THOUGHTS ON THE PREHISTORY OF ECONOMIC DEVELOPMENT PLANNING IN MALTA – FROM THE WOODS REPORT TO THE FIRST DEVELOPMENT PLAN

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Introduction

This paper attempts to outline the evolution, during the period running from the immediate post-World War II years to the publication of the first development plan just a few years before Independence, of key ideas in thinking about economic development in Malta. The development of these elements will be traced through a number of significant documents, official or otherwise.

The hypothesis presented here – one that is still being researched, this paper being more of a report on work in progress – is that, during the period under review, economic thinking about Maltese development was driven by political imperatives in London. There is nothing new or unusual in this, of course – it would appear to be self-evident, axiomatic even, that the affairs of colonies are decided in imperial capitals, in broad outlines and on paper at least. The interesting point is that the very idea that Malta was viable as an independent state, and the economic policies to support this view, appear to have been developed in response to the colonial power’s need to disengage itself from a situation the economic costs of which had come to outweigh the political and military benefits. This does not mean that the inputs of Maltese elites were not significant, only that the ideological and temporal framework that set the stage for the final act, as it were, was determined by the colonial power. The process towards independence was driven, in the first instance, by the needs of the metropolis, rather than by the economic nationalism of the Maltese.

Simultaneously an attempt will be made to relate these developments to the emergence of certain landmark ideas in the international debate on development. In particular, the paper argues that the first version of the ‘Maltese Model’ (as promulgated in the first development plan) is fundamentally similar to, and also contemporary with, the highly influential ‘Irish Model’ inaugurated at Shannon (considered to be the precursor of the export-processing zone model that was to become so influential.
from the late 60s onwards). It will also be argued that the "Interim Report" by Balogh and Seers (a key text locally) contains one of the earliest practical applications in the development planning literature of a concept that was later to achieve widespread currency (or notoriety, depending on one's theoretical perspective) at the hands of André Gunder Frank: the 'Development of Underdevelopment'.

The key official documents that will be cited below are:

- Report on the Finances of the Government of Malta, 1945, by Sir Wilfred Woods (henceforth the Woods Report);
- Interim Report on the Financial and Economic Structure of the Maltese Islands, 1950 (the Schuster Report);
- "An Industrial Survey and Plan for Malta", 1950 (Unpublished, known as the Roskill Report);
- The Economic Problems of Malta: An Interim Report, 1955 (the Balogh and Seers Report);
- Declaration of July, 1955 (Round Table Conference);
- Report of the Economic Commission, 1957 (the Schuster & Scott Report) and the Maltese government’s Observations on the same report;
- Development Plan for the Maltese Islands, 1959/64 (henceforth first development plan).

Changing Perspectives

In 1945 Sir Wilfred Woods, author of the ‘Report on the Finances of the Government of Malta’, better known as the Woods Report, went out of his way to disabuse the Maltese of any ambition for an economic existence that would be independent of British military expenditure. Woods concluded that:

“A survey of other resources [i.e. other than British military spending] leaves the impression that their development is possible to an extent which might slightly modify but could not radically change this dependence on imported money.”

Tourism was similarly discounted – Woods expected that its contribution would be useful, but minor.  

A mere fourteen years later the Maltese were again being lectured, the tone equally patronising but in an entirely different direction. The "Foreword" to the first development plan sets the stage by stating that it had been “recognized for many years that effective measures should be taken to make the economy of the Maltese Islands more viable by reducing dependence on Service spending.” The plan proposed to do this by means of a “sustained attack on the economic development of the Maltese Islands by attracting new industries, developing tourism and carrying out such capital works as will strengthen their economic life”. According to the first development plan:

3 Ibid., 5, para. 7
4 Ibid., 7, para. 12
5 Ibid., 7, para. 12
6 Ibid., 7, para. 12
7 Ibid., 8, para. 14
8 Development Plan for the Maltese Islands, 1959/64 (First development plan). The Foreword to the first development plan is dated 14 October 1959. Earlier that year, in January, the
"The aim of economic and political policy must, therefore, be to make a considerable diversification of the economy in the next few years, the shock of the change being cushioned by the still continuing and substantial, though declining, service spending. Put briefly it means that Malta must get out into the world and earn its own living in other ways than it has done in the past, when its living was secured by the realising of the strategic assets of its harbours and geographical position."

