

DEVELOPMENT OF ALAND ISLANDS: MAJOR TRENDS AND CHALLENGES

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The article considers the key conditions and factors of the development of the Aland Islands, describes main international legal regulations determining the current status of the islands, identifies the trends in the structure of economic activities, analyzes processes of population change by regions and communes, as well as migration flows. The article also characterizes legal framework for socioeconomic development of this Finnish region. It is argued that the key factor behind modern welfare of the islands is not their political status or institutional makeup, but rather their economic and geographical position, the 'concentration effect', and the population influx. It is stressed that wide regional disparities observed within such a small territory are indicative of the spatial structure of society development — primarily under the influence of natural features, which are nearly impossible to disregard.

Key words: Aland Islands, conditions and factors of development, population change, regional features, economic and geographic position

The Aland Islands are a small archipelago in the northern part of the Baltic Sea at the entrance to the Gulf of Bothnia. The legal status of the islands cannot be unambiguously identified. It is possible to say with certainty only that these territories belong to Finland and are governed under special conditions. The legal status of the Islands is regulated by the 1921 Autonomy Act amended in 1951, 1991, and 2004 [1]. As a result, the Aland Islands are identified as an autonomous province of Finland. However Finland considers the Aland Islands a semiautonomous province [2].

The problems of the provinces' development have been analysed in various publications. Among Russian works addressing the topic one should mention Yu. S. Deryabin's article "Special auton-

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omy of descendants of the Vikings” [3], E. G. Efimova’s “Features of business development in the peripheral island territories of Western Europe” [4], E. G. Efimova and N. P. Kuznetsova’s “Ultra-small peripheral island regions in the historical and economic context” [5]. Most works on the Aland Islands focus on the “organisational” basis of their status of a Finnish territory — the interaction between the Aland and Finnish authorities, features of Aland political and economic life, and the structure of Aland authorities.

There is a large body of works on the Aland Islands published in English, however they are either outdated [6] or consider the Aland Islands together with other territories [7; 8]. Some publications focus on only separate economic aspects of the Islands, for instance, on tax privileges [9] or particular districts, for instance, the Kökar commune [10].

A common conclusion is that the Aland Islands owe their prosperity to the special status, greater significance of local authorities, and the development of a “local” style of business conduct. Some works meant for a broader audience even mention the “unique economic model” of the Aland Islands (see, for example, [11]).

It can create an impression that the current favourable situation on the Aland Islands is explained only or predominantly by the features of the legal system — if it were different, the economy would be developing differently too. However, these works do not take into account the spatial factors of development — both exogenous, i. e. the effect of events taking place in the “outer world” on the processes of economic and social development of a certain territory, and endogenous ones emerging within the territory of the islands. Let us analyse what factors have affected the development of the Aland Islands.

Legal status

Over a long time, at least from the early 18th to mid-20th centuries, the Islands’ economy was considered secondary to politics. The Islands have experienced numerous military and political changes: the surrender of the fortress of Bomarsund to the British and French forces in the Crimean war, the only Swedish offensive in the 20th century (the occupation of the Islands by the Swedish forces in 1918—1919), the Aland crisis of 1918—1921, which nearly resulted in a Finnish-Swedish war. On June 24, 1921, the League of Nations decided that Finland should retain sovereignty over the Islands. This decision was codified in the Aland Convention alongside the autonomous and demilitarised status of the territory. The border of the demilitarised zone including the islands and a three mile coastal water area with the exception of the Finnish-Norwegian border, where it coincides with the state boundary, was validated with the help of modern navigation systems [12].

A manifestation of increased attention of big European countries to the islands was the establishment of the Soviet (now Russian) consulate in Mariehamn, which was one of the clauses of the 1940 Moscow Peace Treaty that marked the end of the Soviet-Finnish war of 1939—1940. It is easy to spot

the Russian Consulate in the Aland capital — it is the only building in Mariehamn (and on all the Islands) surrounded by the fence.

