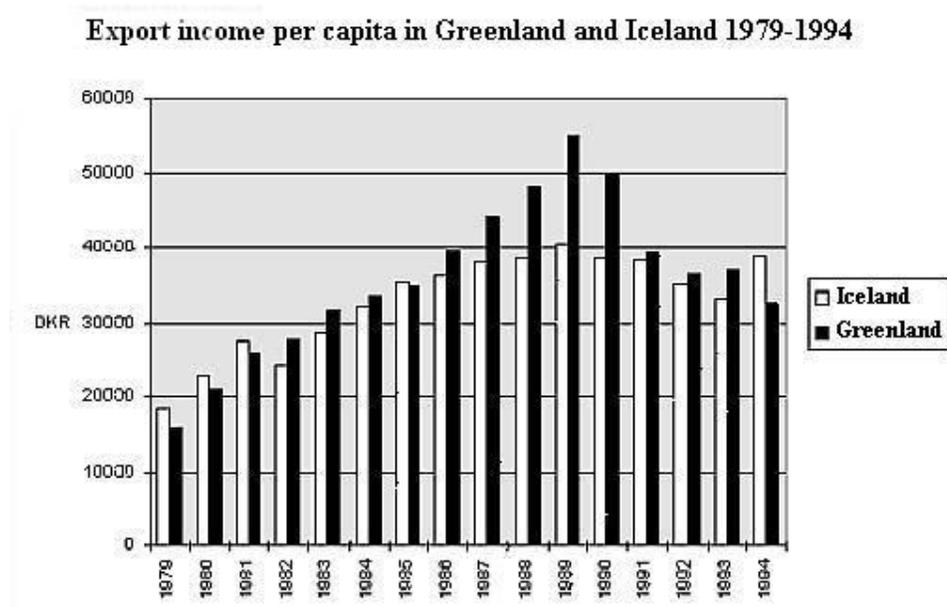
The Greenlandic home rule order does formally provide a legal and institutional framework that may work as a basis for counteracting uneven development. However, as we will argue, the Greenlandic home rule regime does not use all the possibilities that the home rule order provides. As a consequence, Greenland is locked into economically stagnating relations with Denmark, relations that are best described as 'voluntary colonialism'. We will now concentrate on the shortcomings of the home rule regime and use the case of Iceland for comparative purposes.

Towards more economic independence of Greenland.

A comparison with Iceland highlights clearly that the level of GDP in Greenland is very low at the same time as it points at her great economic potentialities. The Greenlandic economy is very dependent on export. It is therefore important to organise her domestic production in a way that optimizes the multiplier effects of the export income. If we compare the Icelandic minieconomy with the Greenlandic economy, it appears that export income per capita has on average been higher in Greenland than in Iceland since the 1980s (cf. the following figure), i.e. since the home rule order was implemented in Greenland.

Figure 2

Export income per capita in Greenland and Iceland 1979-94



Sources: Statistics Greenland and Statistics Iceland

Although Greenland's export income tends to be higher than that of Iceland, GDP is much higher per capita in Iceland than in Greenland. This is despite the fact that the bulk of the Danish state's "aid" ("bloktilskud") and its other expenditure in Greenland is included in Greenland's GDP as wages. In addition, the multiplication effects of the total Danish state's expenditure ("aid" included) in Greenland need to be taken into consideration. However, it would require special research to estimate how much the multiplication effects increase Greenland's GDP (GDP is the sum of gross domestic factor income (i.e. compensation of employees, operating surplus, consumption of capital), indirect taxes and subsidies in one year period).

If we presume, as a minimum, that 40% of the Danish state's expenditure in Greenland are paid in the form of "compensation to employees" as in the official account of GDP in Greenland, we will have to conclude that the real GDP in 1993 was at least 1227 million Danish krona (DKR) lower than the official figure of GDP of 6365 million DKR. The real GDP was therefore less than 5138 million DKR in 1993. This means that the GDP of Greenland in 1993 was less than 93220 DKR per capita while in Iceland the respective

figure was 132832 DKR. In short, although Greenland's export income per capita is higher than the export income of Iceland, Greenland's GDP per capita is much lower.

