

**Tourism and Economic Independence in Nunavut and Greenland**

By

James Laflamme

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Supervisor: Gorm Winther

Aalborg University

Fredrik Bajers Vej 5

9100 Aalborg, Denmark

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## **1-Introduction**

The issue of autonomy has been a central issue for peoples inhabiting the arctic regions of the globe for decades. With home rule in Greenland and the Nunavut Act in Nunavut, both predominantly Inuit regions have achieved a great deal of success in their quest for political independence. However, despite success in achieving political independence, it can be argued that economically, these regions are not independent at all. Both regions rely heavily on transfer payments from their national governments and both regions experience above normal income inequalities. Attention to these arctic regions globally is at an all time high. This is because of both global warming which is no doubt affecting these arctic regions and the interest in the possibility of oil reserves in areas that have been untapped. Thus, these regions have to make decisions now as to how they will develop economically and how they can best pursue economic independence to compliment their relatively new political independence. The choice seems to be to pursue resource exploitation. This however can be done in many ways. Of course obviously there is a greatly tempting method which is to exploit non-renewable resources such as potentially oil or minerals etc. However there is also the option to attempt to grow the economy in a more bottom-up approach, exploiting resources in a method that doesn't erode the very resources that are being exploited. Among other issues, this paper will examine the development of the Inuit regions of Nunavut and Greenland and examine an alternative to resource exploitation which is ecotourism. Tourism has been used in many ways to help encourage sustainable development in third world regions of the world. Some countries build their entire economy based on one form of tourism or another. In the arctic, the opportunity of tourism exists because of the natural beauty of the regions and the fact that comparative to the rest of the world, the area is virtually untouched. Combine this with the cultural uniqueness of Inuit regions in Nunavut and Greenland and there exists a potential market for eco-tourists and cultural tourists alike.

## **1.1 Problem Formulation**

This paper will attempt to investigate three things. First, for regions such as Nunavut and Greenland, government intervention is a large issue. How much of a hand in the developing regions should go to Ottawa and Copenhagen respectively? This question will be investigated on the basis that economic independence should be the ultimate goal of these politically independent regions. Second, this paper will show the benefits of empowerment and capacity building on a local enterprise level and the possibilities for the local population to have a say in their quest for economic independence. Finally, I will look at eco-tourism as a viable option which if implemented correctly could have an impact on both the achievement of economic independence and empowerment of the local population.

## **1.2 Methodology**

The core idea of this project is to identify the core barriers to economic independence of recently politically independent regions and offer some suggestions on proper economic development. When discussing matters dealing with economic independence, government intervention and human development in the arctic, both empirical and theoretical materials must be considered. Theory is needed in this paper to situate the problem formulation. By examining issues such as government intervention, capacity building and means to achieve economic independence there are no single answers and thus it is important to review the theoretical literature in order to gain an insight into the different sides and opinions that different schools of thought have. For example, when examining government intervention, theory is used in this project to examine the various degrees of intervention advocated by various liberal thinkers. In the human development discussion, theory shows how development has evolved from being state centered to having a human importance. Theory in this paper is thus used to gain an overall view of all sides to the fundamental questions about developing a rural region like the arctic in order to have all of the theoretical information present in order to prescribe possible solutions.

Of course, theory alone does not respond to all of the facets of the problem formulation. An empirical analysis is thus necessary. In the case of this project, the analysis can be broken down into three parts. First there is an analysis of the barriers to economic independence that arctic regions experience. This is done qualitatively by analyzing scholarly articles that discuss economic constraints in the region as well as by looking at statistical data which demonstrates indicators of economic dependence such as income inequalities. The second form of empirical data is in the form of two case studies which qualitatively look at the impacts of tourism on development in Costa Rica and Crete as well as quantitatively attempt to measure its success in terms of numbers of visitors and share of GDP that generates from tourism in the regions. The third type of empirical analysis examines the potential impact that tourism can have on the arctic. This data is mostly qualitative since there isn't much statistical information on arctic tourism. Quantitative data is used however in the section when examining factors like the lack of industry diversity in the regions, etc.

Thus the theory and the empirical analysis relate in that they work hand in hand to answer the three components of the problem formulation. The first part of the problem formulation deals with appropriate levels of government intervention. In this project, the theory shows the opposing arguments and the different levels of intervention that are recommended by different schools of thought, while the empirical section of the projects situates both Nunavut and Greenland in that spectrum. In order to prescribe a level of intervention by central governments it is paramount to know exactly what the current status roughly is. The second part of the problem formulation deals with the human development factor of this project. In this situation, it is the theory which points to what is most important in the development of the individual. In this case issues like capacity building, capability, empowerment, reduction in poverty, etc. were all key issues prescribed by various human development theorists. The empirical analysis in the project thus attempts to describe the various impacts on these issues that certain economic endeavors (such as ecotourism) could have. This also touches on the third part of the problem formulation as the role of tourism as a positive or negative effect will depend

upon its situation when held up against the various theories of human development and economic theories.

Thus the role of this project can be seen as both understanding the problem of economic independence in Nunavut and Greenland and attempting to formulate some scenarios for improvements in that situation.

### **1.3 Thesis Structure**

It is important to note that the regions of Nunavut and Greenland of course are developing regions and not independent countries. However because of their political autonomy and because of their relative geographical isolation, they will be treated equally to developing nations. The structure for this paper takes into consideration both the theoretical and empirical nature of the problem formulation. This paper will be broken into eight further sections. The second section will be a theoretical literature review. This section will attempt to examine the theoretical schools of thought in the area's of government intervention, income distribution and human development as these topics will all be relative in our eventually discussion of the arctic. While this section for the most part won't be related to the specific arctic question, it is the framework for which the discussion of arctic development will be situated within.

The third section will examine two things. First it will offer an empirical look at the paths to political independence in both Nunavut and Greenland. Second it will examine the reasons that political independence and economic independence are not positively correlated for the two regions. Economic issues such as the barriers to resource exploitation, industry diversity, income distribution and transfer payments will all be examined in this section.

Sections four-six will be a brief overview of the differences in practice of mass tourism and ecotourism. This section is critical because it is important to demonstrate that tourism in itself does not always lead to better, more environmentally sound

development. Thus section four will present the notions and ideology behind mass tourism and ecotourism. Section five and section six will present case studies of the tourism development in Costa Rica and the island of Crete. Both regions have been developing regions and have each used a form of tourism to be one of the focal point of their development. In Costa Rica, ecotourism was used to attract foreign and domestic visitors while in Crete a more traditional form of mass tourism was used to build up the regions. These two sections will show the difference of outcomes which can be obtained from a different method of tourism development.

Section seven will then take the tourism section to the arctic and attempt to demonstrate the ways in which successful ecotourism in the arctic could be a viable endeavor.

Finally section eight will attempt to link the first seven sections together in a conclusion form. This section will situate the argument back to its theoretical context and offer recommendations of Nunavut and Greenland in their pursuit of economic independence.

#### **1.4 Limitations**

Looking at development issues in the arctic offers a more limited scope than other regions in the world. Literature on arctic issues can be sparse and literature on Nunavut and Greenland in relations to resources and development is even sparser. Thus while core literature was used in this paper, journals and scholarly articles make up the majority of the references.

Another limitation is that the term ecotourism is also referred to as nature tourism, culture tourism, adventure tourism, green tourism, etc. For the simplicity of this paper, I mainly use the term ecotourism in all situations as all of these terms attempt to describe a tourist development process which adds to the lives of the local community without the negative effects accrued from resource exploitation.



## **2-Theoretical Literature Review**

### **2.1 Introduction**

Before diving into the empirical and analytical discussions about the arctic regions it is important to situate the argument within a theoretical context. First because we will be examining how much government intervention is appropriate to ensure proper development, I will examine the different liberal theories that deal with interventionism and this will also offer a short history of the global drive from classical liberalism, to the welfare state and then back to classical liberalism, today called neo-liberalism. We will then begin to look at the theories that deal with the concepts of human development which is central to the discussion on the arctic. This includes theories that deal with poverty alleviation such as the New Growth Theory, Income distribution theories such as Libertarianism, Liberalism and Utilitarianism, and most importantly for this paper it will deal with theories that look at the possibilities of the local people themselves such as concepts like capacity building, empowerment and theories such as capability theory and self-help theory. I will also examine theories like the Lewis two-sector model, Dutch disease and some theories on tourism and sustainable development which deal more specifically with developing economic structure and resources. Finally I will briefly examine the core ideas of dependence theory to examine if the core-periphery relationship expressed in dependence can be applied to newly independent regions in the arctic.

### **2.2 How Much Government Intervention is optimal?**

#### **A Theoretical Approach.**

One of the central questions that economic theorists have been debating for decades is how much intervention should governments impose on the economic activities of society? The spectrum is broad with classical liberalism theorists such as Fredrich Heyek believing that markets and markets alone should make economic decisions and interventionist liberals such as John Maynard Keynes who believe that it is necessary for governments to intervene in spheres that were not adequately addressed by the markets.

For the purpose of this theoretical section in the context of the subject matter at hand, I will focus just on the liberal theories and their varying degrees on government intervention. As we will see there has historically been a shift between classical liberalism to interventionist liberalism and then back to classical liberalism (now called neo-liberalism), we will examine the different components of these theories and see how they can help us to understand the need or lack thereof for government intervention.

Although John Locke is seen as the earliest theorist in the long line of the liberal tradition, it is Adam Smith who is normally seen as the matriarch of the classical liberal approach to the political economy. Smith's main argument was that markets operating under complete freedom and based on the division of labor to focus on the maximum efficiency would yield gains that would be of a positive sum type, meaning that every unit would gain even if the different units gained at different levels (Cohn, 2003). This idea of a free market and limited to no government intervention is liberalism in its most classical form. John Maynard Keynes was a social liberal economist who although supporting a free market economy believed that government interventionism had a prominent place in the liberal theory. Keynes saw problems with the classical liberal *laissez-faire* mentality when it came to markets. Keynes argued that market equilibrium between the production possibilities and consumption possibilities might occur at a point where labor and capital are underutilized. The main idea here is of course stability in the markets themselves as variables like producer organizations, the variability of business confidence and other factors that cause rigidities in the markets can create instability (Cohn, 2003). Keynes believed thus that every country (or region in today's contemporary terms) shouldn't have the exact same macro-economic policy because every market faces different constraints and conditions and thus governments must set different policies to react to their unique circumstances.

Much of Keynes' focus was on unemployment and capital. Keynes described that economic adjustment would tend to lead to unemployment rather than the market simply adjusting wages at a new lower level to make up for the adjustment. The reason for this of course was that labor unions were unlikely to accept a downward turn in labor and thus

unemployment would be on the rise (Kirshner, 1999). This is one area where Keynes saw interventionism a must. In his work “The General Theory of Employment, Interest, and Money”, Keynes stated;” The central controls necessary to ensure full employment will of course involve a large extension of traditional functions of government” (Keynes, pp.378-379). Thus in situations of unemployment the governments should step in and intervene. How they should intervene according to Keynes was through the management of aggregate demand. Unemployment would bring about obviously a drop in demand since wage earners would have less money to consume goods, a reduction in production from this loss of demand and a lack of investment. Governments could implement policies then in turn to increase demand, production and even investment by changing fiscal and monetary policies as well as investing in public projects to stimulate the economy. Keynes was also concerned with capital being completely unregulated in certain states. This was due to variables that could be subject to sudden variations like interest rates and inflation which could very quickly create heightened uncertainty in the market and cause capital to move in and out of the region altering instantly the value of crucial assets (Kirshner, 1999).

Thus Keynes solution was a middle way where markets were still seen as the central decision maker because of their efficiency and it’s safeguarding of individuals liberty. However due to the sub-optimal outcomes and injustices that it can result in such as income distribution inequalities (which we will look at closer in the next chapter), the government has a role as an interventionist to keep the economy developing in a positive manner (Kirshner, 1999). Keynesian economics were prominent after the Second World War as the majority of the population of industrial states which were the middle and working classes needed to be protected from the negative economic consequences of the war.

A government interventionist system was the dominant form of government in the decades after the Second World War. The degrees of intervention varied throughout the world. In the most extreme cases were of a Marxist or communist nature, where every aspect of the market was planned by a central planning system. I won’t examine Marxism

in detail as it is not in itself relevant to the main discussion at hand, however I will explain further aspects of Marxism from a development point of view later on. From a theoretical point of view, the welfare state, market socialism or social welfare policy is an interesting phenomenon as it is a product of neither the classical liberal school of thought nor even the purely socialist school of thought. Prominent Swedish economist Gunnar Myrdal argued that the idea of social welfare policy stemmed from two sources—a socialistically inclined liberalism and a liberalized socialism. In their words social welfare policy was the result of a ‘softening up’ of traditional policies to fit the needs perhaps of a trying time such as was the case following the great depression and the Second World War (Furniss & Tilton, 1977). To classical liberals, the idea of pursuing efforts to help the most impoverished was a good intention but wouldn’t be a solution. Their belief shared by once prominent demographer Thomas Malthus was that any social reforms which target the improvement of conditions for the poorer sections of society would simply stimulate population increases that would as a result simply drive living conditions down again. This liberal way of thinking would eventually change as economists like John Stuart Mill and Adolph Wagner questioned the markets ability to facilitate the distribution of resources despite its success in facilitating the properties of production. This combined with new technologies in birth control put to rest the ideas that Malthus had set the stage for a new way of liberal thinking in relations to social welfare (Furniss & Tilton, 1977).

The welfare state was in some ways a bit of an evolution. It began with the liberal idea of a social security state that wanted to ensure prosperity and a social security net for all. The idea was to set a line of which was deemed to be the minimum level of living conditions that would be tolerated by all and then via social security nets, simply make sure that no one fell below that line. Anything above that line was thus still up for grabs in the kind of interventionist system. For leading Democratic theoreticians such as Ernest Wigforss of Sweden, this idea of a social security state as the method of creating a welfare state was unacceptable. Wigforss argued that the earner of wages “cannot readily agree to that view of the welfare state which is now frequently put forth, that it should secure a minimum livelihood for all, but allow whatever goes beyond this to be won

through each individuals or groups asserting itself in an unlimited competition for standards, wealth, and power. That spirit conflicts with the ideas that both the trade union movement and social democracy seek to follow in their public labors....that it still shall be the labor movements ideas of equality, cooperation and solidarity, that shall set the stamp upon society's continuing transformation" (Furniss & Tilton, 1977 p.18-19). Thus as Wigforss is stating the Social Welfare State is a state that emphasizes above all else equality and solidarity. It is thus seeking not just to achieve a minimum level guarantee for its citizens but rather to obtain equality in living conditions. There is also an element of environment planning that we see evolve from the creation of the welfare states as attention is paid to pollution and the proper sustainable development of urban centers.

Whether it was communism, Keynesian theory, the welfare state or some other form of planning model, interventionism continued to rise and by the 1960's it had appeared that *laissez-faire* liberals were past their era's of importance. However the appearance would quickly be proven false. Much as the great depression and the Second World War gave way to a newfound need for Keynesian economics and the welfare state, the OPEC oil shock of 1973 and its subsequent global recession made it too costly for world governments to continue to pursue welfare and full employment policies. All of the sudden classical liberalism as professed by Hayek and Friedman had a newfound importance and began to influence leaders (Meadowcroft, 1996). This was especially true in Britain and America as Margaret Thatcher and Ronald Regan came to power in a wave of neo-liberalism policies. Neo-liberalism rejected any government intervention in the domestic economy and put an increasing importance globally on multilateral institutions such as the World Bank and the International Monetary Fund. This is an important aspect in regards to sustainable development as I will note when we look at dependency theory as the creation and strengthening of these institutions put pressure on regions through such mechanisms as loan conditions, to liberalize their economies further strengthening the neo-liberalist system that was put in place by Thatcher and Regan. Classical liberalism is not seen as just an economic theory to classical liberal theorist but in fact almost a moral guideline as well. To these theorists, *laissez-faire* economics forces

individuals to curb self interest even though there is no overlying structure (the welfare state) to force them to do so. This is because typical social conditions are not like the famous Prisoners Dilemmas in which the game is only played once and there is no communication between the participants but rather it is about self-interested individuals whom communicate and play the game many times in order to come to a solution. This in practice is how classical liberals view the role of self interest in market economics (Meadowcroft, 1996).

