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# Preface

Many small islands, some of which are independent states, have a relatively large financial sector and serve as offshore financial centres in different parts of the world. The Caribbean and the Asia-Pacific regions are dotted with islands that have had considerable success in this regard. Several islands and small states in Europe have also made a name for themselves in financial services. This phenomenon prompted the Islands and Small States Institute of the Foundation for International Studies at University of Malta to organize the International Conference on Banking and Finance in Islands and Small States, in collaboration with the Centre for International Business Studies at Pace University. The conference, which was held in Malta in January 1995, attracted scholars and practitioners from all parts of the world. The chapters in this volume represent a selection of the papers presented at that conference.

Small islands tend to have limited economic possibilities. Reliance on economic activities such as manufacturing and agriculture is often not a viable option, mostly because of size limitations and a lack of natural resources. Many islands have therefore had to seek alternative routes for economic development, with tourism and financial services featuring prominently in this regard.

One can easily understand why many islands succeed in tourism; warm climates and sea, sand and sun endowments attract tourists, and the small scale and insularity factors are not usually major disadvantages in this respect. On the contrary, they typically serve as added attractions.

It is not, however, obvious why many islands have been so successful in developing a financial services sector. This type of economic activity demands very specialized personnel, often a scarce commodity in small

islands, and requires that the host country keep pace with global technological developments in financial services. This intriguing issue is discussed in some of the chapters of this book.

An important theme associated with banking and finance relates to scope and incidence of international regulation. As a consequence of recommendations by the Bank for International Settlements, a global change is taking place in regulatory regimes. There are, however, special regulatory constraints faced by islands and small states, arising from their small size and insularity. This aspect of banking and finance is explored in the book.

Producing an edited book of this type is a challenging task, especially because we, the editors, live in different continents, and the authors hail from all four corners of the world. Our task was facilitated by the support we received from various people. We are very grateful for the contribution made by all the participants of the January 1995 conference, who in submitting their papers enabled us to draw from them the selection we chose for this book. We would like to thank all authors of the papers selected for their prompt replies when they were requested to revise parts of their text. We are also very grateful to Professor Salvino Busuttill, Director-General of the Foundation for International Studies, for his help and encouragement.

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