

Clusters without Content? Icelandic National and Regional Tourism Policy

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Abstract

This paper explores the relationship between Icelandic regional policy and tourism development. It is inspired by the efforts of the Icelandic government to introduce industry clusters in tourism development over the last few years. With tourism gaining increasing recognition as a central pillar of the national economy and clustering being seen as central means to success, the paper presents a critical evaluation of the cluster concept. The introduction of industry clusters in Icelandic regional policy is illustrated through a short case study from North Iceland, where industry clusters have been promoted in general regional development and tourism for the longest and gone through two successive stages. This case underpins the central argument of the paper that industry clusters as promoted by the Icelandic government do not reflect an engagement with regional socio-spatial specificities and the nature of the tourism product. These specificities need to be recognised and worked with in order to establish the necessary foundations for any successful cluster initiative. Thus the paper concludes with questioning the efficiency of top-down governance approach in enhancing tourism.

Introduction

This paper deals with the relationship between Icelandic regional development policy, as formulated on the national level, and how it translates into tourism development initiatives nationally and regionally. The focus is on how the former has affected the latter through promoting industry clusters. To better situate this debate, the paper traces the genealogy of concepts used in Icelandic post war regional development policy, culminating in the promotion of industry clusters in the context of regional development *tout court* and tourism development in particular. The aim is to levy a critique against the current tourism development strategy in Iceland, stating that it is insensitive to socio-spatial specificities and that the political discourse promoting it is decoupled from its supposed theoretical inspirations, actually inhibiting tourism development. The paper focuses particularly on regional development policy as it manifests in regions outside the capital area on the SW corner of Iceland. Many of these regions have suffered from sustained population decline, partly as a result of the restructuring of Iceland's

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primary industries (fishing and fish processing). As elsewhere under similar circumstances, tourism has long been identified as a key option for economic development (Hudson and Townsend, 1992; Jenkins, Hall and Troughton, 1999; Jóhannesson, Huijbens and Sharpley, 2010), not least in the wake of Iceland's financial meltdown (Jóhannesson and Huijbens, 2010).

In Icelandic regional development policy, industry clusters have been promoted as the growth engines of regional economies. This policy is outlined on the national level through so called regional growth agreements. Tourism is one type of industry clusters established under the terms of these agreements. In this paper, the tourism cluster which was set up in the Akureyri region (N. Iceland)¹ will be used in particular to explicate the implementation of regional development policy in terms of tourism. The reason is that the Akureyri region was the first to have a regional growth agreement of this kind in the period 2004-2007. However, in the beginning of 2008, the Ministry of Industry in collaboration with the Akureyri Region Business Agency (ARBA) implemented a new generation of these growth agreements in the Akureyri region, where the industry clusters were abandoned for no apparent reason. At the same time the Ministry, in collaboration with other local business agencies, implemented the original Akureyri region growth agreement in six other regions of Iceland. Furthermore the Ministry is promoting nation-wide sectoral clusters around tourism marketing niches in the newly formulated national tourism strategy (I: Ferðamálaáætlun, see Icelandic Tourist Board, 2012). For this the Akureyri region offers a particularly intriguing insight into the dynamics of tourism governance manifested through the implementations of regional development policies in Iceland in recent years.

The paper proceeds in three parts. The first part delves into theories of regional growth with a particular focus on how clusters have been theorised. Particular attention will be paid to one of its theoretical antecedents; the growth pole theory of Perroux and explicitly tying these to tourism development theory. The second part illustrates how particular theories of economic growth have been taken up in regional policy in Iceland and how they are affecting tourism development in the Akureyri region. The third part discusses the findings illustrated in light of the literature presented and the specific theoretical framework outlined. In conclusion we summarise what we consider to be the lack in Icelandic regional development policy in terms of tourism on the regional and national scale.

Methods used

The methodological approach in this paper is twofold. First, it is based on literature review and an analysis of national and regional policy documents. The aim is to trace the development of theories dealing with regional economic growth and how those have been manifest in policies of regional development in Iceland through time. Special emphasis is placed on documents promoting industry clusters and tourism. Second, data was gathered through semi-structured interviews

with practitioners and policy makers, conducted from early year 2009 to spring 2011. In total 13 interviews provide material for this article. The focus was both on the Akureyri region and the general trends in regional development and tourism policy in Iceland. The interviewees represent the field of regional development and tourism policy in Iceland in a variety of ways, ranging from public officials and practitioners specifically involved in the most recent growth policy initiatives, such as the Akureyri Region Growth Agreement, to officials working in public administration and at the ministry of tourism.² All interview material was transcribed and analysed with the general techniques of grounded theory (Strauss and Corbin, 1998) of open coding and subsequently thematic coding where significant issues related to regional development and tourism policy were drawn out.