The last mention of the Islands in European political documents is dated 1947. Page 5 of the Paris Peace Treaty between the UN and Finland confirmed their status of a demilitarised territory. Therefore, one can assume that the influence of big European policy on the development of the Aland Islands has been diminishing ever since. In the 1990s, when Finland accessed to the EU, the Islands formally joined “United Europe” only under the condition of recognition of the Aland Convention and the Autonomy Act by the Community. However, it was an attempt of the Islands to influence European policy, which had significance only for the Islands.

Nature and economy

The Aland islands are small granite islands with almost no industry. Agricultural lands occupy a rather small area. Ship transport is prevalent; the key natural resource is fish; the stock of fish was almost exhausted by the mid-20th century as a result of extensive fishing. However, today, the Aland Islands are one of the most affluent areas of rather prosperous Finland (table 1).

Table 1

GDP per capita estimated in current prices, 1,000 euros

Territory	1995	2000	2010
Aland Islands	21 300	30 100	35 400
Finland	16 500	22 300	28 000

Source: [13].

In terms of GDP per capita, the Aland Islands rank second in Finland after the capital region of Uusimaa [14]. The structure of the Islands’ economy has undergone certain changes of the recent decades (table 2).

Table 2

Output of the leading Aland Island industries and their contribution to GDP, 1997—2010, estimated in current prices

Year	Transport and communications		Banking		Trade and hospitality		Public administration		Total	
	m euros	%	m euros	%	m euros	%	m euros	%	m euros	%
1997	317	41.3	103	13.4	50	6.5	122	15.9	767	100
2010	316	26.5	221	18.5	101	8.5	229	19.2	1192	100

Sources: [15; 16].

The major changes are a significant reduction in the output of transport communications — the basis of the Åland economy, — and an increase in banking, trade, hospitality, and public administration. However, these three industries still account for most of the Island's GDP.

In terms of natural and economic conditions, the Åland Islands are divided into three main parts: Mariehamn — the main and only town on the Islands; Fasta Åland — the largest island (and the islands that are connected by bridges); the Archipelago consisting of hundreds of smaller islands, however, only dozens are populated. Fasta Åland and Mariehamn are situated in the western part of the Islands facing Sweden, the Archipelago is situated in the eastern part and overlook the continental part of Finland (fig.).

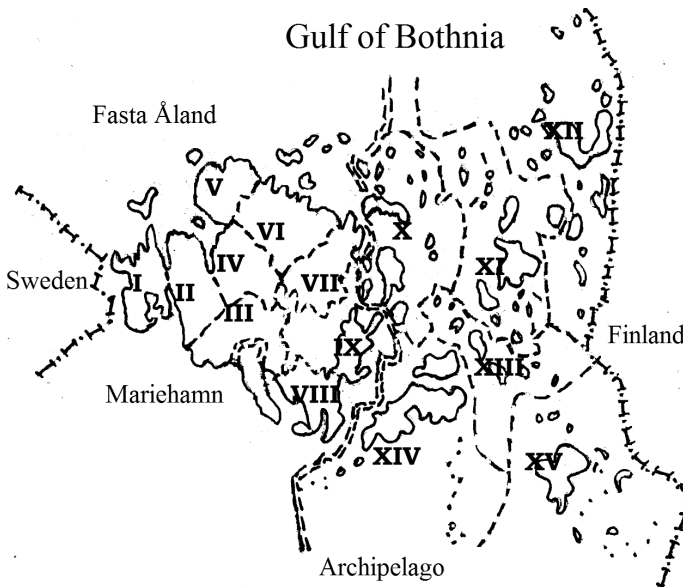


Fig. Regions and communes of the Åland Islands.

Communes are labelled with numbers:

- I — Eckerö; II — Hammarland; III — Jomala; IV — Finström; V — Geta; VI — Saltvik;
 VII — Sund; VIII — Lemland; IX — Lumparland; X — Vårdö; XI — Kumlinge;
 XII — Brändö; XIII — Sottunga; XIV — Föglö; XV — Kökar

Geodemography

The simplest and most obvious indicator of development is population size. As a rule, territories that attract population exhibit a higher development level and development rate than those that lose population. It holds true for the developed part of the world, to which the Åland Islands belong (table 3).