"There is, in fact, no real choice. The only practical course is to direct every effort, of investment, administrative measures and legal machinery, and of the skills of the people, towards the achievements of a self-supporting and viable economy which will, of itself, sustain and in due course improve the living standards now attained."

The authors of the plan could not resist a jibe at some of their detractors, pointing out that the idea that "Her Majesty's Government or some other Government will provide as a free gift, without any strings, the money needed to maintain Malta's living standards, in short that a permanently subsidised nation is a practical proposition" was "demoralising" and "clearly not within the bounds of possibility".

The British Government had announced a contribution of £29 million towards the economic development of the Maltese Islands. These funds, which were to be disbursed over a five-year period, underpinned the Plan. A first draft of the Plan was sent to the Colonial Office in March 1959; the final approval of the Secretary of State for the Colonies was received in August. The foreword acknowledges the assistance of a Dr. Adler, an economist at the International Bank (presumably the International Bank for Reconstruction and Development).

The model proposed in the first development plan was clearly of the type that was later to be labelled Export-Led Industrialisation Fuelled by Foreign Investment and Technology (nowadays part of the reigning economic orthodoxy).

"... 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."

The model therefore required investment incentives if it was to work: "As Malta has no particular advantage to offer to potential industrialists, substantial direct aid is necessary if industry is to be attracted to Malta." This direct aid was to be of two main types:

"... the provision of cheap serviced factories for rental, or if preferred serviced sites, on the new Industrial Estate; and the provision of capital grants, and in exceptional circumstances loans, for industrialists setting up new industries or making major extensions of existing industries."

This model - export orientation plus foreign direct investment (understood as a
package including marketing networks, technology and management skills) attracted to Malta by means of investment incentives, a good productivity/wage ratio and adequate physical infrastructures - was to be embraced with varying degrees of success and few modifications by all Maltese administrations for the next forty years.

Thus, over a span of fourteen years, ‘official’ economic thinking had moved from a purely ‘colonial’ model that considered the Maltese islands to be nothing more than a British military facility that happened to have a small country attached to it, to one where the Maltese islands were expected to find their own way as an independent country. In between there was a relatively brief flirtation with ‘Integration’ - a hybrid model combining economic dependence on Britain with political representation in Westminster.

In other words, Woods’ question as to “whether existing circumstances can be changed so that Malta’s economy can be expanded independently of United Kingdom expenditure in Malta.” had been answered in the affirmative - the Maltese were not only being told that they could live independently of the British, but that they had to.

What had happened? Plenty, both internally and externally, but mostly externally. The controversies that had resulted from the Integration initiative had soured relations between those members of the Maltese elite who were promoting the idea and their backers in the UK. Integration would have made a virtue out of necessity – recognising the fact that Malta was a mere extension of the British economy (via its military spending on the islands) by integrating it into the metropolitan polity. In so doing Integration would also have created conditions that could have been conducive to economic diversification: London would have been obliged to make substantial contributions to development budgets, while political stability would have inspired business confidence. But it was a solution that no longer suited the colonial power. It is possible to speculate that Integration’s backers in Westminster would have been able to find ways and means of saving the initiative, had they really wanted, or needed, to. But times had changed. From a British perspective both the possibility of Integration and incentive to seek it had been reduced as a result of Britain’s straightened economic status was not possible for a fortress, as the British government would have to maintain control of defence and external affairs. The speech is quoted by Balogh and Seers in footnote 2 on page xvi of their Interim Report.

Woods’ prescriptions were already dated by 1950; after the Suez crisis they became positively archaic. And, I would argue, it was these developments that forced independence on Maltese elites. Rather like a ‘flexible’ business that turns over non-core functions to subcontractors, the colonial power had decided to outsource the running of its Maltese interests. The mutually beneficial ‘dependency’ relationship that had tied substantial sectors of Maltese society (elite and otherwise) to British imperial interests would not be dissolved but redefined, reformed in the light of new political conditions. The British were not abandoning their allies, but I would argue that it was the metropolis that initiated, and forced, the change.

