Working paper

Towards sustained development in Small Island Developing States

Why we need to reshape global governance

Matthew Bishop, Rachid Bouhia, George Carter, Jack Corbett, Courtney Lindsay, Michelle Scobie and Emily Wilkinson

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Abstract

Small Island Developing States (SIDS) have long pursued unconventional economic development strategies, often with great success. Equally, because of their susceptibility to exogenous shocks, which can be disproportionately more destructive than in larger states, their progress remains fragile and can be set back suddenly and dramatically. It has taken some time for donors and multilateral institutions to recognise this, but climate change has brought the unique condition of SIDS to the fore and their 'special case for sustainable development' is now enshrined in the Small Island Developing States Accelerated Modalities of Action ('SAMOA Pathway') and other multilateral agreements. The problem is that, amid a rapidly changing geopolitical and economic landscape defined by the Covid-19 pandemic, the reassertion of great power politics and accelerating climate change, it is less clear what 'sustainable development' means for SIDS and what the best route to achieving it is.

Global governance reforms are urgently needed to allow SIDS to exploit new economic niches and sustain levels of development in a post-pandemic and warming world. Key changes include altering the way official development assistance (ODA) is defined, generating new forms of debt relief, reforming climate financing mechanisms and facilitating access to the labour markets of the global north.

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About the authors
ORCID numbers are given where available. Please click on the ID icon next to an author's name in order to access their ORCID listing.

Matthew Bishop[ID] is a senior lecturer in International Politics at the University of Sheffield.

Rachid Bouhia is an economist in the United Nations Conference on Trade and Development.

George Carter is a Research Fellow in Geopolitics and Regionalism at the Department of Pacific Affairs at the Australian National University.

Jack Corbett[ID] is Professor of Politics at the University of Southampton.

Courtney Lindsay is a project development consultant with the Inter-American Development Bank.

Michelle Scobie[ID] is a lecturer and researcher at the Institute of International Relations at the University of the West Indies, St. Augustine.

Emily Wilkinson is a Senior Research Fellow in the ODI Global Risks and Resilience Programme and Chief Scientific Adviser to the Climate Resilience Agency for Dominica (CREAD).

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Acronyms

AOSIS	Alliance of Small Island States
COP	UN Climate Change Conference of the Parties
DAC	Development Assistance Committee of the OECD
DSSI	Debt Service Suspension Initiative
GCF	Green Climate Fund
GDP	gross domestic product
LDC	Least Developed Country
OECD	Organisation for Economic Co-operation and Development
SDT	special and differential treatment
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
WTO	World Trade Organization

Executive summary

Small Island Developing States (SIDS) have long pursued unconventional economic development strategies, often with great success. Equally, because of their susceptibility to exogenous shocks, which can be disproportionately more destructive than in larger states, their progress remains fragile and can be set back suddenly and dramatically. It has taken some time for donors and multilateral institutions to recognise this, but climate change has brought the unique condition of SIDS to the fore and their 'special case for sustainable development' is now enshrined in the Small Island Developing States Accelerated Modalities of Action ('SAMOA Pathway') (UNGA, 2014) and other multilateral agreements. The problem is that, amid a rapidly changing geopolitical and economic landscape defined by the Covid-19 pandemic, the reassertion of great power politics and accelerating climate change, it is less clear what 'sustainable development' means for SIDS and what the best route to achieving it is.

As the global context changes, so too do SIDS' ability to achieve genuinely sustainable development – that is, development which is socially and ecologically viable and sustained and enduring over time. The paper has three aims:

1. to review how SIDS have pursued sustainable and sustained development since decolonisation
2. to highlight the pathways that have been key to their success are being curtailed by factors out of their control
3. to consider how the current shape of the global governance architecture – including the way it defines official development assistance (ODA), structures debt, manages climate finance and facilitates or inhibits labour mobility might be reformed to better enable SIDS to innovate their way through these intersecting crises.

Our claim is that genuinely 'sustained development' in SIDS rests on their ability to innovate and engage in creative entrepreneurialism. Over several decades, these countries have successfully exploited niches in an increasingly globalised economy (including tourism, financial services, trade, migration and remittances, and sovereignty sales). Such solutions have always been vulnerable to exogenous shocks (Bishop, 2012) and often entrench unjust economic relationships between the global north and the global south (Scobie, 2020). Yet the most successful small island states have been able to exploit their small size and peripheral position in geopolitical affairs to achieve levels of growth and development that are the envy of many larger states, even if these remain vulnerable to rapid shifts in the external environment.

While creativity and innovation have been key to sustainable development for SIDS, this has been contingent on an international geopolitical and economic architecture that has (at best) been tolerant of their existence. When this context is in place, SIDS have proven adept at realising opportunities. But development strategies always reflect a particular historical, international and ideological context. The immediate post-independence era was one in which aid, trade preferences and relatively open migration schemes underpinned agricultural commodity exports and labour mobility. This gave way to a neoliberal era typified by distinct strategies associated specifically with globalisation. We are now entering a new era, initiated with the global financial crisis of 2008–2011, and bookended by the pandemic, which represents a key turning point. The contours of this fragile yet globalised and interdependent world are crystallising, marked by three key structural shifts, all of which are underpinned by inchoate ideological contestation: the impact of Covid-19 and its aftermath; rising great power rivalry and cracks in the multilateral system; and dramatically accelerating climate change.

For SIDS, instability in the previous order became evident when tourism declined precipitously after the global financial crisis (Kelman et al., 2015; Kelman, 2020). Many had scarcely recovered from this 'once-in-a-century' crisis before another hit in 2020. Covid-19 and rising great power rivalry have only compounded the challenges faced by many SIDS in the intervening period between 2008 and 2020, and these in turn reflect an unravelling of the neoliberal order. This unravelling both reflects and reproduces great power rivalry, which will in turn be further magnified by intensifying climate change. As this context changes, the ability of SIDS to realise genuinely sustained development inevitably changes too.

For donors and international organisations to fulfil their commitment to treating SIDS as a 'special case for sustainable development', they will need to reform the global governance architecture to ensure it is conducive to SIDS finding new economic niches to exploit in a post-pandemic world. Key changes include altering the way ODA is defined, generating new forms of debt relief, reforming climate financing mechanisms, and facilitating access to the labour markets of the global north. These changes may not transform all SIDS into high-income countries, but they might make it possible for the standards of living achieved in recent decades to be sustained.

1 Introduction

Small island development appears to embody a paradox. On the one hand, small size means that most SIDS suffer from acute exposure to exogenous shocks that can be disproportionately destructive (Briguglio, 1995; Bishop, 2012). No large country ever faces the quotidian possibility of a sudden catastrophe that costs 200% of gross domestic product (GDP), renders its entire population homeless or wipes out a substantial part of its constituent territory. On the other hand, SIDS have often achieved a level of relative economic development, democratic governance and social cohesion that is the envy of many larger postcolonial states (Easterly and Kraay, 2000; Briguglio, 2003; Baldacchino and Bertram, 2009). Moreover, this picture is mixed: some SIDS are not 'developing', others are neither strictly 'small' nor 'states', and a few are not even islands. Here we focus on those that define themselves as SIDS as outlined in the Barbados Programme of Action (UNGA, 1994). They share analogous development challenges and face similar historical, geopolitical and economic trajectories and realities. They uniquely prioritise both land and ocean as integral to their territorial sovereignty and identity.

Enduring vulnerability is not and never has been a barrier to generating growth or development; but equally, nor does such progress transcend the reality of vulnerability. As Payne (2009: 285) puts it, their developmental strategies 'grow out of a fundamental vulnerability, even if they contribute for the moment to a greater resilience'. Nonetheless, part of the debate around SIDS – and the development strategies of SIDS themselves – has tended to reproduce this 'paradox binary' between vulnerability on the one hand and resilience on the other. A key reason is that maintaining this delicate balancing act is important for attracting donor attention to SIDS challenges while persuading them that problems can be overcome with the right mix of support and autonomy.

This paper asks whether the vulnerability–resilience framing remains the right one – or, rather, the only one – for analysing development in SIDS today. Our intervention turns on the claim that most of the development challenges facing SIDS are exogenous to them and so domestic resilience, important as it unquestionably is, will only take them so far. Moreover, vulnerability is simply a pervasive reality about which enough has already been written: it does not intrinsically inhibit growth or progress, but it does remain an omnipresent threat that can both drastically undermine accumulated developmental progress and inhibit recovery and future progress. The world is changing: a combination of downward pressure on the sources of relative economic success associated with neoliberal globalisation (e.g. tourism, financial services, remittances, sovereignty sales), shifting geopolitics and intensifying climate change raise fundamental questions about how supportive of SIDS the current geopolitical and economic architecture is. Past resilience and adaptation 'successes' do provide some optimism – and small islands have always been adept at novel forms of policy innovation and norm entrepreneurship aided by their nimbleness and that of their peoples. However, these successes were also generated in a different era and often created their own problems. Indeed, there are good reasons to believe that resilience strategies have come at the cost of lost trade preferences (Heron, 2013), with wider knock-on effects in debt servicing, infrastructural development and social progress.

