

Competitiveness of Small States: Insights on Flexible Specialisation

Godfrey Baldacchino
University of Malta, Malta

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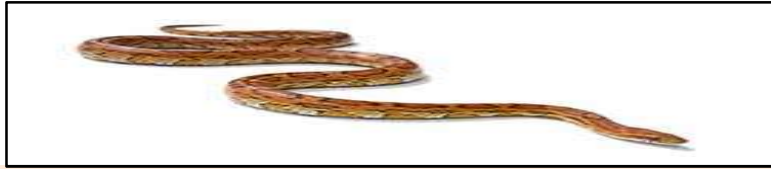
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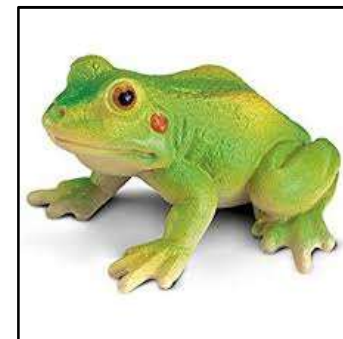


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The adjustment strategy of the small European states is summed up by the story of the snake, the frog and the owl. Fearful of being devoured by the snake, the frog asks the owl how he [sic] might survive. The owl's response is brief and cryptic. Learn how to fly. None of the small European states have to soar like the eagle. What they have learned to cultivate is an amazing capacity to jump. Although they appear to land on their stomachs, in fact they always land on their feet and retain the ability to jump again and again in different directions, correcting their course as they go along. In a world of great uncertainty and high-risk choices, this is an intelligent response. Enough frogs can escape snakes, and the small corporatist states can continue to prosper: not because they have found a solution to the problem of change but because they have found a way to live with change (Peter Katzenstein, *Small States in World Markets*, 1985, p. 211).





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Planning for development, or to secure development funding?

First Plan (1959-1964): **Disappointing**

Second Plan (1965-1969): **Exceeded Expectations**

Third Plan (1970-1974): **Disappointing**

Fourth Plan (1973-1980): **Exceeded Expectations**

Fifth Plan (1981-1985): **Disappointing**

Sixth Plan (1986-1988): Aborted

Strategy of flexible adaptation
Economies of scope
Resist early and obsessive specialisation
Quick response to emerging opportunities
Quick and intimate involvement of political class
Occupational multiplicity
No powerful land owning elite to push for rural interests
Learning about, managing and coping with change

The smaller the jurisdiction, the larger looms the influence of exogenous variables, beyond its control.

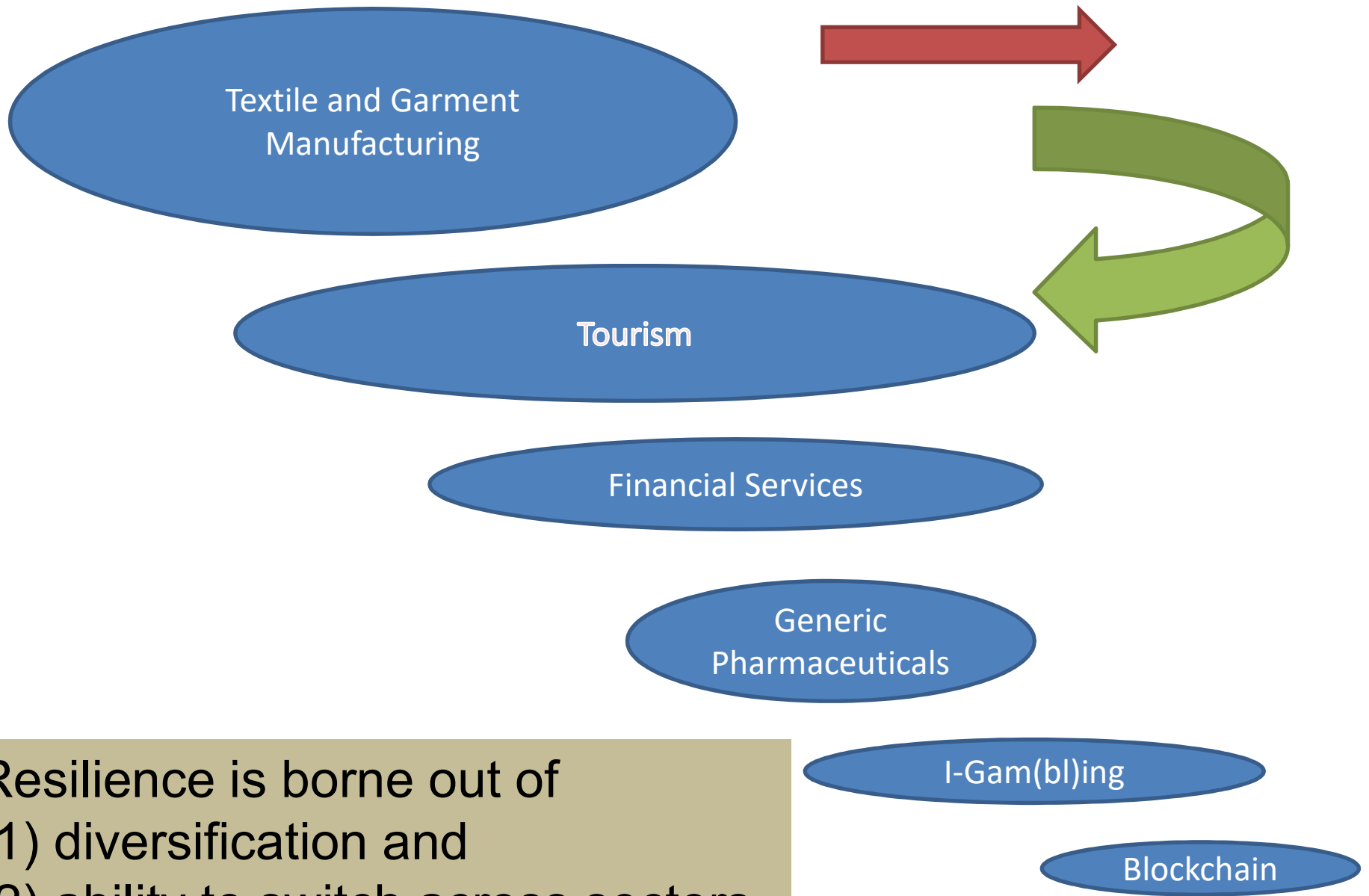
RESULTS?

Poverty of forecasting in spite of obligation to plan, forecast, audit ...

Pretence of control over one's destiny

Graceful trajectories of development emerge *after* the event (playback effect)





Resilience is borne out of
(1) diversification and
(2) ability to switch across sectors



Joseph Muscat ✓

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“In these unsettled conditions, planning has been rendered more hazardous and it has become less meaningful to formulate development plans” *Malta Development Plan 1986-1988.*

The inability to plan effectively is not a failure of small state governance but an indicator of its incipient strength