Why is it that Greenland's export income does not lead to higher GDP compared to Iceland? The answer to the question is that the institutional preconditions for domestic production are much better in Iceland. If one could use the export income of Greenland and multiply domestic production to the same extent in Greenland as one does in Iceland (multiplier effect of ca. 4,5) the GDP of Greenland would amount to 9.000.000 DKR per year, i.e. roughly the same as total disposable income in Greenland amounts to with the total Danish state's expenditure included. In other words, the GDP of Greenland could be the same as it is today without the Danish state's expenditure. Greenland could be economically independent at the same time as it would be among the richest nations in the world in terms of per capita income. The fundamental question is therefore, what institutional preconditions are necessary for economic growth and what is in the way?

Voluntary colonialism and institutionalised racism.

There appear to be 8 institutional arrangements that in particular may explain Greenland's low level of GDP:

1) Greenland's trade relations with Denmark:

75% of Greenland's import originates in Denmark, i.e. goods that are produced in Denmark. The bulk of goods produced in other countries are imported via Denmark with consequent overt and covert commissions that end up in Denmark. As a consequence, Greenland gets its imported goods via third country, i.e. Denmark, which is more expensive than if she would trade directly with producers or exporters eg. in Europe or America. Many goods are less expensive in USA/Canada than Denmark due to different market structures and the cost of transporting them to Greenland would be lower as they would not be transported via Denmark any more.

Furthermore, Greenland's close economic relations with Denmark in terms of Danish investments in Greenland and the relatively numerous Danish work force in Greenland, leads to great incentive to invest in Denmark and locate savings in Denmark. This tendency towards outward flow of capital puts upward pressure on the interest rates in Greenland which in turn undermines the competitiveness of local firms.

One may ask why Greenland unlike her neighbours (Iceland and the Faroe Islands) trades so intensively with Denmark. Imports from Denmark to the Faroe Islands and Iceland amount

to between 30% and 40% of their imports. The reason is 'organizational dependency'. One has to keep in mind that Greenland is dependent on Denmark, in terms of both specific institutions and techno-economic paradigms. This is to be expected, because of Greenland's historical colonial relations with Denmark and because Greenlanders are still in the first phase of their independence struggle. In terms of specific institutions the organizational dependency is evident from the fact that the Danish elite directs almost all trade towards Denmark and Danish firms. This is partly because a large part of the elite group has personal interests in directing trade and business activities to Denmark when goods and services are not available locally in order to reproduce their own business network and secure their own future career in Denmark. One should keep in mind that around 70% of the foreign workers in Greenland move back (most of them to Denmark) within three years and almost all have moved within ten years. The same goes for the state elite in the Home Rule apparatus. It is in the interest of the Danish part of this elite to import external consultants from Denmark, as they will extend their own network, which will work as a network resource for their future careers in governmental bodies in Denmark. Institutional inertia is also at work here, as the Greenlandic Home Rule apparatus has grown out of the Danish state. 'Organizational dependency' is in this case an important institutional reason why trade and business contracts are not directed towards a country like the USA, which would lead to much cheaper imports and quicker technology transfers to Greenland, since the USA is a technological leader in most fields.

2) Industrial policy and the industrial structure

In comparison with Iceland, Greenland has very few small enterprises that produce for the local market, particularly in terms of private firms. In addition, there is a lack of different institutions designed to support small businesses such as e.g. technological institutes, regional development funds, and development companies. Furthermore, the tax policy in Greenland does not facilitate the establishment of small firms to the same extent as the tax policy in Iceland. In addition, selective tariff policy would help industries in the infant phase.

3) The workforce and native knowledge.

Skills and know-how does not accumulate in Greenland to the same extent as in the neighbour countries because Greenland imports exceptionally many expensive Danish 'professional' workers and extern consultants. One of the main characteristics of man-power policy in Greenland is the emphasises on Danish professionals and academic staff rather than

local workers. As a consequence, the bulk of the staff on managerial level in the public and private administration are Danish professionals. This is very different from Iceland where manpower-policy emphasises native knowledge, work experience and on-the-job training. In Iceland, only 15% of senior officials and managers in firms and public administration had university degree in 1995, while 63% of professionals had such a degree (Statistics Iceland 1996). In 1997 53% of senior officials and managers within the public administration in Iceland (excluding municipalities) had academic degrees and 68% of the professionals (Statistics Iceland 1997: special cross-tabulation for this paper).