Theories of regional growth – a tourism perspective

Alfred Marshall (1922), once stated that for certain regions, industries somehow thrive of the local atmosphere or that “there is something in the air” (see Jónsson, 2005: 13). Ever since, theorists and practitioners in the field have been striving to grasp the dynamics of successful industrial and regional transformation (Markusen, 1996). The French economist François Perroux (1950, 1979 [1955]) introduced the concept of growth poles or *pôles de croissance*, in an effort to quantify and formalise this rather airy Marshallian understanding (Dawkins, 2003; Gore, 1984). According to Perroux, growth poles were propulsive units that induced further growth in a given environment. Growth was neither to be applied everywhere, nor in any ways to be equally spread. Accordingly, the propulsive units, such as key firms or enterprises were to be central to the region’s economic activity, but also underpin the growth of regions through links generated (Dawkins, 2003; Higgins, 1988). As the theory goes; build an agglomeration of related industries with a central propulsive unit either in an urban or rural setting and you have growth (Boudeville, 1966; Gore, 1984: 88-89; McCrone, 1969; Nichols, 1969; Parr, 1973).

The classic critique of growth pole theory is that it is a-spatial and merely descriptive, hinging upon a simple formulation of relations as input-output (Darwent, 1969) with no regional variants. Indeed, Perroux (1988) realised that each region was specific and its constitutive social and material relations unique. Not just any industry can be built in just any region. To Perroux (1988: 56) the “motor” selected mattered and the way in which its environment was managed. Accordingly, regional development is not independent of the nature of the spatial structure of the economy, but being in one place matters (Parr, 1999a: 1198, drawing on Friedmann, 1972).

Table 1: Cluster theorisation– concepts are arranged in chronological order within respective boxes.

	1890s	1920s	- early 1970s	1980s	1990s	now
	Genesis		Impasse	New Industrial Districts	Clusters	
<i>General Context</i>	International division of labour based on comparative advantage		Mass production- Large firm's dominance	IT revolution, suspension of free convertibility, oil crisis	Fast changing technology, deregulation and globalisation	
<i>Lens</i>	Economics		No interest in industrial districts given the dominance of vertical	Socio-economics - institutional - economic geography, transaction cost economics - business and management	International economics – sociology, regional geography and reg. economics – socio-economics and new institutionalism	
<i>Cluster concept</i>	Industrial district		integrated firms drawing on internal economies of scale to produce standardised goods for a predictable market	Industrial districts, flexible production complexes, industrial cluster	Industrial localisation – innovative milieu, learning regions – local industrial systems	
<i>Stressed cluster dimension</i>	Industrial			Industrial, territorial socio-economic – institutional – industrial - industrial territorial	Industrial – territorial, inter-organisational, industrial – inter-organisational, industrial, territorial	
<i>Cluster environment</i>	Inter-firm division of labour, local pool of specialised labour, subsidiary trades, and trust			Local social, cultural, political and historical factors – vertical disintegration, institutional factors – Porter's diamond	Economies of scale and increasing returns – tacit and embedded knowledge, territorial specificities an cumulative learning – organisational and social proximity, embeddedness isomorphism	
<i>Impact of clusters</i>	External economies (economies of specialisation, economies of labour supply, economies of information and communication and knowledge spillovers) which in turn increases small firm's efficiency			Shared vision and organisation – economic growth and employment – lower transaction costs – regional / national competitiveness, fostering innovation, increasing productivity	Marshallian external economies, international trade and uneven development – firm innovation, knowledge spillovers, learning regions – firm legitimization, firm performance, regional development	
<i>Iceland</i>	Heavy industry is being promoted as regional development strategy in post war years and was the only option till the 1960s. Late 60s generic regional strategies are concomitantly promoted.		The generic regional development strategies reach an impasse where no political will was to identify growth centres till 2002	Institutional approaches to regional development introduced and cluster thinking adopted directly from Porteurian literature to sustain identified growth centres.	All regions in Iceland according to the structure of regional governance are to have clusters to sustain them. Almost identical clusters in each, irrespective of their growth potential. Isomorphic policy promotion without recognition of tacit knowledge or regional specificities.	

Source: Rocha, 2004: 370

The idea that spatial concentration is a vital precondition of economic progress, along with the debate on the role of regional specificities, has been reformulated many times since the initial ideas of Marshall and Perroux's growth pole theory (see: Bathelt, Malmberg and Maskell, 2004; Werker and Athreye, 2004). Probably the most influential reformulation is in the promotion of clusters, found in Porter's *The Competitive Advantage of Nations* (Porter, 1990; 1998a; 1998b; 2003, and see Vorley, 2008). Table 1 depicts the evolution of cluster theorising detailing its dimension, environment and impact, adding a summary of the following discussion on Iceland.

Recent promotions of industry clusters thus have their antecedent in the growth pole ideas of Perroux (Rocha, 2004: 371). Similarly, Marshallian external economies appear in their initial observations of spatial agglomerations and resurface now with emphasis on tacit knowledges, experiences, togetherness and services. Industry clusters in this Marshallian formulation have been promoted by scholars and consultants worldwide as *the* tool for regional development, demonstrating a "[s]ustained commitment to neoliberal policy" on behalf of a growing number of European regional development agencies (Weidenfeld, Williams and Butler, 2011: 335 and 338).

