

Conference on Maltese economy

University of Paris-Dauphine

by Michael Riccioli

The Sunday Times of Malta - 19th November 2006

Last month the University of Paris-Dauphine was the venue of a conference on the present state of the Maltese economy.

At the joint initiative of the Maltese Embassy in Paris and Le Cercle Vassalli, Professor Lino Briguglio, head of the Department of Economics and Management at the University of Malta, and Peter Paul Meli, head of Foreign Investments at Malta Enterprise, travelled to Paris to present the state of the Maltese economy before an audience of academics, students and representatives of French firms.

Also present were Ambassador Gazzo, head of the European Commission's diplomatic representation in Paris, Professor Bernard Guillochon, director of the University of Paris-Dauphine's Department of Economics and Management, and Professor Jean-Marc Siroën, director of the University of Paris-Dauphine's International Development Department.

The conference, chaired by Patrice Sanguy, opened with ritual addresses from the inviting parties, namely the Presidency of the University and the Maltese Ambassador to Paris.

Professor Bernard de Montmorillon, president of the University of Paris-Dauphine, was due to inaugurate a new school of management which Dauphine had helped set up in Vietnam, and was represented for the occasion by Professor Martine Bellec, vice-president of the University.

Professor Bellec expressed the president's interest and regrets. She also recalled that Professor Salvino Busuttil, former Ambassador of Malta to Paris, had first visited Dauphine back in December 1999.

An amusing anecdote which nobody had forgotten was that when he entered the hall, where the present conference was being held, to deliver a talk about Malta's candidacy to the European Union, he recognised it as the one where he had received an award from NATO several decades ago as a young economist.

Ever since, Professor Busuttil and his successor, Dr Vicki-Ann Cremona, have been frequent visitors to the university; it could be said that Malta was at home at Dauphine. To conclude, Professor Bellec renewed the president's hope that such excellent personal contacts would some day, and hopefully soon, lead to the conclusion of a co-operation and exchange agreement between the two universities.

In her reply, Ambassador Cremona thanked the vice-president and the university for their hospitality. The Ambassador was also pleased to acknowledge the role played by the CICLaS, the Research Centre for Foreign Countries, Languages and Cultures headed by Professor Martine Piquet, and for the help given by Le Cercle Vassalli, the Franco-Maltese society headed by Mr Sanguy.

"The existence of Le Cercle Vassalli," she said, "attested to the presence in France of a large and well-integrated community of the descendants of Maltese immigrants to this country and to the former French colonies and protectorates in North Africa.

She added that there was hardly a Cabinet of Ministers in France without a minister of Maltese descent. Malta, she said, was very proud of such achievements which did honour to the quality of Maltese emigration. However, nowadays, it was no longer necessary for the Maltese to leave their country for economic reasons as had been the case before independence. Those who were at the time sceptical of the country's chances to survive economically after independence, were proved wrong.

In 1964 Malta was considered a developing country and four decades later it had become a fully-fledged member of the EU. She concluded with an anecdote about joining the EU: "People thought Malta might be like a 'fly in a soup' which... might drown ... and two years later the 'fly' was coping well."

Professor Lino Briguglio entitled his talk "A Panorama of the Maltese Economy" He started with the structure and performance of the Maltese economy, waste management problems, the worrying inflation factors, and Malta's heavy dependence on market services and imports.

He added that Malta was becoming a nation of services (consulting, tourism) and that since it had joined the EU, it had become a donor country. The current economic trend showed that Malta's economy would continue to grow.

Professor Briguglio ended his speech with the pros and cons of the Maltese economy, which was, on the one hand, very small and, on the other, very open. This was a great help in attracting foreign investments.

Among the negative points, Professor Briguglio mentioned the smallness of the island, and the risks small states had to face. The fact that nowadays the economy was an open one made it very difficult to compete with other companies operating in the heavy industrial sector.

He added that Malta had stable institutions - considered as democratic assets - which were not cheap to maintain (e.g. the Central Bank). Professor Briguglio was convinced that Malta's future was a good one, especially as an IT centre, among others, and that success came along with hard work and the Maltese were hard workers.

Being small was a disadvantage and he told those present that he disagreed with the old view or myth that 'small states had small problems'. He also brought in the notion of "The Singapore Paradox".

The next speaker was Professor Bernard Guillochon, who gave a very stimulating presentation. He spoke about "Regional Integration: The Conditions for Success" and referred to 'trade creation' and 'trade diversion' and put the stress on Franco-Maltese issues within the EU.

