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# THE DEVELOPMENT OF INDUSTRY IN MALTA

A study by  
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FOR THE JOINT CONSULTATIVE COUNCIL,  
THE MALTA CHAMBER OF COMMERCE,  
FEDERATION OF MALTA INDUSTRIES,  
MALTA EMPLOYERS' ASSOCIATION

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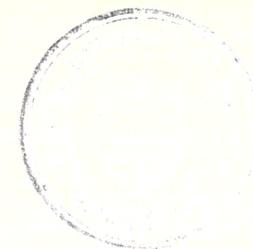
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## 1 — HISTORY

**A**T the turn of the century Industry in Malta did not arouse a great deal of optimism. The Royal Commission which in 1912 reported on the Finances, Economic Position and Judicial Procedure of Malta had this to say on Local Industries:

"In investigating the question referred to us by our instructions whether any, and if so, what measures should be taken to assist the development of local industries, the peculiar difficulties in this respect under which Malta labours must be borne in mind. There is no river or permanent water supply. No timber grows on the Island nor indeed are the nature of the soil and the climatic conditions suitable for afforestation. Neither coal nor iron is found. The rates of wages, moreover, vary according to the amount of public works under construction by the Imperial Government from time to time. This naturally tends to discourage the investment of capital in local industries, though the undertakings themselves may be beneficial to the Island as a whole."

At the time, the civil population of Malta according to the Census of 1911 was 211,564 of which 105,601 were males and 105,963 females. Of the civil population 13,072 males and 12,446 females were under five years of age, and 50,925 were housewives and unmarried daughters not otherwise returned. The remainder was classed as follows:

TABLE 1

### CIVIL POPULATION — 1911

CATEGORY	MALES	FEMALES	TOTAL
Professional	6,829	1,096	7,925
Domestic	1,656	4,065	5,721
Commercial	19,489	1,509	20,998
Agricultural	11,905	3,295	15,200
Industrial	21,228	8,044	29,272
Unoccupied and Unproductive	31,422	24,583	56,005
TOTAL:—	92,529	42,592	135,121

Source: Census of 1911.

The definitions of the above categories must have been very broad. In fact in the industrial category the largest sections were "houses, furniture, and decorations" (6,578 males and 15 females), "textile materials" (234 males and 5,528 females), "food and lodging" (3,368 males and 315 females), "dress" (2,640 males and 1,918 females) and "mineral substances" (3,053 males and 5 females) (1).

In other words those classified in the industrial group in 1911 included people occupied in construction, mining and quarrying, tailoring, catering, etc.

Manufacturing industry as such was in fact very limited being made up of a few "minor industries", such as the manufacture of tobacco, tile manufacture, the production of confectionery and preserves, and the tinning of tomatoes and other vegetables (2).

Whilst, as we have seen, hopes for the development of local industries were not high, the Royal Commission did in fact make some recommendations towards this end:

"When considering the possibility of starting new industries the following proposal was very strongly pressed upon us.

It was pointed out that, while capital is not wanting in the Island to start new industries which promise a good return, yet, from lack of initiative and from an exaggerated fear of local competition, capitalists decline to risk their money and prefer to invest it in foreign securities — the more so as capital so invested escapes all taxation.

To meet this difficulty it was proposed that if a capitalist or syndicate desires to introduce a new industry they should submit to the Government a prospectus of their scheme, showing the capital they are prepared to invest, and the amount of labour which would be employed. If the Government approve the enterprise, it is suggested that they should grant to the applicants the exclusive right of production within the Island for a term of years fixed according to the character of the industry. This temporary monopoly or patent would not operate against goods imported, and would not, therefore, increase the price of the article to the Consumer. The monopoly would lapse if the conditions of the prospectus were not fully carried out.

The evidence given before us made it difficult not to accept this estimate of the timidity and lack of commercial

(1) Report of the Royal Commission on the Finances, Economic Position, and Judicial Procedure of Malta.

(2) Ibid.

enterprise among Maltese capitalists. It is certainly very generally held, and as the interest of the consumers would, in our opinion, be safeguarded by the duty-free importation of the article — at present their only source of supply — we submit that the experiment might properly be tried, subject to such regulations as the Government may think necessary to prevent abuse." (3)

In making the above recommendation the Royal Commission displayed an underlying uncertainty about the effects of monopoly practices. Years later this uncertainty was to be more forcefully expressed.

Sir George Schuster, writing in 1950, said:

"It is to be noted that the Malta Government's chief weapon hitherto for the encouragement of industrial development has been the grant of monopolies for a period of years. I consider this to be a policy fraught with considerable dangers." (4)

Sir George sounded the first notes of the function of economic planning in the development of Industry. He pointed out to the Malta Government that a policy for creating industrial development involved —

- (a) creating general conditions which are such as to encourage the inauguration or extension of industrial undertakings;
- (b) consideration of measures to promote particular industries which are likely to have chances of success in Malta. (5)

The truth of the matter was that even in the early fifties the conditions required for industrial development were not in existence. Up to the Second World War the Maltese economy bore two main characteristics — its dependence on U.K. Service Departments expenditure and employment, and its reliance on agriculture.

After the War the reliance on the U.K. Service Departments was up to the middle fifties, if anything, accentuated. The role of agriculture in the same period began to decline.

(3) Ibid.

(4) Interim Report on the Financial and Economic Structure of the Maltese Islands.

(5) Ibid.



Up to the War, Industry was not viewed with much enthusiasm, whether by the capitalist class or by the experts. In 1946, Sir Wilfred Woods spoke coolly of the future of industrial development in Malta:

"Reduced dependence on imported goods for the domestic market and increased exports to pay for imports would, of course, strengthen Malta's economy and make it better able to absorb any shocks that may be coming to it from reductions of the United Kingdom expenditure in Malta, i.e. reduction of 'invisible' exports. Industrial developments are not by any means out of the question. The manufacture of briar pipes and the manufacture of gloves are two small industries which have already been introduced. Manufacture of leather boards and footwear are other directions in which local and outside capital are taking an interest. The manufacture of cement is still under consideration but the prospects appear to be good. Small industries should be encouraged and they are likely to be facilitated by the existence of the large volume of savings which traders, farmers and some wage earners have accumulated during the War. There is good reason to think that an adequate supply of cheap electric current would be a powerful stimulant of some not unimportant local industries and this is a particular item of capital expenditure to which I shall refer later in this report. It does not seem reasonable, however, to expect industrial development of sufficient magnitude to add materially to Malta's national income. The only possibility of such development which was suggested to me is that favourite dream of the colonies, the establishment of a motor-car assembly factory to supply cars to a large adjacent territory. There seems to be no reason to expect anything of the sort and industrial development must be thought of in terms of minor accretions to the national wealth which it is important to encourage but from which much cannot be expected." (6)

Nevertheless, more attention began to be paid to Manufacturing Industries after the War. By 1948, the following new industries were in operation or were being considered:

- Mortadella and Salami
- Cement
- Iron nails, metal screws and butt hinges
- Matches and match-boxes
- Aluminium and light metal alloy household goods
- Plastics, electrical accessories, equipment and switchgear
- Toilet soap
- Rubber, canvas and textile footwear
- Alcohol by distillation
- Glass

(6) Report on the Finances of the Government of Malta.

- Toilet requisites
- Paints, varnishes and industrial finishes
- Handbags
- Biscuits
- Men's, women's and children's wearing apparel
- Textiles (woollen, cotton and artificial silk)
- Margarine and compound lard refining and production of edible and linseed oils and oilcake
- Hosiery
- Smoked and green bacon and ham
- Pottery
- Boiled sweets, drops, caramels, etc.
- Bentwood steamed chairs
- Chewing gum
- Canning of fruits and vegetables
- Metal apertures and furniture
- Cleaning and fertilizing powders

The progress made was modest. The problems encountered were many and varied. Apart from the fact that the entrepreneur, who plays such an important role in economic development, was an almost unknown breed, attitudes were also far from conducive to industrialisation. Not only were the risks of Industry felt by many to be too great, but the "home market" mentality was also very evident. To produce for foreign markets — which, given the minuteness of the Maltese market, is a *sina-qua-non* for at least medium-scale production without which an enterprise usually cannot become viable and stay so for long — was seen as a task too herculean to be dreamt of. On the other hand, the absence of an economic infrastructure, the scarcity of such basic services as water and electricity, did not make investment in Industry very attractive, either. Moreover import duties on raw materials, which Government was reluctant to forfeit because of its need for revenue, but which were an added deterrent to an industrialisation drive which must depend on imported primary goods, contributed to limit further the attractions of investing in Industry.

The shock of the U.K. Services run-down, first mooted in 1957, started a very radical change of attitude both in Government — who began to realise better that it had to create certain general conditions to attract investment and



also that it had to offer direct inducement to industrialists — and also in the private sector — where the realisation has gradually dawned that not only was industrialisation necessary if Malta is to become an economically independent nation, but that there could also be handsome profits to be made in the process.

## 2 — INTRODUCTION OF PLANNING

**T**HE decision of the British Government to run down the U.K. Military Forces stationed in Malta and consequently to effect drastic savings in expenditure in these Islands with all that that meant for the Maltese economy, brought about a far-reaching change in the way that the economy of Malta was run.

Prior to 1959 there had been a number of reports by experts who came, saw and made their recommendations direct to the British Government or to the local Government of the day. These recommendations were acted upon, amended, implemented and also no doubt at times ignored. But while the authorities professed their desire to see prevail a happy and prosperous way of life, and while Malta too had to put up with her share of problems, the money flowing in from Britain, whether in the form of direct grants and loans or through U.K. Service Departments' expenditure here, kept the economy going even though inherent in this situation was the probability that things had to change at some time or another, and that when they did, the economy could suffer a major breakdown.

The need to make a realistic reappraisal of the situation began to be felt in the middle fifties. Britain's change of defence plans, first announced in the Defence White Paper of 1957, brought the final rude awakening.

The dismantling of the old economic base, whose mainstay had been the British Services expenditure, meant that a new base had to be built. The task in hand was monumental. The old way of doing things was no longer adequate, whether or not it had ever been so. Like many other less developed countries, Malta now resorted to economic planning.

The First Five Year Development Plan was drawn up to cover the period from 1959 to 1964. The situation called for measures to create employment, the human side of the



rundown problem, and to find ways of earning foreign exchange to make up for the loss of income from Service expenditure here. The first requisite was a sound infrastructure in the context of which a new economy was to be built on Industry, Tourism and Agriculture.

The 1959-64 Development Plan spoke of the paucity of Malta's own natural resources. Because of this, the drawers of the Plan saw the possibilities of diversification confined to ship repair work, Industry, Tourism and Agriculture.

The Plan laid emphasis on Industry, while at the same time underlining difficulties which, as already indicated in Part I of this Study, had been nagging the experts for many years:

"Industry must be built up, and, by the very smallness of the home market, any significant industrial development must look largely to the highly competitive export markets in the United Kingdom and elsewhere, particularly in the Mediterranean and African markets. The lack of natural resources, other than industrial skill, make it imperative to offer substantial inducements for overseas industrialists to invest in Malta. Together with such inducements the basic physical services needed for industrial development (efficient harbour facilities, adequate roads, power and the like) must be provided, together with the necessary administrative background of up-to-date commercial legislation, a suitable tax structure, and modern customs duty and drawback arrangements. Even so the task of winning export markets is formidable and will demand a high level of efficiency and productivity in relation to wage levels." (7)

Under the Plan, a total programme of £32½ million capital investment was provided for over the five-year period 1959-64. This included £16½ million new spending, of which £3 million was allocated for industrial development, £6 million for the conversion of the Dockyard to commercial use, and £0.5 million for Tourism.

In the Plan £480,000 was reserved for work on the Marsa Industrial Estate, £2.5 million was allocated to

(7) Development Plan for the Maltese Islands, 1959-64.

industrial grants and loans (which were also to be available for tourist resort hotels) to help industrialists in the provision of the capital required for setting up industries of importance to the Islands' economy. The Plan aimed at creating 5,000 new industrial jobs.

In 1959 the Aids to Industries Ordinance was enacted. This provided for the setting up of the Aids to Industries Board to process applications for aid to set up new industries in the shape of grants and loans, tax-free holidays, customs duty exemptions and other measures intended to attract new industries to Malta.