It can be argued that the suspension of the constitution in 1958 following the unrest in April of that year provided the colonial authorities with sufficient time and freedom of action to prepare the handover of power to that section of the Maltese elite that was more ‘dependable’. These ‘subcontractors’ had no real say on the terms of the contract, so to speak, but accepted the inevitable. It is difficult to believe that anyone in the mainstream of Maltese politics actually wanted outright independence at that point in time (late 1950s, even if they said they did), or believed that it was possible within the time frame that was eventually adopted. Thus, significant changes in the strategic direction of Maltese economic policy took place at the behest of the colonial power, in response to its own needs and circumstances. Maltese economic nationalism, if such a thing existed at the time, was a ‘reactive’ phenomenon. In these conditions demands for independence were, paradoxically, expressions of impotence.

16 Broadly speaking 1954 to 1958. The issue was put to a referendum in February 1956.

17 Woods Report, 5, para. 7.

18 It can be argued that the very fact that integration had been proposed in the first place, and that London was prepared to entertain it, signified that times had changed, that imperial hegemony was in decline: otherwise why would an imperial power need to consolidate its influence in this way? But these same changes also made the option less attractive.
Precedents

The ideas that were combined to produce 'Maltese model' that was promulgated in the first development plan had been in circulation for several years, generations even. For example the desirability of some degree of industrial development and the difficulties – cultural and material - in its way had already been recognised by the Royal Commissions of 1912 and 1931.

Even before the publications of the 1912 Commission’s findings, a commission had been appointed to consider the establishment of a mechanism for the granting temporary monopolies to persons who wanted to establish industrial enterprises in the Maltese islands. In his presentation to the 1931 Royal Commission, Henry Casolani had shown an acute awareness of the problems:

“But Malta is a peculiar country. She has latent energies awaiting exploitation; she has many interests that require expert re-adjustment; she must carefully conserve and use to her best advantage her precarious resources. Her danger lies in laissez faire: in the fact that at a time when, as a consequence of international depression, she may, at any moment, be overtaken by a grave crisis, her people are sitting down and doing nothing. If they could be made to feel that they cannot go on blinking the facts for ever, half the battle is won, for they would then realise that this is a time for action and not for talk: for improvement in all directions.”

A few years earlier Casolani had written that

“The fact that Malta is, practically, an unproductive country and that it is entirely dependent for her existence on uncertain factors, has long been patent to the mind of every careful observer. In comparison to our imports our exports are a negligible quantity.”

He asked:

“Do we ever realise that this dependence is degrading to our national sentiment? […] Do we ever realise that this dependence is degrading to our national sentiment? Yet, it lies with us to rid ourselves of it and so arrange that the Steamer, the Soldier and the Sailor and the substantial remittances from our countrymen overseas, shall be supplementary and not indispensable to our existence.”

In the late 1940s and early 1950s Elias Zammit and the Federation of Malta Industries, of which he was founder president, were quite vocal in their lobbying for the adoption of some sort of pro-active industrial policy:

“In the past we have been good customers, but those who sold to us have never cared to buy from us what little we could sell, in spite of the Empire Preferential Tariff to which Malta had subscribed since its beginning in 1934. It is imperative that we should conceive a plan for a drive for new industries and improve and extend production to cut imports. Importation depletes our resources and any ‘local’ profits on imports is a mere shift form one pocket to another. Production, and production only, gives what all the world terms ‘recuperative powers’, ‘economic emancipation’ and ‘full employment’.”

Among other things they called for the introduction of a measure of protection from imports, the revision of the customs tariff schedule, and the establishment of a

22 Report of the Commission appointed to consider the expedition of granting temporary monopolies. The report is dated 23rd August, 1911 but was presented to the Council on 6th November 1911 (Council Paper No. 9/1911-12).