This paper is designed to sharpen discussion and debate ahead of the 26th UN Climate Change Conference of the Parties (COP26) in October 2021, not provide the last word. The history of development thinking about SIDS does, however, highlight pivotal moments or critical junctures, like the loss of trade preferences under the Lomé Convention (Girvan, 2010; Heron, 2011; Bishop et al., 2012), where research and policy agendas have undergone a marked shift in emphasis and direction. The confluence of increased attention being paid to climate change adaptation, the blue economy, the potential for a post-Covid-19 'green' recovery and debt restructuring, as well as shifting donor agendas (notably in the United States and United Kingdom), may well constitute one of these pivotal moments. Our intervention is made in that light. To be sure, existential questions are heightened by the pandemic and the impact it has had on already-fragile tourism industries. In a few years, tourism may have bounced back and these questions will have been allayed, at least for a time. But even if this is the case, the medium-term challenges created by existing global architectures remain, and climate change is continuing to intensify, thus these questions merit consideration.

The challenges we address are well known in SIDS as well as to policy-makers in larger donor states and the international organisations that work on SIDS issues. What is missing is a clear articulation of what being a 'special case for sustainable development' means in practice – and how it might be pursued. The absence of this articulation has meant that while SIDS are seeking support to sustain their development, and donors and international organisations are increasingly receptive to their distinctive condition, critical funds are not moving from one to the other. A key reason is that mainstream economic models still presume that countries should be moving up value chains to achieve self-sufficiency. To access funds and reduce debt, SIDS are rationalising their public sectors and doubling down on service-oriented economies, even though their reliance on them potentially accentuates, rather than attenuates, their vulnerability.

Economic success in SIDS has been underpinned by their innovation and entrepreneurialism (Baldacchino and Bertram, 2009). Their governments, firms and peoples have identified and exploited niches in an increasingly globalised economy by maintaining open and interconnected economies and societies. Ironically, small size also allows them to innovate and take decisive action in ways that are difficult for larger states: immediately closing borders, as many did during the height of the Covid-19 pandemic, is one example of this. Yet, in general, the constant search for new niches is a difficult road to follow. This is both because the developmental panorama is necessarily narrower in small territories with limited capacity, and because it requires constant adaptation as each niche is extinguished or monopolised by larger states. The current global crises will impact SIDS disproportionately and curtail their opportunities to pursue and renew their development strategies. But building their domestic resilience and adaptive capacity to cope cannot be the solution without simultaneously revising the structure of global aid, trade and climate-related financing in ways that help SIDS achieve sustained, sustainable development (Scobie, 2020).

To substantiate this argument, the paper is structured as follows: Section 2 briefly reviews development thinking on SIDS, then Sections 3 and 4 provide a somewhat gloomy discussion of the economic and environmental challenges that SIDS face amid intersecting crises. Section 5 explains how key failures and subsequent opportunities lie with the global governance architecture, which still struggles to recognise that mainstream development models are not appropriate for SIDS. Section 6 section considers three ways in which this architecture could be reformed to enact the 'special case for sustainable development' pledge. We focus specifically on more concessional finance, debt relief and restructuring, and improved access to climate finance. The final section reiterates the main argument: that sustained, sustainable development in SIDS is contingent on a geopolitical and economic order that opens niches that can be exploited successfully by innovative and entrepreneurial actors in SIDS.

2 What does sustained, sustainable development mean for SIDS?

Concern about the viability of small independent islands dominated discussions in the lead up to decolonisation in the 1970s. Leaders of small islands and colonial officials raised serious questions about whether they could survive and prosper in a world where great power rivalries saw them as little more than 'irritants' (Lewis, 2009: vii). While inherently vague, central to most understandings of development during this period was a belief that states ought to have the potential to achieve levels of economic growth that would generate 'autocentric' development, thereby negating the need for external assistance, along with the capacity to enact or project statehood in a way that other states would recognise (Brisk, 1969: 5; Baehr, 1975; Doumenge, 1983). For more than half a century, the implicit assumption was that development meant self-sufficiency.

This understanding of development as self-sufficiency seems at best quaint and at worst absurd. In an international order in which the threshold for enacting or projecting statehood is low – Tuvalu and Germany have the same vote in the UN, for example[1] – there is very little need for states to be self-sufficient. Moreover, very few states of any size are entirely self-sufficient amid intensified globalisation. Only countries with massive internal markets and highly diversified full-spectrum economies, such as China and the US, could conceivably come anywhere close to meaningful self-sufficiency. Interconnectedness and mutual dependence are therefore the norm, and this is the key to explaining the economic success of SIDS relative to many larger, but often poorer, developing states.

Concerns about whether SIDS could be self-sufficient appeared ill-conceived by the 1980s, yet the assumption that a substantial measure of self-sufficiency was the gold standard for development persisted. There was widespread concern about the long-term implications of dependency, especially in the SIDS that were also Least Developed Countries (LDCs).
An obsession with self-sufficiency obscured the fact that non-sovereign territories generally outperformed sovereign states (Bertram, 2004; Oberst and McElroy, 2007). But it also misdiagnosed why most SIDS have achieved middle- or high-income status in the post-colonial period despite suffering the removal of trade preferences, difficulty in accessing concessional financing – primarily due to their relatively strong performance in terms of gross national income (GNI) per capita – and climate change.

Since the 1980s, discourse on SIDS has been dominated by the vulnerability–resilience debate (see Bishop, 2012) and explaining why, despite their relatively high development as conventionally measured by GNI per capita, they faced challenges that were substantively different to larger

1 Of course, the symbolic power that this confers for the former is rather different to the material power enjoyed by the latter (see Panke, 2013; Sharman, 2017; Corbett et al., 2021).

states and thus deserving of the kind of special and differential treatment (SDT) that was increasingly only reserved for LDCs. This discussion focused on exogenous shocks, and the constrained ability of most SIDS to respond to them, and their limited capacity to find new niches to exploit in the global economy, including financial services, sovereignty sales and labour mobility. This framing juxtaposed the inherent problems that size and geography posed for SIDS with the innate entrepreneurialism, creativity and 'resilience' of their populations (Baldacchino and Bertram, 2009). Data on disasters and global market downturns supported the vulnerability view; comparatively high GNI per capita and the apparent success of offshoring and enclave capitalism supported the resilience view.

In truth, both were right. Many SIDS have high levels of development but most also remain deeply vulnerable to external shocks that render this development fragile and subject to rapid deterioration. Moreover, climate change has fundamentally altered this calculus for the worse. Low-lying atoll states in particular have been forced to confront the viability question urgently (Vaha, 2015; Armstrong and Corbett, 2020), with projected sea-level rise threatening to flood entire islands and render them uninhabitable. Serious questions exist, therefore, regarding whether these countries will continue to be 'states'. But climate change poses similarly existential questions for other SIDS too, as some hazards become more frequent and societies and economies less able to cope (Bishop and Payne, 2012).

The problem is that the vulnerability–resilience framing focuses on intervening variables – shocks and capacity – but misses the bedrock upon which SIDS' relative economic success was based: a liberal order that provided stability but also opportunities for SIDS to identify and exploit niches. They sustained high levels of growth by innovating – for example, they were a first mover on financial services and sovereignty sales, have generated high levels of remittances and rode the explosion in global tourism. However, their ability to do so was contingent on an international order in which interstate conflict was rare, borders were relatively porous, and openness and interconnectedness prized. These conditions provided SIDS with a space to identify and creatively exploit niches that leveraged, rather than decisively overcame, the realities of their small size and peripheral position in global affairs. If these structural conditions are weakened – or even removed – then sustained, sustainable development in SIDS becomes far more difficult to realise.

Before going further, we need to introduce some caveats. Firstly, while a relatively open global order is crucial for continuing developmental progress in SIDS – geographical remoteness, small domestic markets and large diasporas inherently render them more dependent on unhindered flows of technology, goods, capital and people than larger societies – we are not saying that the neoliberal era was an unmitigated triumph. It was, in fact, deeply problematic in many respects and the adjustments it implied for many SIDS as they transitioned from preference-based commodities to services were extremely painful, distributionally inequitable and even facilitated the growth of illicit activity and violence in some places (Richardson, 2009; Girvan, 2012; Freeman, 2014; Lee et al., 2015; Munroe and Blake, 2017). Nonetheless, it seems that the crisis in neoliberalism that became evident with the global financial crisis is now terminal: the interregnum of the past decade – described elsewhere as 'The Great Uncertainty' (Hay and Payne, 2013) – has been bookended by a pandemic that potentially marks the point at which the world moves fully into a new era.

Secondly, the character of that post-Covid international order is genuinely open: we discuss the pessimistic vision at various points in this paper, but regardless of how the 2020s unfold the core point is that the assumptions underpinning any era, both in general and as they pertain to SIDS specifically, necessarily give way to new ones. A dominant notion has long been that growth would continue broadly unabated and SIDS therefore would not require SDT, despite demanding it. But if successive shocks have undermined the presumption of growth, it follows that the rationale for denying SDT is weakened too. This is just one example: it is not to say that SIDS should be granted SDT – although we believe that this case is unanswerable – nor that this would be straightforward or could be delivered on the same basis as it might have been previously. Rather, it is simply to note that new eras are underpinned by new ideas, compromises and institutional architectures, and therefore produce new opportunity structures and developmental possibilities. There is much that might be imagined in terms of – to use the SDT example again – new financial instruments framed to deliver special treatment in new ways. A more optimistic vision of a world in which SIDS are able to grasp emergent opportunities necessarily implies a form of globalisation that is simultaneously less neoliberal, more respecting of national policy space, better managed by reinvigorated multilateral bodies and remains broadly open and sensitive to special needs (Bishop and Payne, 2021a).