Policy makers who adopt industry clusters will see a region's demand conditions and regional collective strategies as instrumental in influencing the outcome of the competition process. These include the ability of regions to attract skilled, creative and innovative people; to provide improved cultural facilities; and to encourage the development of social networks and institutional arrangements that share a common commitment to regional prosperity. These are all key regional externalities or assets that benefit local firms and businesses and are seen as major aspects of regional competitive advantage (Kitson, Martin and Tyler, 2004: 995) and fertile ground for the 'creative classes' (Florida, 2004). But some regions, e.g. due to their relative location or economic history, provide more opportunities for successful competitive policy-making than others. Regions are always dependent on their particular trajectory of development, carrying with them a specific past that may affect the competitiveness of firms either positively or negatively (Boschma, 2004: 1005). Regional specificity reigns supreme when it comes to demand conditions.

The tourism perspective

The tourism industry is the constellation of businesses, public agencies, and non-profit organizations that create products to facilitate travel and activity for people away from their home environment (Smith, 1994: 592-3).

Smith's (1994) formulation of the tourism product emphasises that in terms of tourism the 'propulsive unit' is the attraction of the destination in question. The attraction depends on the design and availability of services that provide for 'hospitality'. These emphases neatly reflect the demand conditions outlined above and harken to Marshallian ideas of something being in the air for certain places. The magic ingredient for quality services and experiences is often elu-

sive. A tourism product in Smith's (1994) understanding is in effect what a tourism industry cluster should provide for. These have been promoted, e.g. in terms of clusters of service providers that can boost regional growth (see: Nilsson, 2001; Enz, Canina and Liu, 2008; Hall and Michael, 2007; Michael, 2007). More concretely, Weidenfeld, Williams and Butler (2011) explain how clusters can provide for a competitive advantage in the Porterian sense. To them, demand conditions are the nature of the tourism demand, factor conditions are the destinations position and features, the strategy revolves around tourism allegiances and partnerships and the related industries are tourism suppliers and specialised services. At the centre of the well-known diamond model of clusters, they place "[a] local context that encourages appropriate forms of investment and sustained upgrading" as well as "vigorous competition amongst locally based rivals" (*ibid.* 337). The local context for tourism draws attention to the 'situatedness' of the tourism product in forms of attractions that are place-specific, or simply *destinations* (Hall and Michael, 2007: 18). For tourism to develop, services that both compete and complement each other are to be provided at or around a particular attraction. The factor and demand conditions in Porter's industry cluster formulation are specific to a situated resource. Thus, "[t]he collocation of firms does not guarantee clustering ... [but is] relevant when considering tourism clusters" (Weidenfeld, Williams and Butler, 2011: 338). In this respect Michael (2003, 2007), argues for a diagonal corporate clustering and proposes the term "micro clusters" to refer to the geographical specificities of bounded tourism attractions seeing them as rather *niche* manifestations or defined products of the larger region of which cluster development is supposed to reach.

Examples of how a tourism cluster can be defined in terms of a tourism product are given by Da Cunha and da Cunha (2005: 51), drawing on Monfort (2000), Beni (2003) and Rodrigues (2001). They define a tourism cluster as a spatially concentrated group of related service companies and supporting institutions, focused on a tourism product, drawing non-resident attention. What characterises it is the functional relation between and spatial concentrations of services and supporting institutions. What matters however is the functionality of the relations. These relations can facilitate innovation in tourism, e.g. Novelli, Schmitz and Spencer (2006: 1151) document how "In practice, the HLTC [Healthy Lifestyle Tourism Cluster] approach facilitated business' diversification and innovative entrepreneurial ideas for SMEs located in East Sussex...". Contrasting this Dredge (2006: 278) conflates networks and clusters in an Australian case study highlighting "the weak relational ties" that undermines any networking proclivities.

Gauging the "functionality of relations" highlights the problem of the appropriate measures of clusters and how a cluster delivering competitive advantage remains elusive. The inconclusiveness of methods "[r]anging from trade-based measures and distance matrices to various versions of location quotients, Gini coefficients, and more *ad hoc* applied methods" (Braunerhjelm and Carlsson, 1999: 281) lead, Ketels (2006) to argue that clusters are too vague and whether they deliver on what is proclaimed is exposed to too little empirical

testing. The consequence is that cluster policy initiatives tend to pick those already successful and levy their operations with public input. Indeed the clusters as a tool to promote regional competitiveness has been misappropriated in this way as Ketels (2006: 121-123) observes. Also, according to him, the fallacy of reducing regional development policy to “cluster development”, ignoring “a location’s specific positioning and stage of development” (2006: 121) is evident in many public and academic arenas and tourism development (see e.g. Baidal, 2004). Clusters need to be seen as “productive forces [that] do not merely operate within space but on space, and space equally constrains them” (Elden, 2004: 144). Thus, the region that is to grow “is at once *work* and *product* – a materialisation of ‘social being’” (Lefebvre, 1991: 101-102, emphasis original). Clusters are thus more than the propulsive industry of a growth pole and space is more than a network of productive forces that cluster through the centripetal nature of the network. Another major type of mistakes made when attempting to create a planned or induced growth relates to the time frame given for clusters to bear fruit. According to Parr (1999a: 1196) “the recent history of regional economic planning in many parts of the world is littered with examples of growth pole strategies having failed or having been prematurely abandoned”. All three named fallacies, i.e. only supporting those already successful, not recognising socio-spatial specificities and not allowing for time, have implications for tourism development initiatives drawing on cluster thinking. Below we will explore Icelandic regional policy initiatives along those lines with an emphasis on how it relates to and affects tourism development.

