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AN ISLAND LIVING

PATTERNS OF AUTONOMY AND DEPENDENCE IN THE SMALL ISLANDS OF THE NORTH ATLANTIC

Far Better to Serve in Heaven Than to Reign in Hell: The Logic of Incorporation in the European Communities by a Very Small Developing Country: Malta, A Case Study

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A B S T R A C T

In spite of the rhetoric of viability and endogenously led growth and development, small states are generally resigned to a status of dependency, surviving as rentier economies and remittance societies. Most appear determined today that their best (and only?) bet is for even better integration within the world economic order. They may have decolonised but they have no intention to disengage. To do so effectively, they often seek to establish a life-line to richer countries.

Nevertheless, lip service to self-directed development, and a sound policy of economic management to that effect, is an important exercise: It generates and guarantees the establishment and preservation of sufficiently intimate relations with prosperous and benevolent sponsors.

This paper explores the changing fortunes of Malta's experience in development planning (1959-1988) from this perspective. It appraises the economic success story of the resource poor island state, independent from Britain since 1964, while chasing the elusive phantom of viability and self-reliance. The latter has persisted stubbornly on the distant horizon; but the public relations exercise in this chase has been profitable in securing transfers and investments from abroad, perhaps turning topsy turvy the notion of unequal exchange from periphery to core. Membership into the European Communities (EC) may yet consolidate Malta's position as a "pampered periphery"...

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I: Sovereignty in the Microstate Context

> "   ...Here at least
> We shall be free...
> Here we may reign secure, and in my choice
> To reign is worth ambition, though in hell:
> Better to reign in hell than serve in heaven"

John Milton, Paradise Lost - Book I, lines 258-262.

Milton's Satan serves conveniently as a symbol of defiant nationalism. He is the prototype rebel against global hegemonic forces; he is bent on sovereignty, freedom and delinking strategies, at any cost. Entrusted with economic planning in Chaos, he would no doubt have sought self-sustained growth and viability. But for all his superhuman flamboyance, Milton's cosmic villain is seeped in compassionate irony, a mock-heroism which results from the blindness of being ostracised from God Almighty. Independence is proudly claimed but nevetheless sounds hollow. It is a reckless initiative, an expression not of gain but of loss of stature and in the quality of life.

Most so for the world's smallest territories, all of which are islands or enclaves. The domestic political forces of Lilliput have been more fervently engaged at forestalling independence than clamouring for it(1). For them, cashing in sovereignty is not only an extravagant proposition but an impoverishing one as well(2). Independence may conjure up illusions of autonomy and sovereignty but the unwelcome predicament of marginalisation, destabilisation and empoverishment, especially for resource poor territories, looks even more likely. There are today various examples of "upside down decolonisation", the initiative towards independence due not some much to the efforts of the dependent territories but to the readiness of the colonizing powers to send their colonies on their way(3). And among those territories which did achieve political independence, microstates have been either among the very last to do so(4); or they otherwise decolonised without any intenton to disengage(5). Sovereign statehood is no enviable goal, no absolute ideal - after all small isolated island territories are already significantly self-governing units. Only when statehood is seen as the key to more and better resources, is it then fervently pursued. But, even then, the case is often a rhetorical one.

The small territory's answer has been a polite "No, Thank You" to the satanic bravado: Far better, they claim, to serve in heaven than to reign in hell. An island that rules itself may be proud of priming its own pump; but whether there is anything there to pump, and preferably, whether there is more to pump, is the real issue. After all, the smallness of these sites, their cosmopolitan character and possibly their strategic location, seem to allow the world's smallest territories, the periphery of the periphery, the miraculous possibility of turning unequal exchange topsy turvy, thriving on a net transfer of value from the core(6). In a sense, it seems as if these flotsam and jetsam of empire have always been meant to be attached to something larger(7). This goes against the grain of orthodox development policy, "which is likely to reduce their present economic dependence, that is one which is likely to make their economies less open and promote internally propelled development"(8).

For Sale or Rent

How is such economic survival worked out in practice? Small country governments after all project their territories as ready-to-go productive enterprises, needing only the proverbial kiss of Prince Charming - alias foreign investment with associated foreign market outlets - to spring to life. Development Plans, representing the projected economic activity and expansion by the state over a three-to-five year period, often read as perpetual attempts at "taking off", Rostow style, into self-sustained and vigorous economic growth, with export oriented manufacturing as the "seductive option"(9).