Thirdly, not all SIDS are equal in this discussion. We have already highlighted variation in income levels and geography, but there are many other ways in which this is a diverse group. This in part explains the myriad extant definitions of 'smallness' and consequent bases on which the SIDS label is conferred on different territories by different actors or institutions. Differences exist between the Commonwealth Secretariat/World Bank definition and those of both the UN and the Small Vulnerable Economies at the World Trade Organization (WTO), with the self-selecting Alliance of Small Island States (AOSIS) also not comprising all 'SIDS' territories. In fact, definitions of SIDS regularly comprise, for good reason, members that are not exactly small, islands or even independent states (Sutton, 2011). But this paper deliberately addresses the condition of the majority of small, independent, developing island states located primarily in Africa, Asia, the Caribbean and the Pacific. While our analysis may have implications for larger developing countries, wealthier small states or islands and non-sovereign territories, the focus is squarely on this subset of nations.

What we are asking is whether now, amid a global pandemic, rising great power rivalry and climate crisis, the emerging international order has or will become less supportive of SIDS. Consequently, SIDS are at a critical juncture where the traditional avenues through which they pursued national development are shrinking or being closed off, further undermining assumptions about structural transformation. All previous doomsday predictions for SIDS have proven false (e.g. Cole, 1993; Reilly, 2000), but just because these nations survived the post-colonial and then neoliberal eras, it does not follow that this time will be the same. It is only prudent to consider what reforms might be required to ensure that the global geopolitical and economic architecture remains benign for SIDS to the extent that they can continue to pursue sustained development.

Moreover, intersecting crises have created opportunities that did not exist even a few years ago, in tandem with wider decay in the hegemony of neoliberal ideas governing international development policy and praxis. These include: (a) greater policy experimentation and openness to new ideas in an era of 'productive incoherence' (Best, 2014; Clift, 2018; Grabel, 2018); (b) a larger donor appetite to explore those new possibilities; (c) different kinds of 'subnational' models that appear plausible in an increasingly digitised world; and (d) greater recognition of the challenge that climate change poses for SIDS (Scobie, 2019). There exists a rare window of opportunity for SIDS, donors and international organisations to seek the types of changes that would make good on the international community's pledge to treat these states as a 'special case'. This is about more than recovery from the pandemic, as crucial as that is: it is about ensuring that the long-term development pathways of SIDS are protected in a world where climate breakdown is looming and great power politics is back.

3 Economic challenges

This section reviews the complex and often-interconnected global economic challenges faced by SIDS. Key is that all emanate from wider shifts external to the small, vulnerable states. As the gradual unwinding of the neoliberal settlement proceeds via successive crises – the global financial crisis in 2008–2011 and the Covid-19 pandemic in 2020–2021 – exogenous conditions continue to place downward pressure on their economies, and these are (or will be) compounded severely by climate change. Because these conditions are structural and emanate from outside, it is implausible that SIDS can resolve them alone. As a result, arguments about their success that gained prominence in the late 1990s and 2000s, when offshore finance, tourism and remittances offered considerable development potential, appear more questionable today. We are not arguing that there are no bright spots or opportunities: a new era will undoubtedly bring with it new economic possibilities and many place faith in the blue economy, creative industries and so on. However, it is unclear whether emergent sectors will be able to fully replace those that are in decline – in terms of jobs, tax receipts and broad-based development – or, indeed, whether the post-pandemic order will permit SIDS to fully exploit their promise.

3.1 Declining industries

The question of how the countries we now call SIDS would generate economic growth was central to debate around decolonisation. In the Caribbean, early arguments by Nobel Prize-winning economist Arthur Lewis favoured industrialisation and import substitution (Lewis 1950; 1954). This strategy had early success in Jamaica and Trinidad during the 1950s. But by the 1960s it was that clear that industrialisation had foundered amid wider collapses in commodity markets, and critics emphasised how small islandness (e.g. Demas, 1965) and colonial legacies (e.g. Best and Levitt, 2009) inhibited large-scale projects of national development (see also Bishop and Thompson, 2020). Concerns about viability in newly decolonising SIDS, then called 'developing island countries' or 'island developing countries' by the United Nations Conference on Trade and Development (UNCTAD) (Connell, 1988; Grote, 2010), informed the special and differential access to European markets afforded to them under the Lomé Convention and similar agreements. This ensured the viability of agricultural exports – bananas, sugar, copra and so on – and by extension the decolonising state.

This settlement was undone in the mid-1990s with the formation of the WTO and its emphasis on trade liberalisation, which precipitated the rapid demise of agriculture and raised the spectre of existential crisis for many SIDS (Heron, 2013). But these fears were allayed by the simultaneous rise of tourism and financial services. Tourism was enjoying a global boom and SIDS, with their abundant sand and sun, were key beneficiaries (Bishop, 2010). Financial services were among the 'enclave' sectors that SIDS have become adept at inventing and exploiting (Baldacchino and Bertram, 2009; Cooper, 2011; Vlcek, 2008; 2014). SIDS also benefited from migration, which despite the 'brain drain' generated significant remittances (Dawson, 2007). The upshot was that, even though agriculture had declined, many SIDS did relatively well during the 1990s and 2000s. Indeed, the fact that they had even moved up some value chains appeared to support the arguments for trade liberalisation.

In sum, declining industries fostered innovative solutions in SIDS. This entrepreneurialism has been rightly lauded as a source of resilience. But this form of resilience is also highly demanding: SIDS have to constantly find new and emerging niches to exploit in order to maintain their standard of living, and many of their strategies – which depended on the openness provided by neoliberal globalisation – also compounded their inherent fragility (Payne and Sutton, 2007; Erikson and Lawrence, 2008).

3.2 Trade

The problem with liberalisation in SIDS, where one or two economic sectors dominate, is that they are disproportionately affected by the international political, economic and natural environment. Due to their small geographic and population sizes, they lack adequate, exploitable economic resources, resulting in a limited pool of competitive growth sources (which in turn explains their undiversified economies). Due to their remoteness and insularity, they are challenged by shipping connectivity issues (see Connell, 2013). SIDS thus suffer from low production volumes, high labour costs and uncompetitive prices for their commodities, exported to an undiversified export market.[2] Their low trade volume discourages investment in local production for exports, and their current account deficits do not allow them to finance port infrastructure upgrades as a way to incentivise investments into local production for export.[3] Small size also means smaller government capacity to influence international trade norms (Lindsay, 2019). Poor access to finance continues to limit private sector development, while the absence of intellectual property infrastructure and the lack of public and private sector investment in research and development restricts innovation.

The main solution to this has been to pursue even more innovative industrial strategies, improve incentive structures and regulations to facilitate further trade liberalisation, develop trade infrastructure, deepen regional integration and lobby for increased market access. Despite being vulnerable to an over-reliance on a limited range of services and export markets, SIDS have doubled down on this sector: in 2018, services represented 80% of total exports in half of these countries, with tourism being the most important category in almost all SIDS (UNCTAD, 2019). Tourism represents over 34% of GDP in all English-speaking Caribbean Community (CARICOM) countries and as much as 62% in St Kitts and Nevis. In the Pacific, the tourism sector represents

2 For the first quarter of 2006, Antigua and Barbuda ranked 124 in connectivity. In Q4 of 2019, the country declined to 158. See UNCTAD STAT table: https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=92. See also UNCTAD (2019).

3 CARICOM countries in 2020 imported good worth $29 billion, exporting just over half this amount ($16 billion). Indeed, SIDS have much higher trade-to-GDP ratios (90% in 75% of SIDS).

11% of regional GDP, reaching 40% of GDP in Fiji and Palau. SIDS with little tourism tend to be poorer. In a bid to extract more from services, SIDS have been encouraged to take advantage of the growing trend toward community tourism, attract offshore services in higher value areas such as knowledge and information technology outsourcing, and back-office support services.

Doubling-down on services makes sense if these sectors are likely to continue to grow. But there are serious questions here. The financial services industry has been under pressure from global regulation since 9/11. Ironically, while SIDS are global icons of this industry, they have put in place much more stringent regulation than many larger states (see Sharman and Mistry, 2008). Either way, the sector is under pressure and latecomers, especially in the Pacific, have frequently ceased operating. Even for successful and well-governed offshore financial centres, the future will be tough. Ironically, the more competitive they have become, the more they have diversified sources of capital flows – e.g. China (Vlcek, 2014) – and the more they have diversified into higher value-added activity, the more scrutiny this invites from powerful actors. No Caribbean country is presently on the Financial Action Task Force list of Non-Cooperative Countries or Territories; those that were have worked hard to rid themselves of the 'Uncooperative Tax Haven' label. As Sanders (2018) puts it, all have 'strong anti-money laundering regimes, Tax Information Exchange Agreements and Mutual Legal Assistance Treaties, and are implementing both the US Foreign Account Tax Compliance Act (FATCA) and the OECD's Common Reporting Standards'. Yet the Organisation for Economic Co-operation (OECD) and other powerful institutions are constantly developing new metrics and measures which go well beyond tax crime and into policy areas like Citizenship by Investment – that could ensnare SIDS in future, alongside attempts by the Biden administration in the US, which is seeking to create a global corporation tax floor of 15%.