In 1961 the Five Year Plan was reviewed. The Reviewed Plan had this to say on Industry:

"The industrial development programme is now well under way and it is now possible to forecast more closely the level of expenditure required, both by way of grants and loans, and for factory construction, to meet the expected rate of expansion. In particular experience over the past two years has shown that industrialists investing in new industries in Malta, almost without exception, do not wish to build their own factories, and thus a substantial switch has had to be made as between the funds available for factory construction and those available for grants and loans. In brief, the amounts earmarked for factory construction have had to be increased and those for grants and loans markedly reduced in line with present trends." (8)

The Reviewed Plan was very optimistic about the industrialisation drive:

"A very successful start has been made in the promotion of industrial development. Under the "Aids to Industries" scheme, by which substantial inducements are offered for the establishment of new industries, or expansion of existing industries, (by grant or loan towards fixed capital costs, and by duty and tax concessions and the provision of serviced factories) 23 applications for the establishment of new industries or expansion of existing industries, have been approved. Some of them are already in operation and the first exports from these new industries are beginning to flow. These approved projects vary in size and scale of operation. They include a wide range of industry including household and industrial textiles, plastic building materials, motor vehicle assembly, electronics, chrysanthemum cuttings, paints, children's wear, synthetic fabrics and steel reolling. As a result of a Market Research Report commissioned by

(8) Review of the Development Plan for the Maltese Islands 1959-64.

the Aids to Industries Board, special efforts are now being made to encourage the setting up of industries producing semi-capital goods (hand tools) and the like; and a campaign has been started to interest continental firms in investment in Malta.

"The projects so far approved involve a total capital investment of approaching £2 million in their first phases and should provide employment for at least 3,500 persons when they have worked up to full development. The flow of applications continues and it is clear that the judicious advertising policy of the Aids to Industries Board, the advice tendered by the Industrial Development Board operating in the United Kingdom, and the comprehensive range of assistance offered, have been such as to achieve a very successful start to the industrialisation programme. It is particularly reassuring that this should have been secured at a time when there have been many other countries, in all stages of development and in many cases with more natural assets, competing in this endeavour to build up local industries." (9)

The Reviewed Plan also raised the number of new jobs to be created through it to around 7,500, including "not less than 3,900 persons" through the provision for industrial grants and loans.

The Second Five Year Development Plan (for 1964-69) noted that the First Plan did not achieve the projected aims "mainly due to the fact that it was overtaken by events". Up to March, 1964 a total of 1,760 new jobs had been created — well below the 7,500 target. The Second Plan made a total allocation of £5.9 million for industrial development. This amount was "expected to be matched by an equivalent amount of private investment" (10). The emphasis was laid on capital grants and loans intended for the purchase of machinery — £2.8 million — and the building of factories by industrialists — £1.6 million. A provision of just under £1.1 million was also made for the continuation of factory construction by Government.

Early in 1966 Malta's plans for development were dealt a severe blow with the decision by the British Government to effect a second Services run-down. This called for a re-appraisal of current plans. The Anglo-Maltese Joint

(9) Ibid.

(10) Development Plan for the Maltese Islands, 1964-69.

Mission, headed by Lord Robens of Woldingham, appointed to report on ways and means to offset the effects of the new run-down, in its report presented to the Maltese and British Governments in July 1967, called for the creation of 7,000 new jobs in Industry by 1972.

The Mission advanced a number of recommendations intended to accelerate the industrialisation drive, especially with a view to increasing exports. These included recommendations for financial incentives to local shipowners to encourage the establishment of a regular shipping service to the U.K., Northern Europe and North Africa; the provision of more incentives for Maltese participation in new investment projects; an acceleration of the factory building programme and the introduction of advance factory building; to set up an overseas promotional organisation under the auspices of the Malta Development Corporation.

The Robens Mission summarised Malta's needs in the field of manufacturing industry boldly and baldly:

"The feasibility of the target for manufacturing industry depends in part on the extent to which improvements in the machinery for administering the aids to industries scheme and providing factories and services can be improved. But if there were a clear direction that the infrastructure required for 7,000 extra jobs in manufacturing industry by 1972 should be set up, there is little evidence to suggest that this could not be done. Nor do we have any reason to think that the Development Corporation will not be able substantially to improve the present administrative procedures. The critical issue is whether a new, selective and intensive promotion drive could attract the investment required to provide 7,000 new jobs in five years. It is quite clear that, if such a thing were in any way possible, every effort should be made to achieve it. Malta has so far succeeded in attracting manufacturing industry at a rate of about 500 or 600 jobs per annum; the target proposed here envisages attracting industry at between two and three times the rate which has been achieved in the past. Those with a knowledge of past difficulties may well doubt whether this kind of acceleration is anywhere near possible. On the other hand, Malta has never embarked on a really energetic professional promotion programme on the selective basis we propose.

"No one can be at all sure how a particular promotion target will be translated into actual jobs. But it is clear



that Malta needs 7,000 jobs in manufacturing and needs them in an uncomfortably short space of time. It may be that delays in setting up an appropriate organisation, and the time necessary for the promotion programme to gather momentum will make it difficult to get all one wants in the time available. But these doubts are not reasons for setting a lower objective. An objective of 7,000 extra jobs in manufacturing by 1972 is not so much a forecast of what might be achieved, as a measure of the scale and intensity of industrial promotion which Malta requires." (11)

(11) Report of the Joint Mission for Malta, 1967

### 3 — THE RECORD

**A**LTHOUGH, as indicated in Part II of this Study, with the realisation that the Maltese Islands had to take urgent and rapid steps to fashion a new economic base to replace the old base which had been rendered obsolete by drastic changes in Britain's Defence plans came the awareness that a strong and determined industrialisation drive had to be given top priority in our economic planning, progress achieved in this sector was below expectations.

Appendix I of this Study gives broken-down details of the allocations made under the Industry Votes in the Island's Capital Budgets in accordance with the provisions of the First and Second Development Plans.

These details immediately bring out the fact that the First Development Plan was not very successful as far as Industry went. In fact, the whole Plan in execution left much to be desired. In concept, the Plan was ambitious enough. It originally allocated £3 million for industrial development; this sum was later revised to £5.2 million, and subsequently administratively cut down once more to £3.9 million. Of this allocation £2.8 million or 70.6 per cent was actually spent. This level of expenditure at a time when the economy required a strong start was considerably below the administrative target. Taken as a percentage of the £5.2 million allocated under the Revised Plan (published in 1961) actual expenditure, at 53.8 per cent, was very unsatisfactory, considering that the Revised Plan had emphasised that, during the first two years of the Plan, a "full amount of £5 million will be needed to provide the necessary new employment".

This under-expenditure of the funds officially allocated to the Industrialisation drive has been ascribed to the low absorptive capacity of the Maltese economy at the time. This may have been the case to some extent only. The under-expenditure was in considerable part due to the initial lack of sufficient interest shown by entrepreneurs.



But it was also due to the misconception (brought about by inexperience more than anything else) that it was better to wait for applications from industrialists rather than to embark on a programme of, say, forward factory building.

This erring on the side of caution may have had some justifications. But, as was soon to become evident, the times called for boldness, for a firm determination to succeed, and also for a more-than-ordinary measure of risk-taking. A more thrusting approach was needed, as indeed the Robens Mission was subsequently to stress.

The Second Five Year Plan too has been characterised by under-expenditure in the public field:

TABLE 2  
INDUSTRIAL DEVELOPMENT  
ESTIMATES AND EXPENDITURE, 1964 — 1969

Item	1964/65	1965/66	1966/67	1967/68	1968/69
Approved Estimate	1,134	1,334	1,114	1,301	1,500
Actual Expenditure	997	456	498	482	1,100*
Percentage Spent	87.9	34.1	44.7	37.0	73.3

\* Provisional.

N.B. Approved Estimates for 1964-69 total £6,333,000. This includes an unspent element carried forward each year.

Source: Central Office of Statistics

Table 2 above shows the Approved Estimate under the Industry Head and the actual expenditure each year since 1964/65, when the Second Development Plan was initiated.

The Plan had a promising start, with actual expenditure totalling 87.9 per cent of the approved estimate

TABLE 3

WAGES AND SALARIES IN MANUFACTURING INDUSTRY

£'000s

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
Food	200	227	237	393	238	273	281	300	333	324	375
Beverages	330	245	291	321	336	354	368	379	422	421	468
Tobacco	70	77	82	84	112	115	105	114	115	119	118
Textiles, Clothing & Footwear	150	197	212	166	245	289	272	395	596	665	761
Wood, Cork & Furniture	120	145	157	168	239	164	143	135	190	203	235
Printing, Publishing & Allied Industries	119	142	152	164	172	195	224	239	273	281	336
Chemicals & Chemical Products	29	27	34	34	44	60	82	118	144	157	160
Non-Metallic Minerals	107	113	120	167	204	194	173	183	205	216	247
Metal Manufactures	26	43	45	44	56	96	97	89	103	118	136
Machinery	119	104	94	83	120	111	124	102	116	109	126
Transport Equipment*	81	101	2,580	2,789	2,768	2,652	2,770	3,233	3,250	4,064	3,612
Other Manufacturing	54	45	75	76	112	145	74	141	152	175	215
TOTAL:	1,405	1,466	4,079	4,489	4,678	4,644	4,713	5,428	5,899	6,852	6,789
Wage & Salary Earners in Manufacturing Industry	6,490	6,550	11,930	12,270	12,430	12,840	13,790	14,450	15,250	15,990	17,010

\* The Drydocks are included with Transport Equipment from 1959 onwards.

Source: Central Office of Statistics.

in 1964/65. But in the following three years, actual expenditure was a very low 34.1, 44.7 and 37.0 per cent respectively. (In 1968/69 a much better performance was registered. From April, 1968 to February, 1969, actual expenditure reached £826,000 or 55.1 per cent of the approved estimate. Provisional figures for the full year indicate that total expenditure reached £1.1 million or 73.3 per cent of the approved figure.)

This shortfall in expenditure was accompanied by developments in the industrial fields which could suggest that a paradoxical situation existed. For while actual public expenditure on Industry was far below what the Second Five Year Plan had laid down was necessary, there were unmistakable signs of progress in the industrial sector. Throughout the period covered by the Plan, employment in the manufacturing industry and income therefrom, the percentage contribution of income from manufacturing industry to total income from employment have all been rising (see Table 3 above, and Tables 4 and 5 below) as were the exports of this sector.

TABLE 4  
EMPLOYMENT INCOME 1957-67

£'000s					
Year	From Manu- facturing *	Percen- tage Change	Total Income *	Percen- tage Change	Manu- facturing * as percent. of Total Income
1957	1,384	-	19,130	-	7.23
1958	1,466	5.92	20,536	7.35	7.14
1959	4,040	175.57	21,779	6.05	18.55
1960	4,449	10.12	23,752	9.06	18.73
1961	4,638	4.25	24,824	4.51	18.68
1962	4,665	0.58	23,694	-4.56	19.69
1963	4,574	-1.96	23,525	-0.71	19.44
1964	5,384	17.71	24,574	4.46	21.91
1965	5,836	8.39	25,592	4.14	22.80
1966	6,759	15.82	27,669	8.12	24.43
1967	6,797	0.56	29,948	8.24	22.70

\* Before tax

Source: National Accounts, compiled.

There is really nothing paradoxical in all this. The expansion in the industrial base was showing steady progress due to the cumulative effects of the measures

taken in the middle fifties and particularly with the implementation of the First and Second Development Plans. Not enough was done, but what was actually achieved had to show some results. Due allowance must also be made for the efforts of the private sector.

While progress was made, much more was required. Progress cannot be measured in a vacuum. To gauge whether progress is satisfactory it must be placed against the realistic background of present and future needs. If a 2 per cent growth rate is achieved in a given period, progress has been made. But if, to meet population growth, to raise income per head, to improve the standard of living, to reduce unemployment to an acceptable level in that period, a 6 per cent growth rate is required, the progress registered, while being an improvement, is not enough. What is better cannot be accepted as a satisfactory substitute for what is best.

TABLE 5

FACTOR INCOME FROM MANUFACTURING

£'000s

Year †	Wages and Salaries *	Income from self- employment or other trading income	Total income from manufacturing
1957	1,405	1,608	3,013
1958	1,466	1,682	3,148
1959	4,169	2,586	6,575
1960	4,489	2,498	6,987
1961	4,678	2,292	6,970
1962	4,644	2,252	6,896
1963	4,713	2,388	7,101
1964	5,423	2,419	7,847
1965	5,899	3,128	9,027
1966	6,852	4,584	11,436
1967	6,789	4,163	10,952

† Drydocks included from 1959

\* Includes employers' contribution to social security

Source: Central Office of Statistics

This argument could be fairly applied to the progress of the Maltese economy as a whole in recent years.



Progress was made, but not enough, given the country's needs. With more strenuous efforts to utilise the available resources more effectively, more progress could have been made in fashioning the economic infrastructure, unemployment could have been reduced at a faster rate, and the production for export could have been appreciably higher.

It would have followed that emigration too would have been lower. In the first four years of the run-down much emphasis was laid on emigration to depress the high pool of unemployed labour. This emphasis reached such proportions that in the Estimates the emigration votes began to be shown as part of the Capital Votes.

Table 6 below shows clearly enough with what determination the policy to encourage emigration was carried out between 1963 and 1965. During these three years 22,500 persons left these shores to seek a fresh start in foreign lands. In this total were included 4,200 skilled operatives (500 of whom were construction workers).