Nevertheless, while this picture may assuage international sponsors and funding bodies, it rarely tells the true story. Firstly, the impression of control over economic expansion and the direction of that expansion which permeates development plans is hopelessly naive and false. It bears little understanding of the real world with its erratic changes and shifts to which small territories with their open economies and mono-commodity orientations are particularly prone. The task of the planner becomes much like an exercise in tea leaf reading(10). And the price to be paid for enticing export oriented industries is typically very costly: Many of these end up being actually subsidised by tax concessions, repatriation facilities, cheap land and power(11). A low cost yet trained, literate and docile labour force and weak trade unions are often added, tacit conditionalities (12).

The main engine of economic growth in small territories has rather been a panoply of bewildering services. Most islands and other isolated communities have actually developed as centres where "cargo" could be stored and/or transhipped. Fuel, merchandise, fish, finance, drugs, military, space and telecommunications equipment. Human cargo has included slaves, prisoners and lately tourists(13). Incomes from such activities are not derived from value added but constitute rents: revenues which are disassociated from any directly productive activity on the part of the recipient(14). The crucial assets here are not so much productivity, cheap labour, low transportation costs and economies of scale, as would be of paramount importance to manufacturing industry. Small territories worldwide would be hard put to provide most of these competitively. To the contrary, the key variable is marketing the desirability of location. "Geographical positioning" provides the otherwise elusive comparative advantage(15).

Who will be our Master ?

Small jurisdictions have apparently been more successful (success here meaning maximising consumption) in preserving or, better still, enhancing, their status and desirability, even their vulnerability, as such rentier states, territories for sale or rent(16). They can earn their way not so much on what they do, but on what and where they are, on the basis of the double accident of history and geography.

Part of this game involves cultivating privileged relationships with patrons. Benign paternalism, a long and servile colonial association, strategic importance and (increasingly lately) environmental hazards are common overtures. Are not the few, particularly poor, microstates those which have actually failed to establish (or abrogated) sufficiently intimate relations with a prosperous protector? If the world's smallest jurisdictions are straddled today with chronic non-viability, they must, shamelessly but decorously, shop for willing dominants, ready to take them in tow(17). Patterns of autonomy and dependence seem best explored in the context of a prized "umbilical" association with a willing sponsor; the "management of slavery"(18).

Yet, once again, ample window dressing is in order: Mendicancy is no dignified strategy to pursue, both for the incumbent and its sponsors. A developmental facade and its accompanying rhetoric is a crucial component, providing the necessary political and economic collateral to justify international transfers from abroad and electoral support at home. The microstate may also have to make a lot of noise threatening to usurp its servile, dependent status(19). Enhancing vulnerability also reduces further the extent of control over and influence on the processes and dynamics influencing the small territory's economic fortunes; but these are generally already beyond domestic control in any case.

This paper examines the changing fortunes of Malta's experience in development planning(1959-1988) from the perspective afforded by such inductive microstate theorization. It appraises the economic success story of the resource poor island state while chasing the phantoms of viability and of self-directed economic management. Given that Malta is practically a "superpower" as far as small territories go, the predicament which is illustrated by this case study may be expected to be further intensified in smaller jurisdictions(20). The issue of membership into the European Communities (EC) is presented as a logical, almost natural denouement. It may yet consolidate further Malta's position as a (albeit undeclared) pampered periphery...

II: The Maltese Experience

> "Malta has had to have a planned economy...As independence was attained in 1964, the haphazardness of the past was abandoned and a scientific approach to economic management was introduced... For the first time...Malta was free to determine its fortunes" (21).

The Maltese Archipelago consists of a series of limestone blocks with a surface area of 312 square kilometres, the main island of Malta being the largest and supporting 94% of the population. These command the centre of the Mediterranean Sea between Italy and Libya. Such a strategic location, plus a series of sheltered and deep water harbours, has made the islands prime targets for successive regional powers. These included the Arabs (870 - 1090); the Knights of St. John Hospitallers (a buffer state for Catholic Europe against the Turkish threat) 1530 -1798; and the British (1800-1964). Being intrinsically resource poor, bereft even of fertile soil or ample fresh water supplies, the islanders' main gainstay has been the refurbishing of successive military establishments and associated administrative and infrastructural public works, financed ultimately from abroad. Such a historical rentier "welfare economy" supported a population growth now reaching 360,000.