Either way the outcome of the last three decades has shown that in fact neo-liberalism has arrived and in some ways is just perfecting itself in that it has now established a global situation where new-liberalist institutions such as the World Trade Organization have made the system very difficult to change. New economies in former soviet areas and third world economies alike are encouraged to ignore the social concerns that arise from a shift to market economies and liberalize as fast as they can in order to appease the capitalist countries which are footing the bill. Will the welfare state have a future in domestic markets remains to be seen but it appears that a shift in theories of interventionism seem to occur depending on the economic situation of the time at hand. Therefore as we will see when we examine in more detail the arctic which is our region of focus, theories such as classical liberalism, Keynesian liberalism, the welfare state and neo-liberalism can go a long way in explaining the positive and negative impacts of policies in the various arctic regions.

### **2.2.1 Overview and Application to Arctic Question**

The theory presented in this chapter on intervention is presented in almost a chronological fashion. This is important to see how the idea of intervention has evolved from classical liberal thinkers to social liberals like Keynes, to those who did and still do advocate market socialism and in some ways back full circle today to many who have returned to a neo-classical way of thinking. The question of how much government intervention is acceptable is paramount to the arctic development question. In both Nunavut and Greenland political independence of sorts has arrived but it is an economic independence that is so dearly sought after. The problem then is how do you achieve

economic independence in areas in the arctic where government intervention is so important to the survival of the local population? The answer appears to be that under the current situation it would be impossible to simply leave these regions to their own so the question become how much intervention is needed and what steps can be taken by these economies to grow large enough to sustain greater degrees of economic independence from their central governments.

### **2.3 Income Distribution**

Since I will be using income distribution as a point of departure in comparing sustainable development in the arctic, it is important to achieve a basic understanding of the underlying theories of income distribution. While there are many theories and variations of theories that I can examine, I will focus on three main schools of thought concerning income distribution; utilitarianism, liberalism and libertarianism. After I have gone through the main tenants of these schools of thought and their relationships to the subject at hand, I will briefly describe the argument for and against a positive correlation in equality and economic efficiency.

The school of thought of utilitarianism was founded by Jeremy Bentham and John Stuart Mill and centers around two core principles; utility and the diminishing marginal utility. Utility refers in principle to the level of happiness or satisfaction that a person has from his or her situation. To utilitarianism theorists, the purpose of government is to maximize the sum of utility not just for a particular class of people but for everyone in society. Diminishing marginal utility is the cornerstone of this school of thought and is the basis for the utilitarianism case for income re-distribution. This principle states that as a person's income raises, the extra "utility" from every new dollar of income falls. Thus an extra amount of income to a poor person has more utility value to that of a rich person. Thus by re-distributing money you may be taking utility from the rich and giving it the poor but that utility being gained by the poor is worth more than what is being lost by the rich (Mankiw, Kneebone, McKenzie & Rowe, 1999). In many ways, re-distribution in the utilitarianism sense is a founding principle of social welfare policy. This is because utilitarianism wants to rid individuals of painful conditions and thus raise individual utility. These painful conditions can be both physical in terms of distress such as poverty,

mal-nutrition and poor medical care to the psychological effects that these distresses can have on the individual. We can historically see some of these utilitarianism ideals via social welfare policies such as early factory legislation, child labor laws, public assistance, unemployment and disability insurance and full employment policies. Thus the goal of utilitarianism is to undertake policies that will maximize the sum of utility in everyone in society (Furniss & Tilton, 1977).

When looking at income distribution from a liberalism perspective it is important to note that within liberalism there are many variations to the beliefs on income distribution. I will focus on the liberalism which is based on John Rawls whose work entitled “A Theory of Justice” makes an interesting comparison to the thinking of utilitarianism. Rather than aiming to maximize the sum utility of society as utilitarianism does, Rawls looks to simply raise the utility of the areas of society who are worse off. The principle here is that you maximize what you consider the minimum amount of utility acceptable; this is called the maximum criterion. Well it doesn’t lead to complete re-distribution like an egalitarian theory would look like; it does naturally lead to a transfer of money as those below the minimum line need to be compensated to reach this acceptable level of utility. A modern day example of this would be progressive tax collections being used to bring up sectors of society above the poverty line (Todaro, 2003). What makes Rawls work so interesting is how from a psychological point of view, maximum criterion is the best policy dealing with distribution. Rawls looks to see why extreme inequality is generally seen as unfair. His results center upon what he calls a “veil of ignorance”. He supposes that a person could choose how much overall equality there should be in the world but that you couldn’t choose where you would fit into this range. Thus if there was extreme inequality you might be at the richest end of the spectrum or the poorest end of the spectrum. According to Rawls it is this uncertainty which is this veil of ignorance. Most would vote for less inequality than is in the world today according to Rawls because perfect inequality would leave no motivation to work hard, gain skills or inspire innovation yet an optimal and efficient amount of inequality would give the proper incentives to work hard to be at a slight advantage rather than slight disadvantage (Todaro, 2003). Thus this is a good outline to the liberal theory on



distribution. Not complete equality but not extreme inequality. According to Rawls the answer would be just enough inequality.

While utilitarianism and Rawls liberalism both call for re-distribution in some facet, libertarianism makes no such call. According to libertarianism thought, society itself earns no income but it is the individual within society who earn income. Thus a libertarian would advocate minimal government intervention in the realm of income re-distribution. The discourse on this debate comes from libertarian Robert Nozick who wrote *Anarchy, State and Utopia* in 1974. According to Nozick, re-distributing is equated to young children who have been given pieces of pie by someone who is now making last minute adjustments to rectify careless cutting (Meadowcroft, 1996). To Nozick there is no individual or group which has the authority to decide on the distribution of all of our resources. To Nozick then there is no valid question of how much inequality is acceptable because no matter how unequal the distribution is, as long as the process is fair and legal, inequality is insignificant.

Thus these are some examples of how different theories deal with the subject of income distribution. Another question which is often debated is then is there a trade off between equality and efficiency? Or in other words does policy that promotes income re-distribution lead to inefficiency? While some prominent economists like American Arthur Okun would say yes, they are widely discredited by the arguments from such prominent proponents of social welfare policy like Swedish Social Democrats such as Gunnar Myrdal. According to Myrdal, Okun himself acknowledges that progressive taxation has little effect on workers incentives to work hard. The argument that social welfare proponents make is that while economists like Okun make statements saying that there is a negative correlation between equality and efficiency, they offer very little in the way of concrete evidence (Furniss & Tilton, 1977). On the other hand there is much evidence to suggest that income inequality actually hurts efficiency in a region. The higher the inequality, the smaller the amount of people who are able to secure loans and other sources of credit which hurts investment opportunities, As well inequality can lead to an insufficient allocation of human assets such as an overemphasis of higher education

at the expense of universal primary and secondary education rates (Todaro, 2003). Of course inequality doesn't only lead to economic inefficiency but as Myrdal points out it can lead to institutional and democratic insufficiencies as well because the higher the inequalities the easier it is for rich, powerful elite to emerge and coerce the weaker factions of society (Furniss & Tilton, 1977). Thus while there are arguments for and against the notion that income inequalities lead to inefficiency, the evidence suggests that inequality actually hinders efficiency in many ways.

### **2.3.1 Overview and Application to Arctic Question**

This is a small overview of both the philosophical aspects of income distribution theories as well as a brief description of the economic benefits that can accrue from a more equal society. The question of income inequalities is central to the arctic discussion because arctic regions are both among the highest regions of inequality in the world and thus depend a lot on subsidies from their central governments. Thus for new arctic governments income inequalities will be among the first aspects of the economy that must be addressed in order for growth to occur. This is because in order for economic growth to occur from the bottom up in these regions, the people themselves will be required to reinvest capital into the system. In the case of this paper which will suggest that small scale tourism ventures could lead to increased sustained development, it will only be sustainable if the poorer section of the region is given the full chance to participate. As Todaro states in the above section: The higher the inequality, the smaller the amount of people who are able to secure loans and other sources of credit which hurts investment opportunities, As well inequality can lead to an insufficient allocation of human assets such as an overemphasis of higher education at the expense of universal primary and secondary education rates (Todaro, 2003). This is a perfect example of how income inequalities both hurt smaller rural regions by denying the rural population the tools necessary to help in their development and thus hurting their overall chances of economic independence.

## **2.4 Development Theories**

### **2.4.1 Structural Change Theory**

When it comes to building a strong and vibrant economy, diversity is a very important aspect. This means having an economy which is dependant on many sectors as opposed to just one. The problem with having only one main industry is that in the event of a crisis within that industry, the economy can be left with no alternative. In developing regions of the world there has historically been and in many cases still is a high proportion of the economic sector devoted to subsistence agricultural sector compared to the industrial and service sectors which need to be developed. To explain this problem, development theorist began to focus on the structural change of these economies. They came to the conclusion that underdeveloped economies would benefit from changing their economic structures from one that places a focus on subsistence agriculture to a more modern, urbanized, and industrial and service oriented economy. To accomplish this, structural change theorists such as W.Arthur Lewis used the tools of neo-classical price and recourse allocation theories along with concepts of modern econometrics to decide how a shift such as this would eventually take place.

During most of the 1960's and 1970's Lewis' "Two-Sector" model became the general development theory of the time in the area of labor in developing countries and in fact is still popular among many development economist today. His two-sector model as the name states is comprised of two sectors. The first is a traditional rural subsistence sector which is overpopulated in that there are more people working in the sector characterized by zero marginal labor productivity. This surplus labor as Lewis called it meant in simplest terms that if you remove a unit of labor from this subsistence agricultural sector, you won't lose any output. Of course this is a critical point as all of these surplus labor units could be used in other sectors of the economy to help modernize and strengthen them. The second sector then of course in Lewis two-sector model was the highly productive urban industrial modern sector in which labor from the subsistence economy should gradually be transferred. The basic idea of Lewis' Model is that the accumulation of capital and increased output will lead the modern sector to what Lewis

describes as “self-sustaining growth”, which will lead to employment expansion in the modern sector up until the point that all of the surplus labor from the rural sector has been transferred to the modern sector (Todaro, 2003).

Another theory from the structural change theory school of thought is that of Patterns of Development Analysis. Hollis Chenery was the main architect of this way of thinking about development. Like the above mentioned Lewis model, the patterns of development analysis focuses on the process by which a developing economy shifts from a mainly agricultural economy to a more modern one allowing for new industries to takeover the burden of economic growth. The difference however is that unlike the Lewis model in which savings and investment are the cornerstone, the patterns of development theory goes further to explain how virtually all economic functions need to be examined in order to undertake a transformation, not just the accumulation of physical and human capital. These can include transforming production, changes in the composition of consumer demand, int'l trade institutional constraints, recourse use and even changes in the socioeconomic realm in terms of urbanization and population distribution (Todaro, 2003).

Thus the patterns of change theory follow the basic principles of the Lewis model yet examine a greater number of factors for consideration when dealing with a shift from one economic sector to another.

Of course any shifts or shocks to an economy are bound to have some impact. The Dutch Disease model by Corden & Neary explains the impact of a growing tradable sector on other sectors subject to international prices (Corden & Neary, 1982). This model was formed to explain the behavior of the Dutch and British economies after the discovery of oil reserves in the 1980's. Both economies suffered a setback in manufacturing that was due partly to the boom in the oil industry. This theory deals with an economies response to a shock to its system such as a natural resource discovery (Corden & Neary, 1982).

## **2.4.2 Overview and Application to Arctic Question**

These theories that deal with structural change are extremely important for developing rural economies. Structural change is interesting in that it primarily referred in the past to simply shifting resources such as labor from the rural sector to the urban sector. The arctic issue as we will examine is a different case. In the arctic, moving labor away from the settlement will actually carry the possibility of a loss of output. What makes this subject interesting when we examine the tourism possibilities in the arctic is that by advocating eco-tourism, you create enterprise yet keep the labor in the settlements and in the rural setting contrary to Lewis suggestions.

## **2.5 Human Development Theories**

### **2.5.1 New Growth Theory**

Today there is another addition to development theory besides simply altering the structure of the economy. New Growth Theory brought with it a change of thinking from looking at development in simple economic terms to looking at the future of these regions all together. New Growth Theory looks at the concepts of poverty alleviation, development that is not just successful in the short term but also is sustainable in the long term and the effectiveness and accountability of aid provision. The theory keeps the market reforms of other development theories and practices but adds seven points of focus when looking at development. These points are; 1)A strong focus on poverty, 2)focus on both the sustainability of development and the sustainability of the environment,3)Important role for the state in development is to ensure the growth and development of human capital including education and health care,4)State intervention in the provision of infrastructure,5)Strengthening of Institutions,6)Participatory approach to development policies and project implementation,7)efficiency of aid (Todaro, 2003).

In this paper we will not examine all of these focus but a few of them stand out as being quite different from other development theories which advocate simple market reforms or throwing more aid money at the development process. New Growth theory is based more on empowering the individuals in society via planning by projects and giving

the residents a share of the burden of development by encouraging their participation in the process.

### **2.5.2 Capacity Building and Empowerment**

What is new about poverty today? Well as Yash Tandon states in her article entitled Poverty, Processes of impoverishment and Empowerment; “What is new about poverty in our times is the stark contrast between the rich and the poor, and the sheer numbers involved” (Tandon, 1995, p.29). About one fifth of the world lies below the poverty line today numbering at somewhere over a billion people. This statistic alone should demonstrate that both capitalists and different liberal schools of thought have not responded to the development question. The problem is that these schools of thought tend to have a top-down approach to development and to empowering the people (Tandon, 1995). Empowering the people in development is critical as it yields power in the local citizens by increasing the confidence in one’s ability to successfully undertake some form of action. It also gives power economically by increasing the ability of the individual to access resources and credit to be able to participate in a more bottom up style of development. In the development realm this is really what empowerment can achieve, it allows for participation of the individuals and capacity building of local communities (Oakley, 2001).

This focus on capacity building in local communities is an important term of theory of focus when looking at development in general and especially arctic development as I will demonstrate later on. The problem with most sustainable strategies that are of the top down nature is that they tend to focus on simply the natural resource which is being used, exploited, mined or harvested instead of the community and the individuals in the community and their social, cultural and economic relations with these resources, the environment and each other. Capacity building thus is a means to enhance the ability of people and institutions to improve their economic skills and abilities to manage projects, define their wants and needs, and allow them to achieve sustainable livelihoods (Nuttall, 2001).