Firstly, let us consider the general trends of population change on the Åland Islands. In 1910—1970, it showed little variation, however, there was a trend towards reduction. The minimum population size was registered in 1930, which was followed by an insignificant increase and an equally insignificant decrease. Nevertheless, in 1970, the population of the Islands was

smaller than in 1910. It is explained by a decline in traditional industries, in particular, fishing, and a search for new ones that started to emerge in the 1950s, but the influence of the new industries on the development of the Islands remained limited until the late 1960s — early 1970s. Firstly, it was transport. Since the 1950s, a passenger ferry line operated between Finland and Sweden. Mariehamn becomes one of the key ports of the ferry lines. Moreover, one of the leading ferry companies — Viking Line (named after the company's first vessel) — established its headquarters in Mariehamn, where it is still located today.

Table 3

Population of the Åland Islands in the 20th — beginning of the 21st centuries, by regions and communes, people

Region/commune	1910	1940	1970	1990	2000	2012
<i>Mariehamn</i>	1,015	2, 617	8, 546	10,263	10,488	11,346
<i>Fasta Åland</i>	15,575	14,333	9,757	12,312	13,349	15,418
Geta	969	756	471	478	478	495
Jomala	2,418	2,735	2,051	3,025	3,328	4,355
Lemland	1,615	1,459	691	1,269	1,585	1,883
Lumparland	564	482	312	322	377	392
Saltvik	2,595	2,232	1,469	1,634	1,679	1,823
Sund	1,521	1,441	949	948	1,013	1,035
Finström	2,105	2,014	1,678	2,206	2,299	2,531
Hammarland	1,669	1,488	1,024	1,233	1,351	1,522
Eckerö	1,082	1,028	690	811	830	960
<i>Archipelago</i>	4,886	4,111	2,262	1,950	1,943	1,915
Brändö	1,147	984	612	529	514	476
Vårdö	1,037	698	422	386	409	422
Kumlinge	917	833	523	465	405	338
Sottunga	366	339	175	133	129	101
Föglö	1,457	1,349	684	606	595	578
Kökar	879	741	369	296	296	338
<i>Åland Islands</i>	21,356	21,196	20,666	24,604	25,776	28,595

Sources: [17; 18].

In the 1970s, the development of a transport cluster facilitated a radical improvement in the economic situation, which resulted in an increase in population still observed today. In the 1980s, banking emerged as the second specialisation of the Island: banks always find “asylum” at transport hubs. In the 1990s, tourism became the third most important specialisation of the island.

The key condition for tourism development is transport accessibility, which was enhanced by regular flights from Mariehamn to Helsinki, and Stockholm. The local airline *Air Åland* established a monopoly over the Islands' air connections.

In the 1970s, the Aland Islands — started to integrate into the common European economic system, which was technically completed in the 1990s with the countries' accession to the EU.

The Islands' integration into the communication system of “United Europe” resulted in a radical improvement of the socioeconomic situation and, therefore, a population growth: in 1910—1970, the Islands' population decreased by 3.2%, whereas in 1970—2012, it increased by 37.7%.

Despite the rapid population growth since the 1970s, the number of indigenous Alanders, whose rights (including those to property) are protected by the Autonomy Act and Aland Convention being the main focus of these documents, experiences little change. Moreover, their percentage in the Island's population is constantly and steadily diminishing (table 4).

Table 4

Size and percentage of the Aland Islands population by place of birth

Year	Aland Islands		Finland		Other countries	
	Number	Percentage	Number	Percentage	Number	Percentage
1940	18,381	86.7	2428	11.5	387	1.8
1960	17,521	83.5	2930	14	530	2.5
1980	17,364	76.2	4477	19.7	942	4.1
2000	18,682	72.5	5109	19.8	1985	7.7
2012	18,803	66	5528	19.4	4171	14.6

Sources: [17; 19].

Migration accounts for most of the population growth on the Aland Islands. If until the late 20th century, it was the residents of continental Finland who constituted the core of the migration influx, in the first decade of the 21st century, an increasing number of migrants are of different origin.