Malta's approach to development planning has been praised by international observers for being indicative, avoiding a pompous air of surety and rigidity which was bound to falter. All the same, the actual results achieved after each of Malta's six development plans had had its course never approximated to the projections; indeed, they dramatically exceeded or failed to meet the hoped for targets.

Thirty Years of Going Wrong

Malta's First Development Plan (1959-1964) followed hot on the heels of the British Government's decision to run down its military facility in many overseas bases, including its mediterranean fortress colony of Malta. The island's economy was in for an unexpected, radical shake up: At that time, the British colonial establishment directly employed no less than 23,000 Maltese - more than a third of the labour force(22); most of the remaining 40,000 were employed directly by Government(23).

British military personnel and associated expenditures were going to be drastically cut. While this was a stark and sombre reality, the securing of an alternative source of livelihood for the Maltese was another matter. Even eminent foreign advisors disagreed about the prospects of restructuring the Maltese economy: Woods(1945) had little faith in anything except mass emigration; Schuster (1950) was mildly more encouraging; Balogh & Seers(1955) would be best described as cautiously optimistic(24). All in all, the small economy had some interesting potential - industry, tourism, commercial shiprepair - related to the island's natural assets: climate, human resources and maritime facilities in a strategic location(25). It was Government's task to develop the policies and concomitant economic, social and physical infrastructure in these departments.

Claiming that the success will depend in the last resort on the enterprise, skill and productivity of all sections of the community is one spirit rousing way of putting it(26). Owning the problem is one technique for justifying remedial action. But whether investments, tourists and shipowners would be actually attracted, and in sufficient and steady numbers to provide a relatively secure source of income and employment was the all important corollary. What the Plan could and did do was a statistical exercise in fortune telling, hoping that, like a self-fulfilling prophecy, the desired dream would take flesh. The first plan, seeking full employment yet acknowledging the difficulty of putting a precise figure to the decline in the services and crown employment levels, foresaw the need to create 19,000 new jobs, 5,000 in a fledgling manufacturing industry. It was deemed reasonable to assume that 10,000 employables would emigrate over the 5-year plan period(27). Possibly, the meticulous nature of this plan was a necessary condition for the securing of the 29 million pounds sterling the British Government was providing to finance the plan's capital spending requirements. In a sense, this Development Plan followed naturally as the expression by the Maltese Government of its undertaking to utilise this development loan effectively(28).

The hoped for results, however, did not materialise. Indeed, the plan had to be reviewed in 1961 after an Anglo-Maltese study group set up to examine the repercussions of the rundown of the British military apparatus concluded that Malta was in for a rough ride, rougher than had been envisaged, unless ulterior measures were taken: A GDP drop of 15% and an unemployment figure of 29,000 (28% of the labour force) by 1967 were expected(29). When the plan period expired, few of the promised goods had been delivered: "The plan did not achieve the projected aims mainly due to the fact that it was overtaken by events...the anticipated employment figures were not attained"(30). "The plan was not a complete success...Too much was expected of the private sector in too short a time and the employment objectives were not, in fact, met"(31).

The targets of the Second Development Plan(1964-69) were set with extreme caution. A report by a United Nations Mission - Stolper(1964) - confirmed a bleak future and advised a mass yearly emigration quota of 10,000 to maintain extant living standards. The once bitten, twice shy, government functionaries were not carried away by the euphoria of political independence, achieved in 1964: They envisaged this second plan as an instrument of containment: "little more was expected of it than that it should keep the economy ticking"(32).

The Plan envisaged the creation of 3,600 jobs in industry and tourism, a doubling of exports and an annual emigration of 7,500 persons. An increase in the female participation rate was also hypothesized. The idea was to maintain the current level of unemployment with an absolute decrease in the labour supply(33).

Britain's sudden decision to devalue the pound sterling in 1967 did not help matters(34). Yet, the outcome went beyond expectations: "The second five year plan has been an experience of rapid economic expansion in circumstances which did not initially bode well for Malta's future"(35). The main challenge had been to contain: the actual outcome was altogether more favourable. Gainful employment at end 1968 had been expected to fall to 83,000 per plan from 86,000 in 1964. It was actually 95,800 in 1969. GNP in real terms had risen by some 38% from 1964-68(36). Optimism was suddenly riding high: A Joint Anglo-Maltese mission early in 1967 led by Lord Robens claimed that a target of 15,000 new jobs by 1972 was now favourable.