The focus on capacity building is even coming from large institutions such as the United Nations. The UN commission on Sustainable Development reported-

*“Capacity building is the process and means through which local communities and regional and national governments can develop the necessary skills and expertise needed to manage their natural resources and environments in a sustainable manner within the context of their daily activities.”(Commission on Sustainable Development, 1996)*

The World Bank echoed this thought stating *“Capacity building is an investment in people, institutions and practices that will, together, enable countries, regions and communities to achieve their objectives sustainability” (World Bank, 1997)*

It is of course important to note that capacity building can run a fine line between helping the individual in the short run versus making that individual even more dependant in the long run. Two theories that deal specifically with empowerment and capacity building are the Capabilities Approach by Amartya Sen and the Self Help Theory by David Ellermann. For Sen, the key to his approach is defining capability itself. Sen describes capability as a persons effective freedom to achieve very valuable states of beings and doings, the value to achieve important functioning’s and as well the persons ability to forgo such functioning’s if they so please (Olsaretti, 2005). To Sen it’s the freedoms that are more important than the acts themselves. He describes capability as an effective freedom to achieve well being and thus the lack of barriers to achieve this well being isn’t the only requirement but yet the person must also be able to access the means as well (Olsaretti, 2005).

Ellerman on the other hand focus primarily on the helper-doer relationship. He poses the question of how can the helper help the doer without removing the self autonomy of the doer? (Ellerman, 2007). Ellerman thus describes two ways in which the helpers will can overshadow the doers self help attempts. The first is that the helper through various programs deliberately tries to impose his will on the doer. The second is that the helper through good will and charity, unintentionally replaces the doers will with his/her will (Ellerman, 2007). Ellerman sums all of this up by differentiating between a direct and indirect approach to development. The direct approach involves imposing systematic change in developing areas through outside motivation while the indirect

approach involves finding the internal motivation of the locals themselves and helping them to achieve their independent wants (Ellerman 2007).

### **2.5.3 Overview and Application to Arctic Question**

The question of human development is central to any discussion about the arctic region. It is clear through publications like the Arctic Human Development Report that poverty and the condition of the individual is becoming the clear focus on development issue. In the arctic in particular the notion of capacity building is very important. Arctic inhabitants are perhaps some of the most dependants on transfer subsidies in the world. There is a clear need to give the people of the arctic regions themselves the tools needed to build their future and achieve the well being that Sen speaks of. For this paper, Ellermans self help theory is very important because on of the ways that outsiders view the development of the arctic is through resource exploitation which seems to echo the fears of Ellerman that this is a direct approach to development as opposed to a self motivated indirect approach (Ellerman, 2007). When looking at development projects and ideas then in the arctic, it is important to go inside the local communities and find their motivation in order to improve well being.

### **2.6 Tourism as an example of community capacity building**

The notion and practice of developing tourism industry in the developing world is fast becoming a common and important practice. The reason for this is that tourism can be an alternative method of resource exploitation which can if done properly, be more environmentally friendly, use the natural resources without depleting them at the levels of other industrial activities and it can be used as a tool to empower local communities to be involved in the economic development of their respective regions. Tourism in developing countries is about in large part community sustainability as tourism cannot be expected to be a sustainable factor of development unless the communities themselves and their natural environment are sustainable as well. Tourism offers a fine balance between economic prosperity without loosing the relationship both social and cultural between the local communities and their environmental surroundings. Of course economic prosperity is a driving force as in many regions communities could not survive without the tourism



industry because of difficulties in competing in other economic spheres both nationally and internationally (Hall & Richards, 2000).

While there are no “tourism theories” per se as it is not a subject covered by classical economic theorists, there are principles such as W. Bramwell’s principles of sustainable tourism management. Bramwell defines ten principles dealing with sustainable tourism management. They are as follows;

*1) The approach views policy, planning and management as appropriate and, indeed, essential responses to the problems of natural and human resource misuse in tourism, 2)The approach is generally not anti-growth, but it emphasizes that there are limitations to growth and that tourism must be managed within these limitations,3) Long-term rather than short-term thinking is optimal,4)The concerns of sustainable tourism management are not just environmental but also social, cultural, political and managerial,5)The approach emphasizes the importance of satisfying human needs and aspirations, which entails a prominent concern for equity and fairness,6)All stakeholders must be consulted and empowered in tourism decision making, and they also need to be informed about sustainable development issues,7)While sustainable development should be a goal for all policies and actions, putting the ideas of sustainable tourism into practice means recognizing that in reality there are often limits to what will be achieved in the short and medium term,8)An understanding of how market economies operate, of the cultures and management procedures of private-sector businesses and of public and country sector organizations and on the values and attitudes of the public is necessary in order to turn good intentions into practical measures.,9) There are frequently conflicts of interest over the use of resources, which means that in practice trade-offs and compromises might be necessary,10) The balancing of costs and benefits in decisions on different courses of action must extend to considering how much different individuals or groups will gain or lose (Hall & Richards, 2000).*

While I will not go into details of every aspect of this approach it is important to observe how much of this is centered on the individual and on building the community as opposed to strictly economic gains. As we will see later when I examine the importance of the tourism sector in arctic communities, tourism has an important role in sustainable development economically, environmentally and in building the capacity of individuals and communities alike.

## **2.7 Structuralism: Dependency Theory**

Now that we have looked at the types of government intervention which are possible in an economy it is now important to look at theories which deal with the structure to which different economies, regions or power sources operate. These theories are usually referred to as structuralism theories as they deal with the overall structure of the global system. The first and most prominent structuralism theory comes from the Marxist school of thought and is referred to as dependency theory. Dependency theorists believe that the world is organized hierarchically, with the leading and powerful capitalist states at the core of the economy dominating and exploiting the underdeveloped or periphery countries. In its basic form this exploitation comes by way of international trade as the core states import raw materials at low prices from developing economies that desperately need capital and then sell back the manufactured goods at higher prices to the developing countries and thus by way of terms of trade, the advantage will always be with the core states as long as industrialization in the periphery keeps in check.

Dependency theory is often difficult to present because there are numerous strains and variations of the theory. However many of the basic tenants are common throughout. Dependency theory is a reaction to the theory of liberal modernization which states explicitly that in order to develop; a developing country must emulate the modernization and industrial program undertaken by the present day modern countries. To dependency theorists such as the Argentine economist Raul Prebisch, lower developed economies could develop only through government involvement to promote domestic industrialization and decrease dependent of foreign trade and subsidies (Cohn, 2003). These same liberal theorists who advocate modernization also tend to believe more in positive gains as being the most important economic factor of trade, meaning that as long as every party involved is gaining, the proportion or relative nature of the gains is unimportant. To dependency theorists this notion is false as they are more concerned with the relative gains which are skewed in the favor of the developed, capitalist countries.

Thus by focusing on relative gains, the structuralism theories tend to focus on the exploitive nature of capitalist regimes and the re-distribution of wealth and power that accrues from these political relationships. The problem according to dependency theorists is that many developing countries or periphery states are beset by political, economic and perhaps in some cases above all else institutional constraints which leave them in an inferior position when dealing with their developed counterparts. This is seen in such areas as decision making where dependency theorists would argue that only the core gets to make decisions about domestic economic and international economic policy and where market characteristics and capitalist institutional structures re-inforce the socio-economic inequalities (Todaro, 2003).

There are also variations of the dependence model which focus on specific problems in core-periphery relations such as the Neo-Colonial Dependence model. The neo-colonial model advocates that there are certain groups in developing countries who enjoy such luxuries as high incomes, a high status in society and political power. These groups then form a small ruling class whose principal interest rests in the perpetuation of the capitalist system of inequality which is what rewards them with this special stature. The ruling class may be unaware that this is in fact in their best interest but none the less it is the method as to which they achieve ruling class status (Todaro, 2003).

Of course there are many criticisms of dependency theorists from the liberalism school of thought. The first is that the terms of periphery and core are vague at best. How do you measure how dependent or non dependent a state is? Another point of contention with liberalists is that the term "core" state is an inaccurate term because power is distributed unevenly among the developed countries and this to say that a smaller developed country such as Finland for example exploits at an equal level to the United States in the present system is false. Finally another criticism of dependency theory is that there is for the most part no solution given to the problem of dependence. There is a statement that the third world is in its state of underdevelopment because of the capitalist core but the theory doesn't offer much in the way of solutions save for the idea of

focusing more on domestic production as opposed to importing manufactured goods (Cohn 2003).

Regardless of some of the criticism of dependency theory it is obviously relevant when you examine the levels of wealth disparities in the “core” and “periphery” states and their correlation with industrialization levels and terms of trade. Although it is quite possible that the dependency theorists are not flexible enough in their dependency beliefs, it is still clear that there are some structural elements that impede the development progress in the periphery. A statement by Theotonio Dos Santos who wrote:

*“Underdevelopment, far from constituting a state of backwardness prior to capitalism, is rather a consequence and a particular form of capitalist development known as dependent capitalism...Dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies and the world trading system becomes a dependent relationship when some countries can expand through self-impulsion while others, being in a dependant position, can only expand as a reflection of the expansion of the dominant countries, which may have a positive or negative effects on their immediate development. In either case, the basic situation of dependence causes these countries to be both backward and exploited. Dominant countries are endowed with technological, commercial, capital and socio-political predominance over dependant countries-the form of predominance varying according to the particular historical moment-and can therefore exploit them, and extract part of the locally produced surplus. Dependence, then is based upon an international division of labor which allows for industrial development to take place in some countries while restricting it in others, whose growth is conditioned by and subjected to the power centers of the world” ( Todaro, 2003, pp.124-125)*

This statement by Dos Santos underlined the basic argument of structuralism claims against the capitalist core. It is this core that holds all of the assets and sets the rules in the game of power relations.

### **2.7.1 Overview and Application to Arctic Question**

The issue of dependency is one that is central to this paper. It is not used in the conventional’s method of describing northern developed nation-states relationships with

southern developing nation-states. Rather, in the context of Nunavut and Greenland which are examples that I have chosen to look at, it is a dependency on the central governments which pose the greatest barrier to economic independence in these regions.

## **Conclusion**

Thus I have now examined some of the theories that involve such important topics as government intervention, income distribution, economic diversity and core/periphery dependence. Now that we have a theoretical background we can now move onto the task of examining thoroughly the regions in question.

### **3- Political and Economic Independence: Having one doesn't guarantee the other**

For both Nunavut and Greenland, political independence has long been the main goal or objective for the native people inhabiting the area. Both have achieved levels of this independence. In Greenland, the home rule has made the region autonomous in many ways from Denmark and in Nunavut; the Nunavut act has given the Inuit there a province of their own. However, political Independence has not necessarily brought with it economic success. Both regions are still largely dependent on transfer payments and block grants from the central institution and thus it can be argued that to achieve economic independence is the only way that a region can be truly independent. This chapter will look briefly into the types of political independence that both regions have accrued and then look at what is keeping them from achieving not just political independence but also the illusive economic independence which is so important for the success of these autonomous regions.

#### **3.1 Political Independence in Nunavut**

The area of Canada now known as Nunavut has always stood apart as being unique among the other provinces and territories in Canada. While other Canadian provinces and territories were set up by Europeans trying to set up without the constraints of authority, Nunavut is very different in that it is comprised of twenty thousand Inuit residents making it ethnically very unique (Jull, 1998). The independence achieved by Nunavut in becoming an official territory under Canada's federation was by no means an easy task and by no means a quick task. This was a very slow process that lasted more than twenty years but was ultimately successful in large part due to the Inuit character. Even when barriers arose that appeared to have absolutely no possible solution, the Inuit have never lost sight of their goal of an Inuit homeland and most importantly never compromised on that idea in order to obtain a quick solution to the Inuit question. The Nunavut achievement for the Inuit was one of simply resolve, not violent or confrontational like other pushes for independence around the world. Perhaps it is described best by a key member of one of the prominent Inuit organizations when he described: "Moments of crises and drama notwithstanding, the storey of the twenty year old 'Nunavut Project' is best described as a process of consistent effort, endless

negotiation, and detailed text. Unlike other negotiations involving aboriginal people that have sometimes captured intensive but fleeting attention, the 'Nunavut Project' ...followed a slow but comparatively steady course" (Hicks, 1999, p.24). Thus as we look into the events that led to the creation of Nunavut, they are more meticulous and have attention to detail as opposed to conflict and confrontation.

So the first question that must be asked is why did the Inuit feel that the Nunavut project was so important? This has many answers with the first of course being that they wanted to create a legal document which would settle a comprehensive land agreement as well as an Inuit homeland to protect and promote Inuit culture, language and customs. Being a part of the Northwest Territories presented three major problems with this. The first was that the Northwest Territories was only 38% Inuit (Hicks, 1999) and thus obviously, Inuit culture was not always going to be on top of the agenda in such a large territory. Second, it was very hard for much economic development to occur in the eastern Inuit region that is now Nunavut because the economic center of the large territory was in the far western city of Yellowknife. Finally because of these economic difficulties and the relative isolation of small Inuit villages, it seems like local development would be best handles by local Inuit themselves (Jull, 1998)

The commencement of discussions on land claims agreements and the creation of Nunavut were unique in two respects. The first was that unlike other aboriginal lands, the area of Nunavut was never subject to any kind of treaties with the British or Canadian governments and therefore negotiations could start from the beginning (Cameron, 1996). The second advantage that the Inuit had at the time was the relative economic success of the North West Territories. While today Nunavut is seen as an area of natural resources with good economic potential, when the possibility of dividing the east and west of the Canadian arctic was first discussed between 1959 and 1963, the idea behind the split wasn't to help the Inuit people but to free the western part of the territory from what parliamentarians at the time saw as a more backwards east (Cameron 1996).

I will now briefly outline the events which led to the creation of Nunavut as it is important to gather an overview of the method of how independent Nunavut came to be in order to gain a broader understanding of the situation in Nunavut today.

In 1976 the Inuit Tapirisat of Canada presented the Canadian federal government with a detailed land claims proposal which included among other things compensation for past and future use of lands by non-Inuit and a new government with the full capacity and will to protect Inuit language and culture. The one thing that was a constant help for the Inuit cause from the beginning of these negotiations was that unlike other independence movements, the Inuit were willing to accept a public government meaning that all Nunavut residences would be able to vote regardless of ethnicity as opposed to an aboriginal self government. This willingness made the idea of Nunavut more palatable to the federal government (Hicks, 1999). Originally, as part of this comprehensive land claim agreement the Inuvialuit of the northwestern part of the Northwest Territories was also included. But they had vast natural resources and were not willing to wait for the eastern Inuit claims to be resolved and thus they decided to stay with the Northwest Territories. The consequence of this of course was that the money from these resources would now be destined to stay in the Northwest Territories as opposed to a new Nunavut territory (Cameron 1996). Well its not overly important to discuss every detail of the negotiations that took place between the Inuit representatives and the Canadian federal government, it can be said that the negotiations had many points of contention such as boundary disputes etc, which led to periods of achievement and hope for a solution and also led to periods of complete deadlock as without a defined boundary the territory of Nunavut could not be created. In fact this was even a reason that some of the more southern provinces of Canada were against the creation of Nunavut, as they didn't want their own land/borders affected (Cameron, 1996). However as was the trend the Inuit were in no rush to settle for anything less then both a comprehensive land agreement and a territory of their own. The early nineties brought with it a climax in the Inuit-federal government negotiations. Most of the land issues and financial issues had been put together and the only question left was would the Inuit accept a treaty without the creation of Nunavut? As Jack Hicks states in his article entitled *'The Nunavut Land*



*Claim and the Nunavut Government: Political Structures of Self-government in Canada's Eastern Arctic*, "Would the Inuit accept the limitations of federal claims policy and drop the demand for a separate Nunavut Territory in order to go forward, or would they put twenty years of efforts on the line by insisting no Nunavut, no deal?" (Hicks, 1999, p.25). The Inuit knew that they had support from their people and that nothing short of this creation would be acceptable to them. The federal government seemed to realize this and the Nunavut Political Accord came to fruition and it included the provision that a new territory of Nunavut would be established. The accord was to be about the Inuit people and their culture. Section 9.1 of the accord states "The parties recognize the central importance of training in enabling Nunavut residents to access jobs resulting from division...and that investing in people is of greater value than investing in infrastructure" (Nunavut Political Accord, Section 9.1). One of the interesting aspects in the early nineties in relation to the Inuit negotiations was the political situation in Canada. The Conservative government under Brian Mulroney was becoming increasingly unpopular and in some ways this helped the Inuit cause as because of past disputes with aboriginal rights groups, the Conservative government thus embraced the idea of Nunavut.