He emphasised the fact that trade creation was more important in Malta and had had a positive impact on the openness of the island. He concluded by saying that Malta's EU membership (including that of the nine new members) had been a very big success both for Malta and France.

Ambassador Gazzo reminded the audience that the success of the enlargement rested on political will and determination, both on the part of the Union and on the part of the countries that had decided to join it.

After the coffee break, Mr Meli was given the floor to talk about "Malta Enterprise and Foreign Investment in Malta". His presentation was centred on Malta as being "an ideal investment location". Success was strongly linked to Malta's island mentality, its flexibility and its will to survive. He also insisted on three major points:

a) Malta's strategic position was of great importance. Investors discovered a 'can do' business environment, social stability and that industrial unrest was practically non-existent, especially in the private sector.

b) In terms of human resources, knowledge of English was a main advantage and a major selling point. Although Malta naturally had its national language which the Maltese were proud of, the island was now considered an English-speaking country, where IT was beginning to dominate, even though, he added, the cost of labour was not the cheapest. (*N.B. English is the joint official language of Malta.*)

c) Malta had a very competitive fiscal environment which attracted a huge number of companies.

Mr Meli ended by saying that Malta Enterprise, a government agency, was a trade promotion agency which assisted companies wishing to set up in Malta adding that after the UK, Germany and Italy, more and more French companies were showing interest in the island.

The last speaker was Professor Jean-Marc Siroën who made a very interesting and theoretical presentation on "Small Countries in an Enlarged Europe". Malta, he said, was a micro state, and that small economies like Malta's were more vulnerable to outside risks (storms, drought, etc...).

One other handicap was that the fiscal burden was higher, as in small countries the cost of maintaining a state was bound to be heavier to the taxpayer. However, he said, one should stress the fact that in Malta's case there were three favourable elements:

- the use of English on the island;
- its successful economy based on the British model;
- its EU membership.

Among the unfavourable elements, he mentioned that Malta was a peripheral country, with few neighbours around it, and added that transport costs were higher than in mainland Europe.

One paradox he referred to was that small countries had, in general, good economic performances but that all small countries were not as developed as Malta. There could be no performance in a closed economy, which was not Malta's case.

Mr Sanguy launched a lively debate by asking the participants whether it was possible to draw a comparison between Malta, which had a sound and prosperous economy, and the French West Indies, which, although benefiting from considerable transfers from mainland France, and had a high standard of living and state-of-the-art public services, were nevertheless suffering from a dramatic lack of competitiveness, unemployment and emigration.

Professor Briguglio, as a specialist of the question and one who sits on various international agencies specialised in insularity and small states, answered that the comparison was indeed relevant as, for example, the sound economy of St Lucia showed.

He also added that St Lucia had produced two Nobel Prize-winners. The constraints enumerated by his French colleague were no doubt real, serious and were even lethal liabilities for small island countries but mostly when combined with political dependence. Once they had gained independence, they often coped quite well, as Singapore had amply proved. However, one must grant that globalisation had, no doubt, introduced new challenges.

Ambassador Cremona concurred with that view and as a historian she could not but agree with what Ambassador Gazzo had said earlier, that at some point in time, what made the difference was the political will.

In the late colonial days after World War II, the Malta dockyard had been converted from a military to a commercial activity with relatively limited success, and the British Colonial Office had not invested in the economic and tourist infrastructure while encouraging the Maltese to emigrate. Thus, Malta had to start from scratch

after independence in 1964, and, Dr Cremona concluded, one of the island's best choices had been diversification.

The conference ended with a reception in the president's dining-room, sponsored by Le Cercle Vassalli. It provided a friendly Franco-Maltese atmosphere, during which guests could help themselves to Maltese wine and French cheese, as well as other French specialities.

Throughout the conference, Séverine Durmaz, in charge of the Paris delegation of the Malta Tourism Authority, provided the audience with brochures and information. She answered all the innumerable questions from the University of Paris-Dauphine students about the language schools on the island and possibilities of studies, with her usual charm and competence.

The University of Paris-Dauphine was created in 1968 and is currently France's leading university in economics and management.

Mr Patrice Sanguy is a senior lecturer in English at the University of Paris-Dauphine. He is also the president of Le Cercle Vassalli, the Franco-Maltese society in Paris and the head of a research team on "Anglophone Countries in Europe", part of Professor Martine Piquet's CICLaS Research Centre, which naturally includes Malta.

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