Tourism has long had contradictory implications for development in SIDS. Although it generates foreign exchange, provides jobs and keeps islands connected to international aviation networks, this comes at the cost of huge subsidies and tax breaks, limited income multipliers, precarious work, permanently disfigured landscapes, large food import bills, tension with locals over resources such as beach access and fresh water, alongside general unsustainability (Bishop, 2010; Lee et al., 2015; Pratt, 2015; Kelman, 2021). Tourism is, in every sense, a 'last resort' (Pattullo, 2005). Experiments with ecotourism have mitigated some of these challenges in many SIDS, but this accounts for only a fraction of the market and ecological credentials are often questionable (Bishop, 2010).

Tourism has been halted entirely by Covid-19. This is the second tourism shock experienced by SIDS in a decade; its costs were already substantial when the industry was doing well and hotels were full, but many had barely recovered from the global financial crisis before the industry's fragility was laid bare by the pandemic. The effects are profound: from decimated foreign exchange reserves and lost jobs to landscapes scarred by expensive infrastructure that is rendered useless. The industry is likely to return, but in what form? Many critics question its usefulness as the centrepiece of a development strategy (Gössling et al., 2021). Moreover, even if tourism numbers return to pre-2020 levels, the industry is threatened by medium-term trends, including competition from cheaper, less remote destinations and above all climate change (Mycoo, 2018).

Other niches, such as gaming, economic passports and emerging enclave activities have potential but also run the risk of being rapidly shut down once they pose a threat to larger states – the WTO dispute between Antigua and Barbuda and the US over offshore gambling is a good example (Cooper, 2011). Moreover, just as the lion's share of rents associated with tourism is captured by multinational hotel conglomerates, cruise lines and travel agencies, those associated with the island creative sector are likely to be captured by powerful firms controlling licences in northern markets. The blue economy has been much vaunted (see Clegg et al., 2020 for a detailed review), but it is far from obvious whether it will realise its promise. It is beset by definitional controversy: it is a fuzzy concept that justifies the ongoing commodification of nature and even legitimises the greenwashing of ecologically destructive forms of marine resource exploitation (Voyer et al., 2018). In any case, it is unclear whether SIDS can actually attract sufficient investment to monetise their maritime zones to the extent necessary to underpin genuinely broad-based development that offsets the effects of industries in decline, provides substantial numbers of jobs and mitigates debt burdens. In sum, SIDS economies are being squeezed by forces outside of their control. Alternatives may be available, but for the moment the short- to medium-term prognosis appears gloomy.

3.3 Debt

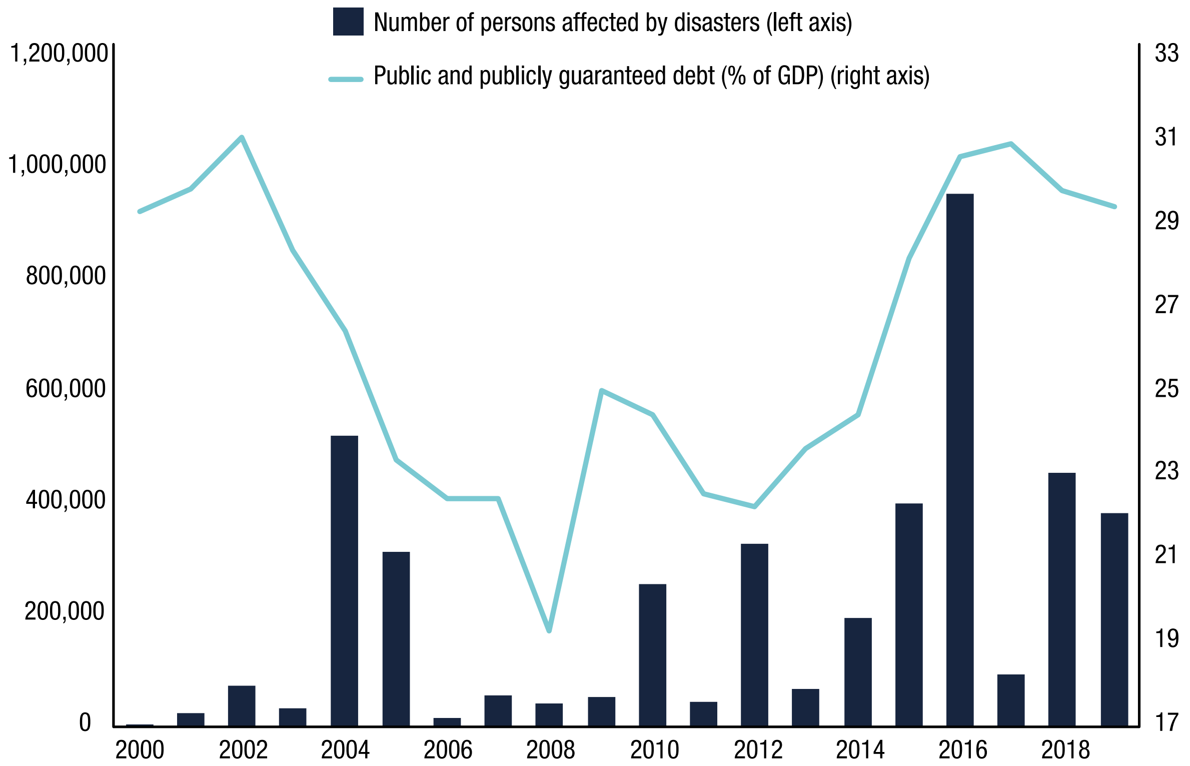
SIDS' external indebtedness is considerably higher than that of many other developing countries. Between 2000 and 2019, the external debt of SIDS by GDP rose by 24 percentage points, while in developing countries debt fell by 6.2 points on aggregate. By 2019, external debt accounted for 62% of GDP on average in SIDS, compared with 29% for all developing countries and economies in transition (UNCTAD, 2020). Most of the increase occurred in the aftermath of the 2008–2011 global financial crisis and accelerated in 2013, the year of the 'Taper Tantrum',[4] followed by a series of external shocks, all of which put debt positions under further strain (Bouhia and Munevar, 2019). Although debt is not a problem if it can be sustained, debt sustainability in many SIDS impacts negatively on development due to investments foregone, exacerbated by a wider inability to access concessional financing (discussed in the next section).

Over the past decade, a dramatic rise in external public debt in many SIDS compared to the 2000s coincided with more frequent disasters. In fact, the two are linked in a highly volatile vicious circle: countries borrowed heavily to invest in infrastructure for growth sectors like tourism, but when shocks hit – such as a hurricane or the collapse in visitors after the global financial crisis – this had an immediate effect on governments' ability to service existing debt. Large-scale borrowing

4 US bond yields surged after the Federal Reserve announced a monetary policy normalisation, triggering capital outflows from SIDS for higher returns, a currency depreciation and spike in external debt relative to GDP.

from public and private foreign creditors, particularly after disasters, has given SIDS a diverse set of refinancing options but also brought about greater exposure to the vagaries of international financial markets, including sudden changes in exchange and interest rates, which is problematic for sovereign risk.

Figure 1 Number of persons affected by disasters in SIDS and public and publicly guaranteed debt in SIDS as a share of GDP (2000–2019)



Source: Authors' calculations based on the EM-DAT International Disaster Database and data from the World Bank, the International Monetary Fund and national sources.

The rise in SIDS' external debt since 2000 has been mostly driven by long-term private debt, which was 15.9% of GDP in 2019 compared to 1.2% in 2000. In many developing countries, high levels of private debt have failed to deliver growth, structural transformation and development (UNCTAD, 2019). Over the same period, short-term debt increased from 6.6% of GDP to 14%. Greater short-term debt renders developing countries more vulnerable to liquidity crises, and exacerbates sovereign risks, particularly when international reserves accumulation policies are lacking (Rodrik and Velasco, 1999).

High ratios of public debt to government revenue means that SIDS are likely to experience debt distress, forcing them to dedicate a huge amount of public revenues to debt repayments rather than infrastructure or public services. And as public debt piles up, there is very little room to mobilise finance from trade to cope with it. In Dominica, for example, total public debt is high

(78% of GDP), the current account deficit is high (43% of GDP), and the debt service rate is high (10% of government revenues). The Covid-19 crisis will severely aggravate the debt positions of these countries, putting them at greater risk of defaulting. All except Antigua and Barbuda, have benefited from IMF's Covid-19 Financial Assistance and Debt Service Relief since March 2020. Only five (Grenada, Cabo Verde, Dominica, the Maldives and São Tomé and Príncipe) have so far been eligible for the G20 Covid-19 Debt Service Suspension Initiative (DSSI).[5]

In sum, most of the countries classified as having 'very high' or 'high' levels of public debt distress have already experienced repeated sovereign defaults since the global financial crisis. The recurrence of sovereign defaults in this group of SIDS suggests that debt restructurings have been 'too little, too late', with disastrous repercussions not only on debtor countries but also on creditors, who lose much more in the long term.