The Nunavut Political Accord was signed by the Government of Canada, The Government of the Northwest Territories and the Inuit negotiating body Tungavik Federation of Nunavut (TFN). Now because Nunavut was to be a public government and represent all Canadians living in Nunavut, it was important for the federal government to have a separate land claims agreement and creation of Nunavut agreement. The land claims agreement before it could be signed had to be ratified by way of referendum. Sixty-nine percent of eligible Inuit voters supported the agreement and thus on May 25<sup>th</sup>, 1993 in Iqaluit the 'Nunavut Land Claims Agreement' was signed by Inuit and Government representatives. Soon after this in June of 1993, the Federal Government of Canada enacted the 'Nunavut Land Claims Agreement Act' which gave legality to the agreed settlement and they enacted the 'Nunavut Act' thereby creating the Nunavut Territory and the Nunavut Government to be created on April 1, 1999 (Hicks, 1999).

It is important to now outline the provisions of the Nunavut Land Claims Agreement as it will help us have sufficient background to the current situation in Nunavut when we examine the Economic situation in the Arctic in the next Chapter. Table 1 shows the main components of this claim. It is obvious when scanning these that there is a focus on providing the Inuit in Nunavut with the means to create Inuit solutions to Inuit problems. This includes provisions regarding Inuit lands, resources and economic compensation. As well the provision to ‘Encourage self-reliance and social well-being of Inuit’ is a way of saying that it is not sufficient for this new territory to simply become dependant on a central apparatus. This point we will examine in further details when we look at transfer payments next chapter. Of course the last point on this table is what the Inuit people wanted from the beginning and were unwilling to negotiate and that is the creation of the Nunavut Territory. This is important not just for the self determination of the Inuit in Nunavut from an economic and political perspective but also the symbolism that comes with this territory and the knowledge that there is an institution in place which can preserve and protect Inuit values and culture (Cameron, 1996).

**Figure 1**

<b>Important Provisions under the Nunavut Land Claims Agreement</b>
1.176 billion CDN to be paid over a period of 14 years. This money is to be administered by the Nunavut Tunngavik Incorporated (NTI). The NTI is the Inuit organization responsible for overseeing this land claim settlement.
Collective title to land. The land in question is approximately 350,000 square kilometers and of this approximately ten percent includes subsurface mineral rights
Establishment of a series of Institutions of Public Government(IPG’s). These IPG’s are not to be part of the Nunavut Government but will work with the Government. These IPG’s include the Nunavut Wildlife Management Board, The Nunavut Planning Commission, Nunavut Impact Review Board and the Nunavut Water Board.
Series of commitments such as the commitment to increase Inuit employment in government and to give preference to Inuit owned business in government contracting, a share in royalties of non renewable resources, establish three national parks in Nunavut, etc.
The Commitment to create a Nunavut Territory and a Nunavut Government on April 1, 1999

Source: Cameron & White. **Northern Governments in Transition**. McGill Press: Montreal, 1996 & Hicks, Jack. **The Nunavut Land Claim and the Nunavut Government: Political Structures of Self-Government in Canada’s Eastern Arctic**. Pp. 21-55 of “Dependency, Autonomy, Sustainability in the Arctic”. Edited by Petersen & Poppel. Ashgate: Aldershot, 1999

Thus as dictated in the Nunavut Land Claims Agreement, the Territory of Nunavut was created on April 1<sup>st</sup>, 1999. The amazing thing about the new territory of Nunavut is that it was embraced right from the beginning by the most of the nation. Canadians felt a sense of pride in enshrining its Inuit heritage. And for the Inuit they had been successful in gaining independence. While not independence by means of a state of their own, independence in that they had gained a degree of political independence and they had done so in a peaceful matter. What was also quite impressive was how little they had had to compromise in order to achieve this independence. Also from Jack Hicks article entitled *'The Nunavut Land Claim and the Nunavut Government: Political Structures of Self-government in Canada's Eastern Arctic'* is a quote from one of the key Inuit legal counsel. He states: "...Its remarkable to note how similar, in broad brush, the results of the 'Nunavut Project' are to the initial negotiating demands put forward in 1976. After almost two decades of hard work, concentration on the essential, willingness to take calculated risks, and refusal to take no for an answer, the Inuit of Nunavut with both an impressive array of land rights and responsibilities in their ancestral homeland and a new Nunavut Territory and Government that will, on account of an overwhelming Inuit majority, provide Inuit with political power in contemporary and administrative context of Canadian federalism" (Hicks, 1999. p.26).

So the Inuit of Nunavut had achieved a form of political independence from the central Canadian government and the Northwest Territories. Now the process of building the country, improving the low standard of living that affects the majority of the Inuit population and the economic development of the territory could begin. As we will see in the next chapter with political independence comes the difficult job of achieving economic independence and this for both the Inuit in Nunavut and in Greenland has presented many problems, but from a political standpoint, the method and outcome of the Inuit negotiations and the resulting creation of Nunavut is without a doubt a complete success storey.

### 3.2 Political Independence in Greenland

While this paper is about the development of Inuit territory in both Nunavut and Greenland, I will only spend a brief time with the procession of home rule in Greenland for many reasons. First, unlike in Nunavut, the process was perhaps less complex due to the distance geographically and to the historical situation between Greenland and Denmark and thus it was more widely accepted as policy in Denmark than the creation of Nunavut was in Canada. Because of this the Greenlandic independence movement was more of a shift in power than a comprehensive agreement. Due to this simplistic method the home rule in Greenland as well only took four years as opposed to Nunavut's more than twenty. What is interesting about Greenland is that it has had a relatively longer period of political independence compared to Nunavut and yet has many of the same economic problems facing it today. Thus because of this similarity I am using both regions in this paper. Thus it is important to undertake a brief study of the political independence movement that occurred in the 1970's in Greenland before getting into the current economic situations in both Greenland and Nunavut.

**Figure 2-Difference between Nunavut Negotiations in Canada and Home Rule Negotiations for Greenland in Denmark.**

Nunavut	Greenland
Process of Negotiation lasted more than twenty years	Process lasted 6 years
Negotiations were slow with many points of contention and many parts of the country not fully supporting the initiative	Process was widely supported, was more of a process of transferring powers rather than negotiation
Borders were a main point of contention	Greenland is so far away from Denmark that borders were not a factor and thus a major roadblock is avoided from the onset

Source: Dahl, Jens. **The Greenlandic Version of Self-Government**, in "Indigenous Parliament?: realities and perspectives in Russia and the circumpolar north" edited by Kathrin Wessendorf. Copenhagen: IWGIA, 2005

During the Second World War, Denmark was occupied by the Germans and thus Greenland found itself virtually cut off from its mother land. This caused them to look to

the west for contact and also it caused Greenland to look within for sustainability. The United States in particular had ties with Greenland at the time with the establishment of American air bases in the strategically important region. After the war ended there was not a sense of Denmark attempting to retain its colonial landmass. In fact it was more and more commonly understood that Greenland was an independent region within Denmark and it even was sending citizens to the Danish Parliament (Dahl, 2005). The idea of home rule it could be said began in this very parliament in the early 1970's as a young politician from Greenland named Moses Olsen who was elected to the Danish Parliament and created quite a stir by what a lot of Danish citizens felt was meddling in Danish affairs. This experience gave the feeling in Danish Politics that members of parliament from Greenland were indeed not seen as equals. Adding to this was the Danish popular approval of joining the European Economic Community which was widely opposed by Greenland due to the possible consequences, especially the infusion of European fishing boats that could result (Dahl 2005). Thus amongst Greenlanders it was felt that perhaps it was time to redefine its position as a region within Denmark.

In essence the process began in 1973 with the creation of the Greenland Home Rule committee by the Greenland Provincial Council. The Danish not only approved of this but added to the consortium by helping to create a new commission in 1975 called the Danish-Greenlandic Home Rule Commission. This commission made a series of recommendations which were put forward before the Danish parliament and then subsequently passed through a referendum in Greenland on January 17<sup>th</sup>, 1979 (Dahl, 2005). The first elections would then take place in April of that year and within a month the idea of Home Rule in Greenland had been fully realized. What would follow would be a gradual transfer of power. Over the next decade, most institutions that dealt with internal matters such as fishing, trade, health, church, infrastructure etc. were transferred from Danish authority to Greenlandic authority (Dahl, 2005).

Thus Greenland has now had Home Rule for twenty years. As we will see in the following chapter, while Greenland has had this Home Rule for twenty years and its political independence is unchallenged by the central authorities in Denmark. What is in

question is how and when Greenland will be able to achieve economic independence from Denmark. The last twenty years of Home Rule in Greenland have not been easy and have not been terribly successful as we will examine from a financial point of view. Today Greenland is very dependent on transfers from Denmark and must make many policy and structural changes in order to achieve economic independence. However like Nunavut, the political independence of the Greenland experiences has been a success.

### **3.3 Barriers to Economic Independence in Nunavut and Greenland**

It is often the case that in the early stages of political independence economic development and human development can seem to be unrelated yet as the United Nations Development Program's paper entitled "Challenges of Human Development in the Arctic" states; "in the long run they go together"(UNDP, Kaul, 2002). This is why the economic independence of Nunavut and Greenland is so important, not just to generate more income but to generate a situation where the Inuit communities can invest in themselves. This economic development has the potential to lead to a successful and young Inuit workforce which is educated, healthy and has the pride of being independent from the central government subsidies which today most Inuit depend on.

#### **3.3.1 Barriers to Resource Exploitation**

The first thought that seems to come to mind when discussing economic independence for the arctic is of course resource exploitation. The arctic is a potential hotspot for energy resources and it would seem as though the answer to the arctic economic problems are quite simple, however there are several problems with depending upon resource exploitation to achieve economic independence. An example is the Canadian arctic Islands which are believed to be rich in hydrocarbon resources. On the Sabine Peninsula on Melville Island for example the joint Hecla and Drake Point discoveries concluded that there was almost 9 trillion cubic feet of recoverable and marketable natural gas reserves (Harrison, 2006). This seems like a great opportunity for the Arctic residents to gain economic benefits but like in many parts of the arctic there are many barriers to entry which make resource exploitation of this nature unpalatable to

outside companies who are not willing to invest. These barriers include environmental barriers, logistical issues and health issues.

In his article “Industry Perspectives on Barriers, Hurdles, and Irritants Preventing Development of Frontier Energy in Canada’s Arctic Islands”, Christopher Harrison interviewed six domestic and multinational companies operating in the energy industry on the arctic frontiers of North America. One of the biggest concerns that these companies had was the environmental impact of exploiting arctic resources. One respondent in his survey explained “Why would I want the name of our company dragged through the mud by hostile media and unforgiving investors” (Harrison, 2006. p.239). A lot of companies thus are tentative to explore arctic resource extraction because of the risk of images of spilled oil affecting the ice, and wildlife of the arctic eco-system. In the same survey, all respondents stated that transportation problems and transportation infrastructure were a very important issue. The problem is the land itself is difficult to work with relating to the hostile climate, hostile land, ecological risks and a short shipping season. Then there is the additional problem of the distance to the various markets for the resources themselves (Harrison, 2006). Thus extracting the resources is only half of the problem, you still have to get them to their respective markets.

Of course resource exploitation is not just done by foreigners and the resource that is coveted is not only the environmental controversial oil. In Nunavut there of course is a major potential of major exploitation of mineral resources and hydrocarbons. This large scale exploitation has an incredible impact on both the local environment and the human environment. Toxic discharges from gold and nickel mining operations have caused problems to residents that haven’t even fully been determined yet (Duhaime, Gerard, Arctic Human Development Report). Thus while the idea of resource extraction in Nunavut for example is initially a grand idea or venture, the realities are that it is not so easy to find foreign investors willing to take high risks and work in such conditions and there are many negative externalities which could accrue from such activities. On the other side of the coin Greenland has yet to discover oil/natural resources to the same magnitude as northern Canada as to yet but when it does it will be faced with similar problems. Thus the question is what to produce and how do these economies improve their economic situation.

### **3.3.2 Industry Diversity**

One of the great problems with the economic situation in the arctic is the lack of industrial diversity which exists. In Greenland the main industry continues to be the fishing industry. Over 6500 people are employed in the fishing industry representing about one quarter of the Greenlandic labor force. In fact Greenland is the second largest exporter of shrimp in the world (Duhaime, Gerard, Arctic Human Development Report). While it has been a backbone to the Greenlandic economy, there are problems with having such a large amount of countries economic success tied with one industry. The first problem is that in the case of Greenland the industry in question is one that depends on natural exploitation and thus if natural phenomenon occur which can render the industry obsolete, there is nothing that the economy can really fall back on to take the place of this fishing industry. Of course, in the case of Greenland there is always the possibility that the Danish government can add to transfer payments to make up for such a problem but this would be assuming that the Danish economy was in the future strong enough for this kind of continued support. Thus this lack of diversity in fact very much hurts the economic independence efforts of an autonomous region like Greenland because the moment they lose this industry, they are once again completely dependent on the central Danish government. So what then is the most obvious natural phenomenon that we are talking about? This of course is the phenomenon of global warming. While there are some skeptics out there the majority of scientists believe that the phenomenon of global warming is already occurring and will only get worse. The Intergovernmental Panel on Climate Change (IPCC) has released among other things three reports summarizing the findings of scientists working all over the world. This is combined with a multitude of other reports of the arctic council and the International Arctic Science Committee. In particular to the high latitude fisheries industry, the reports by the IPCC suggest among other things five likely changes that could occur as a result of global warming. The first is that according to the research done by the IPCC, the greatest temperature increases over the last three decades have occurred in the arctic and sub-arctic regions. In some cases up to 5.6 degrees Celsius. By forecasting this trend over the next three decades, such an increase could cause rapid disruption, alteration or collapse of



various marine-ecological systems which may find themselves unable to adapt to such rapid changes (McGodwin, J.R., Marine Policy 31, 2007. Pp. 40-55). Second, a drop in aggregate fish production as the marine ecosystems will not be able to adapt to the environmental changes taking place fast enough. Third, Fisheries scientist are at this point potentially unable to successfully provide credible advice and strategies to avoid fisheries collapses as the climate indicators move further and further away from the historical baselines. Thus because these scientists have never experienced such disparities between baseline historical numbers and current trends, they might not have the knowledge to prevent such problems. Fourth, the IPCC suggests that a rise in sea level could be a possibility as much as between 6 and 37.5 inches above the current level. This could cause not just radical marine ecological changes but also because of costal flooding, the relocation of any costal fisheries facilities and infrastructure. Finally an increase in intense storms as a result of global warming could lead to widespread loss of property, economic disruption and loss of human life (McGodwin, J.R., Marine Policy 31, 2007. Pp. 40-55).