Iceland’s regional growth strategies and tourism clusters

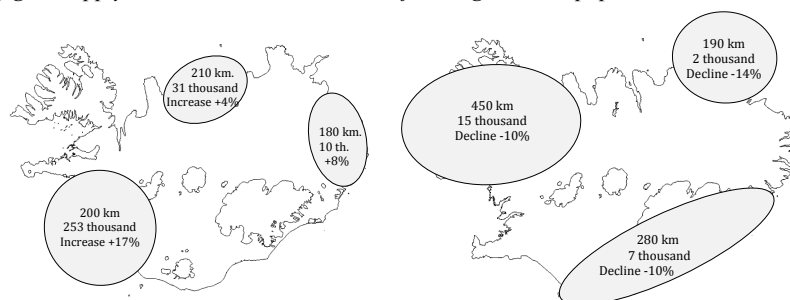
Icelandic regional development policies in the post war era have primarily followed both ideas of growth poles and industry clusters (see Benediktsson and Skaptadóttir, 2002: 13-14). In the sense of the former, regional development policies have promoted a propulsive enterprise that is to be central to a region’s economic activity, establish relations with industries and propel a region’s economy. These regional development policies are manifest in the introduction of large scale multinationally owned aluminium smelters to e.g. small peripheral communities (Mackay and Probert, 1996). As to the latter and later concomitant the former, regional development policies have also revolved around promoting industry clusters in different regions of the country. The former has been the most prominent in public discourse over the last decades, however in what follows we will concentrate on the latter. Both types however have been criticised for ignoring the importance of demand conditions, as set out above (see: Guðmundsson, 1987), in an attempt to keep pace with and replicate the growth of the capital region.

The capital region is within 45 minutes driving distance to Reykjavík and currently holds some 240,000 inhabitants, with the country’s total population at 318,000. Although nationally this rural/urban dichotomy reigns supreme, the

regions outside the capital area are not homogeneous. Figure 1 shows the demographic trends in the Icelandic regions.

Figure 1 shows an uneven rural/urban dichotomy emerging and thus the way in which challenges of industry restructuring through time have had different results in different regions. However, figure 2 shows how the regions are divided according to the 2011 government policy initiative, *Vision 20/20 for Iceland* (Office of the Prime Minister, 2011), entailing a prioritisation of initiatives for regional growth strategies.

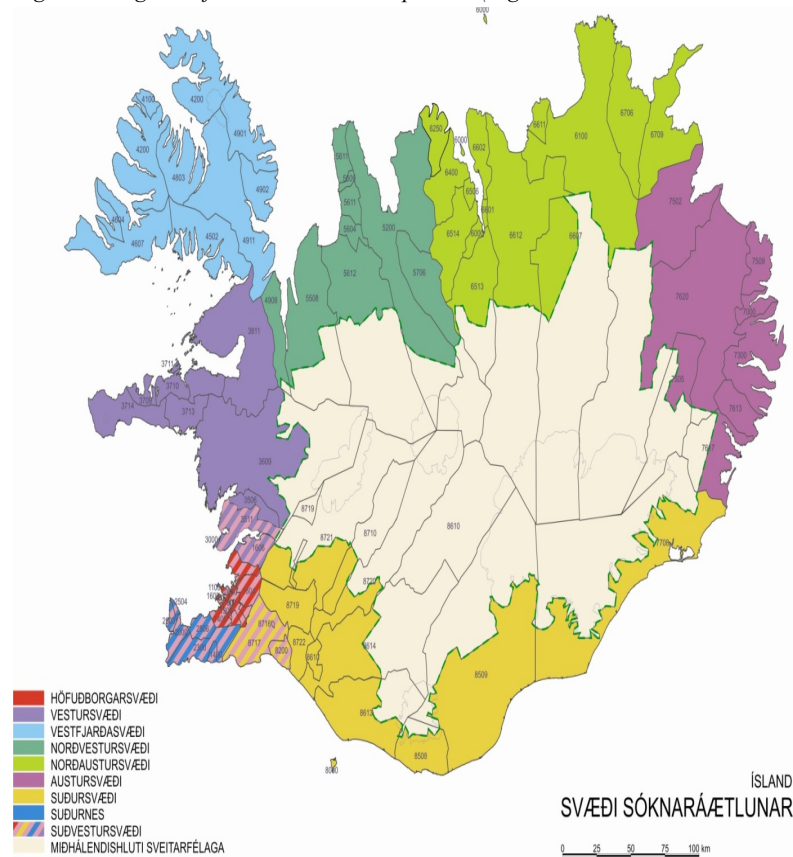
Figure 1: Regions of Iceland gaining in population (left) and declining in population (right), years 2001-2010. Diameter of circle shown covers approximately the area the figures apply to. Circles show the extent of the region, total population and % change.



