
FOREWORD

This book is the outcome of a collaborative project between the Commonwealth Secretariat and the University of Malta. The project involved a consultative process for the drawing up of a competitiveness strategy for Malta, leading to a national conference on the same theme, and the publication of two books. The first book has already been published and is entitled “Maximising Malta’s Competitiveness Potential”. It describes the consultative process which was undertaken during the first half of 2003 to derive a coherent over-arching strategy aimed at enhancing Malta’s national competitiveness and puts forward a number of proposals for its implementation.

This second volume is based on the competitiveness experiences of a selection of small states and draws on the expertise of authors from small states around the world. A cursory look at the contents page will show that the book, though focused on competitiveness, covers a wide variety of themes, including the need for a sound macroeconomic framework and appropriate institutional set-ups. Some of the chapters relate to international trade negotiations and make a case for granting special treatment to small states. Another issue treated in the book relates to the measurement of competitiveness, where the point is stressed that competitiveness is multifaceted, involving various actors and dimensions within the economic and social milieu.

As is well known, small states face a number of constraints, rendering it difficult for them to compete with larger states. It is ironic that while small states are the ones that depend mostly on international trade due to the small size of their domestic market, they are also the ones that face serious disadvantages in meeting the competitiveness challenge. The book contains many examples as to why the cost of doing business in small states tends to be relatively high.

It seems paradoxical that, given this reality, some states have managed to compete in the international arena, even in a liberalised trade regime. Some small developing states, in fact, have managed to do much better than larger ones. The authors of this book, in the introduction, refer to this seeming contradiction. Their argument is that the small states that have performed relatively well economically have succeeded in doing so in spite of, and not because of, their

inherent constraints. They attribute this success to good governance in the small states concerned, involving (a) acknowledgment and awareness of the disadvantages of small size and (b) the adoption of policies to minimise or withstand these disadvantages.

Many chapters of the book make it clear that small states should not be complacent in the face of their inherent handicaps and should not rely too much on making a good case for special treatment within the WTO or on funds accessed from the international community. Throughout the book there is a call for small states to do their best to upgrade their productivity, to put in place a suitable institutional framework and to adopt sound macroeconomic fundamentals.

However, it is to be acknowledged that small states are not operating on a level playing field in the international arena. Some of the papers in this volume refer to this reality and point to the serious difficulties that small states are likely to face if they are forced to adopt WTO rules relating to the dismantling of import tariffs, the removal of fiscal incentives for the attraction of FDI, and the limitations on the ability of governments to continue supporting the local manufacturing sector.

This volume is a welcome addition to the literature on competitiveness, which is growing at a fast pace, and which brings to the fore the need for long-term policies, as against short-term demand management options. The authors are all experts in their fields, and they bring national and regional insights into the competitiveness issue, which, through the WTO, the World Bank, and other organisations, has assumed an international dimension.

I wish to congratulate Lino Briguglio and Gordon Cordina for their work in assembling together such a wide collection of papers, authored by experts from all regions of the world. On our part, the Governance and Institutional Development Division of the Commonwealth Secretariat is particularly proud to be associated with the project which gave rise to this book. We are pleased to include this book in our growing portfolio of publications and hope that it serves to improve knowledge on competitiveness, encourage good practice in small states and further the dissemination of information about the special circumstances of these states.

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