Speech by Mr Speaker

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Workshop B: Workshop B: Building Sustainable Economies in Small Branches

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As they say, 'no man is an island', and I find this particularly fitting when it comes to the majority of the Small Branches of the CPA. We have had to cope and come to terms with our scale, and in spite of that – or dare I say thanks to – we have succeeded to build on our strengths to make our economies sustainable. If we didn't cope until now, we certainly would not be where we are today.

One of the most striking realities that Small Branches face is that of lack of natural resources, which means we need to be more creative when designing the foundations of our economies. Allow me to refer to when the Small Branches' Second Official Workshop met in Malta in 2019 discussed exactly this aspect. At the time we spoke about trade opportunities for small states, the development of the tourism sector, education, integration and equality, renewable energy and energy independence, ocean management and climate change and food security.

For many years, tourism has been a significant contributor to the Maltese economy. Unfortunately, it has been one of the most impacted as a direct result of the COVID-19 pandemic. Studying the impact of COVID-19 on the tourism industry may therefore offer important lessons for small branches by understanding how the authorities sought to improve the resilience of this important sector. No small, open, tourism-based economy will ever be free of the threat of a global pandemic. One other threat that hangs over us is that of climate change and extreme weather conditions that impact hugely small countries. It is thus crucial that we observe and learn how to recover quickly from such situations so that our economies can return to prosperity.

In Malta, for example, rather than looking at agility and attractiveness, we have seen that tourism has rather taken a step backwards and reverted to the drawing board to revise a number of strategies. COVID-19 can never and should not be treated as a short- or medium-term blip in performance, after which destinations and travellers strive to rush to return to the previous normality. Numerous experts speak about a new normal, a post-COVID-19 reality which necessitates a paradigm shift from the previous economic model governing the tourism industry until the end of 2019. We can reasonably expect that travellers will increasingly be seeking safer destinations which offer less uncertainty in the face of potential sudden adversity.

Speaking from my local aspect, in the past weeks the Maltese Government has revised its policy to a new strategy which will cover the pandemic period up until 2030. The Strategy identifies the path for the long-term sustainable and responsible development of the tourism sector with the main objective being the mainstreaming of the three pillars of Sustainable Development, namely Economy, Environment and Social Cohesion. It asserts that Malta's tourism policy needs to shift to a growth scenario which is increasingly based on a healthier mix of quality and quantity over the next decade, with the introduction of policies that focus on the operational level of the tourism industry and a greater understanding of the barriers and possible solutions required for the implementation of a sustainable policy in the long term.

In an effort to stimulate domestic expenditure, the Maltese government announced an Economic Regeneration Plan in June 2020, representing a further economic injection of €900 million. Funds were allocated to help companies adapt their business models, and hotels were exempted from paying Malta Tourism Authority (MTA) licences on their properties and food and beverage operations for the year. Most of the measures introduced during the semi-lockdown period were subsequently extended until March 2021. Moreover, Malta also sought assistance from the European Commission, which provided state aid schemes to support the Maltese economy. This is evidence of the theory that, when seeking to reduce the impact of an economic shock, small states seek the economic shelter afforded by international organisations to offset inbuilt structural weaknesses with external assistance.

During the pandemic, local tourism was also encouraged, with "staycations" in Maltese hotels for locals. An incentive was given by the Government, where, in direct relation to the tourism industry, €100 vouchers were provided to all Maltese residents aged 16 and over, 80% of which to be spent directly within catering and accommodation establishments, and the remaining 20% to be spent in the retail sector. This measure was intended to ease pressure on the citizens whilst simultaneously stimulating the economy by bolstering domestic tourism.

The agility with which small states are able to respond to crises contrasts starkly with the situation in larger countries which often struggle to deliver the sustained political consensus required to achieve timely structural reform and fiscal consolidation.

Another concern that the world is finding itself have to contend with is that of food security. This is especially true for small islands due to the vulnerability and limited scale of agriculture facing uncertain impacts from the evolving climatic changes. Agriculture has been the mainstay for survival and economic development in many small islands, especially those which are more remote. There is usually great competition for land resources from tourism, agriculture and other land activities, and the various uses should be carefully planned. Additionally, many islands are highly dependent on imported food and agricultural products, and very susceptible to changes in world food prices.