The Third Development Plan (1969-74) sought to maintain the same basic recipe for economic growth. The one major novel initiative was an Association Agreement with the European Communities . This meant "to provide an export market in Europe for Maltese output free from tariff barriers and quota restrictions"(37). An employment target of 106,400 was envisaged by 1973 - a net increase of 4,700 in the labour force. The net increase would be mainly seen to via an increase of 5,500 jobs in manufacturing and 1,500 jobs in tourism, plus an annual exodus of 2,400 emigrants.

The actual state of affairs in 1974 was of a gainfully occupied population of 102,300 and of an unemployment rate of almost 6%. But the planners were this time spared the embarrassment of explaining what had gone wrong (exogenous reasons were not lacking - the 1973 energy price hike being one significant explanatory factor). The planners, and the plan with them, had been changed.

The Fourth Development Plan (1973-80) cut short the life of its predecessor. A new party had come to power in 1971 on a platform of neutrality and non-alignment and it proposed a much stronger presence by the State in economic development. Yet, while the rhetoric was distinctly different, the plan's growth leaders were the usual ones - manufacturing, shiprepair/ building and tourism. It looks in retrospect much like a case of old wine in new bottles. After all, most politicians would have us believe that significant shifts in economic indicators can occur at the point where a change in government takes place; however one can barely identify any such significant break(38). What had definitely changed was the irreversible termination of the British base. The closure had been mercifully extended to March 31st 1979 and annual rent until that date had been tripled, following hard bargaining, to US$42million. (The bargaining exercise is a case study in itself and exemplifies the disproportionate potential lobbying power of microstates on the world stage). 1979 was therefore "the year of destiny" and the

Plan sought to meet the challenge which the loss of the significant fortress rent and other multiplier effects would inevitably cause.

The Plan targeted GDP at factor cost to grow at 6% per annum. It also assumed emigration levels of almost 3,000 persons per year. The projected labour supply was thus about 115,900. Therefore, provision had to be made for around 20,600 jobs, of which 13,500 in manufacturing, to match the redundancies from the Military Base closure and an increasing female participation rate - projected to reach 35.5%(39).

The Plan's targets were introduced with an indicative, cautionary note: "The Maltese islands are heavily dependent on international trade. Planning in Malta must therefore be particularly flexible. Flexibility means the creation and encouragement of attitudes and institutions that are capable of making good use quickly of a favourable turn of events in the world economy, and of adjusting speedily to unfavourable circumstances" (40).

The results? Instead of a net population decline of 1% which the plan had forecast, there was a net increase of 5.7% over the period 1973-79, mainly because of unforeseen tighter immigration controls by the traditional destination countries of Maltese emigrants. Nevertheless, the gainfully occupied had soared by 16,300, of which just over 8,000 in manufacturing. This was still a shortfall to the plan target; but, mercifully for the planners, the female participation rate had only increased marginally: 14,000 women had <u>not</u> joined the labour force contrary to what had been projected. Increases in productivity had been higher than envisaged, leading to a reduced demand for labour. GDP at factor cost had grown at the fantastic annual rate of 14.3%.

And so, the planners could, for the second time, afford themselves the luxury of demonstrating publicly their good fortune (and their hopeless predictive powers!). As in the case of the unexpected success of the second plan, the unexpected success of the fourth plan was meticulously documented and proudly paraded in the introduction to the subsequent planning instrument. The Fifth Development Plan (1981-85) exhibited the fortuitous discrepancy, for which some credit would spill over to the government of the day(41).

Having overcome the 'year of destiny' in apparently very good shape, the fifth plan could once again venture to look ahead with optimism. Reverting to the more conventional five-year planning period, this document had a target of 7,000 new jobs in manufacturing and 3,000 in market services, with a freeze on public sector employment - then at a 'low' of 20% of the labour force. This to tally with a labour force increase of 10,000, reaching 133,100 (42).

The Plan went totally wrong: The targets set out by the plan for exports, employment and investment were not reached. A "containment strategy" had to be introduced to stave off the effects of a damaging international recession (coupled with an overvalued local currency and declining standards in a tourist industry which had grown too fast). Manufacturing employment actually declined from 33% of the labour force in 1979 to 28% in 1985; unemployment reached a record 8% over 1983 and 1984 (43).

The euphoria of planning was once again replaced by disillusionment. The sixth, latest (and possible last?) Development Plan covers only a three year period: 1986-88. It appears that the dangers of bold projection had been learnt, and the confession appears quite sincere:

> "The Development Plan for Malta 1986-1988 is unlike previous plan documents...the time span has been shortened to three years in view of the various unpredictable external forces that are expected to continue to weigh heavily upon Malta's development" (44).