In Greenland, the emphasis is on formal educational degrees rather than on native knowledge, local personal contacts and networks as well as on the local language. The result is that managers and professionals in Greenland are in most cases Danish and to a lesser extent of other nationalities. Furthermore, research indicates that there is a strong relationship between expenditure on research and development (R&D) and economic growth (GDP). Expenditure on research and development is very low in Greenland compared to other European economies. It has been roughly estimated that R&D person years per 1000 inhabitants is only around 1,9 in Greenland, while the figure for Iceland is 4,6 and the figure for Sweden is 6,2 (1991 figures) (I. Jonsson 1995c and 1995d).

There are relatively many in Greenland that have finished or attended technical schools and gymnasium (ISCED 2 and 3). In terms of enrolment of students in such schools, around 85% of population group 15-19 years old in Greenland attend such schools while the ratio is 89% in USA (UN: Human Development Report 1995: p. 200 and Greenland Statistics, Uddannelse 1995:1 and Statistical Yearbook). This resource of human capital is however not used properly, opportunities in the labour market are constrained due to constant flow of Danish workers and due to limited support for domestic production and consumption. What is needed is that domestic producers and to be producers have access to inexpensive technological facilities and assistance, more supply of risk-capital for investments and experiments, marketing etc.

4) Income distribution.

Income distribution is more uneven in Greenland than e.g. in the Scandinavian countries as the following table indicates. Furthermore, as Greenland does not have progressive tax system, income distribution is more unequal in Greenland than most other western countries (even Thatcher's Britain and Reagan's USA had a progressive tax system). The unequal income distribution and the lack of social mobility among the Inuits, helps fostering a

situation of anomie, lack of motivation, disillusion and apathy, that undermines the spirit of entrepreneurship.

Table 4.

Indicators of anomie, rates of unemployment and income distribution in the East and West Nordic Countries

	Denmark	Faroe Islands	Finland	Greenland	Iceland	Norway	Sweden
Homicide and other intended injury per 100,000 inhabitants 1993	1,2		3,3	14,4*	0,4	1,1*	1,4*
Suicides per 100,000 inhabitants 1993	22,3	8,7	27,6	88,2*	9,9	14,3*	15,6*
Assault 1993 per 100,000 inhabitants aged 15-67	256		528	1198**		353	875
Unemployment rate 1993	10,7	19,1	13,1	9,7	5,3	6,0	8,1
Income distribution 1993. Top 20% of income earners' share of pre-tax total income	43,2	>51,8**** (1991)	41,1	>47,0***** (1992)	45,4	44,4	39,9

* 1992; ** Aged 15-69; *** Top 17.7% of income earners; **** Top 17.5% of income earners.

Sources: Hagstova Føroya: Árbók fyri Føroyar 1992; Nordic Council of Ministers: Yearbook of Nordic Statistics 1995; and Statistical Bureau of Greenland: Grønland 1994, Kalaallit Nunaat, Statistisk Árbog.

5) Lack of Greenlandic currency and a central bank.

The fluctuations in Greenland's export income are greater than in most economies due the great swings in fish prices on the international market and fluctuations in catches. This instability leads to great domestic economic instability and special measures are needed in order to prevent the flow of domestic incomes and exports incomes out of the economy during boom periods. Such a situation happens when the boom incomes are spent on unusually high unproductive import. Another serious problem is lack of revenue to finance government expenditure and public services during the following slump period. The most serious long term problem is that in the boom periods the production costs of other industries

than the fisheries sector increases leading to lower level of competitiveness. Furthermore, income distribution becomes more unequal as the result of the boom period is increased unemployment due to increased production costs. In order to prevent that this vicious circle repeats itself, special measures must be implemented.

There are four instruments that are especially important in this context:

1) a minieconomy like Greenland must have its own currency. Devaluations in slump periods will secure the short term competitiveness of the export industries on the international market and give space for long term restructuring of firms if needed. Iceland has, e.g. had its own currency since 1881 and used it strategically for economic development

2) a central bank has to be established to control capital in- and outflow out of the economy as well as to decide on the supply of money to stabilise the economy.

3) public expenditure must be used anti-cyclically so that there is a balance between general demand and production.

4) anti-cyclical funds must be established in order to be able to tax extra profits in boom periods and hinder that surplus income disappears in rising wages, inflation and imports. This is bound to happen if/when Greenland starts to produce oil. Such funds are essential if Greenland is to prevent that the expected income from oil production flows out of the economy.

6) Outward flow of capital.