The indigenous population of the Aland Islands, which was mainly engaged in fishing, agriculture, and ship transportation until the 1970s, does not always meet the requirements of the emerging industries. As a result, the migration influx increases (table 5). However the rate of emigration from the Islands grows even more rapidly. In 1990—2012, total immigration increased 1.8 times and total emigration 2.5 times. Net migration remains positive. In Sweden — the target destination of most emigrants, — the net migration has been negative since the beginning of the 21st century. Moreover, emigration to Sweden significantly exceeds immigration from the country (in 1990—2012, immigration increased approximately 1.5 times and emigration 2.4 times). Fasta Aland and the Archipelago account for most emigration.

In 1910—2012, the population of Mariehamn increased almost 11.2 times (see table 3) and was steadily growing throughout this period, unlike the population of the Islands in general. In 1910, the capital accounted for approximately 5% of the Islands population, in 1950 — for 32% of the population, in 2000 — for approximately 41%, and in 2012 — for 40%.

The slight decrease in the percentage of Mariehamn population is not indicative, since the population of the adjacent commune of Jomala, to which the capital city gradually spreads, grew 1.3 times in 2000—2012.

Table 5

**Population movement on the Aland Islands
(I stands for immigration, E for emigration)**

Year	Total		Finland		Sweden		Other countries	
	I	E	I	E	I	E	I	E
1990	488	278	222	130	200	130	66	18
2000	645	576	292	193	274	310	79	73
2012	885	708	353	252	348	366	184	90

Sources: [17; 20].

Together, Mariehamn and Jomala accounted for approximately 54% of the Islands' population in 2000 and 55% in 2012. The percentage of Mariehamn and Jomala population has reached its maximum, otherwise, the Aland Islands would turn into “one town archipelago”. It is also explained by the environmental features of Mariehamn: the town is built on a peninsula of a length of 4 km and a width of not more than 1 km.

An additional proof of that the percentage of the capital region's population has reached its maximum is the growing percentage of other Fasta Aland communes' population in the first years of the 21st century. These are Geta, Lemland, Saltvik, Sund, Finström, Hammarland, and Eckerö. In some of these communes, the population decline trend reversed as early as the late 1990s, whereas the key factor behind the improvement of the socioeconomic situation, which facilitated the population growth, was the economic and geographical position. For instance, Eckerö houses the terminal of the shortest ferry service between Finland and Sweden (Eckerö — Grisslehamn). Another interesting fact about the commune is that, during Russian rule in Finland (1809—1917), it was home to the westernmost post office of the Russian Empires, whose building was turned into a museum.

However, the recent decades did not see any positive changes in the development of the Aland Archipelago, which is also explained by the economic and geographical position. In this case this position can be considered unfavourable. International ferry routes do not call at their ports, there are connection only to Fasta Aland and Finland. As a result, the population of the Archipelago communes is steadily declining, which is indicative of their general social and economic degradation (see table 3).

Local law

Due to its international legal status, the Aland Islands do not grant their own citizenship but issue residence permits. Only persons with a residence permit can enjoy the whole range of economic and political rights on the Is-

lands. All other citizens of Finland, EU member states, and other countries do not have such rights. After the accession of Finland and the Åland Islands to the European Union in 1994, a decision was reached that the earlier established rules regulating economic activities on the Islands can be changed only towards further softening; however, there are strict limitations for both individuals and legal entities from the countries of “United Europe” willing to start a business on the Islands.

Individuals are required to reside on the Åland Islands, as to legal entities, two thirds of their management have to have an Åland residence permit or (as an alternative) reside at least 5 years on the Islands. However, the Åland government can waive these requirements if the establishment of a certain enterprise is considered to serve public interests; at the same time, an economic activity can be prohibited as threatening the national interests of Åland, for instance if it might disturb the language balance or compete with the existing businesses. Moreover, the establishment of enterprises that do not actually operate on the Åland Islands is also prohibited [21].

Obviously, these conditions make the Åland Islands a less attractive destination for capital from other EU countries to say nothing about other continents. Moreover, unlike many other islands in different seas and oceans, they cannot be used as an offshore zone.

In all fairness, it has to be mentioned that a residence permit can be obtained by birth (if one of the parents has such a permit and resides on the Islands) and naturalisation, which requires Finnish citizenship, a fluent command of the Swedish language and five-year residence on the Islands.

