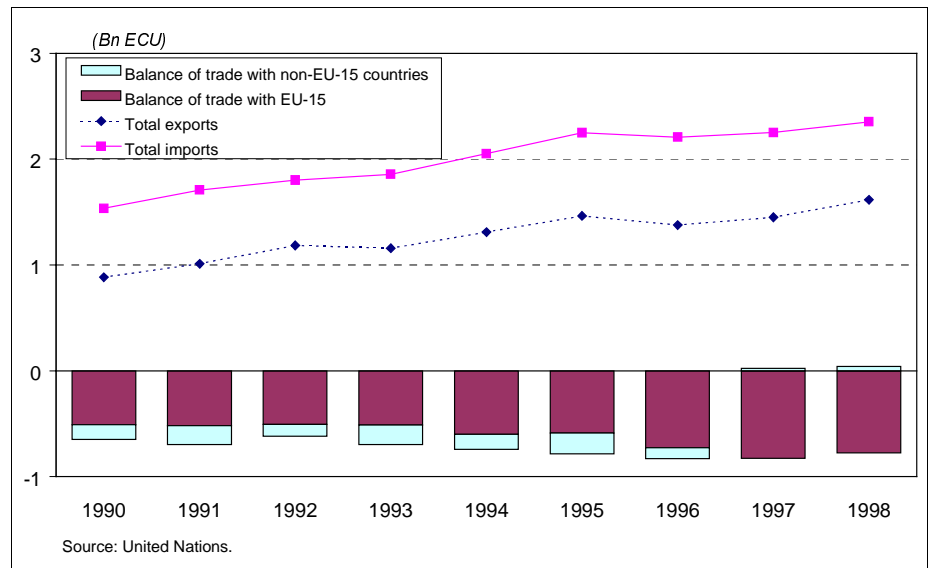


# Malta and the EU

Tim Allen

Over the decade, Malta imported considerably more than it exported, while import and export growth remained modest. A lack of natural resources have made trade important to the Maltese economy with imports amounting to a relatively high 75% of GDP in 1998. Roughly half of Malta's exports went to countries outside the European Union, while EU-trade was mostly conducted with France and Italy. Electronics took an important part of total trade.

Fig. 1: Malta's foreign trade



## Trade important

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<sup>1</sup> 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"

## Statistics in focus

### EXTERNAL TRADE

THEME 6 – 7/2000

## Contents

Trade important .....	1
Electronics dominate .....	2
Singapore 6 <sup>th</sup> trading partner...	2
EU trade mostly with France and Italy .....	3
Intermediary goods stand out..	3



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## Electronics dominate

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 ECU 2.4 bn while it exported around ECU 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 6<sup>th</sup> 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

Tab. 1: Malta's trade by main partners, 1998

Partners	Rank	Imports			Exports <sup>1</sup>			Balance
		Value 98	Share	98/97	Value 98	Share	98/97	Value
		(Mio ECU)	(%)		(Mio ECU)	(%)		(Mio ECU)
<b>Total</b>		<b>2 351</b>	<b>100.0</b>	<b>4.4</b>	<b>1 616</b>	<b>100.0</b>	<b>11.5</b>	<b>-735</b>
EU-15		1 629	69.3	1.3	853	52.8	9.1	-776
France	1	419	17.8	12.4	335	20.7	20.4	-84
Italy	2	453	19.3	-0.6	76	4.7	-7.5	-377
USA	3	209	8.9	17.1	293	18.2	34.6	84
Germany	4	246	10.5	9.6	204	12.6	4.8	-42
United Kingdom	5	291	12.4	-12.4	124	7.7	5.3	-167
Singapore	6	155	6.6	61.1	235	14.5	57.7	80
Japan	7	81	3.5	5.3	37	2.3	-27.2	-45
Belgium-Lux	8	30	1.3	4.7	63	3.9	13.3	33
Netherlands	9	58	2.5	-1.5	29	1.8	-13.3	-29
Libyan Arab JM	10	37	1.6	-18.3	44	2.7	-23.3	7