Thus while these predictions may not seem so serious for countries with diverse economic activities, it is very serious for developing arctic economies like Greenland's which depend so heavily on the fisheries industry. Even a more developed economy in the arctic like that of Iceland still has approximately 13.5% of there GDP dependent on the fisheries industry ((McGodwin, J.R., Marine Policy 31, 2007. Pp. 40-55) and so even they much continue to show a diverse range of options in case the fisheries industry experiences turmoil. Thus for economies like Greenland, Economic Independence means more then just numbers like GDP, it means the security of knowing that if the main industry experiences problems, they wont become completely dependent on the central government in Copenhagen. For this to be successful, the Greenlanders will have to add various elements and strengthen various elements of their industry to catch up to the importance of the fisheries industry. We will see later that Tourism is one potential option for this move towards economic independence.

The question at hand is can a region in the arctic ever achieve economic independence when the primary income or backup income is in the form of transfer payments from a central authority. In Nunavut this means payments from Ottawa and in Greenland this means payments from Copenhagen. In some ways as mentioned earlier in the theory section this presents a kind of dependency scenario between a core and periphery within these regions. At the moment in the arctic there is a shocking difference between the apparent wealth of natural resources and a continued dependence on these transfer payments. These transfers in the arctic are estimated at between fifty percent and ninety percent of the public revenues of the territories in the Arctic Circle (Kaul, Inge. UNDP report, New York, 2002, p.9). In Greenland for example about fifty percent of public expenditure comes from block grants and other transfers from the Danish government and to even further increase a dependency, many of the key staff in areas such as education and health are recruited from Denmark (Dahl, Jens. The Greenlandic Version of Self-Government).

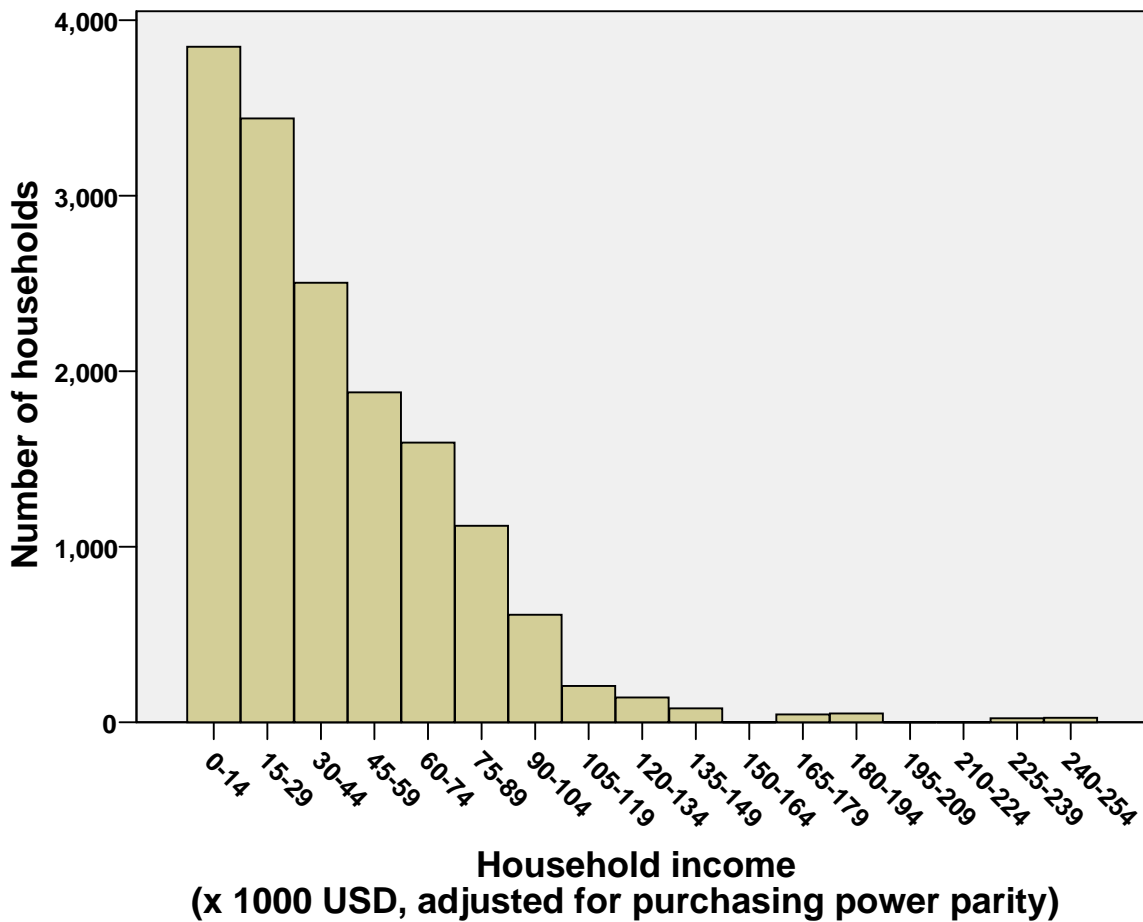
Thus industry diversity is a major question mark for these arctic regions. Without a diverse range of industries there will always be a dependence on the core capital cities in countries such as Denmark and Canada to bail out the arctic regions in times of crises. While it is not entirely negative to have help from the center it fosters a feeling of dependency, a feeling that you are incapable of reaching your own destiny as a people. It is for this reason that building up alternative industries such as tourism or manufacturing to name a few are good not just in terms of economic numbers but also in the moral of the people.

### **3.3.3 Income Distribution**

Thus now that we can see some of the barriers of economic independence that can come despite political independence, we must prove this with some indication that there is economic problems in the areas being studied. Figure 3 shows the income distribution in Greenland. The chart shows some interesting trends about Greenland. First, we can see that there is a very large proportion of the population which is in the 0-14000 USD salary range. This is most likely part of the population which is working in the primary goods

sector of the economy, perhaps in the fisheries, again people dependent on the one industry that thrives in the area. The other possibility of course is that they are dependent on subsidies from the Danish government due to unemployment, etc. Either way these poorest people, which number many in Greenland are not economically independent and thus for example do not have the money to re-invest in the Greenlandic economy. The other interesting thing is how there are small pockets of very rich people, most likely the people in charge of the important natural resources in the country. Whatever the reason for such a disparity, it is a fact that a region such as Greenland will never be able to advance economically or socially with such high levels of income inequality.

**Figure 3 Income Distribution in Greenland (stats received from Mr. Jack Kruse at the University of Alaska)**



Source: Statistical Information Provided by Jack Kruse at the University of Alaska. Graph created by James Laflamme.

Thus it is fair to say that because of the barriers to economic independence listed above such as the difficulty of resource exploitation in the arctic and the lack of true industry diversity, the economic situation in the arctic is unstable. In Nunavut there are high levels of unemployment and in Greenland there are high levels of income inequalities. In both cases the regions are dependent on transfer payments. It is thus necessary to examine the options for these regions to gain economic independence. As we will see in the following two chapters, it is possible that by adding new industries and new dynamics to the economic situations, these regions can have economic independence.

#### **4-Mass tourism, Ecotourism and Culture Tourism**

While I briefly mentioned the concept of sustainable tourism in the theory section of this paper, I also mentioned that there were no theories directly pertaining to tourism that could be applicable in a paper of this size and this scope. Thus for this small section of the paper, I will attempt to not theorize tourism but offer a brief description of the basic types of tourism that have emerged and are relevant to this paper. Namely this section will focus on the concepts of mass tourism, ecotourism and culture tourism (also referred to as aboriginal tourism in this section). This section will focus more on ecotourism and culture tourism because in many ways they have been the result of the short comings of mass tourism.

##### **4.1 Mass Tourism**

In answering the question of what is mass tourism? It is important to concentrate on the size of the tourism industry and this can be done by looking at tourism statistics and by looking at forecasts. In 1993 six percent of the world's Gross National Product went to tourism according to the World Travel and Tourism Council (Hawkins, 1995). The World Tourism Organization (WTO) predicts that international tourism arrivals will have grown from the 1996 levels of 593 million visitors to over a billion by 2010 (World Tourism Organization). In fact today, global tourism accounts for 7.5% of world trade, with annual revenues of almost \$3 trillion USD, second only to the weapons industry in economic impact (Bulbeck, 2005, p.3). Tourism has been on the rise for a few reasons, first and foremost because of transportation technology developments. This is clear from historical rises in tourism correlated with the development of railroads, the automobile and more recently the wide body jet (Mowforth & Munt, 1997). Along with the technological advance in transport is the general feeling that vacation is good for the health and is a positional point of status in modern societies (Shaw & Williams, 2003). The Smith model put some of these factors into an equation to explain the size of tourism. In smith's equation  $T(\text{Tourism})=L(\text{Leisure Time}) + I(\text{Surplus Income})+M(\text{Motivation})$  (Shaw & Williams, 2003).

With rises in L, I, and M over the last few decades, this equation seems like an accurate model to explain the rise in tourism.

However it is important to note that a large number of tourists cannot necessarily be used as a definition of mass tourism as a whole. Mass tourism is more an ideology than a practice. It is the way in which tourism in a community is planned, promoted and managed (Gunn & Turgut Var, 2007). The ideology of mass tourism is that all tourism planning, promotion and management is centered on growth. In mass tourism, tourism is viewed as an unlimited economic good where all tourism development is worthwhile. Initially this seems very beneficial to a developing area as there is the potential for an increase in jobs, incomes, tax revenues and many underdeveloped regions have grown to depend upon this for economic sustainability(Gunn & Turgut Var, 2007).

The problem with mass tourism is that while it has the potential to offer economic benefits for the local community, it has shown historically to have the potential to create problems environmentally which is an enormous problem for an industry based on the natural resource itself, socially in the community as well as the potential economic problems that can arise because of negative externalities.

Mass tourism can lead to the direct destruction of the environment through such activities as the construction of hotel complexes, marinas etc. These developments are often set in sensitive landscapes such as in coastal, mountainous and cultural areas (Shaw & Williams, 2003). It is not the individual tourist development that does the most damage but rather the collective development of mass tourism that creates such environmental catastrophes as the erosion of basic foundations of vegetation, soils, wildlife and not to mention the contamination of water from mass tourism sewage systems (Gunn & Turgut Var, 2007)

It is also important to note that although the environmental concerns of mass tourism are the most high profile effect, there is also an enormous potential for a negative impact on the local population of mass tourism sites. Negative social impacts such as the upset of local traditions, the interruption of local lifestyles and the immense stress on the

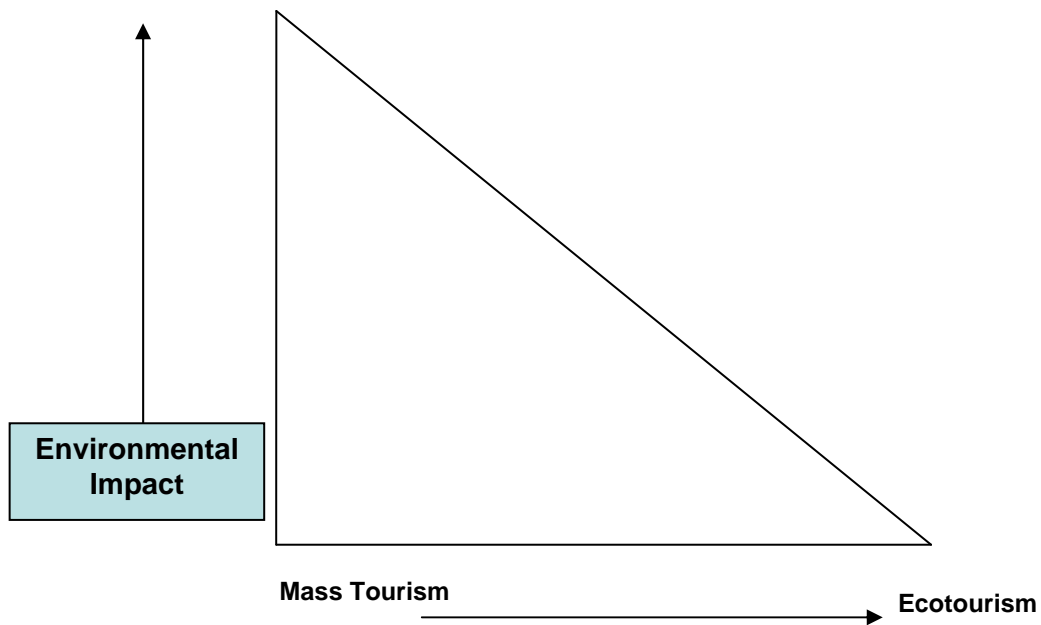
local infrastructure are all negative impacts attributed to mass tourism activities (Gunn & Turgut Var, 2007).

Out of these negative effects on mass tourism has come a movement towards more small scale, ecologically friendly forms of tourism for developing communities, namely ecotourism and culture tourism.

#### 4.2 Eco-Tourism

The problem with mass tourism is that all components of tourism are directly related to land resources (Gunn & Turgut Var, 2007). Thus as figure 4 shows there is a positive correlation between the scale of tourism development and the negative impact on the environment. As the scale of development is more towards mass tourism there is more of an impact on the environment as a whole.

**Figure 4- Type of Tourism and the Environmental impact**



Source: Information from Shaw & Williams. **Critical Issues in Tourism: A geographical perspective.** Wiley/Blackwell, 2003. Graph created by James Laflamme.

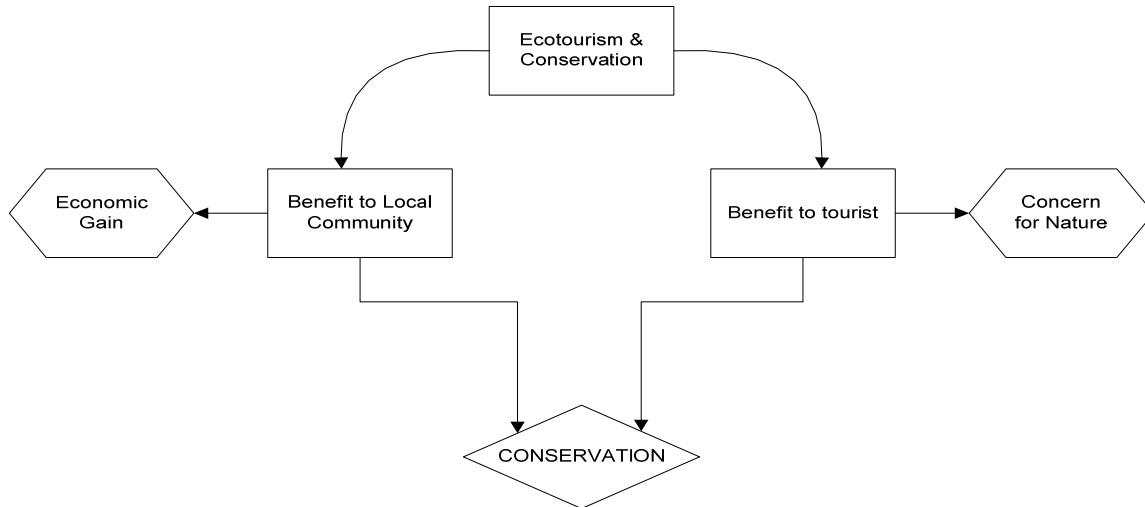
Out of a dissatisfaction with developing countries development plans as per tourism, ecotourism as a practice and as a viable economic and environmental solution arose. The idea of the term ecotourism arose in the 60's when experts like Hetzer who identified four fundamental pillars that needed to be implemented in order to ensure more responsible and sustaining tourism. These four pillars included minimum environmental impact, minimum negative impact on host cultures, maximum economic benefit for the local population and maximum recreational satisfaction for participating tourists (Fennell, 2003). While he doesn't mention the term ecotourism, this certainly is a similar concept to what he was alluding to. Today there are many definitions of ecotourism. The one that I will use to define the term is from the Ecotourism society who defines ecotourism as follows:

*“purposeful travel to natural area's to understand the cultural and natural history of the environment, taking care not to alter the integrity of the eco-system, while producing economic opportunities that make the conservation of natural resources financially beneficial to local citizens”* (Hawkins, 1995, p.261).