23 The commission advised against, partly because “the benefit would accrue totally to the grantee to the detriment of consumers.” (para 11b). Joseph Howard, who was at that time responsible for the management of a substantial manufacturing concern was the only member of the commission to disagree, on the grounds that the availability of imported substitutes would serve to control the price of local production. Howard was to be Malta’s first Prime Minister. The legislation rejected by the commission was enacted during his tenure.

24 Some Economic Aspects of the Constitutional Problem (Evidence of Mr. Henry Casolani to the Royal Commission, Malta, at the sitting of May 5th 1931).

25 Make Malta Prosperous, Henry Casolani, 1924.

26 An Outline for Industrial Development, lecture delivered by Elias Zammit on 19 April 1949.

27 “I have tried vainly but I could not come across one single industrial country in the world that taxes its own imported raw materials as Malta does” pg. 4.
Their report was "... Thus the Balogh and Seers report shares oriented industries. Schuster submitted recommendations covering the taxation of industrial profits, the revision of customs duties, on protective policies and on the granting of monopoly rights. In the same year the Roskill Report (never published) had suggested directions for such developments.

The Interim Report by Balogh and Seers, submitted to Prime Minister Mintoff on 14th June 1955, was perhaps the best example, up to that time, of an attempt at coherent policy making on the part of a section of the Maltese elite. It was also the first time, in a Maltese context, that a real programme of export-led development based on foreign direct investment was proposed. Thus the Balogh and Seers report shares with the first development plan a belief in the export-led diversification of the Maltese economy and in the necessity of attracting foreign investment. The most important difference lies in its attitude towards the colonial authorities - the report is imbued with a sense of entitlement, the idea that years of loyal service to the British empire had created obligations towards the Maltese that could be redeemed by means of substantial economic assistance (the type of ideas that authors of the first development plan described as 'demoralising' and 'clearly not within the bounds of possibility') and the granting of political representation in Westminster. Balogh

28 Balogh and Seers comment that "The strategy required is neither novel nor hard to devise", as it had already been outlined by several experts who had reported before them, particularly Woods (who I also credited with the idea that Malta would benefit from a series of five-year plans), Schuster and Roskill (Balogh and Seers Report, xxiii, para. 89).

29 See, for example, paragraphs 97 to 109, on pages xxv and xxvi. The report was intended to support the Labour administration’s plans for the achievement of ‘Integration’ with the UK. The project echoed (probably unintentionally) the experience of Puerto Rico, which like Malta was under foreign rule (that of the US) but enjoyed a substantial degree of internal autonomy. The legislature of Puerto Rico adopted the Industrial Incentives Act of 1947 which, as amended in 1948, granted private firms a ten-year exemption from insular income and property taxes, excise taxes on machinery and raw materials, municipal taxes, and industrial licenses. The exercise has become known as ‘Operation Bootstrap’.

30 "We have urged, however, that Malta’s case is primarily a moral one: Britain should now contribute to the diversification of an economy that has become so specialised, and should help Malta move towards home standards of living." Balogh and Seers Report, xxxv, para 9.

31 First development plan, 2 para 5.

Thus, the building blocks had been in circulation for a long time, but the specific ways in which they were eventually combined were a function of the external constraints facing the Maltese polity. As British military spending weakened, and limits were imposed on the financial contribution that London was prepared to make towards the general economic development of Malta, there was no alternative but to move, or rather stumble, and be pushed, towards models based on political independence plus exports and foreign direct investment. Ideas sponsored by various Maltese elites did feature in the final mix, but it was the colonial authorities themselves who moulded the disparate elements into a programme. The export-led industrialisation and foreign investment proposed by Balogh and Seers was retained but taken out of its context. For Balogh and Seers (and their sponsors among the Maltese elite) this was only half the programme (the other half being political and economic union with Britain). This turn of events was itself a reflection of the weakness of the Maltese elites in relation to the colonial power. The very tone of the introduction to the first development plan has a paternalistic ‘take or leave it’ feeling to it.

Some Theoretical Considerations I: Balogh, Seers and the ‘Development of Underdevelopment’.