### For comparison (%)

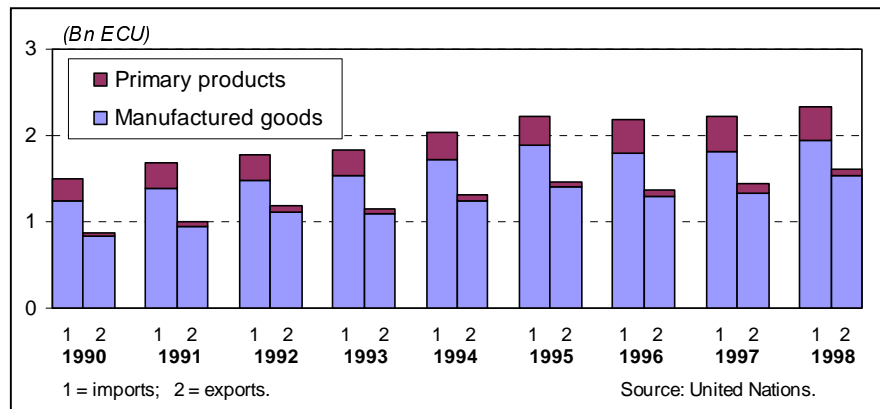
	Imports		Exports		Balance
	Share	Var. 98/97	Share	Var. 98/97	Share
in GDP	75.1	-1.6	49.1	5.1	-23.5
in candidates countries total trade <sup>2</sup>	1.3	-1.5	1.2	3.5	-
in world trade	0.06	-1.3	0.04	7.0	-

<sup>1</sup> Total exports+re-exports.

<sup>2</sup> See list of the 13 candidate countries page 3.

Sources: United Nations, IMF.

Fig. 2: Malta's trade by product group



Tab. 2: Malta's main imports and exports, 1998

SITC Rev. 3 products	Value 98	Share in total	Cumulated share	Variation 98/97
	(Mio ECU)	(%)		
<b>Main imports</b>				
77 Electrical machinery of which	791	33.6	33.6	24.4
7764 Electronic integrated circuits	658	28.0	-	28.0
89 Miscellaneous manufactured articles	112	4.8	38.4	-4.8
78 Road vehicles	111	4.7	43.1	-2.2
<b>Main exports<sup>1</sup></b>				
77 Electrical machinery of which	921	57.0	57.0	27.1
7764 Electronic integrated circuits	843	52.2	-	28.3
84 Clothing and clothing accessories	134	8.3	65.3	-7.0
89 Miscellaneous manufactured articles	118	7.3	72.6	-0.3

<sup>1</sup> Total export + re-export.

Source: United Nations.

above, Maltese-Singaporean trade became increasingly important for the country.

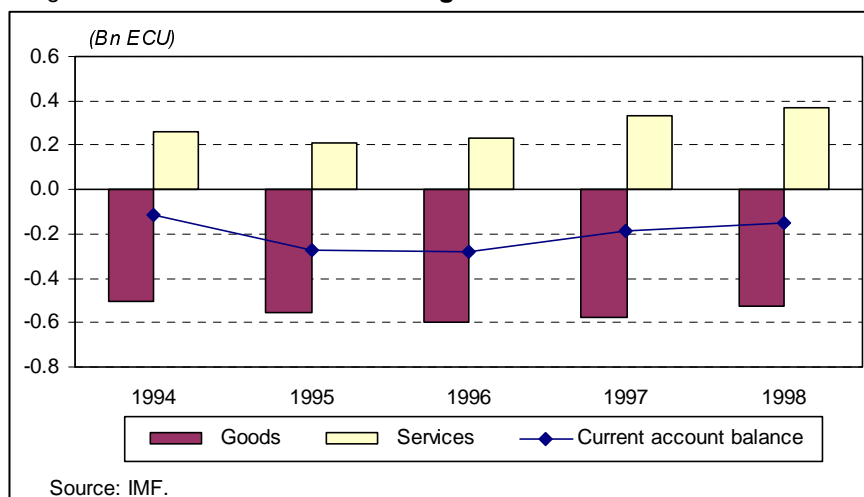
### EU trade mostly with France and Italy

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.

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



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

Reporter: EU-15; partner: Malta

Product groups (CEA)	Imports 1998	Share in total	Variation 98/96	Exports 1998	Share in total	Variation 98/96
	(Mio ECU)	(%)	(%)	(Mio ECU)	(%)	(%)
<b>Total</b>	<b>764</b>	<b>100.0</b>	<b>-2.1</b>	<b>1 976</b>	<b>100.0</b>	<b>2.8</b>
Agricultural products	7	1.0	-9.3	25	1.3	0.3
Food products	2	0.3	-4.3	159	8.1	9.7
Consumer goods	257	33.7	2.4	238	12.0	4.6
Automobile	7	0.9	112.6	100	5.1	4.6
Equipment goods	140	18.4	10.6	388	19.6	10.6
Intermediary goods	313	40.9	-3.6	829	41.9	5.4
Energy	10	1.3	-57.0	212	10.7	-16.9
Miscellaneous products	10	1.3	-45.0	11	0.6	-34.2

Source: Eurostat.

## ➤ 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.*

### Basic figures for 1998

	Malta	EU-15
Population (Mio)	0.4	374.6
GDP/capita (in ECU)	8 276	19 868
Unemployment rate	5.1%	10.0%
Inflation rate	2.4%	1.3%

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# Further information:

## ➤ Reference publications

Title External and intra-EU trade – monthly statistics  
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