3.4 Official development assistance

Another major challenge for SIDS is the very low levels of concessional finance received: approximately 5.7% of all ODA reaches SIDS, the vast majority of which is captured by Pacific countries (Hurley, 2015). Despite having very high levels of ODA per capita, Pacific SIDS, in particular, have not experienced substantial development (Dornan and Pryke, 2017) as aid maintains basic infrastructure rather than providing a pathway to more transformational development. The fear among donors is perpetual dependence. This issue is compounded by the ability of SIDS to absorb ODA, and its questionable effect on generating sustained growth (Feeny and McGillivray, 2010). The multilateral development banks and other development agencies have come some way in learning to support small islands and have dedicated SIDS units that are geared towards their needs, but SIDS look very different to the clients that are regularly serviced by the World Bank and others, often with just one two people staffing a given ministry. They are thought to lack capacity to manage large investments, which makes traditional forms of lending difficult and raises questions over their capacity to monitor disbursements.

Dependence on but limited capacity to absorb and administer aid are key issues for some SIDS. For a few, the problem is that they are not entitled to it: the GNI per capita measure of development that underpins the Development Assistance Committee (DAC) List of ODA recipients precludes SIDS because they have graduated to high-income status. Basing entitlements on this single measure fails to capture the specific challenges facing many small islands. For this reason, Caribbean SIDS in particular – which tend to be either high-income or upper-middle-income (and therefore likely to graduate to high-income in the near future) – have questioned the DAC list in its present form. For instance, 'rising powers' like Brazil, China, India and South Africa (see Bishop and Murray-Evans, 2020) find themselves on the list and are therefore

5 For the last update on DSSI, see IMF and World Bank (2020).

eligible for concessional development financing and aid, yet Antigua and Barbuda, which suffered the complete destruction of one of its constituent islands in 2017 (damage estimated at over 30% of GDP) is due to graduate in 2022.

GNI per capita is a poor or misleading measure of developmental progress in SIDS for four reasons. First, dividing the sum of national income among a small population inherently overstates living standards in the community (Bishop, 2016). Second, nominal GNI per capita tells us little about changes in growth rates: many SIDS have actually suffered real-term stagnation for decades. Third, it tells us little about the distribution of national income: many SIDS are extremely unequal, with small elites capturing most gains from growth, with the wider population having incomes way below the headline GNI per capita figure. Finally, as noted earlier, SIDS are generally dependent on external finance and enclave forms of development. Consequently, even meagre growth generally sees rents accrue to outside actors, rendering any measure of 'national' income problematic (Bishop, 2013).

The inability to access significant volumes of concessional finance compounds the debt problem and vice versa, operating in a vicious circle. ODA has never been a panacea for development in SIDS, but their inability to access it because of a flawed measure of progress – in contrast to nominally 'poorer' countries with many more development options and far greater capacity – is deeply problematic. There has been much resistance in recent decades to creating a new category, analogous to the LDC one, that confers special treatment on SIDS, even though they have campaigned for it and their 'special case' has been recognised rhetorically. Nonetheless, the time seems ripe to revisit the question of whether SIDS, however nominally wealthy they might appear to be in terms of per capita GNI, should have access to ODA to address the distinctive vulnerabilities that are unique to their condition. Some have suggested that the simple fact of small size should be a 'continuous characteristic' that merits aid, and we would agree (Guillaumont et al., 2018). Another issue is that even those SIDS that are eligible do not receive the assistance they should as ODA flows remain far below the UN's 0.7% target. Added to this, debt relief (often at nominal value) will now be counted as ODA, so SIDS will get even less financial aid (OECD, 2020).

4 Environmental challenges

SIDS find themselves in challenging economic circumstances, but these do not necessarily invoke an existential crisis on their own. After all, many Pacific SIDS have never had large tourism and financial services sectors and yet they remain functioning states. While the economic challenges outlined may see a contraction in the economies of many SIDS, and a subsequent slide down the DAC list, what gives urgency to our argument are the proliferating and intensifying impacts of climate change and their 'transformational, if not apocalyptic, implications' (Rhiney and Baptiste, 2019). These are compounded by the wider array of environmental problems that afflict many SIDS and are exacerbated by the pressure that tourism places on delicate ecosystems: waste management, destruction of coastal zones and pollution (see Shah, 2021).

4.1 Climate change

SIDS have always experienced environmental hazards, typically in the form of hurricanes and cyclones, flooding, volcanoes, earthquakes and tsunamis. The geography of SIDS explains much of their exposure to these hydro-meteorological and geophysical hazards: most are located on or near plate boundaries and they are generally found within the tropics. Many owe their subaerial exposure to deposits from past volcanic activity, which results in a geomorphologically immature topography, with hills and mountain tops bounded by steep-sided, often unstable slopes. The volcanic SIDS are thus not only prone to storm surge and sea-level rise, in common with other lower-lying SIDS, but are also susceptible to a wide range of geophysical hazards (Wilkinson et al., 2016).

The impacts of climate change on SIDS are well documented and so we will not rehearse them at length here (see IPCC, 2018; IPCC, 2019; Thomas et al., 2020; Wilkinson et al., 2021). In addition to increasing the frequency and intensity of hurricanes and cyclones, and adding to coastal erosion, flooding and drought, climate change will add new threats, from sea-level rise to coral bleaching, invasive species and infectious disease. All of these exacerbate the vulnerabilities that weigh on the livelihoods of island peoples (Shah et al., 2013). SIDS have spent the last three decades drawing attention to these challenges, most strikingly in emphasising the need for temperature changes associated with climate change to be limited to 1.5°C of warming (see Bishop and Payne, 2012).

The impacts are growing and becoming more complex (Wilkinson et al., 2018). Tropical cyclones alone cause an estimated $835 million of damage in the Caribbean and $178 million in the Pacific each year: they are not simply destructive in and of themselves, but also create recurrent hazards. Compared with Europe and Central Asia, for example, SIDS are expected to lose 20 times more of their capital stock each year because of disasters (UNDRR, 2015).

SIDS are particularly vulnerable to a range of environmental hazards because they lack the human and financial resources to substantially reduce disaster risks through building protective infrastructure and the systems for managing evacuations and the distribution of basic relief support (Terry and Goff, 2012). In the Caribbean and elsewhere, lack of adherence to building codes and the use of sub-standard materials for informal construction exacerbate both exposure and vulnerability, as do high levels of poverty, socioeconomic exclusion and environmental degradation, which is exacerbated by mass tourism and patchy governance frameworks (Ahmad, 2007; Scobie, 2016; Mycoo, 2021; Wilkinson et al., 2021). In addition, inadequate air and sea transport links can often render evacuation and emergency response and recovery costly and difficult (McGuire et al., 2009).

SIDS are generally either low-lying atoll states and therefore at risk of inundation and coastal erosion as sea levels rise, or they are forested and mountainous, in theory providing more higher ground to which people can escape. However, the fact that almost all major infrastructure – airports, roads, tourism and other structures – and most housing is located on lower coastal ground means that the challenge is just as acute, albeit in different ways (Mycoo and Donovan, 2017; Barclay et al., 2019). So, while all countries face the challenge of inundations in their coastal zones, in SIDS this issue is acute, because of the disproportionate scale of development in those zones, the disproportionate cost of protecting them relative to the size of the territory and the disproportionate lack of alternative land to redirect development to. Overall, the cost of climate resilience inaction in the Caribbean is estimated at 10% of annual GDP by 2050 (CCCCC, 2012).

In summary, it is well documented that climate change is likely to compound existing economic challenges. It will place considerable pressure on tourism both because mitigation will reduce air travel and environmental degradation will reduce the attractiveness of SIDS as holiday destinations. As the likelihood of limiting warming to 1.5°C recedes, SIDS will require new adaptation strategies for limiting the effects to their economies, settlements and ecosystems (Mycoo, 2018; Robinson, 2019).

4.2 Accessing climate finance

Climate finance is one solution for the environmental and economic challenges SIDS face. A climate finance goal was agreed in 2009 through the Copenhagen Accord, which led to a formal commitment from developed countries at COP16 to jointly mobilise $100 billion a year by 2020 to address the needs of developing countries (UNFCCC, 2009). This funding would in theory come from a wide variety of sources: public, private, bilateral, multilateral, and blended and alternative sources of finance (Pandit Chhetri et al., 2021). However, SIDS have long found themselves in a disadvantaged position vis-à-vis global climate politics. The general division between northern and southern states places them among countries – the G77 plus China, which comprises, for example, many major industrial powers and oil-producers – whose interests do not obviously align. Within this group, there is far greater financing available for mitigation (i.e. emissions reduction) than for adaptation, which does not serve the needs of SIDS (Bishop and Payne, 2012). The upshot is that while SIDS should be major recipients of climate finance, this mechanism has promised more than it has actually delivered in terms of facilitating adaptation (Robinson, 2019).

All developing countries are eligible to receive funding from developed countries under the principle of common but differentiated responsibilities under the United Nations Framework Convention on Climate Change (UNFCCC). The UNFCCC, however, recognises that low-lying and other small island countries (as well as countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification and developing countries with fragile mountainous ecosystems) are particularly vulnerable to climate change (UNFCCC, 1992). The Paris Agreement goes further in reference to financing: in Article 9.4, it states that SIDS and LDCs are particularly vulnerable to the adverse effects of climate change and therefore need public and grant-based resources for adaptation because of their significant capacity constraints (UNFCCC, 2015).