It may be argued that this was a necessary and inevitable evil, during a particularly critical period in the Nation's development. On the other hand it could also be argued that, had more determined efforts been made to offset the effects of the run-down by means other than emigration, such as a public programme to supply basic services (the lack of which is still being felt today), plus the initiation, possibly by public corporations, of projects which later on could have been handed over to private enterprise, valuable scarce resources in the form of skilled manpower (which had, of course, cost considerable amounts of money to train) would have been conserved.

As it is, labour pressures are already being felt due to an inelastic supply of skilled labour, especially in the construction industry. It is not inconceivable, ironical though it would be, that if the present trend continues, in the not too distant future, it may become necessary to offer incentives to Maltese skilled workers now in

Australia, the United Kingdom and Canada, to return to Malta to bring the supply of (certain categories of) labour more in line with demand.

Efforts to accelerate our economic growth are now more strongly felt. The Malta Development Corporation, an institution which had long been advocated as necessary for a businesslike programme aimed at rapid economic growth, was finally set up at the dawn of 1968. The Corporation was put in a position to process applications for aid from new and existing industries with much more speed than hitherto. By agreement with London, the Corporation was given powers to see through all stages applications for financial aid of up to £250,000 without reference to Whitehall. Thus much valuable time could be saved which in the pre-M.D.C. days had to be spent in seeking clearance from London.

TABLE 6

**EMIGRATION 1962 — 1968**

Year	Total	Skilled	Semi-Skilled	Construction
1962	3,641	793	163	173
1963	6,579	1,315	154	241
1964	8,987	1,707	204	417
1965	8,090	1,235	194	214
1966	4,340	1,659	129	104
1967	3,971	623	64	79
1968	2,990	481	53	107

Source: Central Office of Statistics, compiled

## 4 — FACTS AND FIGURES

AS on December 31, 1968, 161 projects had been approved under the Aids to Industries Scheme. Grants and loans approved for these projects totalled £4.05 million and £1.71 million respectively. The approved projects which were operating by December 31, 1968 — about 80 — were on that date employing 5,554 persons, of which slightly more than half were men. The anticipated maximum employment of the approved projects was 15,148. (12)

The export performance of the aided industries was quite significant, as Table 7 shows:

TABLE 7  
PRODUCTION OF AIDED INDUSTRIES

£ millions			
Year	Local Sales	Exports	Total
1960	0.14	0.01	0.15
1961	0.18	0.14	0.32
1962	0.42	0.61	1.03
1963	0.68	1.61	2.29
1964	0.89	2.42	3.31
1965	1.05	4.08	5.13
1966	1.57	5.45	7.02
1967	2.28	5.50	7.78
1968	3.00	8.38	11.38

Source: House of Representatives. Development Corporation

In 1960, the first full year after the initiation of the Aids to Industries Programme, the total sales of the aided industries stood at £5.15 million, of which £0.01 million went abroad. In 1967, total sales amounted to £7.78 million, with £5.50 million being exported. 1968 was an even better year.

Table 7 also shows, however, that while impressive growth was achieved both in exports and total sales up to 1966, 1967 saw the sales drive faltering, in that, the previous rate of growth was not maintained. It should be noted that this setback coincided with a fallback in the growth of world trade in general. Between 1962 and 1966,

(12) Malta Development Corporation and the House of Representatives.

world trade grew at an annual rate of 8 per cent. The rate of growth for 1967, dropped to 5 per cent. (13) The slowdown in local exports is partly explained by this faltering in the rate of growth of world trade (particularly in the field of synthetic textiles). It should be noted, however, that the slowdown in our exports was made higher than the world average. The sales made abroad by our aided industries in 1967 were only 0.9 per cent higher than in 1966.

In assessing the above figures it should also be borne in mind that each year the productive capacity of the industrial base was growing. In fact, to date a large number of factories are still working well below capacity (14)

This once more begs the comment that while progress is being made, still much more can be achieved. On the other hand, this position also means that as the export drive intensifies, in so far as this affects existing industries, there is the spare capacity required to meet large orders without undue strain. In fact, the existence of a wide margin of spare capacity means that, assuming production is increased diminishing marginal costs would be experienced for some time, which should make local products more competitive.

At the same time, it must be emphasised that we should not go on for long in a state of underproduction as this is a waste of resources and, by the counter argument to that used in the previous paragraph, it also means higher unit costs.

As things are, even with production not running at as high a level as it could, the contribution of manufacturing industry to our Domestic Exports is growing more and more important.

(13) International Trade, 1967 (G.A.T.T.)

(14) "With the productive capacity of existing plant and equipment output can easily be doubled without further investment" — The Minister for Trade, Industry and Agriculture addressing the 22nd annual Luncheon of the Malta Chamber of Commerce on January 25th, 1969.

TABLE 8

## AIDED INDUSTRIES AND EXPORTS

£ millions			
Year	Exports of Aided Industries	Total Domestic Exports	Aided Industries as percentage of Total
1960	0.01	1.37	0.7
1961	0.14	1.93	7.2
1962	0.61	2.06	29.6
1963	1.61	3.05	52.8
1964	2.42	4.23	57.2
1965	4.08	6.20	65.8
1966	5.45	7.64	71.3
1967	5.50	7.16	76.8
1968	8.38	10.21	82.1

Source: House of Representatives, compiled

Table 8 above shows that between 1960 and 1968 Total Domestic Exports have grown six times over, though of course it should be noted that we started from a very low base. It is obvious that exports have been growing in the main due to the rise of sales abroad by the Aided Industries.

In 1961 exports by the Aided Industries were seven per cent of Domestic Exports. This share had grown to 82 per cent by 1968.

There is no denying the fact that Manufacturing Industry is playing an increasingly larger role in the national economy, both in the field of employment and on the balance of payments side. The composition of the Gross Domestic Product (at factor cost) in recent years amply reflects this:

TABLE 9

## INDUSTRY AND THE NATIONAL ECONOMY

£'millions

Item	1962	1963	1964	1965	1966	1967	1968*
1. Gross Domestic Product	43.2	42.6	43.5	46.7	51.7	55.7	62.3
2. Share in Gross Domestic Product:							
a) Trade	9.4	8.9	9.1	9.4	10.2	10.6	N.A.
b) Military Services	7.3	6.9	5.7	5.5	5.2	5.0	N.A.
c) Government	7.7	7.7	7.4	8.0	8.9	10.3	N.A.
d) Manufacturing	6.9	7.1	7.8	9.0	11.4	10.9	N.A.
e) Construction/Quarrying	1.8	1.9	2.3	2.6	3.0	3.7	N.A.
f) Others	10.1	10.0	10.2	12.2	13.0	15.2	N.A.
3. Gainfully occupied ('00's)	868	861	865	881	908	933	958
4. Gainfully occupied in Industrial Production ('00's)	220	227	231	250	281	294	324

\* Provisional

Source: Central Office of Statistics

The share of Manufacturing in the Gross Domestic Product rose by £4.5 million from £6.9 million in 1962 to £11.4 million in 1966. In 1967, however, there was a slight drop to £10.9 million mainly due to a fall of about £0.4 million in income from self-employment and other trading income. (15) Despite this setback, manufacturing accounted for 20 per cent of the G.D.P. in 1967. Detailed figures for 1968 are not yet available, but it is certain that the contribution of Manufacturing to the G.D.P. (which is provisionally estimated to have risen to £62.3 million at factor cost), grew considerably over 1967.

(15) Malta Drydocks in the official statistics are included with Manufacturing Industry. Following the closure of the Suez Canal in 1967 lower ship-repairing activity and fewer bunker sales reduced foreign exchange earnings by £1.2 million to £5.6 million from £6.8 million in 1966, (National Accounts, 1967). In 1967/68 the Drydocks suffered a financial loss of £1,138,948 as against a loss of £365,074 in 1966/67, (Parliamentary Reply No. 5078, given on March 17, 1969).



The relative progress of Industry in Malta appears to have confounded what foreign experts had said years ago. The results recorded so far, with all the qualifications that have been made earlier on, indicate that Industry, after all, can have a measure of success in Malta.

TABLE 10  
CONTRIBUTION OF MANUFACTURING INDUSTRY  
TO THE GROSS DOMESTIC PRODUCT

£'000s

Year	Manufacturing*	Gross Domestic Product	% Contribution of Manufacturing
1957	3,013	36,834	8.18
1958	3,148	38,717	8.13
1959+	6,575	40,254	16.33
1960	6,987	43,399	16.10
1961	6,970	44,527	15.65
1962	6,896	43,190	15.97
1963	7,101	42,620	16.66
1964	7,847	43,524	18.03
1965	9,027	46,687	19.34
1966	11,436	51,708	22.12
1967	10,952	55,690	19.67

\* At factor cost: includes provision for depreciation

+ Drydocks included from 1959

Source: National Accounts, compiled.

If necessity has not mothered any invention, at least it has brought about a reappraisal of Malta's potential. It has been shown that Industry can flourish to a reasonable extent in Malta. But there are still many problems to solve, numerous initiatives to take. Malta's problems include those which had been in existence throughout and which had even daunted men like Sir Wilfred Woods. Such problems as the tinyness of the home based and the lack of raw materials remain. New problems have also been created by the very attempts at developing industry.

Some of these problems can be solved by local efforts. On others Malta has no control whatsoever. In subsequent parts we will attempt, while continuing to analyse the situation, to make recommendations aimed at helping to put Industry on a sounder footing.

## 5 — JUSTIFICATION AND PATTERN

WHEN, in the past, experts who reported on Malta's potential expressed scepticism regarding the setting up of Industry in Malta, their pessimistic attitude was not without good reasons.

Malta suffers from acute scarcity of natural resources required for industrial development. There is an absence of minerals such as coal and iron, no gas or oil. A good supply of labour, a considerable percentage of which is skilled and which is diligent and hardworking, is just about the one resource of note.

The absence of natural resources is not the only disadvantage of the Maltese Islands, whose size is also minute. And though the population is very high in relation to the land mass, making for one of the highest densities in the world, in absolute terms the one-third of a million people who inhabit these Islands represent a very small market indeed even if in using the term we define market so that the purchasing power of the people in it is taken into consideration.

This is a very acute disadvantage when it comes to setting up Industry. To get maximum benefits it is generally desirable to have large industries with large markets. Larger markets stimulate higher productivity in three ways: larger plants yield economies of scale particularly in technology based industries; larger markets permit greater specialisation; and larger production runs mean more thinly spread overheads, and therefore lower unit costs.

When markets are referred to, the export market must be included together with the domestic base. But if the domestic market is itself large this places the industries of a country in a very advantageous position because they can plan on the basis of an initial volume of sales for home consumption which helps them when it comes to quoting for export.

The arguments militating against the expansion of Industry in Malta are, therefore, formidable, with the home market disadvantage being a graver shortcoming than the lack of raw materials. Nevertheless, a measure of industrialisation has always been possible in Malta. And in any case, the heavy blows dealt to the existing economy by the changes in Britain's defence plans made it necessary to find new ways of earning our living.

Industry was decided upon as one of these ways, together with Tourism and Agriculture. And if Malta is less naturally suited for Industry than for Tourism, nevertheless industrialisation has to be attempted on a considerable scale both because it is most unlikely that these Islands can ever hope to earn enough through invisible exports to pay for all the imports of goods and services required, and also because it is socially and economically important that the country is not made to depend too heavily on service industries. (This point is discussed further in Part 9 below.)

While, therefore, Tourism has to be developed, it should be balanced by Industry, Ship-Repairing and Agriculture. At the same time, while Malta's size is a disadvantage in that it tends to inhibit the establishment of large-scale industry, at the same time the size factor itself keeps the problem within manageable proportions. Malta's needs in absolute terms are such that she has to capture no more than a fraction of one per cent of the world's (growing) trade.

The decision to attempt to make Industry one of the mainstays of our economy, was therefore justified.

Industrialisation starts usually in one of three ways: (1) with the processing for export of primary products (agricultural or mineral) which were previously exported in a crude state; or (2) with manufacturing for an expanding home market; or (3) with the manufacture for export

of light manufactures often based on imported raw materials. (16)

In Malta's case, (1) is ruled out from the outset, and (2) is not feasible as a start to the industrialisation process given the size of the market. Production for export of light manufactures, therefore, was picked upon as the best initial prospect. Due to inherent disadvantages (i.e. lack of raw materials, a very small domestic market) freedom of action to attempt to make Industry grow is limited to a very restricted area.

Given the size of the home market, attempts have to be made to set up (a) industries which can achieve economies of scale with a small output; and (b) industries which produce for large foreign concerns — or so-called satellite or component industries.

In Malta's first decade of economic planning much emphasis has been laid on the textile industry. Of a total of £4.05 million in grants and £1.2 million in loans approved under the Aids to Industries scheme up to December 31, 1968, £1.71 million grants and £0.55 million loans were allocated to textiles. (17) In 1966 exports of textile yarn, fabrics, made-up articles and related products reached a peak of £3.11 million, out of a total of £7.02 million domestic exports, towards which exports of yarn and threads contributed £2.76 million. Total textile exports dropped to £2.38 million in 1967, and rose again to £2.81 million in 1968. The relative share of textiles in domestic exports is declining (see Table 13) but the emphasis on textiles is still strong and this industry merits closer scrutiny and analysis.