The First Plan is probably the first time in the history of decolonisation that the fate of a whole country - albeit a very small one - was tied to its ability to attract export-oriented foreign direct investment in manufacturing and tourism. The issue deserves to be treated in depth - but it is beyond the scope of this paper. What I would like to do now is to compare some of the ideas that featured in the Maltese debate to notions that were in circulation internationally at the time, or soon after.

As already mentioned in the introduction, the Balogh and Seers report produced one of the first appearances in the development literature of a concept that was to prove

32 Balogh and Seers Report, xxxiii, xxxiv, para. 151.
both influential and controversial – the "development of underdevelopment". The term was first introduced to the sociology of development and to economic history by Andre' Gunder Frank, in late 1960s, and was an antidote to models based on the 'dual economy' thesis\(^\text{33}\) and to the Rostowian\(^\text{34}\) stages of growth approach (the latter approach clearly influential in the drafting of the Second Plan).

Frank claimed that underdevelopment is not to be confused with 'non-development' but is a specific state of affairs caused by the impact of the 'metropolis' on the 'satellite'. According to Frank the metropolis actively 'underdevelops' the satellite by forcing it to grow/change in ways that reflects the needs of the metropolis. The economic structures thus implanted would be associated with class structures that would ensure continuation of metropolis-friendly economic policies even after the achievement of political independence. This was possible because the dominant classes in the ex-colony would have a vested interest in the continuation of 'colonial' economic relationships - their economic interests would continue to coincide with those of the dominant classes in the former colonial power\(^\text{35}\).

Frank's model (which was quite crude but achieved considerable sophistication in the hands of people such as Cardoso and Falletto\(^\text{36}\)) was an attempt to explain the characteristics of Latin American development – e.g. the way in which the trappings of modernity (financed by substantial but unequally distributed wealth) could co-exist with severe economic problems on a structural level. Balogh and Seers do not claim to be launching a new theoretical perspective, but it is clear that the process described by Frank is exactly what they had in mind, as the following quotations from their report will make clear:

"Malta has become increasingly the appendage of the British defence base as the decades have passed. [...] In many ways this development was much to Malta's advantage: her standards of life became significantly higher than those of neighbouring areas much richer in natural resources. She was given, and has taken, the opportunity to acquire and use industrial skills, an opportunity not available elsewhere in the region."

"But reliance on the services involved also a serious distortion of the economy. One consequence was that the people of Malta started importing much more than they exported; already by 1836 imports were nearly double exports. In fact the economy became increasingly an adjunct to the Service establishments. The entrepot trade which had flourished (particularly during the Napoleonic Wars) dwindled in importance; cotton growing and manufacturing, the leading industry of the 19th Century, disappeared; the proportion engaged in manufacturing fell from a quarter of the whole population in the 1851 census to an eight in the 1948; land went out of cultivation, employment in agriculture fell; the fishing industry dwindled to a fraction of its former size; while the fastest growth occurred in commerce and the professions. The Navy and the Army became the main sources of employment."

"The civilian economy is in fact an economic fossil. No major sources of employment or foreign exchange have emerged to succeed to which have disappeared, and to supplement Service expenditure."

"The structure of the Maltese economy must be almost unique in the world. Its exports cover only a very small fraction of its imports, the remainder being mainly covered by the expenditure of the Services on pay and local purchases."

"In the last resort nearly all the incomes and employment on the Island are derived from the United Kingdom Government, as would rapidly be revealed if for any reason it were abandoned as a base."

"... since then the strategic position of the Islands has involved priority being given to defence needs, while no effort was made until quite recently to develop alternative sources of employment or to give the Maltese universal education and social services. Britain is therefore responsible for the peculiar social and economic structure which has grown up in the Islands, a structure the main feature of which is that the Maltese living standards depend wholly on Imperial expenditure."

It is quite clear that Balogh and Seers are referring to a dynamic process that

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33 See, for example, *The Theory of Economic Growth*, by W. A. Lewis (1955).

34 The best exposition of Rostow's views is to be found in *The Stages of Economic Growth: A Non-Communist Manifesto* (1960).

35 One cannot even start to do justice to the complexity of Frank's thought in a such a brief space, but the outline given here suffices for our purposes.