Ecotourism can be beneficial in many ways to a local community. User fees, concession fees, royalties, taxation and donations can all add to the economic viability of a community (Fennell, 2003). Ecotourism can take place wherever there are natural sites of sufficient biological, cultural and geographical interest to attract tourists (Hawkins, 1995). This is true of much of the developing world where poor rural citizens try to make livings based mainly on the production of raw materials. Thus there seems to be a benefit to both the tourist and the local community which both involve conservation as a key principle. This is illustrated in the figure below as we can observe that the tourist involved in an ecotourism experience will also help the conservation plight as he/she will be more likely to acquire a sense of the importance of protecting the nature that was enjoyed during their stay (Hawkins, 1995).



**Figure 5 Ecotourism and Conservation**



Source: Information from Hawkins, Donald E. **Ecotourism: Opportunities for developing countries**. Chapter 18 (pp.261-274) of "Global Tourism-The next decade", edited by William Theobald. Butterworth: Heinemann, 1995. Image created by James Laflamme

A beautiful and scenic setting however isn't enough to ensure that an ecotourism venture will be successful, there must be a strong strategy in place to ensure that maximum benefit to the local community is ensured while protecting the environment at all costs. The World Wildlife Fund(WWF) has identified what a sustainable tourism development should encompass. It should encompass according to the WWF the following characteristics:

- 1) It should be part of a wider sustainable development strategy
- 2) Must be compatible with effective conservation of natural eco-systems
- 3) Must involve the local people and cultures, making sure that the benefits that they accrue are fair and equitable. (WWF, 2001).

Ecotourism is a profitable and safer alternative to mass tourism. Successful cases are abundant and must be marketed to other developing countries to ensure that an industry as big as the tourism industry makes effective and smart decisions for the developing countries (Hawkins, 1995). The potential is there for these countries to use ecotourism to better their communities.

### 4.3 Culture Tourism

Culture tourism can be a component of ecotourism and in the case of this paper which deals in large part with aboriginal affairs is a key component of any discussion of tourism as an alternative method of development for the arctic. Aboriginal tourism involves promoting the uniqueness of aboriginal culture to attract tourists to learn about the unique culture. Aboriginal tourism is extremely beneficial to the arctic because culture is a resource that does not erode over time yet is constant. The key to successful aboriginal tourism is that the local community be involved in decisions that relate to their development. Johnson states: “It is of critical importance that communities make conscious efforts to control tourism and direct it in ways in which they desire, rather than allow tourism to control and direct their development” (Johnson, 1998, pg.62).

**Figure 6**



Source: Image created by James Laflamme

Thus this section outlines two distinct options for developing communities to pursue development through tourism. Mass tourism while large in scope can have negative effects on the very environment needed to attract tourists in the first place while ecotourism offers a unique and attractive alternative which shows respect for the environment and the community in question.

## 5-Case Study 1: Costa Rica

While Costa Rica is a small country of just 51 000km<sup>2</sup> and under 4 million inhabitants, it is considered one of the, if not the biggest ecotourism success storey in Latin America and in the world. While traditionally an economy based on agriculture, specifically coffee, beef and bananas, tourism has risen to the top of the list of Costa Rican exports. What's driving this tourism success in Costa Rica is the arrival of ecotourism as a market for foreign investment. As we can see in figure 7, the amount of international arrivals have increased from under 300 000 in 1985 to almost 800 000 by 1995 (Lumsdon & Swift, Vol.6, No.2, 1998) and the number continues to grow today.

**Figure 7**

International Arrivals to Costa Rica 1985-1995

Year	Number of International Arrivals
1985	261, 552
1995	792, 287

Source: Lumsdon & Swift, Vol.6, No.2, 1998 p.156 & Weaver 1997

However, tourism was not always at the forefront of the Costa Rican economy. While the first national tourist board, the Junte Nacional de Turismo was set up in 1931 (replaced by the Costa Rican Tourist Board (ICT) in 1995) it was not until the 1980's that tourism found its prominent place in the economy (Boo, 1990). By the 1970's , Costa Rica was viewed as one of the pure ecotourism destinations but the market for such tourists was limited in scope to a very specific market of scientists, naturalists and interested amateurs who enjoyed the study of nature (Lumsdon & Swift, 1998). However in the 1980's with the media frenzy that began surrounding the destruction of the worlds tropical rainforests, attention to such areas began to come from outside of just scientists, but the average tourist looking for environmental beauty, adventure, and unspoiled terrain. For Costa Rica this couldn't have come at a better time as a disastrous slump at the beginning of the 1980's had the government under pressure to make economic

reforms and thus ecotourism was pushed to the top of the priority list (Lumsdon & Swift, 1998).

So what exactly makes Costa Rica such a viable destination for eco-tourists and how have they managed to be so successful in using such a resource to its maximum potential? Costa Rica can offer biodiversity like very few other areas in the world. Despite its small size, Costa Rica had four mountain ranges of which two are volcanic. It also contains large tropical rainforests and other endangered ecosystems (Boo, 1990). As well because of its position between North and South America, there is a diverse wildlife because of the species migration. This combined with its range of elevation, Costa Rica is estimated to be home to approximately 1500 species of trees, 205 mammals, 849 birds, 160 amphibians, 218 reptiles and minimum 9000 vascular plants representing four per cent of the global totals (Weaver, 1994). While this bio-diverse range of ecosystems in Costa Rica is impressive, it is not the only reason that the country has been successful in the promotion and marketing of this ecotourism destination. Equally important have been the stability within the country and the policies implemented by the government to protect and preserve the ecological existence and beauty of the land itself. The first attribute to the success of the Costa Rican ecotourism sector is the fact that unlike other Latin American countries which have been devastated by political conflict and instability, Costa Rica has maintained a solid reputation for being politically stable and prosperous (Weaver, 1994). This has led to an environment where visitors are both safe and welcome which is a necessary ingredient if ecotourism is going to work. Another reason that Costa Rica has been so successful is its strenuous conservation and protection policies in relation to its environment. This allows both the natural resource itself to remain but also attracts tourism as it sends the message that protection and economic benefits go hand in hand. The current system in Costa Rica has been given extensive attention in the media and by conservation groups alike (Weaver, 1994). The public protected areas system began in 1970. This was after the country had gone from an extensive tropical rain forest in the late 1940's to a depleted one by the late 1960's when a small movement arose to protect what was left of the natural beauty and heritage of the Costa Rican rain forest (Boo, 1990). While the motivation for this protection was not ecotourism at the time but rather

cattle farmers depleting the forest, it became an important step for the development of the ecotourism sector in the following decades. While initially this protected areas numbered few in the early 1970's, by 1987, the nation had over 55 protected units (units referred to as national parks, national forests, wildlife refuges and aboriginal reserves). These areas covered at the time about 18 percent of the nation or 926, 000 hectares of the national territory (Boo, 1990).

### **5.1 Monteverde Cloud Forest Preserve**

One example in Costa Rica of how sustainable eco-tourism can help development is the Monteverde Cloud Forest Preserve. This reserve actually began with a small group of people from Alabama, United States who settled in Costa Rica after being jailed in the United States for refusing to join the war (Rovinski, 1991). The group had initially intended the land to be used in the production of cheese to be sold to San Jose and thus converted much of the landscape into grazing pastures for cattle except for the rare cloud forest which covered the mountain slopes which they chose to leave as was (Aylward, Allen, Echeverria & Tosi, 1995). The following decade led to an influx of biologists and graduate students who came to study and enjoy the still virtually untouched area. As interest began to grow in protecting the forest, the original Quaker settlers formed a conservation group called Bosque Eterno. This group along with the Tropical Science Center based in San Jose agreed to create the Monteverde Cloud Forest Reserve in 1972 (Rovinski, 1991).

The Monteverde Cloud Forest Preserve is not an easy place to get to. It is almost two hours away from any semblance of a paved road, is infested with different species of insects and plants, is humid and is showered with about 3000mm of rainfall every year (Aylward, Allen, Echeverria & Tosi, 1995). Still the reserve continues to grow and attract tourists.

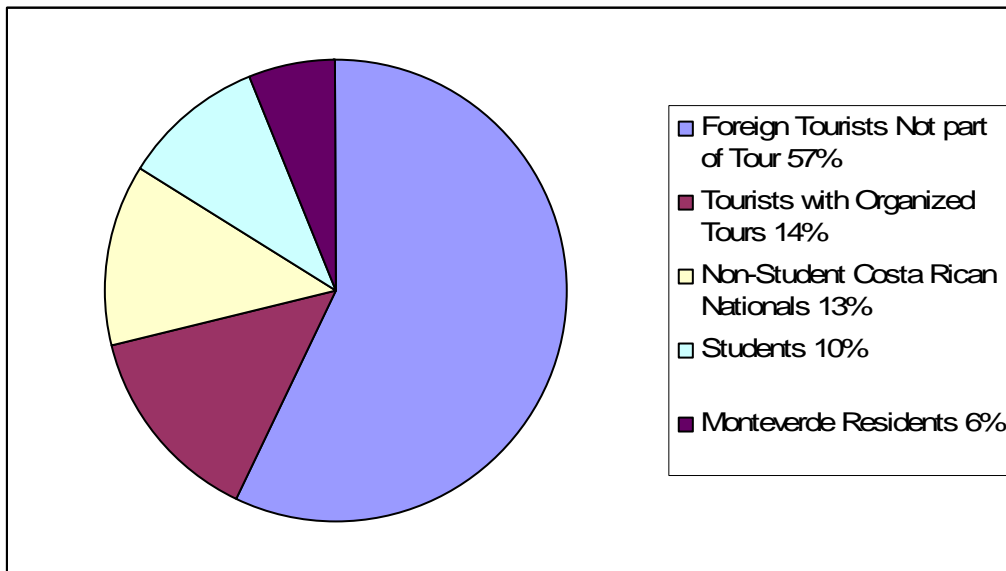
**Figure 8**

Year	Approximate Number of Tourists at Monteverde Reserve
1973	300
1983	6500
1989	17 500
1992	50 000

**SOURCE:** Information from both Aylward, Allen, Echeverria & Tossi. **Sustainable ecotourism in Costa Rica: the Monteverde Cloud Forest Preserve.** Biodiversity and Conservation, vol.5, pp.315-343, 1995 & Rovinski, Y. **Private resources, parks and Ecotourism in Costa Rica.** Chapter 3 in “Nature Tourism” edited by Whelan, T. Island Press: Washington, 1991. Table created by James Laflamme.

From the numbers in the figure above (figure 8) it is clear to see that the reserve has gone from a place where simply scientists and researchers would go to collect data to an ecotourism destination. To further this point we can look at the graph below (figure 9) to see the breakdown of tourists from data collected between 1992 and 1994 by the preserve and published by Aylward, Allen, Echeverria & Tosi in their article entitled ‘Sustainable Ecotourism in Costa Rica.

**Figure 9**



**SOURCE:** Information from Aylward, Allen, Echeverria & Tossi. **Sustainable ecotourism in Costa Rica: the Monteverde Cloud Forest Preserve.** Biodiversity and Conservation, vol.5, pp.315-343, 1995. Image created by James Laflamme.

We can see from the diversity of visitors that as an Eco-Tourism destination, the Monteverde Preserve is a relative success. But the question is what effect does choosing to preserve the forest for eco-tourism purposes have on the development of the area and the people living in and around that part of Costa Rica. Lets examine this from three perspectives; the economic opportunity for the Preserve itself, the economic opportunity for the area and finally the environmental impacts both positive and negative for the area.

From an economic standpoint it is clear that the Preserve is financially very sound. Entrance fees along with money brought in from donations, a gift store, educational programs and restaurants all lead to sustainable revenues and also to the creation of jobs for local residents (Aylward, Allen, Echeverria & Tosi, 1995). But it is not just the Preserve which benefits financially but rather the community as a whole. The Preserve has two neighboring towns; Monteverde and Santa Elena. These towns now have approximately thirty permanent hotels and many shops and restaurants which were not there before the eco-tourism push at the Preserve. Of course it is not just hotels that generate employment and income for residence of these towns but also the influx in tourists means the an influx in customers for local tourist agencies, gas stations, equipment stores, souvenir shops, horseback riding outfits and these same tourists are likely to be interested in local tours to cheese factories, sugar mills, etc (Aylward, Allen, Echeverria & Tosi, 1995). Thus there is a large trickle down effect for these eco-tourist destinations in that the local community from the preserve all the way down to the small gift shop in a neighboring town is helped economically with every new tourist.

Of course there is the question of ecological sustainability which comes with every discussion of eco-tourism. The question of 'carrying capacity' seems to be at the forefront of eco-tourism centered discussions. Carrying capacity refers to the maximum amount of visitors which can be supported to an eco-tourist attraction without damaging

the environment. For example if the carrying capacity were 200 then it would mean that when the 201<sup>st</sup> person entered the habitat, there would be irreversible ecological damage (Aylward, Allen, Echeverria & Tosi, 1995). This however doesn't seem to be the case at the Monteverde Preserve. While in Costa Rica in general, hotel construction is high, Monteverde has managed to avoid the temptation to rapidly expand and thus they are thinking of the future of the Preserve ahead of short term potential gains (Aylward, Allen, Echeverria & Tosi, 1995). According to Dr. George Powell, one of the founders of the reserve, the increase in tourists is not having a negative effect on the wildlife, yet there has been an increase in the amount of wildlife since the preserve came into existence. According to Dr. Powell, as long as the routes which tourist take are carefully planned than wildlife shouldn't be disturbed (Rovinski, 1991).

Thus the Monteverde Cloud Forest Preserve is an example of how Eco-Tourism can lead to economic development for communities no matter how remote or isolated an area is. It does this while keeping the environmental focus on preserving areas of natural beauty.



## 6-Case Study 2: Crete

Historically, the Greek Islands have been mainly involved in economic activities relating to agriculture, fishing and navigation. However in the last 30 years, many islands in the Aegean have seen income from tourism establishing itself as an important economic driving force to the regions stability. The Island of Crete which is located southeast of the Greek mainland is a large island vast in both beautiful environmental resources and also has a deep and vast cultural history. Despite this fact, Crete saw only a small amount of tourists prior to the Second World War and those were mainly archeologists and foreigners educated in classic Greek history (Andriotis, 2001). The reasons for this were mainly attributed to the low level of infrastructure on the island as well as poor communications. (Andriotis, 2001).

Crete is unique because of the size of the island and the fact that's its population exceeds 500 000 inhabitants which is in stark contrast to many of the other smaller Greek islands. Despite the private sectors recommendations that there was a vast tourism potential in Crete following the second world war, the government ignored it and delayed the start of tourism development because of the sheer size of the island and the fact that the economies were so diversified there (Loukissas & Triantafyllopoulos, 2002). This led to the private sector for the most part starting tourism development on the island with no plan for environmental preservation, land planning, research, and attention to the local indigenous peoples. It was in the 70's as the foreign tourists started to increase that the government began to get involved in the tourism planning in coastal areas. Since the 70's the government has viewed Crete as a top priority for tourism growth and development offering incentives to private companies to help in the process (Andriotis, 2001).