The world market for textiles has become a highly competitive market. Since 1950, the textile industries of Western Europe and North America have grown less rapidly than industrial production as a whole, while in the

(16) W. A. Lewis. "Report on Industrialisation and the Gold Coast", Government Printing Department, Accra.

(17) Parliamentary Reply No. 4552 (5.2.69)



developing countries the textile sector has grown faster than most other sectors of their economies. Several important producers have emerged, such as Pakistan, Hong Kong and later, a number of other Far Eastern Countries.

The slow growth in the demand for textiles compared with that for other manufactured goods has led to a progressive contraction of the share of textile products in world trade; this decline has been even more pronounced in relation to the value of trade in manufactured goods, in which the share of textiles was 14 per cent in 1950 and only 8 per cent in 1965. (18)

There are other factors in the world textile industry which put our dependence on this sector in an uneasy light. Malta's textile industry is given mainly to the production of man-made fibres. In this context it should be noted that in the developed countries while the production of traditional textiles (i.e. natural fibres) has declined, that of textiles made from artificial and synthetic fibres has increased sharply. In the United Kingdom, for example, mill consumption of cotton and wool, which accounted for 48 and 29 per cent respectively of total consumption of textile fibres in 1953, represented only about 30 and 25 per cent in 1965. Meanwhile, the share of man-made fibres rose during the same period from 22 to 42 per cent. (19) an analysis of man-made fibre production in 1968, published by the British Man-made Fibres Federation, showed that total man-made fibre production in 1968 increased by almost 40 per cent over 1967.

Here the scale of production must be taken into consideration once more. Many of the producers of man-made fibres produce on a very large scale. Should there be a drop in demand in the markets in which we are competing, local producers could be the first to be hit.

In fact, we have already experienced this danger. The drop of exports of textile products from £3.11 million in

(18) E.F.T.A. Bulletin, October 1968.

(19) Ibid.

1966 to £2.38 million in 1967 significantly coincided with a world wide recession in textiles during 1967.

It may be argued that all products are subject to the hazards of fluctuations in world trade. This is true. But if there is strong dependence on one particular product which is susceptible to pressures even in normal circumstances, there is obviously call for attempts to reduce the reliance on that product.

In the case of textiles, it might be added that Malta is competing in an area where the odds are stacked against her. Britain, which is a major market for local textile producers, has her own textile industry to consider.

In 1959, when the Lancashire textile industries began to be severely affected in the U.K. market itself by the stiff competition offered by the products of the new mass producers of textile goods, India, Pakistan and Hong Kong, Britain raised the matter with these three countries and an agreement was reached whereby the Asian suppliers agreed to impose voluntary restraint to limit their sales to Britain to a specified level.

In the next few years, other developing countries which had embarked on a policy of industrialisation began sending large quantities of textiles to the British market. In May, 1964, the British Government introduced specific import licences restricting textile imports to the quantities agreed to in forward contracts concluded with British importers before that date.

With effect from January 1, 1966 a new system was introduced. Under this system exporters of textiles to Britain negotiate specifically a yearly firm country quota, and they can also compete for additional exports within another global quota. There is also a "special country" quota.

The introduction of quotas initially threatened the local textile industry and sales of cotton yarn to the U.K. dropped substantially. Following the 1966 arrangements, the situation improved somewhat. But local exporters still complain that the quota arrangements are not adequate.

TABLE 11

## U.K. QUOTA FOR MALTESE COTTON TEXTILE EXPORTS

Year and item	Country Quota	Special Country Quota	Quota Used
1966 Yarns Fabrics Made-ups	142,000 lbs. 25,000 sq. yds. 784,000 sq. yds.	— — 80,000 sq. yds.	141,995 lbs. Not being manufactured 195,560 sq. yds.
1967 Yarns Fabrics Made-ups	143,420 lbs. 25,250 sq. yds. 206,040 sq. yds.	— — 424,200 sq. yds.	143,312 lbs. Not being manufactured 631,265 sq. yds.
1968 Yarns Fabrics Made-ups	144,854 lbs. 25,502 sq. yds. 208,100 sq. qds.	— — 428,442 sq. yds.	144,620 lbs. Not being manufactured 662,258 sq. yds.
1969 Yarns Fabrics Made-ups	146,302 lbs. 25,757 sq. yds. 210,181 sq. yds.	— — 432,726 sq. yds.	N.A.

Source: Ministry of Trade, Industry and Agriculture.

Table 11 above shows Malta's cotton textile quotas to the U.K. since 1966. We are being given a country quota for cotton yarns, fabrics, and made-ups, and a special-country quota for made-ups. The quota for yarns is being taken up almost completely, while that for made-ups was exceeded in 1968. The quota for fabrics has never been utilised so far.

Following the quota restrictions on cotton exports to the U.K. sales of these products in that market have been fluctuating considerably, though still remaining substantial. Exports of synthetic thread and yarn and other synthetic fibres, moreover, have been giving increasing cause for concern. Export proceeds from the sale of these commodities in the British market still account for the bulk of Malta's textile sterling earnings (clothing not included). But these proceeds are on a downward trend, as Table 12 below shows. 1968 in fact has been the worst year in the last five years.

TABLE 12

## TEXTILE EXPORTS TO U.K.

Material	1964	1965	1966	1967	1968
Thread and Yarn Cotton	255,948	114,534	187,740	236,268	171,334
Thread and Yarn nylon	14,191	109,336	83,553	50	59,507
Thread and Yarn, and other Synthetic Fibres	373,315	494,251	634,177	505,135	176,574
Total	643,454	718,181	905,460	741,453	407,415

Source: Central Office of Statistics.

The textile industry apart from accounting for a very large share of our developing industrial base is itself heavily dependent on exports of thread and yarn (See Table 13). Moreover, the various sectors of the textile industry are operating independently of each other.

Whilst the freedom of the manufacturers to operate as they think best must be acknowledged, at the same



time the needs of the national economy should be taken into consideration as well. If verticalisation is encouraged, this could prove of benefit to the nation in that a higher added value in the industry as such is achieved and also in so far as the import content is reduced.

The P — E Consulting Group Ltd. which reported on the textiles industry in Malta rightly pointed out that verticalisation has its limits. At the same time, the P — E Group said that there are two major gaps in the structure of the textile industry which, if filled, could go a long way towards integrating the three existing groups — i.e. (i) fibres and yarns, (ii) knitting and (iii) making-up — and add further value to manufactured textile goods in Malta. These are: (a) fabric production and (b) dyeing and finishing.

The P — E Group recommends that the industry should be selectively expanded and developed, and warns that development of fabric production and dyeing and finishing must be controlled to ensure that they are in the best interests of the industry as a whole and that capital, labour and expertise are conserved. (20)

The P — E Group's remarks and recommendations are very valid, and early action should be taken on them. Urgent steps are required to make the textile industry more homogeneous than it is now. But further expansion of the textile industry beyond what is necessary to achieve this does not appear to be desirable or wise, both because of what has been said above concerning the situation of the world textile industry, and also because the dependence of the Maltese economy on this sector already appears to be heavy enough.

It should also be noted that, while Malta's need, both from an employment and a balance of payment point of view, is for industries where the value added is high (and therefore the import content proportionately low) textiles

(20) "The Textile Industry in Malta", a Report by the P — E Consulting Group. (Malta Development Corporation).

far from falling in this category have a high import content.

Of a gross total output of £4.486 million by the textile industry in 1966, 52.02 per cent was made up of imported goods and services; the value-added was £1.64 million. This made Textiles the industry with the highest import content of all local industries. At the same time, the average wages and salaries paid by the Textile Industry in this year was, at £233, £43 below the average wages and salaries paid out by aided establishments (£267), and £7 below that of non-aided establishments (£240). The reason is that the Textiles Industry is female intensive. Of 2,164 employed full-time in the industry in 1966, 754 were males, and 1,410 females (in addition there were 9 male and 11 female part-time employees, and 963 female outworkers) (21) (22)

TABLE 13  
EXPORTS OF TEXTILE PRODUCTS 1964 - 1968

£ s.					
Year	Total Domestic Exports	Total Textile Exports *	Total Exports of Thread & Yarn	Textile Exports to U.K.*	Exports of Thread & Yarn to U.K.
1964	4,231,213	1,428,855	1,406,000	651,789	643,454
1965	6,198,538	2,434,496	2,209,251	726,113	718,181
1966	7,645,161	3,108,142	2,733,940	909,640	905,470
1967	7,159,462	2,385,131	1,879,711	744,651	741,453
1968	10,205,000	2,807,224	2,214,265	410,183	407,415

\* Does not include clothing.

Source: Central Office of Statistics.

(21) National Accounts, 1967 and Census of Production, 1966.

(22) Final figures for 1967 were not available at the time of publication, but the following provisional data would indicate that the situation remained more or less unchanged in that year:— Number of employees in the Textile Industry: full-time 2,228 (743 males, 1,485 females); part-time 29 (15 males, 14 females); outworkers: 883 females; total final output, £4.333 million; average wages — Textile Industry £248; Aided Industries: £291; Non-Aided Industries £366.

## 6 — HANDICRAFTS

IN the previous part we said that due to the smallness of the home market the types of industry which Malta can attempt to develop are limited to (a) industries which can achieve economies of scale with a small output and (b) industries which produce for large foreign concerns (Satellite Industries) and we discussed the textile industry which falls to a large extent in the first category. Handicrafts are another case in point in this category.

From the point of view of having a broad industrial base it is desirable to have as large a diversification of industry as is economically feasible. This is desirable on the old but still valid concept that all one's eggs should not be put in one basket. What is desirable is far from being always possible. Earlier on mention was made of Malta's limitations in the industrial field. These limitations notwithstanding every effort should be made to achieve a measure of diversification, to safeguard against the dangers of having a decline in one dominant sector transmitted through the whole economy with possibly disastrous consequences.

At the same time, while efforts must continue to have a relatively diversified industrial base immediate consideration should also be given to the great necessity to develop also that sort of industry in which local producers can have an advantage over others.

This means that Malta should go in for some specialisation and handicrafts offer excellent scope for this.

The opportunities for a thriving Handicrafts Industry are many. In the first place, a demand for local handicrafts already exists and will certainly continue to grow as Tourism expands. Tourists are always eager to take away with them a souvenir to remind them of their stay in a particular country. Tourists also buy souvenirs to give away as presents to their relatives and friends back home.

So far, they do not have much to pick and choose from. There has been some progress made and a few enterprising people have opened shops where local handicrafts may be purchased. But there is still scope for much more work in this field.

Whilst handicrafts have a long history here in Malta, many of the fine crafts of old have been allowed to decline heavily. The lace industry itself, which is foremost in the field of handicrafts, had for a time all but died away. Other old trades have also been declining for many years such as statuette making, pottery, basket making and filigree production. Recently there has been some revival, but in an unco-ordinated sort of way.

There are great possibilities here for people with initiative who are willing to organise the handicrafts industry properly. The potential rewards should make this a matter for private initiative. But in the absence of sufficient interest, steps should be taken by Government, perhaps through the Malta Development Corporation, to organise a fully fledged Handicraft Industry. Preliminary work is being done in this direction, but much remains to be achieved. Urgent measures are required, firstly, to revive and preserve old skills and to bring about a change of attitudes in Malta's artisans, many of whom are extremely reluctant to attempt to produce new designs, let alone new products. Equally urgent steps are needed to build up an organised system of production and marketing.

These two steps have to go together. The production of handicrafts can only be encouraged if enough financial incentive is offered to the producers. In the past there has been outright exploitation in this field which has tended to act as a deterrent for Maltese artisans to set their nimble fingers to work again and to teach their skills to their offsprings. If there is proper organisation and fair remuneration is given to those who produce the goods, much could be achieved.

An important factor which should be taken into consideration is the availability of female labour. The

female activity rate is growing as more and more women come on the market to seek employment in Industry and Tourism. But the percentage of economically active females is still low. It was 16.7 per cent (of all females aged 14 and over) in 1967, as against a male activity rate of 69.9 per cent (the combined activity rate for both sexes was 41.5 per cent). (23) There remains a large reserve of women-power to be tapped. This should make the expansion of handicrafts easier.

The demand of tourists for handicrafts, if met, would mean more invisible earnings for Malta. Increased production of local handicrafts could also have an import-substitution effect. Because, ironically, substantial quantities of the "Souvenirs of Malta" sold to visitors are produced abroad.

This in itself brings to light another possibility. The production of handicrafts need not be limited to the domestic market only. There are good opportunities to be exploited in the export field as well. The booming souvenir export trade of Hong Kong and Japan is indication enough of this. The demand for handicrafts in near-by Europe is extremely strong and a few enterprising handicraft producers have already established a foothold there, even in handicraft-producing countries like Italy and Germany. But an enormous export potential still remains to be exploited.

