Malta and the EU

Tim Allen

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Fig. 1: Malta's foreign trade

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Malta's international trade balance is traditionally in deficit: as a country with very few natural resources and a Mediterranean agriculture which does not allow for self-sufficiency, it depends very much on revenues generated by the tourism industry. As with the case for Cyprus, Malta's current account balance was less in deficit in recent years since a substantial negative trade balance was partly offset by a positive balance in services (which includes tourism - see figure 3). However, Malta's imports amounted to a relatively high 75% of GDP, while Cyprus imported goods worth around 40% of its GDP in 1998. Malta's economic expansion over the past years was characterised by GDP growth of around 4% with unemployment standing at 5% and relatively low inflation (see also page 3 for comparison with EU).

Trade figures remained reasonably stable throughout the decade: less than half the amount imported was exported each year, meaning that the trade deficit stood at around ECU 0.6 - 0.8 bn during most of the period. In 1998, both imports and exports increased in comparison to the previous year. The latest EU data\(^1\) for 1999 (EU trade with Malta Jan-June 1999, EU exports to Malta down by 2.6% and EU imports from Malta up by 9.6%) seem to point towards an improving trade balance for Malta vis-à-vis the EU. It is worth noting that historically almost all the Maltese deficit is with the EU, and indeed in 1997 and 1998 the EU accounted for the total deficit.

\(^1\) See "External and Intra-EU Trade, Monthly statistics, 1/2000"
More primary materials were imported than exported over the period, while imports of manufactured articles clearly dominated exports (see fig. 2). Given the few local resources of the country, most of its exports are generated by foreign companies which de-localise parts of their production to the island with its favourable tax conditions (the value-added tax was only reintroduced in 1999). This appears to be the case with the electronics trade, since roughly half of its exports were in electronics components, mostly coming from France and Singapore and destined after assembly for the EU market (although an increasing trade flow was heading back to Singapore – see table 1 and 2). Overall, Malta reported to have imported goods worth EUR 2.4 bn while it exported around EUR 1.6 bn worth in 1998. This contributed to around 1% of total trade of the candidate countries, while exports amounted to roughly 50% of GDP. Malta’s total trade in goods was a quarter that of Luxembourg and roughly comparable to Latvia’s trade figures.

Singapore 6th trading partner

A bit more than half of Malta’s exports in 1998 were destined for the EU market, while it bought slightly more than 70% of its imports from the EU (see table 1). When ranked in importance as trading partners (i.e. adding up all exports and imports), six EU Member states were among the top ten partners with France and Italy leading the way. In this manner, the USA (ranked third), Singapore (sixth), Japan (seventh) and Libya (ranked tenth – with a large part being trade in crude oil) were some of Malta’s more important non-EU trading partners. Roughly half of Malta’s exports went to countries outside the European Union – a higher share than found with most candidate countries. As mentioned

![Statistics in focus — Theme 6 — 7/2000](image)
above, Maltese-Singaporean trade became increasingly important for the country.

EU trade mostly with France and Italy

Nevertheless, trade with the EU was of considerable importance to Malta. In particular France was Malta’s single most important trading partner: it absorbed roughly a third of Malta’s exports into the EU and was behind around a fifth of EU exports to Malta. Italy, Germany and the United Kingdom also had noteworthy shares, while most other EU Member states had weaker trade relations with Malta.

Intermediary goods stand out

EU-Maltese trade by product was characterised by relatively equal shares in EU exports and imports of intermediary and equipment goods between 1996 and 1998. Consumer goods also represented a large share in total imports (see table 3). The automobile trade on the other hand played a substantially smaller part than in most other candidate countries. The reason for this might be that the number of cars per household is relatively high, e.g. the cars market more saturated.

> ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.
13 Candidate countries: Bulgaria, Malta, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Turkey.
Data sources: External trade data: Customs sources. Eurostat Comext database; Malta’s data are taken from the UN Comtrade database; EEC special trade domain for bilateral trade between the EU and Malta. Divergences between the two sources on figures concerning bilateral trade can be partly explained by the use of different methodologies and concepts.
Balance of payment data: Please note that trade figures used for balance of payments purposes may differ marginally from those used in external trade statistics.

System: Special trade.
Classification: Third revision of the Standard International Trade Classification (SITC). The nomenclature used in table 3 (CEA or Classification for Economic Analysis) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators that are less geared to production analysis.
Statistical values: EU: CIF values for imports and FOB values for exports; Malta: CIF/FOB.
In this report, 1 Bn ECU = 1000 million ECU.

Fig. 3: Malta’s current account: good vs. services

![Graph showing Malta’s current account balance for goods and services from 1994 to 1998.]

Source: IMF.

Tab. 3: EU-Malta trade by products classified by type of use, 1998

<table>
<thead>
<tr>
<th>Product groups</th>
<th>Imports 1998 (Mio ECU)</th>
<th>Share in total (%)</th>
<th>Variation 98/96 (%)</th>
<th>Exports 1998 (Mio ECU)</th>
<th>Share in total (%)</th>
<th>Variation 98/96 (%)</th>
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<tbody>
<tr>
<td>Total</td>
<td>764</td>
<td>100.0</td>
<td>-2.1</td>
<td>1976</td>
<td>100.0</td>
<td>2.8</td>
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<tr>
<td>Agricultural products</td>
<td>7</td>
<td>1.0</td>
<td>-9.3</td>
<td>25</td>
<td>1.3</td>
<td>0.3</td>
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<tr>
<td>Food products</td>
<td>2</td>
<td>0.3</td>
<td>-4.3</td>
<td>159</td>
<td>8.1</td>
<td>9.7</td>
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<tr>
<td>Consumer goods</td>
<td>257</td>
<td>33.7</td>
<td>2.4</td>
<td>238</td>
<td>12.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Automobile</td>
<td>7</td>
<td>0.9</td>
<td>112.6</td>
<td>100</td>
<td>5.1</td>
<td>4.6</td>
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<tr>
<td>Equipment goods</td>
<td>140</td>
<td>18.4</td>
<td>10.6</td>
<td>388</td>
<td>19.6</td>
<td>10.6</td>
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<tr>
<td>Intermediary goods</td>
<td>313</td>
<td>40.9</td>
<td>-3.5</td>
<td>829</td>
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<td>5.4</td>
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<td>Energy</td>
<td>10</td>
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<td>-57.0</td>
<td>212</td>
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<td>Miscellaneous products</td>
<td>10</td>
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<td>-45.0</td>
<td>11</td>
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Source: Eurostat.

Basic figures for 1998

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<tr>
<td>Population (Mio)</td>
<td>0.4</td>
<td>374.6</td>
</tr>
<tr>
<td>GDP (in ECU)</td>
<td>8 276</td>
<td>19 868</td>
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<tr>
<td>Unemployment rate</td>
<td>5.1%</td>
<td>10.0%</td>
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<td>Inflation rate</td>
<td>2.4%</td>
<td>1.3%</td>
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Further information:

Reference publications

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