Responding to this vulnerability, the climate funds, including the Green Climate Fund (GCF), have made commitments to prioritise SIDS and LDCs and adaptation efforts. The GCF has adopted a policy to provide 50% of its funding on adaptation, of which 50% is to be spent in LDCs, SIDS and African states (GCF, 2020). According to the OECD, however, only $71 billion a year in climate finance is currently available and funding is heavily skewed towards reducing emissions. This isn't much help to low- and middle-income countries that need up to US$300 billion per year for adaptation alone by 2030 (UNEP, 2020). In addition, the majority of public climate finance is being provided in the form of loans and other non-grant instruments: in 2017–2018, around half of climate finance to SIDS was non-concessional (i.e. not offered on terms generous enough to qualify as ODA). An estimated 40% of all overall public climate finance in 2017–2018 was non-concessional – a significant increase from an estimated 30% in 2015–16 (Oxfam, 2020). The amount of climate finance going to individual SIDS for adaptation and resilience also falls way short of needs (Bardouille and Wilkinson, 2020). The largest single-country adaptation project on the GCF's books is $405 million for urban water supply and wastewater management in Fiji, but only $31 million is grant funding. The Adaptation Fund has dispersed $306 million in total to adaptation activities, but spread across 60-plus countries.

In sum, while the diversity of developing countries in terms of climate risks and impacts, income levels and capacities makes financing difficult, this subject is often glossed over at the climate talks due to internal disagreements among developing countries themselves. These debates and the grouping together of countries are likely to emerge again at COP26 as the process begins to map out the larger 2025 climate finance goal, from a baseline of $100 billion. While SIDS have some of the highest need for adaptation finance, they often have the weakest capacity to access it (Robinson, 2019) and are far from obtaining the volumes they require.

5 Governance challenges

A consensus emerged over the past three decades that one of the main solutions to both economic and environmental challenges is improved governance. The 1992 World Development Report (World Bank, 1992) took up the challenge laid down by the Brundtland Commission (WCED, 1987) a few years earlier and placed the environment squarely at the heart of official development thinking. This coincided with the turn away from the harshest formulations of neoliberalism that had dominated the previous decade (see Heron, 2016). Joseph Stiglitz (1998) famously described this period as the 'post-Washington Consensus', when a greater focus on 'enabling institutions' and governing processes in the operation of markets was necessary. This era was one in which many SIDS effectively saw deeply political processes of Indigenous postcolonial development give way to off-the-shelf technical solutions designed by, or in tandem with, the international development agencies (Payne and Sutton, 2007).

Our point of departure from this fraying consensus is that 'good' governance in the sense of one-size-fits-all strategies imposed by development partners is neither the panacea that many claim it might be nor an adequate conceptualisation of what genuinely good governance actually entails (Scobie, 2019). SIDS are often extremely well governed – they have strong democracies and vibrant societies – but they are, nonetheless, still threatened by the challenges outlined herein and have internal governance weaknesses that reflect a lack of scale and capacity. So, where international actors might decry the closeness of politicians to society, this is simply the pervasive reality of life in a small island as well as the 'glue' that holds places with very high levels of 'social capital' together (Campbell and Hall, 2009). The major governance barrier to sustained development in SIDS is not endogenous. As with all states, their systems can and should become more transparent, accountable, participatory and efficient. But it is the practices of the international community – and the global systems in which SIDS are unavoidably enmeshed – that require rethinking and recasting. In this section, we substantiate this claim by addressing domestic, regional and global (climate) governance in turn.

5.1 Domestic governance

Domestic governance in SIDS presents two paradoxes. First, small island states are much more likely to be stable democracies than larger states, but consistently face problems with clientelism, executive domination and corruption (Corbett and Veenendaal, 2018). Second, they have disproportionately large bureaucracies for their size but acute capacity deficits that undermine their ability to deliver basic services (see Baldacchino, 1997; Jugl, 2019; Randma-Liiv and Sarapuu, 2019; Corbett et al., 2021).

There are a number of explanations for the first paradox relating to the nature of colonisation, which in the Caribbean spawned an authoritarian political tradition (Peters, 1992; Sutton, 1999; Duncan and Woods, 2007; Hinds, 2008) and in the Pacific saw the persistence of pre-modern chiefly traditions (White and Lindstrom, 1997; Morgan, 2005). What neither explains is why this pattern is similar in both regions given the Caribbean does not have pre-modern chiefly systems and parts of the Pacific region were among the last to be colonised. Nor does it explain why European small states, many of whom are among the wealthiest countries on earth, experience similar trends (Corbett and Veenendaal, 2018). The similarities between very different small island states in terms of the practice of democratic politics suggests that size, rather than culture, history or level of development, is the key factor in explaining a tendency towards hyper-personalisation.

Explaining the second paradox is more straightforward. Small states have larger bureaucracies because they have to fulfil the same functions as larger states but with smaller populations. Some of the costs of statehood have historically been offset by an international order that means most small states do not maintain, or have to maintain, large militaries, for example. But the relatively small local capitalist class and private sector, which is anyway generally geared towards merchant rather than productive activity – with major plant, such as tourist resorts, owned by multinational companies – means that the public sector becomes a repository for labour (Bertram and Watters, 1985; Bertram, 1993; 2006; Marshall, 2002). Government jobs are thus necessarily highly sought after and a key form of political patronage. Reforms rarely get very far because these practices serve a distinct political and economic function. The bureaucracy could become leaner and more efficient, but it would still need to undertake core state functions, such as overseas representation – which require huge sunk costs relative to larger countries – and would be dependent on the private sector providing alternative forms of employment that would disrupt patronage systems.

In sum, while domestic governance in SIDS is not perfect, most of the challenges stem from size. By the same token, attempts to curtail the scope of governments to improve governance have often reduced rather than improved state capacity – capacity that is crucial for developing coherent domestic climate policy and accessing international support (Scobie, 2016).
The broader lesson, then, is that island development needs to work with informal and highly personalised political systems if it is to succeed (Grindle, 2004). Alternatively, the defraying of investments in public sector capacity in SIDS needs to be addressed via regional integration.

5.2 Regional governance

Regional integration has also long been touted as a solution to the problems of small island development, but political integration has been difficult to achieve almost everywhere. The West Indies Federation collapsed in 1962 when Jamaica and Trinidad and Tobago decided to pursue independence as individual states, and even the latter state had its own subnational tension between the two main islands (Bishop et al., forthcoming). Likewise, in the Pacific, Palau, Marshall Islands and Northern Mariana Islands all seceded from the Federated States of Micronesia in the 1970s, and similar sentiments are starting to show in 2021 with Micronesian states leaving the Pacific Islands Forum. Secessionist movements continue in many archipelagic states. Island states have struggled to create collective governance structures with the supranational policy-making autonomy critical for dealing with individual capacity constraints, collective action problems, and intensified transborder challenges (Bishop and Payne, 2010). They have also increasingly faced opposition from below due to perceptions that the quality of governance is decaying and states' inability to satisfy the developmental aspirations of their people. In the Caribbean, Jamaica has even raised the possibility of leaving the Caribbean Single Market and Economy, a crucial mechanism of integration.

Despite the uneasy success of nationalist projects, the imperatives of – and rationale for – regional integration have not gone away. But most integration has been functional, designed to protect and enhance sovereignty rather than circumvent it (Lewis, 2002; Payne 2008; Gilbert-Roberts, 2013; Fry, 2019). The hope is that once economic gains are realised political integration will follow. The problem is that SIDS have diverse and sometimes competing interests: those of larger islands with natural resources (Jamaica, Trinidad and Tobago, and Guyana in the Caribbean, or Fiji and Papua New Guinea in the Pacific) tend to diverge from their smaller neighbours. Where interests align, as in tourism, there is also intense market competition with neighbouring islands. Indeed, there are few policy areas in which the type of alignment that might underscore a deeper political union exists. One approach is the so-called Blue Pacific vision, which attempts to create a regional identity underpinned by shared responsibilities and governance for economic and security cooperation.

In sum, while functional regionalism is an important enabler of island development, it has not delivered a great deal in practice. Its limits mirror those of regional endeavours elsewhere: those that survive over the coming years and decades are only likely do to so if they also recast their *raison d'être* beyond the kinds of trade and service liberalisation that predominated during the neoliberal era and find more developmentally minded rationales for their continued existence.

5.3 Interregional governance

The need for interregional collaboration and collaboration among SIDS from different ocean regions was met through the formation of a Male Action Group in 1989, or what later became known as the Alliance of Small Island States (AOSIS). The group recognised SIDS' extreme vulnerability to a range of external forces, especially climate change. The first UN SIDS conference, held in Barbados in 1994, produced a framework for planning and implementing development in island states known as the Barbados Plan of Action. These frameworks would be renegotiated every decade, with the Mauritius Plan of Action following in 2005 and the SAMOA Pathway in 2014. The SAMOA Pathway sets forth an internationally agreed programme of action of 15 priorities for SIDS for 2014–2024.