Technically, the status of the Islands has not changed in the recent decades. However, it is worth stressing that the current reform of the administrative division of Finland based on the concept of self-governing provinces has narrowed the earlier difference between the governance system in continental Finland and the Åland Islands [22]. The administrative reform, which started in 1997, has given the provinces of Finland (consisting of municipalities — communes) control over local issues, so that they have the same authority as the government of the Åland Islands. The authority of province councils is granted by law No. 1651 of December 29, 2009, which replaced law No. 602 of July 12, 2002 [23; 24] that also regulated relations between provincial and state authorities, as well as relations between a province and the European Union.

The province councils have been granted control over a number of issues that were previously managed by counties, namely, planning, healthcare, education, employment, forestry and agriculture, fishing, and commerce. The councils have also been delegated responsibility for ensuring cooperation between communes. Moreover, the councils can engage themselves in other issues, for instance, those relating to labour migration control.

The Parliament of the Åland Islands is responsible for education, culture and preservation of historical sites, healthcare, environmental protection, promotion of industrial development, local transportation, local governance, police, post, radio, and television. The international relations, basic civil and criminal laws, courts, customs, and national taxation on the Åland fall into

the remit of the Finnish authorities on the Åland Islands [12]. Therefore, today the Parliament and Government of the Åland Islands have the same authority as the Councils of province situated in mainland Finland.

Conclusions

A study of the characteristic features and problems of the Åland Islands has shown that the most important conditions and factors of the Islands' development are not heavily dependent on the institutions and international legal status of this region of Finland. The Islands have not developed a unique economic model; there is little difference between this region and the rest of Finland in terms of economy. Institutional and legal characteristic features cannot explain regional differences within the territory of the Åland Islands, because international conventions, agreements, and laws of Finland that regulate their status are effective across the whole of the Archipelago.

The reasons behind the rapid and successful development of the Islands and the differences between its three constituent parts (Mariehamn, Fasta Åland, and the Archipelago) are easily explained through a geospatial analysis, i. e. from the perspective of economic geography. The key factor at work here is the economic and geographical position. The concept of the economic and geographical position was first introduced by the prominent Soviet economic geographer N.N. Baransky in the 1930s and has not changed since then — it is the position of an object in geographic space relative to other objects.

Evidently, the economic and geographical position of the Åland Islands in the centre of the marine transport system of the northern part of the Baltic Sea and the Gulf of Bothnia (which is called the Archipelago Sea both in Finland and on the Islands) can be considered as favourable. However, the analysis of the three constituent parts of the Åland Islands (Mariehamn, Fasta Åland, and the Archipelago) shows that each of them is affected by the factor of economic and geographical position differently. In Mariehamn, its effect can be considered as extremely favourable, in Fasta Åland as favourable, and in the case of the Archipelago as unfavourable. It is clearly manifested in the population changes observed in these parts of the Åland Islands.

The second factor behind the successful development of the Islands is the concentration effect manifested in the accelerated growth of Mariehamn and the adjacent territory. The concentration effect was first discovered at the beginning of the 20th century by the German geographer A. Weber. However, as the threshold concentration is achieved, its impact either reverses the sign or causes deconcentration, which is being observed on the Åland Islands.

The third factor is immigration. It is well known that a population influx facilitates economic development. However, its mid- and long-term impact on the political, social, and cultural development of the Islands cannot be predicted, the more so because it is combined with increasing emigration of indigenous population.

It is also important that, even within this territory of a limited area and a small population (a land area of 1552.6 km² and a population of approximately 28,500 people) that shares the same environmental features and re-

sources, there are significant differences in the development of its constituent parts.

It is often assumed that a change in the political or administrative status, administrative borders, national or local legislation can result in a radical change in the economic situation in a certain region. However, it is not so. It seems to be obvious that no laws, regulations, or agreements can change the trajectory of states of regions. One can only hope that the effect of unfavourable conditions and factors will wear off and that of favourable factors and conditions will last. The miniature Åland Islands are a visible proof thereof: the development of Fasta Åland began only when the possibilities of Mariehamn's development were exhausted due to a number of reasons, including environmental ones, whereas the Archipelago still degrades year after year despite all the efforts of the Government of the Islands.

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