Here one encounters the economies of scale limitation again, but this applies only to machine-made souvenirs. Malta can specialise in hand-made products. And, provided these products are of good quality and that we avoid putting out shoddy, cheap imitations, profitable markets can be found. Moreover, it could be possible for the Handicrafts Industry to use the left-overs and waste of other industries for its raw materials to a larger extent than is already being done, and on an organised scale.

(23) Malta Census 1967, Preliminary Report.

Handicrafts, therefore, could provide employment for females, could increase tourist receipts and could also expand Malta's visible export earnings. But immediate measures are needed to develop the industry properly.

To some extent the Handicrafts Industry could be made up of undertakings operating on an industrial basis, each housed under one roof, with their own individual administrations. There is scope for such undertakings, but the potential of the Handicrafts Industry lies to a considerable extent in varied minute enterprises which cannot be pooled together under one roof whether because of their method of production or of long established attitudes which make them reluctant to give up the small base they operate from. In addition, there is the production of handicrafts which could be carried out by individuals in their own home, especially in Gozo, to whom a properly organised Handicrafts Industry, wherein the Island's fine artisans get a just reward for their efforts, could provide a fine means of raising the standard of living whilst allowing the charming character of the place to remain unspoilt.

Handicrafts do not lend themselves easily to modern production techniques; also to rule out the potential existing in old and small enterprises and in individual producers would be to limit severely the scope of such an industry. At the same time, the fragmentation of the Handicrafts Industry is in itself a major disadvantage which the Industry has to face when it comes not simply to producing, but also to selling.

One way in which this disadvantage could be overcome is to organise the Handicrafts Industry on a co-operative basis. (24) As things are, there are already signs that the disadvantages of the Handicrafts Industry due to its fragmentation and to the small size of its component parts are being overcome to an extent when it comes to selling since wholesalers and retailers are taking upon them the

(24) The following arguments have been based on the I.L.O. Study "Services for Small Scale Industry", (I.L.O. Studies and Reports, new series No. 61).



task of putting handicrafts on the market. But this is not enough. Mention has been made above of the necessity to encourage production of handicrafts by enabling producers to get a fair return for their efforts. This can be ensured to a larger extent, and thus the attraction of handicrafts production could be that much increased, if ways and means are found whereby producers can retain a more equitable share of the final price paid by the buyers of handicrafts, whether in the local or an export market. The organisation of the industry on a co-operative basis could contribute enormously towards this since a co-operative association would help the Handicrafts Industry not only by supplying certain services on a common basis, but also by strengthening its bargaining position in the market.

Co-operative organisation can take several forms, such as joint enterprise co-operatives, common facility co-operatives, purchasing and supply societies, credit societies, processing societies, marketing societies, and others. What the Handicrafts Industry appears to require is a co-operative organisation which incorporates aspects of the various forms of co-operatives mentioned above.

A Handicraft Co-operative could be set up as a joint enterprise type of co-operative where the (small) units or craftsmen of the industry pool their activities for joint procurement of raw materials production and sale of products. The operations of the individual members are amalgamated in the sense that control (where applicable) and direction of production and related activities are transferred from the individual members to the Co-operative.

One characteristic of a joint enterprise society is that goods are produced and sold on the society's account, profit accruing to or loss being borne by the society (to which the members contribute share capital and labour). It may not be possible to persuade many small producers of handicrafts to join such a society, as they may not be willing or indeed may not be able, to put up the share

capital required. But this form of co-operative is beneficial to the participants since the members, who cannot wait for remuneration until the financial results of the co-operative are definitely known, earn wages as an advance payment for their labour, and are thus assured of a regular income.

Even if it is not initially possible to set up a Handicrafts Co-operative on a joint enterprise basis, this possibility should be kept open and efforts should be made to explain the net advantages of such an association.

One characteristic which a Maltese Handicrafts Co-operative should certainly include is that of a marketing society. A marketing or sales society may simply serve as a sales agency selling on the members' account, but usually operates by pooling the output of a number of small producers. This latter function — to pool the output of local producers — would be a most important feature of a Handicrafts Co-operative. Economies of scale in selling, especially in Malta's case, when it comes to exports, are important and salesmen can book a large order just as cheaply as a small one. A Handicrafts Co-operative, by making fuller use of salesmen and sales facilities, can not only incur lower selling costs per unit but may also be able to make contact with larger numbers of potential customers and can undertake market promotion (e.g. by advertising, organising displays or appointing agents) both in the home market and abroad.

A Malta Handicrafts Co-operative, as long as it is not on a joint enterprise basis, could also include among its functions that of a credit society, to help meet the financial requirements of the small producers, by supplying credit which could come partly from the savings and deposits of members themselves and partly from outside funds channelled through the co-operative.

The organisation of a Malta Handicrafts Co-operative, therefore, could be a very useful way of promoting a Handicrafts Industry in Malta. Such a Co-operative could

be started by Handicrafts producers or by private concerns. In the absence of such an initiative the initiation of this scheme by a body like the Malta Development Corporation should be given early consideration.

## 7 — SATELLITE INDUSTRIES

**M**ENTION has been made in the two previous parts of this Study of the fact that one of the limited avenues which the industrialisation effort could follow in Malta is to try to attract Satellite Industries, that is, industries producing for a foreign parent company.

Satellite Industries offer an obvious advantage in that they have a ready market — as long as the parent company is healthy. In Malta's case this is doubly important. The limiting factor of the small home market does not affect satellite industries because they do not need local sales; the whole of their output can be taken by the parent company. And this automatically offers a second advantage since it means satellite industries boost exports directly.

Given these two important factors, the attractions of laying emphasis on satellite industries become more pronounced. There is, however, a seemingly debilitating factor which should be taken into consideration.

In speaking of the necessity to industrialise, Malta's needs for more employment opportunities and for export outlets have to be kept foremost in our minds. But there should be other considerations as well.

For example, if we were to have a broad industrial base humming with activity, providing a steady and growing number of jobs, making substantial amounts of export earnings, we would appear to be in a position to say that the two main objectives of our economic planning listed above are being met. On this basis, this would be true even if the bulk of local industries were foreign-owned or foreign-controlled. But, so long as there remained this foreign predominance, it could hardly be said that Industry was on a satisfactory footing. Moreover, this footing would not even be safe.

During the lifetime of the first two development plans, there has been a strong tendency for Malta's developing industry to be foreign controlled. Latterly the situation

has been changing. (25) But the opportunities for local capital participation in projects planned by foreign concerns are still limited, because at times foreign entrepreneurs are chary of allowing locals to take up large holdings in joint enterprises. Moreover, the Maltese public is being given scant opportunities to put its savings in local industry because there are few public companies. Stocks and shares issues are not as yet a popular form of raising capital.

The increasing interest being shown by Maltese entrepreneurs is to be welcomed and encouraged further. At the same time, efforts should be made to provide investment opportunities for local savings. While continuing to welcome foreign entrepreneurs with sound projects, these entrepreneurs should be encouraged in every possible way to enter into partnerships with local interests and to invite public participation.

This would help the economy by channelling savings into local development and it would ensure both that the actual retained benefits from economic development would be higher, and that the future of Industry would be safer, than if the economy was largely controlled by foreign interests.

A situation where local participation is low would be unsatisfactory because the benefits of Industry remaining in Malta would be limited to employment earnings and taxes, as the bulk of realised profits, unless they are ploughed back, would find their way abroad.

And such a situation would not be safe on two counts. Firstly, if the means of production of the economy are controlled from abroad this would mean that when it comes to taking important decisions, Malta's interests may not be put first, (though it need not be necessarily so). It could

(25) As on December 31, 1968, the total paid-up share capital of the aided industries was £3.81 million, of which £1.96 million was Maltese. The foreign element of the paid-up capital was made up as follows: U.K. — £961,709; other Sterling — £13,168; non-Sterling — £1,074,975. Of the 74 aided projects in operation on September 30, 1968, 64 had local participation. (Source: House of Representatives; Malta Development Corporation).

also mean that this sort of economic domination may, at some time or other, put political independence in jeopardy. This Study is not concerned with politics as such. But economics cannot ever be completely divorced from politics.

In the context of the broader politics of the nation, it is not inconceivable that foreign domination of the economy would not be politically acceptable for very long since the people's acceptance of an inherently unsatisfactory situation may be expected to diminish in inverse proportion to the growth of national and political awareness. Such a development could lead to attempts to change the situation, which attempts could have a disruptive effect. From any count, then, it is essential that there should be a satisfactory degree of local participation in the ownership of the means of production so that the Maltese become at least worthy and influential partners in the enterprises of their own country.

Placed against this background, the attractiveness of satellite industries tends to diminish. The objectives of economic planning should ideally be to provide a high and stable level of employment and high and rising export earnings, and to ensure that Maltese capital plays an active role in the economy. Satellite industries meet the first two objectives. But they are not ideally suited for the third aim.

Satellite industries are usually limited to a stage or a few stages of the production process. Other stages are carried out by the parent company which turns out the final product. As such it is not uncommon for the satellite industry to operate at a very low profit, sometimes even at a small loss. This is not of much consequence to the parent firm if it can get a satisfactory return on total outlay by making an acceptable profit margin on the finished goods. But at this end, this means that the local satellite industry is not an attractive opportunity for local financial investment, since such investment decisions are essentially taken on the basis of the return anticipated.



This factor has to be taken into consideration in deciding whether to encourage satellite industries. In our view, this debilitating factor notwithstanding, considerable emphasis should continue to be laid on attracting satellite industries since the acquisition of markets is Malta's major problem in the export field. But efforts should be made to attempt to attract satellite industries which are economically viable in themselves and so are made attractive to local capital. This is not always possible. But it is not automatically impossible, either.

Some satellite industries produce solely for the parent company. But there are other industries which can sell their product elsewhere as well. An apposite example is one of our major satellite industries which produces rubber seals. This is exporting huge amounts to its parent company, employing a high number of workers in the process. At the same time, it is now in a position to offer to supply other markets as well. This type of enterprise should be given every encouragement.

## 8 — OWNERSHIP AND INCENTIVES

WE have come out, on balance, in favour of seeking to attract more satellite industries to Malta as these have the important advantage of bringing markets with them, and markets are what Malta needs most. But the markets problem is not one of entry, but one of retention as well.

For example given the higher degrees of skilled manpower available at present in Malta in comparison to, say, Libya and a number of African countries, in the short-term there should be good prospects for Maltese exports in the African continent (provided local products are competitive in price and quality and that there are effective sales promotion drives). This is so especially when it is considered that, as the standard of living in these countries continues to rise, their demand for more varied goods will also grow. At the same time, as these countries become more and more developed it is likely that they will start producing many of the goods which they are importing now. This means that while seeking to exploit the opportunities offered by the African market, local producers should not assume that their exports in that direction will be constant.

At the moment when local exports to the African continent are accounted for mainly by sales to Libya (which in 1968, with domestic purchases from Malta worth £613,000, absorbed three-fifths of Malta's total domestic exports to African countries). Libya should continue to be a fairly good market, although a limited one, because of its relatively small population of 1.8 million people. (26) But it will only be so if local exporters can meet the changing conditions in the Libyan market to take account of the growth of Libya's own productive capacity on one

(26) In fact exports to Libya are not growing as fast as total exports. Total sales to Libya reached a peak of £950,286 in 1966, but dropped to £814,369 in 1967. In 1968 they recovered slightly to £853,443. But, considering that total exports grew from £9.89 million in 1967 to £14.14 million in 1968, exports to Libya last year were not highly satisfactory.

hand as technical know-how grows, and the expansion of the demand for more sophisticated goods on the other as the standard of living continues to rise. To retain and expand their share of the Libyan market, therefore, local exporters must be able to vary the pattern of their sales there to meet the changing pattern of demand. At the same time, it should be borne in mind that foreign markets have to be constantly cultivated. To win an export order is not enough. Contact has to be maintained with the market if customers are to be satisfied and if new orders are to be won. On the question of maintaining contact with the market and selling to it, two problems present themselves. They are: (a) price and (b) salesmanship. While the importance of offering products at the right price in these days of rising competition cannot be over-emphasised, salesmanship is perhaps even more important than price. Salesmanship to be effective requires people with the right kind of attitude and initiative, people with the capacity to build up and create the right kind of organisation for selling abroad. The small size of a large number of local firms is a limiting factor to this kind of organised salesmanship. Co-operation is therefore necessary among local importers. Attempts being made to set up an overseas trading company deserve assistance by the authorities. Malta's diplomatic missions abroad are helping to assist export promotion. But on their own, they are not enough.

There are other problems facing local producers in our foreign markets. For instance, Britain is Malta's most important outlet. But it could be very dangerous if we were to gear our export industries to rely too much on the British market, attractive as such a proposition may appear.