Source: Bjarnason, 2010

What a simple comparison between the two figures reveals is the way in which the system of governance seems not to reflect regional demographic dynamics, leading to a decoupling of governance structures from the challenges of regions, here demographically demarcated (Boxenbaum and Jonsson, 2008). Figure 2 has for long represented the system of governance for the regional division of development policy implementation, the latest of which are the growth agreements (with the addition of the Akureyri region).

Figure 2: Regions of Iceland and municipalities (region names in colour coded legend)



Source: Office of the Prime Minister, 2011

Industry clusters in Icelandic regional development policy

The first regional development policy was made for the Westfjords in 1965 (Haralz, 1966; Henriksen, Aune and Breivik, 1965). According to this the primary focus should be to support urban centres that could offer relatively diverse services and create a basis for a more diversified labour market, following one idea of a growth pole, as set out by Gore (1984). Accordingly good transportation networks needed to be developed within the region as well as with other regions (The Public Economic Office, 1969). Following this, Kristinsson (1963) argued in the context of the whole island for a main urban growth centre to be in Akureyri in North Iceland, in addition to two smaller growth centres, one in the Westfjords and one in East Iceland. With good transport linkages, these could expand their service catchment area and with moving some administrative responsibilities from the capital Reykjavik, they could prosper.

Around the same time, in 1964, the Icelandic Tourist Board was set up as an economic development initiative. The board represents a nationwide sectoral approach akin to the introduction of heavy industry, rather than a regional approach towards economic development as seen in the first regional development policy. However, not being a clear cut economic sector, tourism had a hard time gaining recognition as a regional development option with this reign of sector based policies, although it has emerged regularly in policy rhetoric when the primary industries suffer decline (see Jóhannesson and Huijbens, 2010; Jóhannesson, 2012). Numerous attempts to create a national tourism strategy were made from the early 1970s. It was not until 1996 that a strategy was made and followed through in policy. By that time tourism was receiving increasing attention by the authorities as a potential regional development option (Alþingi, 1989-1990; 1992-1993; 1996). At about the same time ideas of strengthening certain urban areas outside the capital region from the first development plans resurfaced. These resurfaced in the guise of nation-wide regional development policies (Icelandic Regional Development Institute, 1993). Each of these were to run for four years and to be implemented by the Icelandic Regional Development Institute (IRDI = Byggðastofnun).

Echoed in the guidelines for the first regional development policy (period 1994-1997) were the ideas of good transport links and the function of certain hubs to roll out services to neighbouring regions (Icelandic Regional Development Institute, 1993: 5). However only a discussion and analysis of service areas around the country was offered but no specific urban growth centres pointed out, as that proved politically impossible for the board of directors of the IRDI (Valsón, 2002: 270). The third regional development policy period (2002-2005) however emphasised equal living standards between regions “by strengthening those areas which have most inhabitants, they become more attractive for people and have the best opportunities to strengthen the economy, education, culture and public services” (The parliamentary resolution on regional development policy, 2002-2005, authors’ translation). As a consequence a specific growth area was actually identified, i.e. the Akureyri region in North Iceland, with Oulu in Finland as a role model. What is intriguing is that in this regional development plan, tourism and the service sector also surface as economic development options on a par with the primary sectors for the first time in tandem with the first successful national tourism strategy (Ministry of Transport, 1996; 2003). The way in which these options were promoted was through becoming clusters of sector specific activities.

Clusters with content

Clusters were introduced in Iceland through seminars organized by the then Ministry of Industry and Commerce in 2003, bringing in consultants from New Zealand among other places (Cluster Navigators, 2003). In these seminars, examples of local economic growth related to clustering of economic activities were presented as well as a methodology to stimulate such cluster formation. Following this a regional SWOT analysis was carried out to identify which clus-

ters should be built in each region (Friðriksson and Kristinsson, 2004). These then became the substance of the first regional growth agreement following the 2002-2005 regional development policy, to be implemented in the Akureyri region. In the Akureyri Region Growth Agreement (2006) (ARGA), the clusters established were:

- a. Education and research cluster
- b. Health cluster
- c. Tourism cluster
- d. Food innovation cluster

In the first ARGA the tourism cluster was set up as a co-operative venue for companies and municipalities facilitated by a project manager (cluster facilitator). The rallying cry for the tourism stakeholders hitherto pitched against each other, was *co-opetition* (I. samvinna í samkeppni) (see: Nalebuff and Brandenburger, 1997). Furthermore, the cluster was set apart from the other three as its operations extended over the whole of the north of Iceland, instead of focusing only on Akureyri region. It coincided with the operations of North Iceland Tourism Marketing Office (NMO) (covering Norðaustur and Norðvestursvæði in figure 2), which then was a budding regional tourism stakeholder venture. The region under consideration for tourism growth was thus radically different from that of the rest of the clusters established and coincided with a stakeholder organised institutional set-up. Table 2 below details the goals set for the tourism cluster.