> "Recent experience has shown even more sharply the exposure of the Maltese economy to international economic developments and their impact on the country's overall growth process. In these unsettled conditions, planning has been rendered more hazardous and it has become less meaningful to formulate development plans, spell out broad sectoral targets and draw up projections for future years, when outside shocks can be so frequent and unpredictable and prove so disruptive" (45).

This time, there is no elaborate review of the achievements of the previous plan; no comparison of past projections with achieved results.

The Sixth Plan seems mainly consumed by the need to exculpate government of the failure of the previous plan targets. In this exercise of exoneration, it is however unique because the bitter lesson is extrapolated forward: The numerical exposition of targets - investment finance, labour force participation rates, demographic figures, import and export values - are noticeable by their low profile. There is indeed only one table in the document. The Plan limits itself basically to a description and discussion of projects and incentive schemes which government felt, by and large, in a position to accomplish. Nevertheless, the plan's practically only target of 5,400 jobs "which should be provided in the directly productive and market service sectors", was not reached. The increase in labour supply, augmented by further shedding from the private sector, was handled by "workfare" employment in the public, paramilitary and parastatal sectors.

If "it has become less meaningful to formulate development plans" (46), why have them at all? Interestingly, the present Maltese government has opted in February 1990 to ditch the ceremony of development plans and switch to "planning", particularly in areas and policies where local planners have wider spans of control and where a stronger degree of predictability can be assumed.

The change could be merely academic, as one shall see below. But the "turnabout" did not fail to generate strident criticism. A senior economic consultant (Now leader of the Opposition) criticised the sudden demise of formal development planning as "a failure of nerve", a repudiation of government's responsibility to provide an overall and long term coordinating framework for total economic management and the disowning of a tool of accountability of government's economic policies(47). Possibly, the political discretion suggested by the latter criticism may be one important consideration which led to scrap the plan concept: There are now no glorified targets about which one can be criticised if they are not met. One must not fail to add here, however, the stark realisation of the unenviable predicament in which any local policy maker is likely to find him\herself, having to justify plans and planning which always go wrong, one way or the other. A senior financier and ardent government sympathizer has nevertheless argued that, with such a shift in policy, economic management is changing to hidden mental strategism or (perhaps worse) ad hocism(48). A shocking insight into what dare not be admitted?

In the Prime Minister's own words, a development plan, indicative though it may be, makes for rigidity, as the experience of past plans has shown that they have "gone totally wrong, and what they forecast had nothing to do with what actually happened"(49). The advisory National Economic Development Council has counselled that " a formal (development) plan could serve as an obstacle and rigidity if it is implemented and, if not implemented, then it would become no more than an irrelevancy" (50).

The Spinoffs of the Planning Form

The admission of ceremonious formalism and deceptive rhetoric is a bold statement indeed, but one which is supported by the evidence. Development Planning, as with other institutions of a microterritory, may flourish but not function. Yet, the symbolism is effective and indicative that governments govern(51). Malta's six development plans were to a considerable extent intended as public relations exercises, with one eye on the reaction of investors and another on that of the electorate; projected growth rates may often have been based on dubious and unrealistic assumptions(52). Nevertheless, they were laced with a pseudo-scientific calculability designed to carry along the reader and imbue an atmosphere of confidence in the singer of the tune. Planning may boil down to a tokenistic activity which is nevertheless carried out because it reaps political, economic and diplomatic spinoffs.

If public opinion and potential foreign sponsors/investors thrive on planning exercises and the discipline and control that they inspire, then such target audiences ought to be thus appeased: the baby will not be thrown out with the bath water. If anything, they may be even better appeased by sectoral specific planning: The European Communities have in fact funded a new 20-year Structure Plan for the Maltese Islands;the Food & Agricultural Organisation is assisting in the setting up of an Agriculture

Master Plan; the UNDP has funded, alongside the Italian and Brazilian Governments, the setting up of a multi-year telecommunications investment plan by the International Telecommunications Union (ITU) for Malta.

By why should it prove to be so difficult to plan successfully in the Maltese context? The blame could be easily placed full square on the incompetence and shortsightedness of planners and/or of those entrusted with the plan's implementation. But a comprehensive evaluation must perforce consider the impacting of external events over which Maltese development planners, for all their lip service to economic management, have very little control. Put differently, much of the aim of the development trajectory has probably been precisely to move away from this embarrassingly volatile situation(53).