Over the last fifteen years, tourism has become the driving force of Crete's economy with forty percent of the population involved in someway in the tourism sector (Andriotis, 2001). Tourism in Crete has grown at a considerably faster rate than in the rest of Greece. In 1996, Crete had 1235 registered tourist accommodations accounting for a stunning 16.4 percent of the total of Greece (Ioannides, 2002). There is no doubt that

tourism has had some very positive effects on the Island of Crete. This has happened mainly by improving the economic opportunities for the local population. Tourism has brought with it employment opportunities for its citizens and thus the local population has been economically advantaged by having the tourism industry built up. In 1997 for example the unemployment rate for Crete was just 4.8% compared to the national rate of 10.3% in all of Greece (Andriotis, 2001). Apart from economic advantages to the population, tourism has also had an impact on Crete by acting as a device for preserving heritage on the island, creating infrastructure and promoting the unique culture of Crete to the rest of the world (Andriotis, 2001).

However despite the positive effects of tourism on the island, the method by which tourism buildup was approached has had some negative effects on the island as well in the form of an uneven development on the island between the north and south coasts, this has contributed to some of the environmental degradation which has occurred on the island and as well there is a problem of the industry itself being in some ways unregulated. The problem of regional imbalance is paramount on the island of Crete. An example of this was the rapid build up in Northern Crete in the area of Limenas Hersonisou-Malia in the west of the Northern town of Heraklion (Loukissas & Triantafyllopoulos, 2002). The imbalance between Northern Crete and Southern Crete is directly related to the industry that dominates the regions. In the North is where the vast majority of the tourism industry is located while in the south it is still mainly agricultural. In fact 86% of accommodation beds are located in northern Crete (Ioannides, 2002). This is mainly because the major airports, ports and modern highways are all located in the north. Combine this with the fact that most of the tourism is happening during the summer and it results in a large imbalance in the development of the island (Andriotis, 2001). To tackle this the government is trying to promote tourism in the winter to spread out the population at any one time on the island and to try to attract tourists to cultural and historical tourist sites dispersed on other parts of the island (Andriotis, 2001).

A Second problem on the island as it pertains to the tourism development methods is the uncontrolled building construction which has gone on since the tourism industry

was introduced to Crete. As mentioned earlier in this case study, the government originally ignored the private sectors recommendations that tourism be a focus for Crete and thus the private sector without planning began construction. This has led to many undeclared accommodation establishments which combined with poor infrastructure and lack of proper waste and management systems in a tourism industry which attracts cheaper package tourists, leads to buildings which may not be up to the required environmental and aesthetic levels that the government wishes and promotes mass tourism which can have a negative effect on the environment under these conditions (Andriotis, 2001). In 1990 for example there was 219 000 beds including hotel and rental rooms on the Island of Crete. Of these only 38 000 were declared and registered while 99 000 were still undeclared (Loukissas & Triantafyllopoulos, 2002). This had led to an unplanned and uncontrolled mass tourism industry which has had negative effects on the environment and the local population.

Luckily the regional tourism policy in Crete has begun to recognize that there is an increase of consumers looking to take vacations in environmental friendly tourist destinations. Regional programs in Crete are now focused on attracting up market clientele by targeting a higher spending target group of consumers in order to attract fewer higher spending tourists as opposed to the unregulated version of mass tourism now being operated on the island. Apart from this the regional tourism policy in Crete is also attempting to undertake a proper distribution of tourism activity throughout the island by promoting tourism in places other than the northern coastal areas (Andriotis, 2001).

Crete is an interesting example of what can happen when tourism development is undertaken without a concrete plan and without a proper level of involvement from the public institutions. Mass tourism as pursued by Crete has had both positive effects on the local population as well as negative effects especially in terms of sustainability. Pursuing tourism related more closely to eco-tourism is beneficial to both the local populations and the environment and in Crete that is now becoming more of a policy.

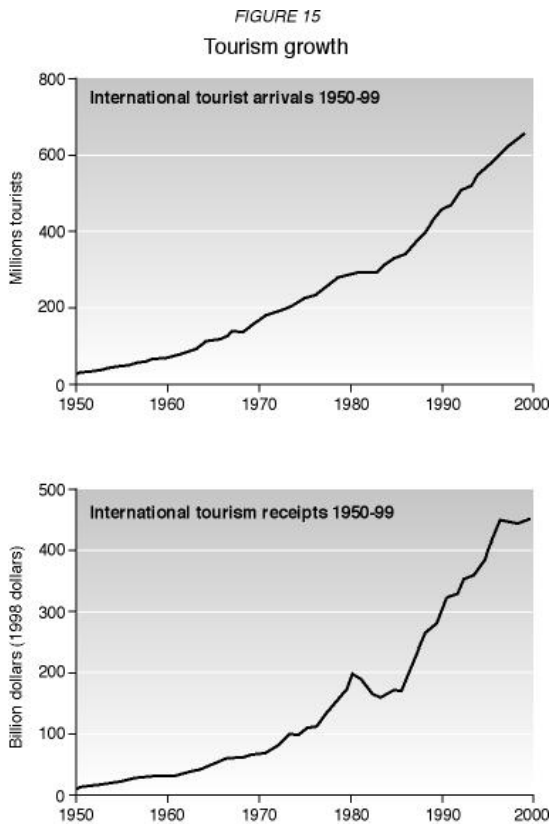
## 7-Tourism in the Arctic Regions

### 7.1 Overview of Tourism in the Arctic Regions

In the previous chapter I briefly examined two examples of tourism as a contributor to the development process. I first examined a more eco-tourism approach in Costa Rica and then a more mass tourism approach as was the case in Crete. Now I will take the tourism question to our area of focus which is the arctic. Before examining in detail the problems, constraints and opportunities that tourism presents in the arctic, it is important to discuss briefly an overview of what tourism exists today and its relative importance in the arctic region today before discussing its potential.

As we can see from figure 10 below obtained from the World Trade Organization, tourism is an industry that has historically grown over the last fifty years.

**Figure 10**



Source: Vital Signs 2000 ; World Tourism Organization (WTO).

Source: Obtained from World Tourism Organization. Sources : Vital Signs 2000, Worldwatch Institute, Washington DC, United States ; World Tourism Organization (WTO). Published in : GESAMP Report and studies number 70, A sea of troubles, Global programme of Action for the Protection of the Marine Environment from Land-Based Activities (GPA), United Nations Environment Programme (UNEP), The Hague, The Netherlands, 2001.

Of course there are obvious explanations for this such as the fact that the world's population has risen in the last fifty years but there are many other contributors related to both a growing economy and growing infrastructures. In the arctic, tourism is already seen as important and is viewed by some as the industry of the future (Mason, 1997).

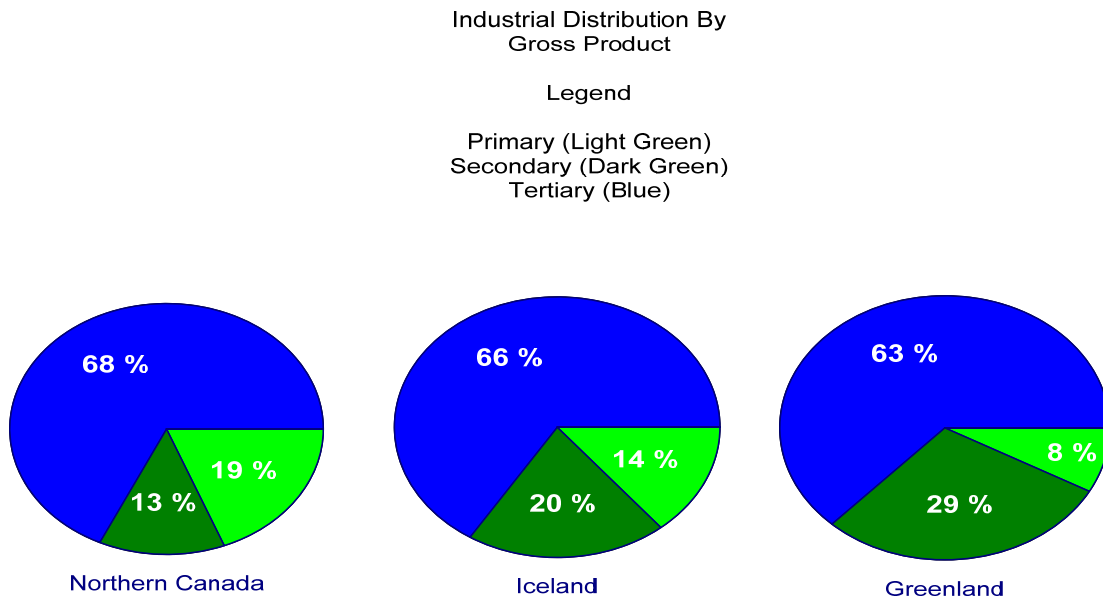
**Figure 11: Tourists in Arctic by Region**



Source: Mason, Peter. **Tourism Codes of Conduct in the Arctic and Sub-Arctic Region**. Journal of Sustainable Tourism. Vol.5, No.2, 1997 & Arctic Human Development Report, United Nations Development Report, 2004.

The figure above (figure 11) shows an approximate look at the number of tourists recorded in each region on selected years in the early nineties. It is interesting that in the more highly developed regions of Scandinavia and Iceland that the number of tourists is significantly higher where as in the areas that we have focused on, Nunavut (represented as part of the North West Territories) and Greenland, the number is significantly lower. When we examine some of these regions and their industrial distribution however we see that indeed the service or tertiary section is a greater proportion than any other. Figure 12 below illustrates just this in three regions. It's apparent that the numbers are similar. It is thus apparent when looking at the size of the service sectors in Northern Canada and Greenland that tourism must be a fairly low percentage of that based on the levels of tourists in the graph before. On the contrary countries like Iceland and Finland give tourism a far higher priority (Arctic Human Development Report, 2004).

**Figure 12: Industrial Distribution by Gross Product**



Source: Information from the Arctic Human Development Report, United Nations Development program, 2004. Image created by James Laflamme.

So from these graphs, it is fair to come to a few relative conclusions. First tourism has risen over the last fifty years and most likely that trend will likely continue and second we can see that while some areas of the arctic have more tourists than others, there is tourism in all of the areas in question and thus there is a market for it. The question then is what is the future of tourism in the arctic? It would appear that tourism in the arctic will increase in both the short and the long term because potential tourists will have greater disposable income and more leisure time (Mason, 1997). What makes this even more possible in the arctic is that technological advancements have made transportation to remote areas more possible and there seems to be shift in the type of tourism that people are searching for. Today many tourists are looking for a creative, imaginative and unique experience and are more and more interested in adventure travel, wilderness travel and aboriginal culture which all of which are abundant in the arctic regions (Newton, Fast & Henley, 2002).

Thus now that we have an overview of the tourism situation in the arctic, I can now examine the issue in more detail. First I will examine some of the negative effects

that tourism brings to the arctic regions. Then I will look at how eco-tourism could benefit the arctic regions, specifically Nunavut and Greenland. Finally it is important to examine some of the constraints that hamper the eco-tourism movement in these areas.

## **7.2 Negative impacts of mass tourism**

In the nineties, arctic issues have transformed from issues of sovereignty, defense and mineral exploitation to conservation of wildlife, pollution, climate change, aboriginal rights and tourism (Mason, 1997). There is a concern about what effect new industries will have on the environment. This has an extremely relevant connection with the growing industry of tourism. To reference a quote by Johnson;

*“There can be no doubt that polar ecosystems are susceptible to change and/or degradation from excessive or inappropriate tourism”* (Johnson, 1995:28).

The World Wildlife Fund has also commented on tourism as having a significant environmental impact in the arctic. This is especially true in regards to vegetation which recovers very slowly from damage (Mason, 1997).

Thus what is this ‘inappropriate tourism’ as Johnson describes it? The issue here is once again about mass tourism versus eco-tourism. Mass tourism can have negative effects both on the environment and the local inhabitants of the region in question. The tourism industry as a whole must be diversified and should be pushed by tourism planners towards areas that are not in ‘peak season’ and to other activities that help in preserving the environment as opposed to stretching its capacity. This is relevant if we think back to our two case studies on the Monteverde Cloud Forest and the Greek island of Crete. In the Monteverde example the Costa Rican authorities were successful in limiting the amount of tourist at any given time to ensure that the volume of people didn’t reach a level which could permanently damage the ecosystem. In Crete on the other hand, there was an immense buildup of tourism related constructed focused specifically on one part of the island, with the majority of tourist coming during a certain time period every year. This meant that in that specific area the eco-system was stretched to its limit and

thus negative externalities arose. This is a challenge in arctic and sub arctic regions because the tourism industry needs to be diversified to avoid a problem like the one that evolved in Crete. Let's take for example the sub-arctic region of Churchill, Manitoba in Canada where one of the biggest tourist attractions there are its polar bear population. The polar bear season in Churchill is in October and November. As the demand for tourism grows, if Churchill is not able to attract tourists for other reasons besides the polar bears and attract tourists at other times of the year then there would be a great potential for environmental degradation as the majority of tourists would be coming in just October and November and thus consequently effecting the eco-system despite the income that may be generated (Newton, Fast & Henley, 2002). There are also many other factors that contribute negatively to the eco-systems in the arctic associated with tourism increases. Examples of this range from the growing problem of litter in the arctic as litter removal systems cannot meet the demands created by rises in tourist numbers. Vehicles and increased transportation can also have a negative effect on the environment as is the case in Svalbard, Norway where unregulated use of snow scooters has led to surveys in which 30% of the local population attributes tourism to rising pollution (Mason, 1997).

Another sometimes negative effect that tourism brings is what can be described as a commercialized view of the local population. When mass tourism operators gain a foothold in an area, there is the possibility that they will ignore natural community involvement. As Hall states:

*“The danger is that the peoples of the north will become human animals in a cultural zoo, mere objects of curiosity for adventurous southerners wealthy enough to enjoy the temptations of glossy travel magazines, luxury cruises through the icebergs, reindeer round-ups or photographic safaris amongst the walrus and polar bears”* (Hall, 1987:217).

What Hall is stating is that there is a danger of the tourism industry becoming controlled by groups that will market the area in any way as long as it attracts the masses.



Finland is one example where in places like Rovaneimi in Lapland, Santa clause villages are marketed more than traditional Sami cultural tourist activities.

Thus these are two ways in which mass tourism can have a negative effect on the environment and the local inhabitants. However co-operation between countries in the arctic is helping to avoid such problems especially in reference to the environmental concerns of the local inhabitants. In 1995, Canada, Denmark, Finland, Sweden, Norway, Iceland, America and Russia created the Arctic Council and in this council is a declaration which recognizes the need for environmental management and sustainable development which means the protection of the ecosystems and the conservation of natural resources which are abundant and must be protected in the arctic (Mason, 1997).

### **7.3 Eco-Tourism and cultural tourism benefits for the arctic: identifying the constraints that must be overcome to achieve success.**

As seen by the case study of the Monteverde Cloud Forest in Costa Rica, when eco-tourism is promoted in the correct way it can lead to a mutual gain from the tourists and the local population. From the tourist point of view it allows tourist to enjoy the natural beauty of certain untouched areas of the world and at the same time allows them to interact with the local population. From the local population's point of view, successful ecotourism means increased income, increased employment, and a chance to promote their unique culture and all of this without having a significant negative effect on the environment which is the main attraction.