Beyond advocating a special global agenda for SIDS and sustainable development, the contribution of AOSIS has been significant in its role in the UNFCCC's climate regime (Carter, 2020). During the 11th session of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change in 1994, AOSIS Chair Tuiloma Neroni Slade introduced a draft proposal that stated that Annex I (i.e. industrialised) parties to the UNFCCC were to reduce their

CO_2 emissions by 2005 to a level of at least 20% below that of 1990. Although this was later watered down to 5%, AOSIS showed it could set the negotiating bar high. The issue on parity of mitigation and adaptation and the need for more support for developing countries were major issues for the coalition during the early 2000s. Leading up to and since COP15 in Copenhagen, limiting the global temperature increase to 1.5°C and greater access to climate finance, capacity building and technology have become pertinent issues for island states. The issue of loss and damage has become a pillar of AOSIS's position ever since it was unsuccessfully introduced by Vanuatu's Robert Van Lierop in the 1990s; he was vindicated two decades later with the establishment at COP19 of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (the 'Loss and Damage Mechanism').

There is no question that SIDS have been key movers in global climate politics. In part, this is because they have been well organised and unified via AOSIS, which has consistently enjoyed effective leadership and an active secretariat in New York that has drawn on the concentrated presence of SIDS foreign missions to develop policy and initiatives (Bishop and Payne, 2012; Corbett et al., 2021). However, when faced with both financing constraints and intensifying climate change, concerted diplomatic action is only marginally effective within those parameters. This is evidenced most evocatively by the '1.5 to stay alive' campaign: this was simultaneously an example of concerted SIDS coordination and a demand that had substantial moral power. But the unfortunate reality is that the world may already have passed the concentrations of greenhouse gases necessary to avert even 2°C of warming (Betzold, 2010; Benwell, 2011). Nevertheless, as the physical challenge becomes more acute, critics are increasingly citing the moral vacuum at the heart of contemporary climate politics, emphasising historically constituted neocolonial inequalities in emissions production and the need for reparatory forms of justice (see Sealey-Huggins, 2017; Robinson and Carlson, 2021).

In sum, interregional governance has had success in the realm of climate advocacy but has struggled to make a substantial impact on domestic development owing to the limits of the global climate finance regime.

5.4 Global governance

By collaborating with like-minded groups of states and acting as norm entrepreneurs, SIDS have had greater success in influencing global governance institutions than their conventional power resources would suggest possible. At the WTO, the Small and Vulnerable Economies group has made some gains in terms of their representation, and international organisations often have SIDS working groups. But their substantive achievements, in terms of decisively reshaping global governance in their favour, have been more limited. In global climate negotiations, despite some moral victories (Benwell, 2011) and changes in rhetoric by major states that have recognised SIDS' acute exposure to the effects of global warming, demands for mitigation and adaptation have remained broadly unrealised (Bishop and Payne, 2010; Betzold, 2010; Scobie, 2019).

The two are interlinked: a trade environment in which SIDS cannot compete affects their ability to become self-sufficient in a liberalised global economy, making them less resilient in the face of a worsening climate context. SIDS have sought to convince global players in international trade politics of their need for SDT specifically on the basis of their vulnerabilities linked to small size, but this has not succeeded for several reasons. These include: (1) a lack of consensus on the extent of those vulnerabilities and their implications; (2) an inability to provide clarity in terms of diverse SIDS' needs and the forms of SDT they would like to be granted (as they are already highly open economies, the normal portfolio of measures that LDCs enjoy, such as long adjustment times in terms of liberalisation, would not necessarily work well for SIDS); and (3) the fact that they are not a homogenous group and, outside of climate change issues, do not enjoy sufficient cohesion to forge common ground.

The fact that the multilateral order that has dominated the global affairs for the past three decades is under serious strain may ultimately break this deadlock, but it is unclear whether it will be to the benefit of SIDS. In the short term, great power competition has already provided an opportunity for SIDS to increase development assistance by playing larger states off against each other. Pacific states are currently leveraging rising attention from traditional donors (Australia, New Zealand, the US and Japan) and China, for example. In the longer term, the implications of these shifts in and for SIDS are potentially less beneficial: on the one hand, international governance is likely to be less neoliberal, with greater policy space for states and a consensus on the need for renewed action on climate change, green technology and infrastructure investment (see Bishop and Payne, 2021a; 2021b). But on the other, it could also be worse than the neoliberal era in many ways: less ordered and democratic, with accentuated nativism, constrained immigration regimes, destabilising great power politics and, in many places, the intensification of malign forms of rentier capitalism (Christophers, 2020), on which many SIDS with offshore finance sectors already depend (see Marshall, 2002).

In sum, since the end of the Cold War, SIDS have had significant success in pursuing their agenda at the global level, evidenced by the fact that we call them SIDS (Corbett et al., 2019). But their relative success has largely been in the realm of climate politics and governance (Scobie, 2019). A changing order may bring short-term benefits but in the long term any unwinding of liberal internationalism is also likely to create a world that is more hostile to their presence. This will be particularly so if SIDS fail to win the argument that their status as a 'special case for sustainable development' should actually generate meaningful benefits via new mechanisms and resources, whether in terms of SDT or access to ODA and concessional financing.

Small size and capacity constraints mean that, although SIDS are well governed in a democratic sense, with high levels of social capital, administrative failings limit their ability to deploy resources for sustained development. Getting policy coherence right is as complicated in SIDS as anywhere else, except that they also face increasing economic and environmental pressures and lack the economies of scale needed for many development projects. Their various UN conferences, from the Barbados Plan of Action in 1994 to SAMOA in 2014, brought a slew of targets and goals, but they struggle with data deficits, a lack of embedded systems for participation, limited transparency in policy-making, and challenges around accountability. Their policy-makers are for the most part committed to national development but, paradoxically, while national architectures of governance are problematic, the global architectures with which they negotiate are inadequate both in terms of the support they offer and their expectations of what SIDS can realistically achieve. Put differently, SIDS require support that works 'with the grain' of their weaknesses rather than exhortations to ameliorate those problems as a precursor to any support.

The broader development dilemma, which is typified by the short-term gains failing to be institutionalised for the long term, is exacerbated by the structure of international development assistance that encourages SIDS to bid for short-term project funds that bring temporary injections of funds but cement unsustainable solutions. This 'projectification' of development that accompanied the rise of neoliberalism needs rethinking (Hout, 2012; Bishop, 2016). Often, funding is simply for pilot projects, and development agendas and policies are crafted around fashionable areas for which international funding or assistance is accessible rather than around locally articulated needs and demands derived from meaningful political deliberation. When the funding or project ends, so too does the policy, entrenching fragmentation and leaving the underlying problems unresolved (Scobie, 2019).

Some suggest a shift away from the pilot project type of funding arrangements towards those that provide frameworks for cross-sectoral/departmental collaboration more in keeping with the limited human, technical and financial resources in most government departments. Governance should be built into development financing in ways that unearth and challenge the systemic causes of national and global environmental injustices that developing states face (Atela et al., 2017; Scobie, 2020) and support institutions for national accountability, transparency and participation, the building of capacity for data-based and evidence-based decision-making, and efficiency-enhancing interlinkages between government departments. Donor support can then better support integrated policy interventions for sustainable medium- to long-term development in SIDS (Scobie, 2016; 2019).

6 Future pathways and possibilities

There are potential solutions to this unfolding situation. Larger states, who are substantially responsible for the challenges that SIDS face, can work to ameliorate their condition via reforms to the international system or their own domestic policies vis-à-vis SIDS. Many have emphasised in recent years that deep-seated colonial legacies cast a long shadow on the development experience of many small islands, and these problems are being intensified by a changing climate that is disproportionately the result of capitalist processes that have benefited richer countries to the detriment of smaller, poorer ones. We suggest here that rethinking the viability of SIDS offers powerful actors a chance to both acknowledge the past and better support small islands with the existential challenges they face today.

COP26 is an auspicious point at which to consider this discussion as it will be the first major summit that the UK has hosted since it left the EU, created its new Foreign, Commonwealth & Development Office, and made substantial cuts to its aid budget (reducing its contribution from 0.7% to 0.5% of GDP). The UK's changes coincide with the election of the Biden administration in the US, which has ushered in domestic fiscal expansion and international activism on multilateral policy around global health, climate change and taxation. For SIDS, the pandemic has exacerbated the long-standing existential challenges discussed above, and called into question their extant development models, which will only worsen as climate change intensifies. As their own strategies appear to have reached their limits, it is time to reconsider what a forward-looking agenda for SIDS' development and climate diplomacy looks like. There is an opportunity to rethink the place of SIDS within the global governance architecture, the kinds of support available to them or that may be of most use to them, and the bases on which that support might be advanced. We briefly consider three examples.

6.1 Re-envisioning the international development architecture

Changing contexts require reformed institutions and novel approaches. There appears, at last, to be increasing recognition that the assumptions of the post-Washington Consensus era – in terms of growth sectors and good governance – have not aged well, and the development problems faced by SIDS are distinctive vis-à-vis other groups of developing countries. The challenge is to find a way of mainstreaming these ideas into new institutional and normative configurations that facilitate new patterns of action and opportunity structures for ameliorating the challenges facing SIDS.