36 See for example *Dependency and Development in Latin America* by Fernando Henrique Cardoso and Enzo Falletto (first published 1971).
combined relatively high standards of living with a severe structural deformation of the economy, in which some sectors (manufacturing, agriculture, fisheries) declined while other (commerce and the professions) grew. A process resulting not just from what the ‘powers that be’ did, but also from what they did not do, and which was driven by the interaction between the interests of the metropolis and those of certain sectors of the satellite social formation. In other words they had in mind something very similar to what the various flavours of Dependency theory would later try to explain.

Dependency theory, especially Franks’ version of it, is no longer fashionable in academic circles, but that does not mean that it cannot yet make a useful contribution to an understanding of our economic history. For example, the ‘timidity and lack of commercial enterprise among Maltese capitalists’ that was observed by the 1912 Royal Commission may indeed have been a cultural obstacle to the industrial development of Malta, but it would have been rooted in pure economic self-interest. All things equal, once risk and other circumstances had been factored in, investments in British and other securities promised a better return than investments in local manufacturing. Profits made on the lucrative import trade (itself dependent on Imperial expenditure) would find their way back to the imperial metropolis via investment channels. Not because the alternatives were prohibited by the imperial authorities, or because Maltese capitalists were unpatriotic or short-sighted, but because the economic conditions created by Empire made this the most profitable option. Industrialisation would have added nothing to the profits of Maltese capitalists, and may have complicated life for the British services by tapping into the substantial ‘reserve army of labour’.

The insistence on pitting the rights of the ‘consumer’ against those of the ‘producer’ – evident at several points in Malta’s economic history, from the above-mentioned recommendation on monopolies in 1911 to the latest debates on the removal of protective levies on the eve of EU accession – though not without economic merit may also reflect the ideology of a dominant ‘rentier’ class. It is interesting to note, in this context, another of the comments made by the eminent (Maltese!) gentlemen who sat on the Commission on Monopolies:

37 Rather than lacking commercial enterprise I would say that our capitalists were risk-averse, like most of their fellows the world over.

38 The Royal Commission reported that income from foreign securities was not taxed. Reference was also made (pg. 25) to considerable wealth in the form of savings invested abroad.

“The Commission are furthermore of opinion that it is not for the Government to suggest the special means, if any could be suggested, which might be conducive to the introduction of new industries in Malta, but that the promotion of suitable technical education, which is rather wanting, would indirectly facilitate the introduction of such new industries by private individuals as may be really required and hold out a hope that their introduction would be attended with success.”

One can hardly be more laissez faire than this. Was this ‘laissez faire’ attitude, also noted by Casolani, the ideology of that fraction of the Maltese elite that had grown fat on the profits of Empire? In effect Empire appears to have created an identity of interests between certain sectors of the Maltese elite (and not only the elite) and the metropolis – an identity of interest which allowed those sectors to become a ‘dominant bloc’ of sorts on the strength of an alliance with the metropolis. An alliance that was ‘anti-developmental’ in its effects, at least as far as the potential for industrialisation was concerned. In the words of one of the more sophisticated Dependency theorists, the colonial power had created a ‘conditioning situation’ . This perspective can also shed light on the tense relationship between Zammit’s Federation of Malta Industries and the Chamber of Commerce – differences between the two bodies continued to be very visible in subsequent years, for example in relation to the much-maligned ‘import substitution’ policies adopted by MLP administrations from the 1970s up to the mid-1980s.

Theoretical Considerations II: The ‘Maltese Model’ and the Export Processing Zone at Shannon

A survey of the development literature reveals that the ‘original’ export processing
zone (the concept is nowadays very influential) is usually considered to have been launched in Shannon, on the west coast of Ireland, in 1959, with the enactment (in December of that year) of the Shannon Free Airport Development Company Limited Act (SFADCo). This event was the culmination of a number of distinct steps and reflected changes in Irish economic thinking that had been maturing gradually over an extended period of time.