As it does indeed appear. There are no language difficulties between Malta and Britain; the currency is interchangeable and is likely to remain so barring another devaluation of Sterling; business connections are of a very

long standing; while the Maltese and the British are generally very at ease doing business with each other.

Moreover, a considerable number of the new industries set up since 1959, and not a few of those existing before that, are of English origin.

For all these reasons the temptation to many local industrialists to look towards Britain for their sales is strong indeed.

There is no doubt that Britain will remain, at least for many years to come, Malta's major single market. It is however essential that early measures are taken to ensure that the existing over-dependence is reduced, (see Table 14 below).

It is not just that Maltese exporters have been threatened by such British measures as the imposition of the surcharge on imports in 1964, of a quota on textile imports in 1964 and of import deposits in 1968. Nor that Britain herself is trying to break new ground by entering the European Economic Community. Malta's first consideration must be that the economy should not be overdependent on any one market. Export outlets should be as diversified as possible.

TABLE 14

**EXPORTS BY AIDED INDUSTRIES TO U.K.**

£ millions.

Year	Exports of aided industries	Exports to U.K.
1966	5.45	1.9
1967	5.50	2.3
1968	8.38	3.6

Source: Parliamentary Reply No. 4554. (7.2.69) Compiled

Another consideration which must be borne foremost in mind is our attempt to join the Common Market, irrespective of whether Britain ultimately joins or not

This decision was taken by the Malta Government primarily because we need direct access to a large, rich market; and the E.E.C. is certainly that. (Malta's geographical position as the tail-end of Europe, her distinctly European outlook as well as the possible ultimate political integration of Europe were no doubt other important considerations). But any form of Maltese association with the Common Market must also present problems as well as benefits.

Even if the E.E.C. countries agree to give Malta a breathing space by lowering down their tariff barriers to Maltese goods while allowing us to keep our own tariffs up, this arrangement must only be for a limited duration. At the end of this breathing space Malta would have to dismantle her protective tariff walls and local industrialists must square themselves to meet the heavy winds of competition that may be expected to sweep over these Islands from the North (27)

In anticipation of this, it is most essential to establish a foothold in the European markets as early as possible. But breaking into the Common Market will not be enough since it is unlikely that local industries will be able to compete for long with the large-scale organisations already existing in the E.E.C. and which may be expected to grow in number as well as in size in twenty years' time.

(27) There have already been indications that the Common Market countries may not be willing to extend more than limited concessions to Malta. In March, 1969, the E.E.C.'s Executive Commission suggested that Malta's link-up with the Community should open with a five-year adaptation period, during which Malta would gradually reduce tariffs on industrial and agricultural imports from the E.E.C. by about 35 per cent. For their part the Common Market countries would lower duties on Malta's industrial exports by about 78 per cent and eliminate all quotas on the Island's goods in return for Maltese guarantees that quotas for Community goods would not be reduced. The Commission agreed the adaptation period should be followed by a five-year transition stage, in which the Community would gradually allow free access to Maltese agricultural products. The Island would progressively align herself with the Community's common external tariff and begin to ease restrictions on capital and labour movements and the right of companies to establish themselves in each other's territory. The Commission refused to commit itself beyond this 10-year period and thought it premature to pronounce on Malta's aim of eventual full membership of the Community.

(Vide Times of Malta, March 8th, 1969).

Malta's policies vis-a-vis the Common Market therefore, would once more appear to be limited to the avenues discussed earlier in this Study. We have to establish an export trade in specialised goods, and we should seek to establish European component industries since these will not be competing with, but will be complementary to, European industries.

Steps in this direction should be taken as early as can be and in fact there is already an Italian subsidiary in Malta while a number of German concerns are currently showing a welcome interest. But in this respect, a problem exists because of the provisions of the 1964 Financial Agreement between Malta and Britain under which Malta was promised £51 million in grants and loans between 1964 and 1974. About half of this sum has still to be utilised in the 1969-74 quinquennium.

The financial aid provided for under this agreement is tied aid. Article 4 (1) of the agreement says:—

"Financial assistance provided under the provisions of this agreement may with the prior agreement of the Government of the United Kingdom, be used to meet local costs. As much as possible of such aid shall be spent on United Kingdom goods and services. Imports of goods and services into Malta for the purposes of projects towards which United Kingdom financial assistance is being made available shall be made from sources in the United Kingdom except to the extent that the Government of the United Kingdom waive this requirement on representations from the Government of Malta in relation to specific cases."

This means that whenever the Malta Development Corporation has an application for aid from a non-British concern, should this concern want to utilise all or part of the aid it applies for to purchase, say, machinery from its home source, a waiver has to be obtained from the British Government.

This is a limiting factor on the freedom of action of the Malta Development Corporation when it comes to attract non-British entrepreneurs. More efforts to do away with the waiver proviso are called for, but it is not very



likely that the British Government, which has its own acute balance of payments problem to worry about, will readily agree to do this.

In the circumstances, therefore, other measures are required. We recommend first of all that the Malta Development Corporation activates its right to advise the Minister of Finance to raise further capital in addition to its initial £1 million paid-up capital. Such capital can be raised to the extent of £9 million. (28) At present the Corporation's funds are being used to give medium-term commercial loans. Administrative action can be taken to enable the Malta Development Corporation to use its funds to give the same type of assistance at present given out from United Kingdom funds, at least for interest free loans.

TABLE 15

**NET INVESTMENT ABROAD, 1958 — 1968**  
£ millions

Year	Net Investment Abroad
1958	2.8
1959	6.7
1960	7.7
1961	3.2
1962	0.5
1963	3.4
1964	4.6
1965	4.6
1966	5.6
1967	4.6
1968	6.2

Source: Central Office of Statistics

If this is done, it would enable the Corporation to give out aid as it thinks best without having its freedom of action curtailed as in the case of the moneys made available under the Financial Agreement with Britain. Moreover, this would be a means of attracting local investment. The need for this is becoming more and more urgent. Maltese

(28) Act. No. (XXVII, of 1967, Article 10.

funds are pouring abroad at increasing rates, as Table 15 above shows.

If the Corporation, therefore, issues its own bonds this would put it in a position to put Maltese capital into local schemes as well as making it more possible to try to attract non-British enterprises since it would be able to use its funds as it best thinks fit. At the same time, this raises a real difficulty in that bonds have to be redeemed at some time, which means that the Corporation cannot use such proceeds to give assistance for new or expansion schemes in grant form. This difficulty is very real. However, the industrialisation drive has now gathered enough impetus to justify a revision of assistance policies. Whereas generous grants were necessary in the first decade of Malta's industrialisation plans, it is reasonable to argue that from now on grants to new projects could be done away with or be severely curtailed, and that assistance should henceforth be given through soft loans, income tax holidays, depreciation allowances, etc.

Secondly, in so far as British funds continue to be used by the Malta Development Corporation, we recommend that the incentives offered under the Aids to Industries Ordinance be reviewed to make provisions for non-British applicants for whom a waiver is required.

At present, industrialists can seek assistance in the following forms:

- (i) Financial assistance — available for capital equipment and plant, up to 33 $\frac{1}{3}$ % of the cost, in exceptional cases going up to 50%, by way of an outright grant or a combination of a grant and a loan or an interest-free loan;
- (ii) Factories — provided at an annual rent of 9 pence per square foot, or 3 per cent of capital cost whichever is the higher;
- (iii) Exemption from Income Tax — Total exemption from Income Tax may be granted to new industrial undertakings for a period of ten years. When such exemption has been granted, dividends or profits repatriated to the United Kingdom are deemed to have paid tax at five shillings in the pound and credit is allowed to that amount against U.K. taxation at whatever rate is prevailing. (This concession is available by reason of the double taxation agreement which exists between the United Kingdom and Malta);

- (iv) Exemption from Customs Duties — importation concessions are granted on plant and raw materials;
- (v) Training grants — training grants are available for approval schemes;
- (vi) Investment — in certain cases the Development Corporation is prepared to participate in the industrial companies — either by taking up part of the equity, or by the provision of loans at a favourable rate of interest.

These incentives could be changed to be made more attractive to non-British entrepreneurs who may not be able to meet the conditions emanating from the Financial Agreement. Two ways of doing this are to extend the tax holiday period beyond the present ten-year limit and to give higher training grants as an alternative to capital grants and loans. The exemption from customs duty on raw materials could also be extended. At present this concession is not always being applied beyond a limited extent. The anxiety of the Customs Authorities to collect revenue is appreciated. And it is worthwhile to bear in mind that incentives, whatever form they take, should continue to be given for a limited period only and should be granted to projects which demonstrate that they can become viable when the concessions expire; otherwise we could be encouraging a damaging misallocation of resources. But while all this must be borne constantly in mind, Malta's need, not simply for more industries, but for industries producing a diversified mix of products, supplying diversified markets, and whose ownership and management is not limited to one or two nationalities, remains such that for the next five to ten years, unless the situation improves dramatically, inducements should continue to be offered to entrepreneurs. These inducements should be changed and varied to make the overall diversification mentioned above more possible.

At the same time, early measures should be taken to provide and expand those facilities which industrialists

require, especially in the export sector. One such provision which is urgently required is an Export Credit Guarantee Department. Export Credit Guarantees are essential to exporters and have been recommended to Government time and time again. The creation of an Export Credit Guarantee Department or System should not be delayed any longer as it is something which entrepreneurs interested in Malta certainly expect and which existing industries already require.

## 9 — PROTECTION

IN considering a policy of import-substitution through protective measures as a stimulant to the industrialisation drive, such factors as employment and the balance of payments have to be taken into account together with the feasibility of import-substitution in a market of Malta's size.

One of the main purposes of Malta's economic planning is to create employment opportunities. In the short term, this was and is still necessary because of the run-down of the United Kingdom Services Departments (discussed in Part 2 of this Study). In the long term, the continued expansion of the industrial base from the employment point of view is necessary on very valid socio-economic grounds.

As the Tourist Industry continues to grow, it is essential that it be balanced by a large industrial sector. This is essential first of all on social grounds: a nation which has too large a proportion of its people dependent on Tourism runs the risk that the practice of waiting on other people affects the national character. It is important, therefore, that those employed in the Tourist Industry are counterbalanced by workers employed in Manufacturing Industry, earning their living by their productive skills.

Secondly, it is essential from the economic point of view. It is natural that tourism should form a very important part of Malta's new economy, given the Island's climate, the sun and the sea. However Tourism is a very volatile industry. It is affected not simply by such factors as changes in tastes, habits and fashion, but also by such exogenous factors as the political climate not only in one's country itself, but in surrounding areas as well. Malta's geographical position in the centre of the Mediterranean is useful because through it these Islands have a good climate; but it has its disadvantages in that the Mediterranean basin, or at least parts of it, has a sad

habit of passing through very tense periods and even of erupting into violence at times.

It is important, therefore, that the Maltese economy should not become over-dependent on Tourism and that Manufacturing Industry, as well as Agriculture, should continue to be developed to ensure a relatively safe balance.

Looking at Industry from the balance of payments side, the same arguments used above apply. Malta needs more and more foreign exchange receipts to finance imports. The Services run-down has meant an overall drop in the total of Sterling receipts from Britain. In a few years' time, there could also be a drying up of British aid.

So far, Malta has generally been able to have a positive balance of payments through invisible earnings and capital grants which compensated for a very adverse trade gap. In this respect, receipts of foreign currencies from Tourism, which are replacing the invisible Services earnings, are playing a major role in keeping the balance of payments healthy. But, for the same reasons set out above, it is of paramount importance that the contributions of Industry to the balance of payments should continue to grow.

This contribution can be made in two ways: through direct export earnings, and through import-substitution. Import-substitution is generally propounded as a policy which is useful to a number of less-developed countries on two related counts.

Firstly, a sound and successful policy of import-substitution helps to reduce the import bill and thus it has a favourable effect on the balance of trade. This is generally a very important factor to developing countries which usually suffer from chronic trade deficits. It is certainly important in the case of Malta, whose visible imports are about three times as much as visible foreign sales.

The arguments for a policy of import replacement



hold when the resources used up in producing the import-substitutes cannot be employed more profitably producing exports goods (i.e. if at a given time the same amount of resources producing a given quantity of the import-substitutes cannot be used to produce an amount of exports which would earn a larger amount of money than it would require to buy the given amount of imports rather than substituting it locally). (29)

Where this condition is satisfied import-substitution makes a positive contribution to the trade balance since it means that consumption of foreign goods is replaced by consumption of local goods, and so there is a net saving in foreign exchange expenditure. It also serves to provide employment for Maltese persons rather than for workers in foreign countries, and thus it increases economic activity in Malta both directly and through the multiplier process.