Table 2: The aims of the first ARGA tourism cluster

Field	Objectives		
Finance	Increase use of existing facilities	Increase turnover of existing operations	Build revenue from new operations
Customers	<i>Boost marketing, get more tourists</i>	<i>Increase leisure options, get more tourists</i>	<i>Establish the unique selling points of the region (USPs)</i>
		Develop new services / products	
Relations	Boost relations between companies and various institutions	<i>Increase service quality</i>	Co-operate on lobbying
		Co-operate on specific projects	
Learning and growth	Boost professionalism	Research	Mediate knowledge and experience between companies

In italics are objectives that are the responsibility of the NMO, but bold are those that are the responsibility of the cluster's steering group. Other objectives are the responsibility of both. These aims were set in collaboration with the NMO and the original intention was that the cluster should work closely with the NMO. The objectives outlined in table 2 are of a fairly general nature and no

specific indicators were established and no monitoring mechanisms were set in place. As a result the cluster functioned as a funding body. In the three and a half year period this cluster was in operation (from autumn 2004 till end year 2007) 28 projects of very different kinds were funded by the cluster. The cluster's steering committee functioned as a trust fund board.

Although aims and aspirations of table 2 did not come to fruition, in a positive sense the tourism cluster established under the first ARGA could be seen as a catalyst cluster for other smaller or micro-clusters to develop within the tourism sector of the region. An example of this is a local food product development initiative that managed to devise its own brand and develop a concept of local food in Eyjafjörður, used still by some restaurateurs and food producers. But as this and other potential product oriented micro-clusters were about to become functional, the term of the first ARGA ended and a new growth agreement for the region was made for the years 2008-2010.

This new growth agreement had a radically different setup. Now the Akureyri Region Business Agency (ARBA), one of ten partners to the first ARGA, was to lead and manage the agreement. Their only role was to allocate funding to projects three times a year for three years based on evaluation of project applications. Their total budget was ISK 90 million for the whole period. Quoting the new ARGA's project manager and employee of the ARBA once the first batch of applicants received funding, the aims were to "ensure that as varied projects as possible have the chance to participate in the new ARGA. That will ensure versatility in the building of employment in the region and future growth" (Morgunblaðið, 2008: 16). As can be seen from the shift in emphasis, the focus is even vaguer than in the first ARGA and the funding allocated is considerably less (not including match funding). Clusters are not to be established or facilitated. Compounding the difficulties of joint tourism initiatives is the fact that along with the second ARGA two other growth agreements to the East and West of the Akureyri region were created, following the original format with a tourism cluster, making the former region of the tourism cluster built with the NMO under the terms of the first ARGA now rather disperse.

Remarkably the clusters being promoted in the growth agreements to the East and West of the Akureyri region are the same clusters as promoted for the Akureyri region in the first ARGA. In fact all regions have the same clusters according to the SWOT analysis named above. Indeed, the Icelandic rural economy is fairly monotonous built around food production and as to be expected in a welfare society, with prominent education and health institutions. The homogeneous sectoral policies of former times may also play a role here. But the fact that tourism is represented shows that the industry is indeed gaining in prominence, albeit on a very seasonal basis and with some regional differences. Nonetheless it seems that the search for the cluster consultation adage of "the low hanging fruit" was not too extensive.

The future of clusters

As noted above, other growth agreements promoting clusters were signed while a major transformation of the ARGA took place. The reason for such incoherence in regional development policy practice may partly stem from institutional isomorphism, or the way in which the organization of regional development policy adheres to the expectations or 'rationalized myths' of society (Boxenbaum and Jonsson, 2008). In this case about the effectiveness of clusters. Yet it is difficult to detect concrete definitions of what clusters really stand for in policy documents and conversations with members of the public administration. In policy rhetoric, a cluster more often than not refers loosely to collaboration and networking of stakeholders and little emphasis is put on evaluation of impact and success.

The national tourism strategy is a case in point. The strategy entails four central objectives for tourism for the period 2011-2020 that relate to 1) infrastructure, 2) surveys and research, 3) product development and innovation and 4) marketing. There is an emphasis on cooperation between different stakeholders such as the state, municipalities, firms and universities throughout the document. Clusters are promoted in the section on product development and innovation and are presented as a central methodology to boost product development in tourism. The idea is to establish a product development fund for tourism clusters, which is to support 6-8 projects each year. An example of tourism clusters recently established in the field of cultural tourism is noted as a success although there is no reference to formal evaluation of it. Clusters are described in general terms in the policy as means to boost "cooperation between various stakeholders in tourism and thus promote important diffusion of knowledge and technology" (Alþingi, 2011a: 25).

The minister of industry at the time said the ministry was consciously using funding as an incentive for "pushing actors into working in clusters instead of having individual stakeholders applying for funds" (interview notes, 30.03. 2011). The aim is to enhance cooperation in the field and creating venues for individual firms to work together on product development. One step in this direction is that the ministry is working with its central institutes, namely the IRDI, the Icelandic Tourist Board and the Icelandic Innovation Centre to ensure and facilitate the access of tourism to those and ensure the presence of tourism's interests in their activities where relevant. This is an effort to create a link between regional policy practices and tourism development.