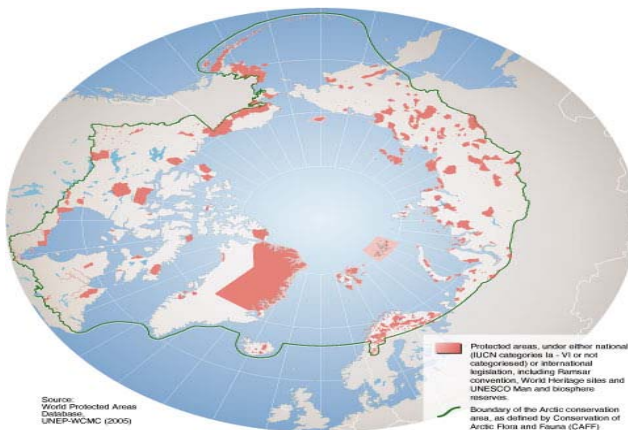
The obvious first benefit for promoting ecotourism and cultural tourism in Arctic regions like Greenland and Nunavut is the economic opportunities that come with it. Communities in the arctic prefer ecotourism scenarios as opposed to mass tourism scenarios because they increase employment without bringing large numbers of tourist through the quite small communities (Kruse, 2004). The evidence that ecotourism and cultural tourism increased local employment is there. In a 2004 article in the Ecosystems journal, a study led by Jack Kruse looked at the implications of eco/cultural tourism development in Old Crow, Yukon. The estimated that if Old Crow were successful in

implementing a new eco/cultural tourism plan that by 2040, the percentage of households with no employed adults would drop from the 2000 level of 8% to less than 1%. This was compared to an increase in the same type of unemployment of 15% if tourism remained at the same scope as it was in 2000 (Kruse, 2004).

Another benefit of eco tourism and cultural tourism is that can both involve the local community and define it by such tourism attractions such as history, heritage and even what unique local merchants sell to tourists (Notzke, 1999). It is important to remember that in northern communities, the household forms the basic units of production, distribution and consumption. Thus integrating the local community into the tourism development seems to be very important because in a mixed economy such as the case in the arctic regions, every sector depends on each other and thus the local tourism industry and the household hold a unique and close relationship (Notzke, 1999).

The reason that there is a market for eco-tourism in the arctic is that the landscape in many places offers a virtually untouched and undisturbed playground for would be tourists. As was the case with eco-tourism developments in Costa Rica, ecotourism seems to bring with it some sort of environmental protectionism with it. In Costa Rica it was the Preservation of National forests. In the arctic the possibility of these types of protected areas would protect the environment from certain forms of resource exploitation and ensure the sustainability of an eco-tourism industry.

**Figure 13- World Protected Area's**



Source: World Protected Areas Database, UNEP-WCMC (2005). Created by Hugo Ahlenius, UNEP/GRID-Arendal

The image above (figure 13) represents the protected areas as of 2005 (area's in red are protected). It is clear that there would be plenty of new protected areas to be created in the future and perhaps eco-tourism would help that process.

One area that could have enormous benefits to the local community would be by using some of this capital to promote entrepreneurship and small business development in northern communities. This would help to create tourism related business that are owned and operated by the local communities. However there are many constraints that stand in the way of such a notion. Lack of credit and lack of capital for investment are perhaps the biggest barriers as well as the fact that many financial institutions are not familiar with aboriginal matters. Other constraints and hurdles include the high costs of infrastructure such as transportation and the low educational levels of the local inhabitants which mean a lack of knowledge and technical skills related to entrepreneurship (Myers & Forrest, 2000). One example of a success story in regards to operating small projects aimed at business developments in Northern communities is the Suomussalmi project in Northern Finland where for over ten years, projects focusing on business development including organic farming, fishing cooperatives, craft outlets and tourism (Myers & Forrest, 2000).

Another constraint on the general tourism situation in the arctic is that in many areas there is no regulatory body overseeing activities to make sure that business is conducted in a proper way to make sure that the environmental issues are respected and that resources are used properly. A regulatory body which contained all of the tourism components of a small region would greatly improve the development. As well this would lead to better communication between groups involved in eco and cultural tourism in the arctic and could ensure economic opportunities for aboriginals. An example of this could be the creation of educational tourism opportunities led by local residents in the fields of hunting, fishing and wilderness tours where aboriginals could learn to share their knowledge in such traditional matters that would promote their heritage as well.

We have examined briefly some of the particulars of tourism in the arctic. First we established that tourism as an industry is present in the arctic and that the market for tourism in the arctic will continue to grow. Then we looked at some of the negative impacts which can arise from undertakings of a mass tourism scope. Finally it is apparent that despite many constraints that need to be overcome, there is a great potential for economic opportunity and environmental conservation in the area of ecotourism and cultural tourism.

## **8-Conclusion**

In concluding this paper, it is now important to reflect on the problem formulation in regards to the body of research that has been undertaken. The problem formulation asked three questions. First how much government intervention is necessary to still allow a region in the arctic to maintain a satisfactory level of economic independence? The second question dealt with how can development in the arctic come from the inside as opposed to the outside-in approach? Finally I undertook the mission of examining weather smaller scale ventures such as eco-tourism could positively impact the economic independence movement in the arctic as well as the capacity building element without compromising the natural resources which are so vital to the well being of the region.

Let's begin by discussing the first question. It is by no means my intention to demonstrate that government intervention isn't a helping force in the arctic. In both Nunavut and Greenland I have examined that transfer payments are for the most part, the social security net that is vital to the local populations. The question it seems is not how much government intervention is needed but rather where should it be directed. Directing intervention through transfer payments is helpful but also detrimental to the end solution of economic independence. The focus of central governments should be to give the local populations the tools or as Amartya Sen explains, the skill set in order to achieve the well being to which they seek (Olsaretti, 2005). This it would seem when examining liberal theories that while social liberalism as advocated by Keynes and market socialism are both correct in asserting that intervention is key to assure minimum living standards, in the case of the arctic regions, the power to intervene needs to be somehow gradually shifted from central governments in Ottawa and Copenhagen to local governments in the regions themselves. This makes discussing theoretical matters in the arctic difficult in that the degrees of intervention must be looked at both in terms of national governments and regional governments and is not simply a matter of how much intervention should central governments give these autonomous regions but what type of intervention.

This leads us nicely into the second part of the problem formulation which centered more upon capacity building and the human development focus. By looking at

the arctic issue from a New Growth theory we can shift our focus now from economic gains on a general regional level to a narrower look at the individual themselves and mainly alleviating poverty and improving living conditions. I examined income inequalities as one of the impediments to human development in the arctic and while I examined some philosophies concerning this issue, from an economic standpoint and when discussing capacity building, it is obviously important to see that lowering these inequalities will give the individuals themselves a greater chance to re-invest in society and take part in their own development. This ties in nicely with the discussion on human development. When looking at Ellerman's theory of self help for example, it is clear that large inequalities in income will no doubt have an effect on the ability for the individual to achieve its own motivations. Ellerman differentiates between a direct and indirect approach to development. The direct approach involves imposing systematic change in developing areas through outside motivation while the indirect approach involves finding the internal motivation of the locals themselves and helping them to achieve their independent wants (Ellerman 2007). Now in terms of income distribution, it would appear that simply providing welfare to the lower end of the income scale is not helping the individual to find his or her motivation to participate effectively in their own development. On the other hand, lowering income inequalities through a bottom up approach to development by promoting education, training and the opportunity to invest capital in small scale enterprises does exactly that. Ellerman also explains how a direct approach to development can lead to the will of the helper overshadowing the will of the doer (Ellerman 2007). This is evident when looking at some of the theories concerning development from the second chapter. If you examine development theories like the Lewis two-sector model for example you see perhaps the definition of a direct approach to development. Lewis's main idea was that surplus labor from the rural sector must be transferred to the urban sector (Todaro 2003). Of course this is an example of the will of the helper overshadowing the will of the doer which in the arctic case would mean a loss of output as settlements are key to a indirect approach to development. Now of course this is not meant to be contradictory to the section on industry diversity, that is very important but it should be done at the will of the communities in question in order to give them a stake in the overall development process. Theories like the self-help theory by

Ellerman, the capabilities approach by Sen and the newfound direction towards empowerment which is being adopted by global organizations like the United Nations is the vehicle by which true economic independence for developing regions can take place. Without such movements it would be possible for relations in the arctic between autonomous regions like Nunavut and Greenland and their central governments in Ottawa and Copenhagen to become like the core-periphery relationship between developed northern countries and developing southern countries as outline in chapter 2.?

The final problem formulation component of this paper was the question of whether ventures in the realm of tourism would be beneficial to the overall theme of economic independence in the arctic regions. First I differentiated between mass tourism and ecotourism. This was done by providing examples of each with Costa Rica serving as a positive example of ecotourism while Crete demonstrated many of the problems with mass tourism in general. It is clear that tourism can be a vehicle to economic success for regions. The question as it concerns this paper is can ecotourism be a source of economic independence in the arctic. When examining the theoretical point of view that we have looked at in this paper, especially concerning human development, it is apparent that sustainable tourism can fulfill the mandate to further empower the local populations and give them a chance to develop themselves from the inside out. This being said, it is the conclusion of this paper that in the arctic region, tourism when practiced the correct way can only be of value if it comes with other strong and well thought of development processes. The problem with the arctic of course is that it is expensive to reach and will probably never be able to attract the sheer numbers of tourists to make a large impact on the economic independence of an arctic region. The World Wild Life Fund states that sustainable tourism must be part of a wider sustainable development strategy, must be compatible with effective conservation of natural eco-systems and must involve the local people and cultures, making sure that the benefits that they accrue are fair and equitable (WWF, 2003). If we break down those three points we can see that if used correctly, ecotourism in the arctic could involve the local community, help conserve the ecosystems and thus as a part of the development strategy in the arctic. While it might not be the

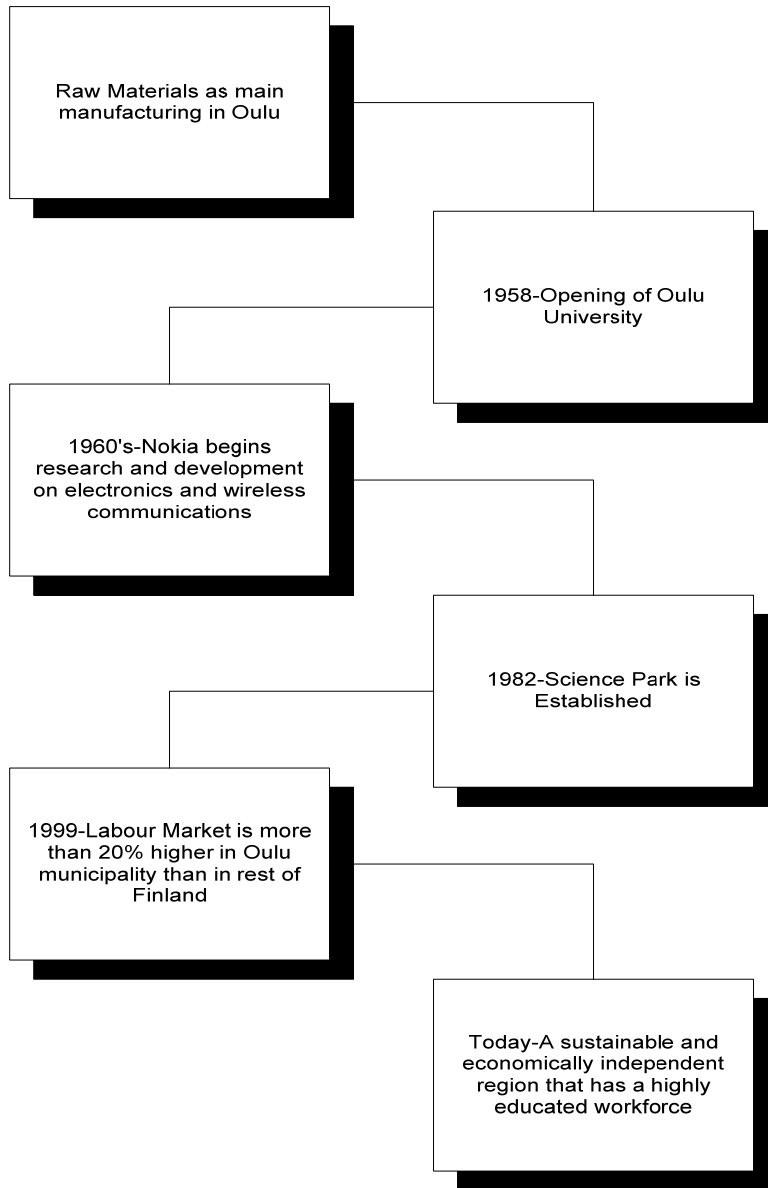
main answer to economic independence for Nunavut and Greenland, it is thus still a worthy compliment to a broader path to economic independence.



## **9- Discussion**

We have seen a recurring theme throughout this paper. The theme is simple, in underdeveloped regions in the arctic; there is an alternative choice for prosperity besides resource exploitation. When practiced correctly there is also the tourism industry which through ecotourism and culture tourism can serve economic benefits as well as promote environmental conservation and heritage conservation. It is important to note in concluding this discussion that there are other methods as well for the arctic. One such method which will be the focal point of this closing discussion is in the area of technology manufacturing. Of course because of geographical isolation and high production costs, the manufacturing industry has been seen as difficult for arctic and sub arctic regions to break into. One such exception is in the Oulu region of Finland, predominantly centered on the regions capital, Oulu. The regions population is just about 370,000 but since the mid 1990's, economic growth in Oulu has been rapid and has had trickle effect to the rest of Northern Finland (Kangasharju, 2001). The beginnings of what would be a bright future for Oulu began in 1958 with the creation of the University of Oulu. An important role in the university was given to the engineering department who focused on electronics (Kangasharju, 2001). With a region becoming more educated and more specialized, companies became attracted to the area. The crucial company being Nokia, whose success in wireless communications is virtually unparalleled. In fact Nokia provides three thousand jobs alone in the Oulu region, making Oulu the only northern city of its nature to host such a successful electronics company (Duhaimé, 2002). The region has continued to grow at a very high rate, especially since the mid 1990's, being powered by a strong university and by new technology enterprises inspired by success stories like Nokia (Kangasharju, 2001). Oulu's success can be quantified by looking at migration and employment statistics. Migration grew by ten times in the 90's while the labor market in Oulu has grown at a considerable higher rate than the rest of the country (Kangasharju, 2001).

Figure 13: Oulu Time Line



Source: Information from Kangasharju, Aki. **Regional Development and Regional Policy in Finland**. Government Institute for Economic Research Helsinki, 2001. Image created by James Laflamme

A science park was established in 1982 which allowed an excellent business atmosphere for cooperation and agreement between private enterprise and public institutions (Kangasharju, 2001). Today in Oulu there are 17,000 jobs in the high tech area (The Barents Euro-Arctic Region, [www.beac.st](http://www.beac.st)) and a project called Multipolis is being undertaken to encourage co-ordination, the identification of barriers to development and debate on issues pertaining to technological advances among twenty technology centers in Northern Finland and Sweden (Kangasharju, 2001).

By no means is the mention of Oulu as a success story a way in advising all arctic and sub arctic regions to develop there high tech industries. The point is that Oulu is an example where obvious project management principles were practiced. A plan was created along with the creation of the university there to ensure that first and foremost the people studying there would be of a high level of education and expertise. This move to use education as a means of development has turned Oulu into a phenomenon among arctic regions. Oulu is an example of what educating a region can produce. While it's true that there are many people from outside Oulu working in Oulu, the local community has no doubt benefited from this economic boom. As well it has created a situation where people from around Finland are migrating to the arctic region for opportunity instead of fleeing in search of it. While it may not be possible in newly autonomous regions like Nunavut and Greenland to follow a similar plan that Oulu has followed, it is yet another example that development does not have to be conventional and does not have to involve the direct depletion of natural resources.

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The Barents Euro-Arctic Region, [www.beac.st](http://www.beac.st)

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