Secondly, import-substitution, apart from its effects on the balance of trade, is useful in that it can facilitate the industrialisation drive. This is achieved where local industry is protected by measures designed to restrict imports. Restriction of imports which can be produced locally enables the difficulty of having to build up internal demand simultaneously with supply to be bypassed. This in itself is not a guarantee of cumulative economic growth, for though industrialisation may be initiated through import-substitution there still remains the problem of sustaining the industrialisation momentum beyond the point of import replacement. (30) But protection, by assuring the local industry of the home market, puts such an industry in a better position to go after export markets. Protective

(29) This argument can also be viewed from a more positive angle, in terms of the theory of the gains from trade. According to this theory the exporting country gains to the extent that goods purchased with the additional export proceeds are worth more than the goods that the resources required to produce the additional exports could have produced in other activities, such as subsistence agriculture, or the import-substitution sector of the economy.

(30) Gerald M. Meier, "Leading Issues in Economic Development".

measures, given that full and proper advantage is taken of them, can help local industry to eventually produce at lower costs and compete favourably with foreign producers both in the home and in the export markets.

There are practical examples of this in the local scene. A number of protected industries have been able to expand their capacity and develop ancillary lines of production and are now making satisfactory impact in exports. Industries producing leather goods, garments and furniture come readily to mind.

Protection is also practised by less-developed countries like Malta because they hold, with considerable justification, that the developed and industrialised countries themselves implement all sorts of protectionist policies. Though tariff barriers to trade are growing lower, following various G.A.T.T. rounds of tariff cutting, the most important of which was the Kennedy Round, all sorts of non-tariff barriers to trade are still in existence which usually hit most the developed countries. In addition, the underlying restrictionist trade policy of the United States, the effect of the European Community, especially of its agricultural policy, on third parties who are not favoured with an associate or special relationship, are also quoted to back the adoption of protectionist policies by the developing Third World. If the rich countries feel justified in indulging in protectionism, how more justified are the poorer countries to do the same, members of the less-developed Third World argue.

This argument is valid not in its emotional, tit-for-tat, aspect, although retaliation unfortunately does play a role in world trade. It is valid in that developing countries cannot, in the early stages of economic growth, compete on an equal footing with the industrialised countries who possess a long headstart in productive techniques, skills and management.

The classical principle of comparative advantage, which would suggest that developing countries should not

try to industrialise since the industrialised countries can produce more efficiently, must give way to such important national considerations as standard of living, employment and balance of payments situations in the less-developed countries (as, indeed, anywhere else).

In fact, the Second United Nations Conference on Trade and Development (U.N.C.T.A.D.II) laid stress that for the time being, what the less-developed countries require is not free trade, but preferential treatment.

As in other developing countries, protection of local industries has to continue to form an integral part of official industrial policy in Malta both in order to bring about a measure of import-substitution, and also to help infant industries which, though geared mainly for exports may need a period of assured local sales to establish themselves. (31) But a policy of protection should also continue to include certain provisions to safeguard the overall interests of both the community and the industrial sector itself.

From the point of view of the community, protection and import-substitution can impose a burden on the public and it should therefore be ensured that this burden is justified. In this respect, the conditions which justify protective measures have been pithily expressed among others by Gerald M. Meier:

"Protection causes society to bear not only the losses that would be incurred by the industry during its period of infancy, but also the cost to consumption in the form of higher-priced import-substitutes during this period. The ultimate saving in costs, therefore, ought to be sufficient to compensate the community for the excess costs during the 'growing up' period" (32)

(31) The traditional infant-industry argument claims that the market process fails to take account of the full social returns from investment in a new industry, and thus sanctions a "social investment" in such an industry, this investment to be financed by charging the consumers of the nation a higher price than they would have to pay on the world market. In other words, it recommends a transfer from the consumers to the producers of the nation, a transfer deemed economically beneficial to the nation in the long run.

The infant-industry argument, if fully worked out, implies that protection should be provided on the scale and for the time-period required for the protected industry to establish its competitiveness.

— Harry G. Johnson, *Lloyds Bank Review*, April 1966

(32) Meier, *op.cit.*

In Malta's case, apart from "ultimate saving in costs", strong consideration has to be given to ultimate positive benefits in the form of employment opportunities and export receipts.

It is also in the interest of all that, from the economic standpoint, protection is given to such industries as can demonstrate sound prospects of becoming viable within a reasonable period so as to ensure an efficient allocation of resources. The social consequences of this is that the community may be made to bear a temporary burden (if the import-substitutes are priced higher than imports), but in return it will ultimately gain a net social benefit.

Another proviso should be that the products of a protected industry should be up to standard. Protected products which are below standard have a harmful effect not only in that consumers, because their choice is restricted by protective measures, are forced to accept inferior commodities, but also because this gives rise to prejudice against local products.

Care should also be taken that protection and import-substitution do not give rise to limitations on the supply side and thus deter exports. This is not very likely in Malta's case, given the size of the local market. But such a situation could come about when resources are diverted from the export sector and home consumption limits the export supply, which could happen locally to a limited extent if there are too many industries which are so heavily protected in the domestic market that they may not be willing enough to seek foreign markets (however mistaken such an attitude might be), or if this heavy protection acts as a disincentive to going all out for increasing efficient methods of production.

As regards Government, protective measures should be used to serve their actual purpose, which is solely to help local industry. This means that when protective tariffs are imposed on any commodity, should protection no longer be necessary, for instance because an industry is wound

up, these tariffs should be removed as soon as protection ends, and should not be retained to maintain the revenue accruing therefrom. Otherwise, it would be fairer to the community if protection is restricted to the imposition of quotas.

Subject to the above provisos, protection as a stimulant of local industry is justified in Malta's case, although protected industries should, as far as possible, go after export markets since the home base is too small to offer wide scope for growth. But import-substitution, though overall a policy which is needed by the economy, affects severely the commercial community in that, where imports are hit by protective measures, importers lose a line of business which they may have been carrying on for many years. This problem, which is very real since it affects, to some extent or other, the livelihood of a sector of the community, will diminish as more businessmen move also into industry. But not all businessmen are going to become industrialists. So the problem will in fact remain.

This difficulty can be overcome if, when a local industry is given protection, every effort is made to utilise the distributive channels existing before protection is implemented, allowing those agents who had been responsible for importing the goods against which quota or tariff barriers are to be imposed to distribute the products of the protected industry on the home market.

It is not suggested that this solution is perfect, that it is the panacea for all the problems presented by divergent interests. Importers may still resent being forced to give up what may have been a good relationship with their foreign suppliers; while industrialists may hold that they can distribute their goods locally themselves.

But these are times of change and when changes are made the interests of somebody or other are always affected, much or little. At times like this, much more than ever, a spirit of compromise is required, compromise based on a recognition on the one hand that change is not only

inevitable but, in this case, necessary, and on the other that those affected by the change are human too and consequently efforts have to be made to minimise their difficulties as far as can be.



## 10 — CONTAINERISATION

AS the trade of the Maltese Islands grows in step with the continuing industrialisation drive, and with the expansion in home demand for imports of both capital goods for Industry and consumer goods demanded by the local population as the standard of living rises, as well as by tourists, loading and discharging port facilities will have to be broadened and improved. In fact the total amount of cargo loaded and unloaded in external trade has already risen very rapidly, as Table 16 below shows: This total topped 900,000 tons in 1968 and may be expected to pass the one million tons mark in 1969 and go well beyond it in the 1970s.

**TABLE 16**  
**EXTERNAL TRADE CARGO, 1964 - 68**

Item	Tons				
	1964	1965	1966	1967	1968
Air freight loaded	123	617	885	1,197	1,652
Air freight unloaded	1,103	976	1,365	1,919	2,708
Sea Cargo loaded	54,008	53,069	63,799	67,000	65,000
Sea Cargo unloaded	604,249	576,978	714,764	766,000	927,000

Source: Central Office of Statistics.

No country so dependent on foreign trade as Malta can progress smoothly unless its ports are equipped to handle the growing volume of incoming and outgoing goods. Malta's lifeline in this sector, the Grand Harbour, was given a new lease of life with the construction of the New Quay. But it is already becoming apparent that a further expansion of the port facilities is required to take into consideration the growing turnover of cargo handled in the medium and long term.

Developments in the world of transport, moreover, necessitate that a study of future cargo handling facilities should be made because, in addition to the local requirement for increased port capacity, both cargo ships and air freighters are changing their character in a revolutionary way.

International freighting in recent years has been passing through what has come to be called the container revolution. Container ships are being built which carry giant capsules in which cargo is usually packed at the factory, loaded on the ship to be taken to the receiving and where the container is unloaded and generally put in a depot whence it is transported to the importer. This cuts handling to a minimum, speeds up loading and unloading and enables vessels to turn round much faster thus increasing the time available for actual transportation.

Containerisation is not the only major development in the world of transport. In the words of the Director of Engineering of the British National Ports Council, Mr. J. T. Williams, "it is the entire field of seaborne transport that is being revolutionised in an unrelenting drive to achieve maximum productivity". (33) The motive behind the rapid developments taking place in transport methods and facilities is the concept of unitisation. This concept, in addition to containerisation, embraces the roll-on/roll-off vehicle ferry, the pre-packing of parcels of cargo on to pallets for ease of handling by modern mechanical aids, e.g. forklift trucks, and the use of standardised packaged units in the specialised timber trade. It is widely held that, within the total concept of unitisation, container services will dominate the general cargo trades, both short sea and deep sea, by the end of the seventies. (34)

These developments must affect Malta. Traffic in the Mediterranean will be increasingly influenced by containerisation, where the Suez Canal is re-opened or not. The

(33) Board of Trade Journal, March 18, 1969.

(34) Ibid.

main shipping lines with vessels plying the routes connecting Europe, the United States, Australia and the Far East already have advanced plans to replace conventional ships with container ships. Major ports like Hamburg, Bremen, Rotterdam and London are already set to become container localities for internal distribution. The Italians are also planning to develop container terminals, possibly in Leghorn and Cagliari.

It may be, should the Free Port project be implemented, that Malta could become a container forward base to provide feeder service to other ports on the Southern Mediterranean littoral. But, irrespective of this possibility, plans have to be made in anticipation of the high probability that part of the cargo handled at Malta in future will be in containers.

While container ships are expected to become the major form of freight transport, it is to be expected that conventional cargo handling will remain to some extent, especially on short sea points. A type of ship which may be expected to come in growing use is the multiple ship, which is equipped to handle both containerised and conventional cargo. It is likely that in the future cargo vessels calling on Malta will include both multiple ships and small container vessels. Facilities have therefore to be provided for container handling.

This presents a number of problems which fall into two broad categories — the physical problem and the problem of siting.

On the physical side, whereas at present the general cargo New Quay berth at the Grand Harbour could serve most vessels that presented themselves, with containerisation different types of berths have to be available. Container berths require huge capital investment; in Britain they are estimated to cost around £2 million to construct. In addition to the container berth, handling equipment is required. It is most unlikely, for various reasons, that cargo in Malta will ever be handled through fully automated systems. As

such there will be no need for highly specialised handling equipment like giant high-speed cranes. Malta's requirement will be for versatile, less expensive equipment such as a small fleet of lift trucks and sideloaders capable of handling efficiently a cargo ranging from small pallets to large containers. This equipment could be used not only for loading and discharging, but also for the movement and stacking of units in the port area.

The physical problem also includes the necessity of supporting land for the construction of an Inland Depot for customs examination of containers and for container servicing.

The siting problem falls in two parts. Firstly, it has to be decided whether to provide (limited, but necessary) container facilities in the Grand Harbour itself, or whether to develop an alternative port to include these facilities, given that it is decided that the Grand Harbour is approaching full capacity and that the growth of loading and discharging of the sort of volume of cargo which may be expected in the medium and short term will create disrupting congestions. Secondly, there is the problem of the hinterland required for the Inland Depot.

In our view, even if eventually another port is developed to complement it, the Grand Harbour will remain a very important centre. Also, the cargo to be handled there in future will in part be in container form. It would appear necessary, therefore, to plan for the provision of container facilities in the Grand Harbour itself especially since it would not be economical to have multiple ships unload conventional cargo in the Grand Harbour and then go on to another port to discharge whatever containerised cargo they may have for Malta. The same applies from the point of view of taking on cargo.

Although it is true that the Grand Harbour at times already displays signs of pressure, this is perhaps due to a large extent to lack of adequate cargo handling machinery. Experienced Port Users feel that present equipment

available at the New Deep Water Quay is only about 50 per cent of what could normally be applied for quicker and more efficient handling. Also, port facilities in the Grand Harbour could be considerably expanded if sites like Ras Hanzir on the East side are taken over and developed.

We would emphasise, however, that what is being attempted here is an exposition of the main reasons why the future development of Malta's port facilities should be urgently planned on the basis of the fast growth of the concept of unitisation, and to make preliminary indications as to the lines which such development could follow. It is beyond the scope and competence of this report to enter into the technical aspects of this matter in any depth; but it is unquestionable that this should be gone into without delay.

It is therefore recommended that an expert study should be commissioned by Government to assess the possible effects of the development of containerisation and of other facets of the concept of unitisation on Malta and to make detailed recommendations on the expansion of the facilities in the Grand Harbour against the background of the feasibility or otherwise of developing a second port.