To emphasize cooperation is in many ways a logical policy as the Icelandic tourist industry is characterized by small and micro businesses, set in opposition to the tourism behemoth that is the Icelandair group. These SMEs are almost certain to gain from a structured framework of institutional cooperation. The clusters are to be based on particular focus areas (niches) within tourism, such as cultural tourism or health and wellness tourism and may thus span the whole island and reach abroad. As to regions, regional clusters can apply for funding to the product development fund for cluster projects in tourism. Furthermore, in the current parliamentary resolution on regional development policy which passed

through the parliament 2011, the ideas of broad tourism clusters are included (Alþingi, 2011b). This resolution emphasises building regional clusters, as per the growth agreements, but for tourism, clusters are to revolve around marketing niches. Hence, in the nationwide regional policy, clusters first of all refer to a particular group of actors, working together on a particular project focusing on specific niches without any explicit anchoring to a region or a tourism product as conceptualised with e.g. reference to Smith (1994) above.

Clusters without content

The transition from the first to the second version of the ARGAs highlights several problematic issues in regard to the set-up and implementation of Icelandic regional development policy. First, the description above shows that the region that was supposed to grow could only follow administrative borders. A case in point is the decimation of the first tourism cluster that followed a regional stakeholder specific setup through the NMO. Second, clusters to be promoted were seen in very vague and general terms, i.e. the cluster was not resource or site specific, but merely a loose framework of actors meant to collaborate within the administrative borders. Third, the meagre successes of the clusters developed under the terms of the first ARGAs were given no time to develop. The former rector of the University of Akureyri and head of the ARGAs board of directors at the time was sceptical about this rather abrupt change of the ARGAs and stated that this change in policy was not good for projects which had been started under the first growth agreement (interview notes 17.03. 2009). These projects were at risk of being prematurely abandoned because they would not continue getting necessary support. Fourth, the shift in emphasis does not seem to have any underpinnings in a theoretical background, i.e. does not refer to any specific justification or argumentation. Fifth, the geographical scope is not present, i.e. the aim to stimulate certain sectors which have a potential to grow in a sizable region on the Icelandic scale. Furthermore, so-called cluster facilitators were not a part of the second ARGAs, resulting in less cooperation between different companies which had in many cases gained some momentum during the period 2004-2007. The rector of RES, School for Renewable Energy Science that was established in Akureyri, partly through support from the first ARGAs (2004-2007) through the education cluster, felt that there was often not enough resilience in acting on policies in the field of regional development and that the ARGAs was an example of just that (interview notes 30.01. 2009).

In demographic terms, the Akureyri region is the only region of Iceland offering an alternative to the capital region in terms of population size and service provision. Friðriksson and Kristinsson (2004) that did the SWOT analysis underpinning the clusters to be established for each growth agreement end their report by stating that in Akureyri:

Already, a number of attempts have been made to form clusters in the region but regrettably most of them have not succeeded. Few regions in the country have better conditions for increased profitability and

outreach using the methodology of cluster formation. The key issue is to get joint volition among interested parties, both companies and institutes in this field. (Friðriksson and Kristinsson, 2004: 18, authors' translation)

The first ARGAs represent the first growth centre policy pursued since initially proposed in the mid-1960s. As such, the ARGAs seemed to entail a shift in emphasis from the sectoral policy approach towards a regional policy aiming to increase decentralization (Ministry of Industry and Commerce, 2004; 2005). The tool was the recently introduced cluster thinking. Through the first ARGAs clusters seem to have gone some way in proving their potential benefits. What happens next is a puzzle. It would seem that the current organization of regional governance took on board clusters to become evenly applied according to the organizational framework. As a result history repeats itself. The sectoral policies seem to be implemented now through regional growth agreements, using cluster vocabulary. In the fourth regional development policy period (2006-2009) specific emphasis was put on strengthening the regional centres of Akureyri, Ísafjörður (the Westfjords) and central east Iceland *and* other important economic and service centres of the country (The parliamentary resolution on regional development policy, 2006-2009). Adding these other centres, has resulted in a total of eight growth agreements, reflecting the total number of business agencies in Iceland, working according to the regional division of the association of Icelandic municipalities (figure 2). The oxymoron implicit in reducing regional development policies to wide-spread cluster development is striking. The government has little interest in regional specificities and the detailed analysis thereof. A case in point is the last new growth agreement which according to news in January 2010 is to encompass the Reykjanes peninsula at the doorsteps of the capital region (30 minutes driving).

The national tourism strategy shows that cluster thinking is to be pursued at a nation-wide sectoral level around marketing niches, facilitating collaboration much like Weidenfeld, Williams and Butler (2011: 341) translate Porter's initial concept. How this does not seem to communicate with the site-specificity of the tourism product further underlines the looseness the authorities show towards the approach. While clusters may serve tourism development well it is worrying that the cluster approach in national tourism strategy and regional development policy in Iceland seem to follow a simplistic sectoral understanding of tourism as a propulsive unit to be generically applied. While the authorities understand tourism merely as a generative economic unit, tourism clusters will remain void of content. Moreover if clusters are to be promoted it is necessary to create a framework of evaluation of the policy and link such general measures to regional specificities.