In terms of institutions, if international agencies assessed SIDS on their own terms, and viewed their capacity constraints, excessive personalisation, and problems with clientelism as features of small size that afflict richer, European small countries too, it could open new ways of working. Key to this would be to build capacity by allowing SIDS to piggyback on the bureaucratic autonomy of those organisations themselves. Central to this endeavour would be for donors to consider capacity building for their own SIDS units in order that they could act as brokers between domestic and international sources of finance and constrained SIDS governments.

In terms of approaches, another old debate needs revisiting and repurposing for new times: the question of SDT for SIDS. In the past, not only was there opposition to this on the part of larger LDCs and international agencies unwilling to countenance new categories of states with distinct benefits, but it was also difficult to conceive of what special treatment SIDS' economies required in an era where trade liberalisation was top of the international policy agenda (Rodrik, 2017). Today, things are very different: it is abundantly clear that GNI per capita is a problematic measure in relation to the existential challenges faced by many SIDS. New realities should generate new donor priorities and considerations, and the SDT that SIDS require should be grounded in new notions of viability. There should also be a wider conversation around the conceptual language underpinning donor support, to see if there are new ways of conceiving of the challenges faced by SIDS. This could help generate a new consensus on SDT and ODA access, as well as refashioning existing donor funds in ways that are useful to SIDS.

6.2 Improving access to financing and reducing debt

A substantial shift in the climate financing options available to SIDS is necessary, grounded in both a better appreciation of their acute exposure to the effects of climate change, and the severe capacity constraints they face in accessing finance. Part of this is about the institutional change described: prioritising countries for climate finance should be based on a balance of needs that accounts for low indicators of socioeconomic development, income and response capacity, but also the level of threat, thus including states that face existential threats due to slower onset processes of sea-level rise, mean temperature increases, melting glaciers and ocean acidification. Arguably, countries in this high-threat group should be supported regardless of their current levels of socioeconomic development, income and capacity (Pandit Chhetri et al., 2021). Either way, there is a clear need to streamline and simplify access to finance. The money that SIDS require is not well accounted for in existing donor portfolios, and the problem is exacerbated by the separation between development and climate financing (when development and climate change problems in SIDS are often indivisible). The main time that SIDS can draw on concessional finance is immediately after disasters, but this is generally a palliative that does not address their long-term development financing needs.

SIDS therefore require long-term, sustained development funding. Rather than argue about the specific characteristics that could confer access to ODA flows or concessional finance – which, despite changing donor priorities, are still likely to provoke resistance from some quarters – we might consider a broader 'public goods' argument. Put simply: prevailing assumptions about financing are based on the problematic idea that external assistance is simply a temporary form of economic support for poverty reduction and a pathway to self-sufficiency. We know, however, that this calculus does not work in SIDS, especially in a harsher global environment. A much bigger question for powerful actors is how they support ongoing global public goods provision: e.g. clean and safe air, marine environments and secure societies. On this basis, SIDS are the custodians of large ocean spaces – to give one example – and this is one area where donor support could both help sustain their development needs while also helping realise the potential of the blue economy. At present, this is embryonic, but putting in place measures to ensure sustainable financing that will generate payments for protecting ecosystems services, carbon capture and so on are all measures that need to be conceived of and developed at the international level, and which could and should unlock greater public financing to the benefit of SIDS.

Alongside access to finance is the equally important short-term priority of managing debt. Indeed, SIDS effectively lose out twice: most cannot access ODA, which means accentuated debt burdens, yet they are also ineligible for debt relief under the Heavily Indebted Poor Countries Initiative, which is designed explicitly for countries with large debt overhangs. An absolute priority for SIDS in the short term is to avert sovereign defaults, which would seriously dent their capacity to cope with development and climate challenges ahead. The Paris Agreement sets the commitment for developed countries to provide financial resources to assist developing countries in meeting their climate goals. This should not only be about climate finance. Given the looming debt crisis, more comprehensive measures are needed – and fast. One is an extension of the G20 DSSI eligibility criteria so that those SIDS with relatively high per capita income levels can benefit from 'debt standstills'. The DSSI also needs to cover all creditors – bilateral, private and multilateral. Given the alarming levels of debt distress in SIDS, it is in the interests of private creditors to join temporary suspension programmes of debt repayments today, to allow time for economic recovery and avert huge financial losses in the future (should the country default or require debt restructuring).

6.3 Beyond aid and debt

As national development strategies in SIDS come under pressure, island peoples will increasingly seek opportunities elsewhere. Yet, ironically – and in contrast to earlier eras – this coincides with a winding back of legitimate routes to find work, both in terms of the kinds of relatively privileged opportunities Commonwealth citizens once had to migrate and the constrained nature of seasonal worker programmes (along with labour abuses and so on). There is, however, strong evidence that migration generates large economic surpluses in the aggregate, helps to sustain the tax base of developed countries, which face ageing populations, and provide crucial revenues to poorer countries through remittances (Connell and Conway, 2000). At the same time, seasonal labour mobility also highlights the pressures and tensions on society for both sending and hosting countries that are likely to intensify with climate migration, especially the social consequences for sending communities. It could even be argued that providing access to labour markets and economic opportunities can offset wider declines in development aid.

The UK is facing a labour supply crunch: immigration restrictions, combined with the departure of many Eastern Europeans, has left much employment, especially in agriculture and the service sector, unfilled. The pandemic has demonstrated that, as more work is undertaken remotely

– especially ‘back office’ tasks, computer coding, software development and so on – those undertaking it do not even have to migrate since opportunities can be exported to them. The digitisation of much work and the ability of people to work remotely is likely to long outlive the pandemic. Indeed, we may even have witnessed a decisive shift in how and where people whose work can be conducted online will continue to do it. There is a potentially an opportunity for many SIDS here: they are pleasant places to live, and relaxing the requirements for people to work offshore within them for periods of time could have the effect of attracting revenue, investment and digital work opportunities for incoming seasonal migrants, as well as unlocking reciprocal opportunities for their own nationals to work abroad.

7 Conclusions

Small states do not exist in a vacuum. They have proven remarkably adroit at exploiting niches to secure prosperity in the aftermath of colonisation. These successes made a mockery of pre-independence concerns about self-sufficiency. And yet, due to circumstances outside their control, the world may be becoming a less forgiving place for SIDS. The Covid-19 pandemic has already dramatically undermined existing industries – notably tourism – and powerful states and institutions are increasingly sceptical of others, especially offshore finance and what is increasingly perceived as harmful tax competition (see Crasnic, 2020; Baker and Murphy, 2021). Recovery from the pandemic itself in the global north involves grappling with substantial debt burdens, which will necessarily affect donor finance – the UK alone borrowed over £300 billion during the first year of the pandemic, pushing its debt-to-GDP ratio close to 100% and dwarfing the equivalent borrowing during the global financial crisis. Rising nationalist sentiment, which the post-pandemic fiscal politics of many developed countries will only exacerbate, means migratory routes are likely to be squeezed further. Most importantly, climate change impacts are only going to intensify.

There are many things we have not discussed in detail or only tangentially in this paper, including but not limited to: the politics of knowledge (e.g. Barnett and Campbell, 2010; Underhill-Sem et al., 2014), gender, and traditional and indigenous knowledge on climate change. Much more could also be said on oceans and the blue economy – and initiatives and debates about these will intensify in the coming years – but ocean opportunities are unlikely to offer a panacea either. Rather, to ensure sustained development continues in SIDS, a more transformational vision is needed than that usually provided under the labels of 'adaptation' and 'resilience'.

The rapid restructuring of geopolitics in recent years and marked shift of power towards the East has led international bodies to ask questions again about which states deserve the most help, and on what basis. This is not just about how donors or global governance systems can help SIDS, but also what can we learn, or what practical solutions from SIDS can we incorporate into global governance. The current system is heavily invested in resilience and 'building back better' or adapting and 'bouncing forward'. Yet it will be considerably more difficult to live, thrive and be resilient in small islands if the world continues on its current path. How do we move beyond resilience thinking, then, and be bold enough to start having conversations on being truly transformational? The kinds of questions being discussed in low-lying atoll states, such as the Maldives, the Marshall Islands, Kiribati and Tuvalu, where the sea is already encroaching on the territory and undermining communities, are becoming increasingly urgent for all SIDS.
The specific tipping points and the threats they imply will play out distinctively across other SIDS, but they all derive from a fundamental, shared *problématique*.

This paper provides a conceptual framework for discussing these interrelated issues by shifting the focus from the intervening variables to the bedrock upon which SIDS success has been built – a liberal international order. We have shown how this order enabled a context in which SIDS could innovatively and creatively pursue their development but also highlighted the problems they face as it comes under strain. We are acutely attuned to the potential for the doomsday scenario to occur, but also fully aware that bleak predictions have proven false before. One reason is that policy-makers heeded the signs and made necessary changes. They can do so again, and we have provided some ideas of what is required. It may be that creative entrepreneurship by SIDS at a domestic level is not enough, in which case this paper has an advocacy as well as an intellectual agenda: genuinely sustainable, sustained development for SIDS may require a transformation in the assistance provided by larger states that bear much of the responsibility for creating the portentous structural circumstances in which SIDS find themselves.

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