Modelling the Character of Vulnerability

It appears that the small open economy is particularly vulnerable to external events in three distinct yet related ways: In suddenness of impact, in the intensity of effect and in the rapidity of penetration.

The first concerns the unpredictable and haphazard way in which external events impinge on the microterritory, defying prognostication and advance warning. Even where such advance warnings may be obtained, the small territory may lack the finances, personnel, networks or technology to obtain the information(54).

The second deals with the extensive nature of the spread effect and the high responsiveness of the microeconomy to these external events. This results from the wide open dependence of the economy on exogenous variables: its fragile organisation around very few export commodities or services; and its small insular or enclave status which staves off or postpones certain influxes but renders it even more prone to those infiltrations which manage to overcome its physical isolation.

The third relates to the difficulty of containing the effects of external infiltrations, once at hand. The complex interlinkages of the microeconomy with its foreign oriented activity renders it helpless in shoring up and preventing itself from being rapidly overtaken and infused by it. The multiplier effect of such impacts not only spares little in its path, but does so rapidly and violently, with immediate short term repercussions.

Hence the microeconomy is characterised by the sudden, rapid and total consequences of booms and troughs, each of which may therefore be considered as assuming crisis proportions. "Approach to a single isolate problem leads extraordinarily rapidly to all parts of the complex, more quickly and completely than we have observed elsewhere"(55).

Interestingly, a discussion on epidemics is highly illustrative, and serves to capture the three dynamics outlined above in action(56). Epidemics in island communities are postulated to occur less frequently but for them to affect a greater proportion of the population and with a faster speed, when they occur. In larger scale societies, such as continents, the epidemic would move from group to group and finally back to the first in a more relaxed, wave-like pattern.

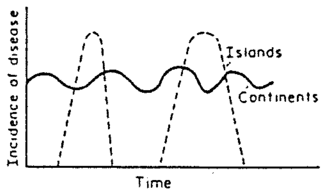

Figure 1. *Epidemics in islands and continental communities*

All things being equal, the character of this motion is expected to become more jerky and spasmodic with increasing smallness of territory.

Such a state of vulnerability has long been endured in the Maltese islands. It is not only a recent historical phenomenon, even though the gap between the rhetoric of planning and the unfolding of economic fortunes subsequent to political independence in 1964 has highlighted the pattern even more starkly. The fortress economy had meant an almost total dependence upon military expenditures. This "offered no stable means of livelihood but brought fluctuations according to the prevailing international situation and the strategic decisions taken by the Colonial and War Offices in London"(57). "The economy of the Maltese Islands under Britain took the form of an artificial cycle determined not by the vicissitudes of the market, but by the exigencies of military security. War marked the upswing of the Maltese economic cycle; the return of peace was the harbinger of a downswing"(58). "A pattern of affluence and poverty established itself"(59).

The onset of political independence must have impressed on the Maltese policy makers the importance of breaking out of this chaotic and stagnant predicament and to strive for a more noble state of viability; an economic growth pattern in which Malta would be as sovereign as its political independence implied. In this, expert advice from abroad was not lacking. This is best spelt out in the introduction to the Second Development Plan. This had stated that development planning in Malta was required in the context of a long term objective, "to create a competitive economic structure largely oriented towards the export market ...U.N. experts estimate that it would take Malta between 15 and 25 years before ultimate viability can be achieved...During this period, Malta will require outside help, in terms of know-how, grants and loans to achieve the required economic transformation. This outside help will be essential until the economy reaches the "take off" stage of development, when endogenous forces will be expected to support growth and lead the economy to eventual maturity"(60).

Certain observers point out that the hoped for "take off" would seem to have occurred in the late sixties(61). The illusion of self-induced growth is established and cultivated, thus imbuing confidence in the planners of the day and incentivizing further the provision of aid and investment from abroad and of political support at home. Whether any such take off has actually occurred is debatable. A wry observation - whether a tourist influx and a building boom could be justified as a 'take off' in the proper meaning of the term; and whether this was actually the result of conscious development strategy or of unforseen forces of outside demand(62) - was allowed to pass by discretely.

The mirage of "ultimate viability" and "eventual maturity" has persisted stubbornly on the distant horizon. Today, almost 30 years after that statement was boldly pronounced, Malta is still perhaps just as far from any notion of endogenously led, self-generated development. Nevertheless, the irony is that, the process of chasing the viability phantom has proved productive. Malta can today boast of a success story which reads as a lesson in incorporation and even stronger dependency on exogenous forces. This may not be palatable from a nationalistic perspective; and it also carries high economic stakes. But such may be brushed aside or camouflaged as long as the incorporation delivers the economic goods.