Policy-making is to be based on a sustained engagement with the tourism resources in all their complexities (read destinations). What still lurks underneath the surface of governmental policy discourse in Iceland is no analysis or coherence, apart from seeing tourism as part and parcel of revenue-generating industries. The policy discourse is not founded on any joint platform of collaboration

involving nationwide stakeholders. During times of crisis, it comes to light that the discourse is simply “blurby” and lacking “spatial moorings” (Jóhannesson and Huijbens, 2010: 431-432).

To us it seems that the sectoral emphasis visible in the current nation-wide tourism strategy, becomes a feature of the growth agreements through using cluster vocabulary, as it sits easily with those implementing policy. Regional development policy in Iceland in the post war decades has been about establishing growth poles, be they aluminium smelters or regional tourism and other place based clusters in specific sectors of the economy as seen in regional growth agreements, all but the second generation ARGAs. Since tourism is being promoted in the modern service economy and people visit Iceland for its nature and wilderness, all areas have nature and wilderness and hence tourism clusters are to facilitate tourism product development everywhere. Thus in this guise of a sectoral approach the official regional development policy, through its seven of eight regional growth agreements is evidence of the ways in which practices of isomorphic governance is decoupling it from regional challenges. Moreover, clusters become hypocrisy in terms of providing legitimacy to an outdated structure of governance (Brunsson, 2002). Regions and their specificities are merely seen as a network of objects that seemingly have to be arranged according to macroeconomic needs in the context of a geographically misplaced regional governance framework, not that dissimilar from what Baidal (2003) reports when an authoritarian, centralist regime dictated Spain’s initial regional tourism planning.

In theorising both clusters and growth poles it is clear that demand conditions, in case of the former, or the nature of the propulsive unit and its environs, in terms of the latter, matter. To us neither the regional growth agreements nor the national tourism strategy show awareness of the nuances of either clusters or their theoretical antecedents. The way in which the growth agreements became eight in Iceland and the radical switch to a new generation of agreement in the Akureyri region only, after a trial period of only three years demonstrates to us how clusters are merely policy jargon for what is commonly known as collaboration. This fits with the conclusion of Weidenfeld, Williams and Butler “wherein a theoretical concept well established in the literature is shown to be vague and problematic in the daily lives and actions of both public officials and attraction operators” (2011: 354). It should be underlined that boosting cooperation and not least through a bottom-up approach, as seems to be the case in the most recent initiative by the ministry of tourism through its financial support to joint product development, is justifiable to some extent. What we find problematic is that the cluster concept is used void of content. First, there is no attempt to engage with the socio-spatial specificities of each region in a serious manner. The clusters set up emerged from a simple SWOT analysis, which delivered the same result all over the country. The analysis done can thus be critiqued as not being detailed or sensitive to the host of different conceptions and ideals, implicit or explicit, of what a region could or should be. Following Perroux, Porter and Michaels and also, following Ketels, this analysis is typical in simply about identifying and

picking winners. Second, the potential of tourism micro-clusters as detailed by Michael (2003, 2007) or a solidification of actual products developed, was not allowed for. The time of the first ARGAs was way too limited. The radical restructuring of the ARGAs after only three years not only goes against the limited work that though got done, but also against the advice of the external evaluator called upon by the ministry itself to appraise the ARGAs (see Helgason, 2007), and nipped in the bud the tourism product development underway, e.g. local food product development initiatives.

If clusters are to be promoted, they will need to be built through the recognition of socio-spatial specificities of each region as their main driving force is trust, co-operation and the building of social capital (see Hall *et al.* 2007: 150). To build such dynamic socio-spatial sensitivities, time is needed and the establishment and maintenance of an open forum of co-operation needs to be established for the long run. At current no evidence of this exists in Icelandic regional nor tourism policy, and thus we question the efficiency of top-down government initiatives in tourism development.

Concluding points

This paper has provided for insights into the implementation of Icelandic regional development policy with examples of tourism. Clusters were introduced relatively late and only through the first ARGAs in 2004, representing an ambitious attempt to challenge the prevailing logic of regional development lodged in a structure not reflecting regional challenges, manifest in demographic trends. This ambition was especially prominent in tourism where the tourism cluster tried to adapt to the chosen organisation of stakeholders already collaborating through the NMO. However the organisational momentum of the prevailing structure of governance led to the first ARGAs being dissolved and yet reproduced in each of the regions of the business development agencies coinciding with the Vision 20/20 regions. This was allowed for through the fact that no detailed analysis of each regions' socio-spatial specificities had been done to underpin the clusters being promoted. Thus the reigning institutions of regional development could adopt clusters in an act of self-legitimation. The Akureyri growth region was jettisoned in favour of the prevailing structure of regional development and left with a dysfunctional growth agreement, whilst the rest got clusters void of content.

The ideas of regional tourism clusters or niche market specific nation-wide clusters introduced top-down, are not conducive to the functional relations necessary to ensure a competitive advantage. Introducing clusters in this way thus becomes a paradigmatic point of institutions of regional development seeking legitimacy through isomorphism, whilst in actual fact decoupled from the challenges tourism development is faced with around Iceland.

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Notes

¹ Sometimes also referred to as the Eyjafjörður region after the fjord Eyjafjörður.

² Tourism is hosted at the ministry of industry.