Over the past decade, many small islands have experienced considerable increases in trade deficits. These are among the most open economies in the world, and thus particularly vulnerable to external shocks.

These challenges and opportunities are typified by some of the major trade developments being faced by Caribbean and Pacific Small Islands – where I look forward to discussing this further later on during this session. In the Caribbean, challenges may include the erosion of trade preferences and the increase of the global market share of the changes in global markets and loss of preferential market access for traditional products - such as sugar, bananas, rice - leading to the further marginalisation of many small islands, putting them under increased pressure. The ongoing process of regional trade integration offers several opportunities but slow progress in achieving regional integration has thus far limited some of the gains.

To move from a position of vulnerability and dependence to one of resilience, small island economies must also explore new areas of economic development and strengthen diversification strategies. Sound inter-linkages between sectors like agriculture, tourism, industry, ICT, finance etc. The services sector, and in particular agro-tourism, represent a genuine opportunity to link local producers to agribusiness.

According to studies by the United Nations Environment Programme Green, the economy transition promises multiple benefits for Small Islands Developing States (SIDS) to better manage natural capital, protect the environment, create green jobs and achieve sustainable development. Agribusiness and the private sector is an important development tool for less resourceful countries, promoting growth, generating employment and promoting public-private partnerships. Small and medium-sized enterprises are key to the economies in developing countries in terms of employment creation. When the agribusiness potential is underutilized, this leads to a high level of imported food products, often higher prices and lack of investments and support to the local producers and exporters. Greater involvement of the private sector in designing and implementing viable local and export food industries should be encouraged.

Ladies and Gentlemen, allow me also to refer to what has become to be known as the Blue Economy.

Studies have shown that by 2030, many ocean-based industries have the potential to outperform the growth of the global economy, both in terms of value added and employment. These industries include offshore wind, tidal and wave energy; offshore aquaculture; cruise tourism; maritime surveillance and marine biotechnology. Projections suggest that the ocean economy could reach over US$3 trillion by the end of the decade.

The benefits of investing in an ocean economy are clear, and it is estimated that each dollar invested will yield, on average, five dollars in return. Small island developing States can reap the benefits of a rapidly growing ocean economy. While they may be small in size, many refer to themselves as 'large ocean states,' and clearly for good reason. Through their exclusive economic zones mean that they control some 30% of all oceans and seas. The size of some exclusive economic zones is truly breath-taking. For example, Saint Lucia has a marine reserve the size of Germany, while Tuvalu has an exclusive economic zone 27,000 times its land mass. The combined zones of Mauritius and the Seychelles represent an area bigger than India.

Small island developing states have long been stewards of vast ocean spaces spanning the Indian Ocean, Pacific and Caribbean and they are leading the way in leveraging their ocean resources for economic development and climate action.

Take Seychelles for instance, whose former President, Danny Faure once called the blue economy the "next frontier of our development." In 2018, Seychelles launched the world's first sovereign blue bond, mobilizing $15 million for blue economy projects to fund climate action, as well as sustainable marine and fisheries projects. Similarly, in March 2020, the country secured the first-ever climate adaptation debt restructuring, which forgave part of its foreign debt in exchange for designating nearly a third of its ocean territory, an area larger than Germany, as a marine protected area.

With run-away climate change and a global economy still reeling from the impacts of the COVID-19 pandemic, the investments by island nations in their ocean economies also strengthens their resilience to external shocks. But with limited resources they cannot do it alone. The business community, both local and international are critical partners. Their success is intimately tied to the success of ocean economy strategies by SIDS governments which in turn impact business sectors such as tourism, airlines, fisheries, shipping and emerging sectors such as biotechnology and ocean energy.

To be clear, the examples set by SIDS is not about business as usual. What island nations are demonstrating is that benefitting from ocean resources is not a zero-sum game. Conserving the ocean protects marine life and generates economic growth for island and business communities alike.

One final thought I wanted to share with is the advantages, especially for small countries like many of us, to be politically neutral and non-aligned, and not belonging to any defence alliance. This has been the case in Malta for many decades, and thanks to its neutral status has always been considered as a credible interlocutor and well-placed to mediate freely and without any conditions. this status is also supportive of a strong and active parliamentary diplomacy structure, where positions taken are not limited by the country's political ties.

Ladies and Gentlemen, there is surely much more to be said, but I look forward to a productive discussion and to hear your views when the floor is open.