It appears only natural to assume that Malta's bid to join the EC is mainly intended to cement institutionally this incorporation and to guarantee even more solidly the transfer of largesse from the core to the small Maltese periphery. Interestingly, Malta's first development (sic) strategy, even prior to development planning in the 1950s, was actually to seek integration with Britain. The Maltese were quick to point out that their smallness was a factor which militated in favour of such an integration(63).

ANNEXE: Malta's Present Relationship with the EC *

Malta's economy is very heavily dependent on trade with the EC and on tourists therefrom: 75% of imports and 87% of tourist arrivals are of EC provenance, while 77% of domestic exports are bound for EC destinations. In this aspect, Malta is already much more integrated within the EC than certain EC member states. Employment is also largely dependent on investment in Malta by EC undertakings. These trends have been on a marked increase since the signing of the Association Agreement between Malta and the EC in December 1970, this coming into force in April 1971. This was the third ever association agreement between the EC and a non-member state.

The aim of the 1970 agreement was to consolidate and extend the economic and commercial relations existing between the two parties, seeking first the progressive elimination of obstacles to trade and, eventually, to establish a customs union. The latter never came into force however because of the reluctance of the Maltese Government to dismantle customs import duties which still constitute a considerable proportion of its annual revenue:

"The formation of a customs union on its own is not sufficiently attractive for the Maltese Government to proceed to its achievement both because the customs union on its own would not give to Malta the other economic advantages which membership brings along with it... and because the political dimension of forming part of a Europe in the process of unification would be completely missing".

Particularly beneficial to Malta has been the suspension of customs duty and tariffs on Maltese textiles and clothing exports. Malta has also benefitted from three financial protocols (1976, 1986 and 1989) which provided altogether 28 mecus as grants and 65.5 mecus as loans.

The two main political parties in Malta have taken pains to accentuate their different positions on the small country's relationship to the world's largest trading block: The Nationalist Party (in government with a 51% majority since 1987 and reconfirmed in office with a larger majority in 1992) is keen to project Malta as having a clear and unequivocal European destiny. The Malta Labour Party has argued that accession is tantamount to neo-colonialism; it has argued consistently for a negotiated relationship between Malta and the EC which is different from accession. For a time, it also investigated the possibility of assisting in the setting up an alternative, Mediterranean common market, but without success. These differences could be mere academic and are both essentially in favour of a stronger relationship between the two bodies.

Malta formally applied to join the three European Communities ECSC, EURATOM and EEC in July 1989.There has been much talk of a democratic tradition and a European destiny and therefore of a legitimate partaking in the unification and integration of Europe by Maltese sympathetic to the accession of Malta. At the bottom line, however, sound economics is likely to override glib political statements.

It is expected that the Maltese industries most hard hit by accession would be those firms currently producing for the local market and still operating in relatively sheltered conditions. These would also include the small full-time farming community (2% of the total labour force and 4% of total GDP).

Nevertheless, it is expected that Malta would be contributing to the EC in the region of 25/30 mecus annually mainly in the form of Common Customs Tariff and VAT contributions. It would however be receiving directly something in the region of 70/75 mecus annually derived mainly from that part of the structural funds intended for the development of backward regions. This would leave a minimum net annual balance of 40/50 mecus. Nor ought this balance crowd out direct aid received by Malta from third parties.

The EC, already hard put by the added strains on its purse following the collapse of the Eastern European Block and with a long list of aspiring members to deal with, may not be so willing to become a signatory to what looks like being a blatant economic rip-off, a case of intensified and institutionalised parasitism. There may also be institutional difficulties say, when Malta, as an EC member state, would occupy the Presidency of the EC Council of Ministers. Nevertheless, Malta's small size has been once again introduced into the debate as a bargaining factor:

> "Malta would be a net beneficiary from non-agricultural transfer payments and should have an easier passage in obtaining these because the magnitudes involved will hardly impinge on the overall Community budget"(64).

* The factual information in this section is taken from EC Directorate, Malta(1990) Report to the Prime Minister and Minister of Foreign Affairs regarding Malta's membership of the European Community, Malta, Government Printing Press.