Containerisation involves not only the building of ships and container terminals, but also the parallel tasks of setting up an inland control system and streamlining and simplifying the procedures and documents concerned.

These tasks will also entail a great deal of preparation and in Malta they are also compounded by the absence of modern port legislation. This shortcoming could be turned into a virtue if legislation is drafted on a sound basis by taking into consideration both the experiences of other countries which are already moving ahead with the changing times in the world of transport, and also the counsel of those persons and bodies in Malta directly connected with the port.

It is recommended, therefore, that Government should set up a committee, to include representatives of shipping

agents, insurers, importers, exporters and the port workers, to advise on the development of the port facilities and the drawing up of up-to-date port legislation.

Finally, early consideration should be given to the very real problem of labour relations in the port, taking into consideration both the present situation and future developments.

The introduction of containerisation has already caused industrial unrest in such places like the United States and Australia. All change creates difficulties and the implementation of the concept of unitisation certainly means radical change in port set-ups. In our case, the anticipated expansion in cargo handled in external trade should be such that, despite the introduction of time saving techniques such as containerisation for part of the cargo flowing through the ports, the total earnings of the port workers should not be adversely affected.

Nevertheless, it is perhaps probable that plans to prepare for handling containerised cargo and the introduction of other facets of the unitisation concept will create initial suspicion and fear. It is recommended, therefore, that in the drawing up of plans for the modernisation of cargo handling facilities, the port workers and their representatives should be fully consulted to ensure as high a degree as possible of mutual understanding of the needs of the country, of the port users and of the workers and on the basis of this understanding to work out the best way in which development can take place.

The extension and modernisation of Malta's port facilities is likely to require heavy capital investment and it should therefore be ensured that the facilities, having been provided, are not left idle because there is no agreement on how they are to be manned. Adequate consultation at every stage of development can go a long way towards this.

In this part on containerisation we have concentrated throughout on seaborne cargo. The container revolution



has also reached the air industry and small containers are in fact already in use for airfreight. The situation will probably change further when the jumbo jet comes into operation. The portion of Malta's external trade cargo transported by air is still a small proportion of the total. This proportion may be expected to grow as the industrial, agricultural and horticultural bases expand.

The effects of containerised air cargo and the arrival of the jumbo jet also require early study in depth.

## 11 — SUMMARY AND CONCLUSION

### SUMMARY

AT the turn of the Twentieth Century, Industry on any substantial scale was not thought to be feasible for Malta because of the lack of natural resources and the small size of the domestic market. A few industries were developed up to the late forties, but industrial development was limited both because of the inherent disadvantages, and also because of attitudes, both public and private, which were not conducive to expanding Industry.

An awareness that the economy, which was heavily based on the activities and expenditure of the British Services in Malta, was in need of diversification began to be felt in the early fifties. Britain's decision to run-down its Forces in Malta necessitated urgent plans to build a new economic base. The First Economic Development Plan was introduced in 1959 and Industry, together with Ship-repairing, Agriculture and Tourism, was given heavy emphasis.

The First Plan, which was reviewed in 1961, fell short of its targets. The Second Development Plan was overtaken by the decision of the British Government in 1966 to start a second Services run-down. An Anglo-Maltese Mission which reported on ways and means to offset the effects of the second run-down, laid emphasis on Industry and set a target of 7,000 new jobs in this sector by 1972.

Both the First and the Second Five-Year Plans have been characterised by under-expenditure of the funds allocated. In the industrial sector progress was registered in the fields of employment and exports. But, taken against the background of the needs of the economy, this progress was not enough. Efforts to accelerate economic growth are now being felt more strongly.

Manufacturing Industry is playing an increasing role in the economy but a large number of factories are still working well below capacity.

Because the domestic market is very small, local industries have to be export based. Malta's best chances lie in (a) industries which can achieve economies of scale with a small output; and (b) industries which produce for large foreign concerns, (i.e. satellite or component industries).

In the first decade of economic planning a great deal of emphasis was laid on textiles. To become over-reliant on one industry is not a sound policy; all the more so when the competition in textiles is growing rapidly. The Textiles Industry contains a number of gaps. Further expansion should be limited to filling these gaps in order to make this industry more homogeneous.

The Handicrafts Industry should be properly organised. This industry makes a considerable degree of specialisation possible. Demand for handicrafts already exists in the tourist sector. Handicrafts also offer good scope for exports. In the absence of sufficient private initiative to organise the handicrafts industry properly, steps towards this end should be taken by Government. Urgent steps are required to revive old skills and to build up an organised system of production and marketing. A co-operative system would appear to be a very suitable form of organisation for the Handicrafts Industry.

Satellite industries are attractive to Malta in so far as they bring their own export outlets with them, and direct access to foreign markets is one of Malta's most urgent requirements.

The attraction of satellite industries diminishes when we also take into consideration the desirability to have local capital participating in Industry. To have the industrial base dominated by foreigners would be dangerous. On the other hand, profitability in the satellite industries is not always such as to make financial investments in them attractive.

On balance satellite industries deserve encouragement, but efforts should be intensified to attract industries which,

apart from supplying their parent company, could go into other markets as well.

The export problem is not only one of penetration into foreign markets but also one of retention. Markets can only be retained if local suppliers can vary their products to keep up with changing demand. Also, to become dependent to a large extent on one single market is not advisable. A diversification of markets is therefore necessary.

Malta is hoping to establish a relationship with the European Economic Community. Competition within the Community is certain to be very strong, even if Malta is given a breathing period before having to dismantle tariff barriers. This period should be used to establish a foothold in Europe which will survive final integration with the Community. Malta, therefore, should try to export to the E.E.C. specialised goods, and should attempt to attract European component industries so that we will have industries complementary to, and not competing with, Europe's industries.

Because of the conditions imposed by the Financial Agreement with Britain which ties aid to purchases from the U.K. the Malta Development Corporation is normally unable to make available financial assistance to non-British enterprises. In so far as the British Government would be unwilling to waive its rights under the Agreement, the Malta Development Corporation should be empowered to raise further capital of its own and to allocate this in such a manner as to make it more possible to attract non-British industries. The Aids to Industry policy should be reviewed so that less assistance is given in grant form. The Corporation should also be empowered to give longer income tax holidays and higher training grants to non-British industrialists who do not qualify for financial assistance because of the Financial Agreement with Britain.

A policy of import-substitution as a stimulant to the industrialisation drive, taken against the background of

Malta's need for employment opportunities and for improved import-export balances, is justified. Protection to local industries to bring about import-substitution, imposes a burden on consumers, but, properly used, protection ultimately results in a net social gain. Protection should be given to industries which can demonstrate sound prospects of becoming viable within a reasonable period; the products of protected industries should be up to standard.

Import-substitution, while overall a policy which is required by the economy, affects severely the commercial community. This difficulty can be overcome if, when a local industry is given protection, every effort is made to utilise the distributive channels existing before protection is implemented.

The volume of external trade passing through Malta's ports is increasing rapidly; this trend may be expected to continue. This is putting existing port facilities under severe pressure. In addition the growth of the concept of unitisation in cargo handling, which includes containerisation, raises the question whether container facilities should be provided in the Grand Harbour and whether a new port should be developed elsewhere.

It is recommended that an expert study should be commissioned by Government to assess the possible effects of the development of containerisation and of other facets of the concept of unitisation on Malta and to make detailed recommendations on the expansion of the facilities in the Grand Harbour against the background of the feasibility or otherwise of developing a second port.

It is also recommended that Government should set up a Committee, to include representatives of shipping agents, insurers, importers, exporters and the port workers, to advise on the development of the port facilities and the drawing up of up-to-date port legislation.

Plans for the implementation of the concept of unitisation will probably create initial suspicion and fear

in the labour field. It is therefore recommended that in the drawing up of plans for the modernisation of cargo handling facilities, the port workers and their representatives should be fully consulted to ensure as high a degree as possible of mutual understanding of the needs of the country, of the port users and of the port workers and on the basis of this understanding to work out the best way in which development can take place.

## CONCLUSION

**M**ALTA'S decision to industrialise has been more or less forced upon her by the British Services run-down. However, although the Island suffers from a lack of natural resources, Industry can be established. The extent to which this can be done is limited; but Malta's absolute needs are such as to make our problems manageable.

Nevertheless, within these manageable proportions correct and early action is required if attempts to industrialise are to prove successful.

In addition to the points made earlier on, we may mention the need to press ahead with the construction of the infrastructure which, ten years after economic planning was initiated and despite the urgent need for it, is still incomplete. Without the provision of an adequate framework the economy cannot move ahead at the speed required.

The introduction of such schemes as an Export Credit Guarantee, which has been recommended for many years, cannot be delayed any longer. Local exporters should certainly make more efforts to sell. But it must be said that they are not receiving all the assistance required from the Central Authorities, and certainly not as much assistance as exporters in other countries are given to promote sales in foreign markets.

The education system needs to be revised so that it can be integrated within Malta's new economy, which calls for new methods, new targets, new thinking.

Throughout, it must be borne in mind that local goods can be sold abroad only if they are offered at competitive prices. Caution is recommended before saying that Malta has an advantage over the industrialised countries because wages here are comparatively low. Wage costs should not be confused with labour costs. Wage costs may be low and the labour costs high both because of the method of production and the size of the plant. Stable industrial relations and realistic wage levels reached the basis on both a fair return for labour and productivity and profitability in Industry are essential factors for the continued healthy growth of the industrial set-up.

Official policy should aim consistently towards a steadily rising standard of living. But care should be taken against the danger of inflation. We must also be on our guard against the possibility that consumption takes up resources which may be required for investment and exports, without which a rising standard of living could not be maintained for long.

The state of the aided industries should be kept under continuous critical review to ensure that these industries, which are accounting for over three-fourths of Malta's domestic exports, remain viable when their tax holidays comes to an end.

Like any other country, Malta must make the best use of every resource that she has got, of land, of climate, of skills, of history, since industrialisation cannot be the one and only solution to our problems. But Industry properly planned and efficiently managed, can certainly make an important contribution towards these Islands' economic growth.



## APPENDIX I

## INDUSTRIAL DEVELOPMENT — ESTIMATES AND EXPENDITURE

£s.

Details of expenditure	Plan Estimate 1959-64	Reviewed Plan Estimate 1959-64	Revised Plan Estimate 1959-64	Actual Expenditure 1959-64	Plan Estimate 1964-69	Reviewed Plan Estimate 1964-69	Actual Expenditure 1964-67	Approved Estimate 1967-68	Actual Expenditure 1967-68	Estimate 1968-69	Actual Expenditure April '68-Feb. '69.
1. Grants for machinery (a)	2,000,000	2,750,000	1,441,750	811,479	2,232,000	2,072,500	898,500	600,000	121,056	650,000	Breakdown not available
2. Grants for factories )		—	—	—	1,291,200	807,000	146,368	170,300	4,431	100,000	
3. Publicity (b)	—	—	—	—	144,000	144,000	18,238	18,000	7,126	20,000	
4. Extension of and approaches to Industrial Estates	—	—	—	—	250,000	250,000	144,302	50,000	75,959	80,000	
5. Improvements to traffic roads	—	—	—	—	50,000	50,000	28,382	10,000	9,428	20,000	
6. Loans for machinery )	500,000	550,000	550,000	319,247	558,000	697,500	126,626	83,000	11,000	100,000	
7. Loans for factories )		—	—	—	—	322,800	807,000	—	20,000	11,000	
8. Construction of a standard laboratory	—	—	—	—	—	—	—	—	—	10,000	
9. Construction and improvement of factories and provision of ancillary services	480,000	1,716,990	1,716,990	1,336,292	1,096,000	682,825	219,165	329,200	165,901	473,000	
<b>Total</b>	<b>2,980,000</b>	<b>5,016,990</b>	<b>3,708,740</b>	<b>2,467,018</b>	<b>5,944,000</b>	<b>5,510,825</b>	<b>1,581,581</b>	<b>1,280,500</b>	<b>405,901</b>	<b>1,473,000</b>	
Completed schemes 1959-64	—	231,188	231,179	202,955	—	—	—	—	—	—	
Completed schemes 1964-69	—	—	—	123,203	—	413,175	369,582	20,800	75,961	27,000	
<b>Total completed schemes</b>	<b>—</b>	<b>231,188</b>	<b>231,179</b>	<b>326,158</b>	<b>—</b>	<b>413,175</b>	<b>369,582</b>	<b>20,800</b>	<b>75,961</b>	<b>27,000</b>	
<b>Total industrial development</b>	<b>2 930 000</b>	<b>5,248,178</b>	<b>3,939,919</b>	<b>2,793,176</b>	<b>5,944,000</b>	<b>5,924,000</b>	<b>1,951,163</b>	<b>1,301,300</b>	<b>481,862</b>	<b>1,500,000</b>	<b>825,981</b>

(a) Includes provision for training grant

(b) Formerly included under item 1

Source: Government Financial Estimates and Central Office of Statistics. Compiled.