

ECONOMIC VULNERABILITY AND RESILIENCE OF SMALL STATES

Malta: 1, 2 and 3 March 2004

VENUE:

The University of Malta Gozo Centre
Mgarr Road, Xewkija, Island of Gozo
Malta

Organised by the



COMMONWEALTH SECRETARIAT
London



ECONOMICS DEPARTMENT
University of Malta



ISLANDS AND SMALL STATES INSTITUTE
Foundation for International Studies,
University of Malta

The objectives of the workshop are to:

- Identify the inherent conditions and factors that lead to economic vulnerability of small states.
- Propose measures which strengthen resilience to enable small states to cope with their inherent economic vulnerability, and a framework to operationalise such measures.
- Examine the existing vulnerability indices and propose methods to develop a resilience index.
- Propose measures that enhance the benefits of economic vulnerability and resilience indices, in terms of supporting decision-making, setting targets and establishing standards, monitoring and evaluating developments, providing quantitative estimates, and disseminating information.
- Issue a statement on economic vulnerability and resilience-building of small states.
- Plan a publication containing the papers presented at the conference and the final statement agreed upon by the participants.

The workshop is structured as follows:

- The first day is dedicated to presentations by invited experts on themes related to inherent conditions leading to economic vulnerability of small states in different regions and on policies and measures which strengthen economic resilience of these states.
- The second day consists of presentations on conceptual and methodological issues in measuring vulnerability and economic resilience, with a view to making a case for special treatment for small states.
- The third day is dedicated mostly to the drafting and approval of a final statement and a discussion on the publication of the workshop proceedings.

Overall coordination:

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Sunday 29 February 2004

Arrival of Participants and transfer to Grand Hotel, Island of Gozo

Monday 1 March 2004

- 0900 Inauguration session:
Dr Eliawony Kisanga, Commonwealth Secretariat
Prof Lino Briguglio, University of Malta
Representative of the Ministry of Foreign Affairs
- 0930 Adoption of Agenda and other introductory formalities
- 1000 Presentation followed by discussion:
"Making a case for special treatment of small states"
- 1100 Coffee break
Presentations followed by discussion on:
"Inherent conditions leading to economic vulnerability of small states
and appropriate policy measures to strengthen economic resilience
for sustainable development"
- 1130 Small states in the Caribbean region
- 1230 Lunch
- 1400 Small states in the Pacific region
- 1500 Small states in the AIMS region
- 1600 Coffee Break
- 1630 Plenary discussion on:
"Policies and measures to strengthen economic resilience of small
states"
- 1730 End of day 1 deliberations
- 1930 Drinks followed by group dinner

Tuesday 2 March 2003

- 0900 Presentation followed by discussion:
"Background information about the development of the economic
vulnerability index"
- 1030 Coffee break
- 1100 Presentations followed by discussion:
"Measuring economic vulnerability and resilience and operationalising
vulnerability and resilience indices"
- 1230 Lunch
- 1400 Presentations by representatives of International/Regional
organisations
- 1800 End of day 2 deliberations

Wednesday 3 March 2003

- 0900 Breakout sessions to draft the final statement on:
"Measures to cope with economic vulnerability and strengthen
economic resilience of small states"
- 1100 Coffee break
- 1130 Plenary session to draft final statement
- 1230 Lunch
- 1400 Discussion on and adoption of final statement
- 1500 Discussion on the publication of papers and final statement
- 1630 Concluding speech by the Hon. Giovanna Debono, Minister for Gozo
- 1700 End of workshop

Economic Characteristics of Small States

The economic characteristics of small states are well documented, and include limited ability to exploit economies of scale; lack of natural resource endowments and high import content (especially of strategic imports such as food and fuel). Other characteristics relate to limitations of diversification possibilities; dependence on a narrow range of exports; limitations on the extent to which domestic competition policy can be applied; inability to influence international prices; and in the case of island states, high international transport costs and uncertainties of industrial supplies due to insularity and remoteness.

Small size also creates problems associated with public administration, the most important of which is probably the small manpower resource base from which to draw experienced and efficient administrators. Another problem is that many government functions tend to be very expensive per capita when the population is small, due to the fact that certain expenses are not divisible in proportion to the number of users.

Economic Vulnerability

There are features which lead to inherent economic vulnerability of small states. Such vulnerability arises from the fact that the economies of small states are, to a large extent, shaped by forces outside their control, mostly due to their high degrees of economic openness and export concentration, and high dependence on strategic imports.

Although economic vulnerability poses serious constraints, many small states have taken steps to build up resilience in order to cope with and withstand inherent vulnerability. Thus economic vulnerability need not necessarily lead to poverty or underdevelopment, but economic backwardness may be associated with limited ability to build economic resilience.

Economic Resilience

The term “economic resilience” has been used to refer to a country’s ability to economically cope with its inherent vulnerability.

In this sense, resilience may be inherent or nurtured. The inherent aspect of resilience may be considered as the obverse of vulnerability, in the sense that inherently vulnerable countries would also lack inherent resilience. Nurtured resilience on the other hand, is that which can be developed and managed, often as a result of deliberate policy.

Recently, there has been considerable debate on the issue of building resilience in small states. This issue is important because it carries the message that these states should not be complacent in the face of their inherent vulnerability. In other words they should take measures, possibly supported by the international community, to strengthen their economic, environmental and social resilience.

In addition, the discussion on resilience sheds light as to why a number of vulnerable small states have managed to achieve a notable level of economic development in spite of their economic vulnerability.

Reference is made here to the “Singapore Paradox” where an inherently economically vulnerable small state has managed to cope with its inherent vulnerability through deliberate economic development policies.

Measuring Vulnerability and Resilience

There have been various attempts at measuring economic vulnerability. The vulnerability indices produced so far, including those developed by the University of Malta and the Commonwealth Secretariat, indicate that Small Island Developing States, as a group, tend to be more economically vulnerable than other groups of countries. Recently, there have been calls for measuring resilience. It would be useful to render vulnerability and resilience indices operational, with a view to making a case for special treatment of small states.