July 1992

NOTES

1. See Payne(1991) and Hoefte & Oostindie(1991).
2. When the Surinamese Premier Arran asked the Dutch Antillean Prime Minister Evartsz why the Antilles would not follow Surinam to independence, the reply was crude: "If you allow yourself to be hanged, it does not mean that I will do the same". quoted in Hoefte & Oostindie(1991, p.75).
3. Hoefte & Oostindie(1991, p.93).
4. Documented in Doumenge(1989), Table 1, page 51.
5. Houbert(1986, p.145).
6. Bayliss Smith et.al.(1988, p.289); McKee & Tisdell(1990, p.170); Minogue(1983, p.69).
7. Naipaul (1972, p.270).
8. Bacchus(1989, pp.15-16).
9. McKee & Tisdell(1990,pp.14,153).
10. Higginson (1987, p.145); Seers(1982, pp.70,78).
11. Ramsaran(1989, pp.1,139); McKee & Tisdell(1990, p.18); Barry et.al.(1984, pp.64-5).
12. McKee & Tisdell(1990, p.23).
13. Wace(1980); Dommen(1981, p.8); Bhadhuri et.al.(1982, p.61); McKee & Tisdell(1990, p.164).
14. Bertram & Watters(1985, p.500).
15. McKee & Tisdell(1990, p.33).
16. Bertram & Watters 1985; Connell (1988); Kaplinsky (1983, pp.203-4).
17. Baldacchino (1993); Hoetjes (1992,pp.142-3); Hoogendonk (1989, p.104).
18. An analogy suggested by Schaffer(1975, p.36).
19. Franda(1982, p.120); Houbert(1980, pp.158-9); Bertram(1986, p.821); Crush & Wellings(1987, p.91) refer to these "barks not bites" microstate tactics in international relations.

20. Warrington (1992, p.230).
21. Busuttil (1988, p.162).
22. 4th plan, p.3.
23. 1st plan, p.5.
24. Their views are reviewed in Sant(1984, pp.5-7).
25. 1st plan, p.2.
26. 1st plan, p.8; 2nd plan, p.16.
27. 1st plan, p.6.
28. "In January 1959, the British Government announced its intention to contribute 28 million pounds sterling over the next five years towards a development programme and this <u>resulted</u> in the launching of the first development plan for Malta" - Briguglio (1981, p.2), emphasis mine.
29. 2nd plan, p.2
30. 2nd plan, p.1.
31. 3rd plan, p.7.
32. 3rd plan, p.8.
33. 2nd plan, Appendix II, p.112.
34. The Malta Pound was then pegged on a par with sterling.
35. 3rd plan, p.17.
36. <u>Ibid</u>.
37. 3rd plan, p.56.
38. Scicluna (1991, p.2)
39. 4th plan, pp.51-2,59,96-103.
40. 4th plan, p.51.
41. 5th plan, Table II.1, p.10.
42. 5th plan, Table IV.3, p,.92.
43. Baldacchino(1988) Table 2, p.66.
44. 6th plan, p.94.
45. 6th plan, p.2.
46. <u>Ibid</u>.
47. A. Sant,'No Development Plan for Malta', <u>The Times</u>, (Maltese daily newspaper), 11th March 1990.
48. J. A. Consiglio,'The Case for an Economioc Plan', <u>The Times</u>, 3rd March 1990, p.5. Emphasis in original.
49. In A. Sant (1990), <u>op.cit</u>.
50. Economic Development Plan, Editorial, <u>The Times</u>, 27th Feb.1990.
51. Brewster (1973, pp.93-4).
52. Brincat (1989, p.5).
53. Baker(1992, p.213).
54. See, for example, Reid(1974, p.22) and East(1973).
55. Bowen-Jones(1972, p.59); Looney(1989, p.82).
56. Dommen(1980, p.926). Graph is reproduced from this source. Butter(1985, p.67); Selwyn(1978) & Ward(1967, pp.81-2) propose a similar argument.
57. Zammit(1984, p.12).
58. Busuttil(1973, p.1).
59. Baldacchino(1988, p.64).
60. 2nd Plan, p.1.
61. Metwally(1977, p.51); Zammit(1984, p.19).
62. Jones(1971, p.130).
63. Malta Round Table Conference, verbatim reports, plenary session: 22nd september 1955, CO 926/330, quoted in Pirotta(1991, p.79).
64. 'The Experience of Smaller Countries with the European

Community'. Lecture by Richard Pomfret, Chamber of Commerce, Valletta, Malta - 3rd Feb.1988. Reported in EC Directorate (1990, p.369).

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