The airport at Shannon had enjoyed duty-free status since 1947 [42]; with the foundation of the SFADCo the principles hitherto applied to the transit trade would now apply to manufacturing for export. Moreover, Irish economic policy had been steadily moving away from the autarkic ideologies that had dominated Irish policymaking since before WW2. An Export Promotion Board had been established in 1951 to help exporters develop markets in the UK and in other countries. In 1952 the authority of the Industrial Development Authority (IDA), which had been established in 1949, was extended to cover the promotion of industrial foreign direct investment in Ireland. In 1952 a new State body (An Foras Tionscal) was established to provide grants for capital investment and training in industry and tourism. 1956 saw the introduction of a 10 year moratorium (later extended) on corporation tax on profits generated from exports.

The development model proposed by the First Plan in 1959, and the promotional tools made available under the Aids to Industries Ordinance enacted on 1 January of the same year were equivalent, if not identical, to the Shannon experiment in most important respects (e.g. long-term tax holidays on profits from exports, exemptions from import-duties on imported raw material and capital equipment). The major differences were two. The first was that, unlike Ireland, Malta was not at the time a sovereign and independent country – that was not to be till 1964. The second, perhaps more interesting, difference was that the Maltese 'export-processing zone' was not localised: the Ordinance was enacted almost twelve months ahead of the SAFDCo Act. It was

Enacted on 8th December 1959

Customs-free Airport Act of 18th March 1947.

only years later that the Irish model came to be held up as a model for developing countries to emulate, by which time our own cluster of export-oriented industries was already making a substantial contribution to the Maltese economy, and the Irish most certainly did not copy us. The most reasonable conclusion in that both countries hit on the same solution at about the same time (though the Irish started to take practical steps earlier). Interestingly enough the Shannon initiative was triggered by a realisation that the airport (like the Maltese islands) could no longer rely on its previously strategic location to generate business – newer aircraft flying across the Atlantic did not need to refuel at Shannon. The fact that the two 'export-processing zones' are contemporaries is widely ignored, not only in the international literature on the subject (where extensive searching has failed to find a single instance of the connection being made), but by Maltese observers as well. However, it is a useful reminder of the novelty of the experiment that was underway in Malta. Moreover, the Maltese experience is often unwittingly devalued (often by the Maltese themselves), when Malta is compared Ireland as a whole. Given differences in size and economic structures a comparison between Malta and the Shannon zone would be much more realistic and, I would argue, possibly much more favourable to Malta than many would expect. Moreover, the virulent debates on the import-substitution policies embraced by Labour administrations from the early 1970s to the mid-1980s have served to obscure the very real (though far from costless) export-led development that took place during the 1970s.

Conclusion

The outline that has been suggested here is not intended as a definitive statement, but as an invitation for further research. The politics of Malta's 'decolonisation' have been admirably researched by Pirotta, among others, but the triangular relationship between these political processes, the changes in Malta's economic and social structures, and the shifts in international political economy that occasioned these changes, have been relatively neglected. This paper has provided pointers towards these relationships and towards the contexts in which they ought to be studied. It is my hope that this paper will be the first of many on the subject.

Annex

Declaration of 12 July, 1955

"All parties to the Conference are agreed that the social and economic development of Malta is a necessity and calls for a joint and sustained effort by both countries. To assure the steady advance of the Islands a long-term development plan is being
prepared. Meanwhile, as part of the effort to improve the living standards of the Maltese people, the Conference endorses the following objectives: (i) raising the standards of education and other social services; (ii) increasing substantially opportunities for employment outside Service establishments; and (iii) avoiding unemployment.

It is recognised by the United Kingdom Government and by the Maltese Delegations that improved living standards can be maintained only by increasing productivity and expanding the national income of Malta. With this in view, Her Majesty's Government on their part undertake to contribute to the cost of the necessary capital works, to help secure the technical means and, in the interim period before these measures lead to the required expansion in Malta's own revenue, to assist as may prove necessary in balancing the budget on recurrent account. The Maltese Delegations on their part recognise that the long-term development plan needs detailed elaboration and examination and each delegation pledges its close co-operation with Her Majesty's Government in this common task. They also recognise that the degree of success attained will depend on the hard work and self-discipline of the Maltese people and on the Maltese Government and people making the best possible contribution from their own resources.