The Greenlandic economy is like a wrecked barrel. Capital flows almost unhindered out of it. Investments in foreign countries appear to be large in Greenland. The foreign workers (the "sent fors") as well as high income Inuit groups invest in flats, summerhouses and bonds in Denmark. The pension payments of the "sent fors" are paid into pensions funds in Denmark. To control the outflow of capital a central bank is necessary and a national currency.

7) High unemployment.

The unemployment rate in Greenland is relatively high, estimated to be around 14% of the labour force in 1994 (Greenland Statsitics 1996). In Iceland, the unemployment rate has been much (registered unemployment being on the average 0.5% during the 1970s and 0.8% during the 1980s and less than 3% in the 1990-94 period) (Economic Institutie of Iceland 1995). High unemployment reduces general demand in the economy and hence GDP. The

reason for the high level of unemployment in Greenland is basically political. Over 10% of the labour force is foreign workers who tend to consume imported food and goods rather than native products. Fiscal policy is conservative and investment in the housing sector has been restrained during the 1990s. The same goes for education. The developmental strategy in Greenland has for decades been characterized by overemphasis on capital intensive export orientation, particularly in the fisheries sectors. At the moment, the emphasis is on tourism and oil production. Unlike in Iceland, the emphasis in Greenland has not been on small local firms that produce or service the domestic market side by side with export orientation.

8) The struggle against institutionalised racism.

Finally, the struggle against institutionalised racism may be the most important institutional precondition for increased domestic production in Greenland in the future. Institutionalised racism hinders the accumulation of work experience of native workers and hence the accumulation of local know-how and skills. Institutionalised racism involves systematic overvaluation of the know-how of a particular ethnic group, i.e. Danish workers and their formal educational merits compared to local know-how. This happens despite the fact that most of them lack knowledge of the Greenlandic language. Furthermore, the Danes lack knowledge of the particularities of the Greenlandic society and its economy as well as local personal contacts which are essential both for the administration and businesses. In addition the Danish "requested" or "sent for" ("tilkaldt") workers are extremely unstable work force as around 70% of them move abroad again within three years. Their transport costs alone are estimated to cost around 5% of the GDP of Greenland (Paldam 1995). At the same time as the productivity of this foreign workforce must be low since they need to get acquainted to the Greenlandic society and many of them come directly from universities without any work experience. Unstable and unfit labour force of this kind can hardly be ideal for any employer.

How can one fight institutionalised racism and discrimination? This can be done by positively emphasising local knowledge and language in man-power policy. This can be done by hiring persons according to points given for different kinds of know-how acquired in terms of years. In the scheme below local knowledge and language is emphasised and hypothetical applicants are compared:

Evaluation scheme for hiring

	Local EVU (worker with extended commercial school education)	Foreign worker with M.A. degree and no background in Greenlandic society or language
Local knowledge/experience	maximum: 3 points/years	
Local language	2 points/years	
Relevant background education (ISCED 2)	3 points/years	3 points/years
Further background education (EVU = ISCED 3)	2,5 points/years	
Bachelor degree		3 points/years
M.A. degree		2 points/years
Total:	10,5 points/years	8 points/years

In cases when an applicant has higher education than an M.A degree the application has to be evaluated critically in order to prevent that an overqualified person will be hired (given that her/his educational background is relevant) and having in mind chances for the local person of on-the-job training.

Concluding remarks.

In this paper, we have discussed the concepts of sovereignty and dependence/independence. We have argued that Greenland's dependence on Denmark is caused by voluntary colonialism, organisational dependency and institutional racism. Within this structural context national identity is now in the making which determines political emphasis and political activity. The process of national identity formation in Greenland swings at the moment between whether Inuits should identify themselves as aboriginal or sovereign nation. These different identities have different functions. As S. Dybbroe (1996) has claimed, aboriginal identity can be used to claim the right to traditional catching of whales and seals. Greenlanders have the right to catch seals and whales and exploit these animals commercially while Iceland is not allowed to as it is an independent state. However, the emphasis on aboriginality may disappear quickly in the near future as the ILO convention adopted in 1989, no. 169, article 15.1, does only secure indigenous and tribal peoples' rights "to participate in the use, management and conservation..." of "the natural resources pertaining to their lands...". Unlike aboriginal people, sovereign people have full rights to their territory and its resources. Hence, only full sovereignty will secure Greenland the full

right to natural resources such as oil and precious minerals. When one has to choose between hunting seals or whales on the one hand and oil on the other hand, one is more likely to choose the identity of a sovereign people than the identity of aboriginal people.

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