

# A Commonwealth laboratory

## INTERVIEW WITH HE DR LAWRENCE GONZI

PRIME MINISTER OF MALTA



LAWRENCE GONZI was first elected to Parliament in 1996. In 1997 he was elected Secretary General of the Nationalist Party and following the September 1998 General Election he was appointed Minister for Social Policy. He been Prime Minister of Malta since March 2004 just before Malta joined the EU and hosted the 2005 CHOGM which was held in Malta. On 8 March 2008 he was re-elected Prime Minister.

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### **The Commonwealth's significance and relevance today is a hotly debated issue. What do you feel to be the main contribution of the Commonwealth to 21st Century society?**

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The issue as to the relevance of the Commonwealth to changing society has always been raised and every time we are scheduled to meet at CHOGM the issue comes up. And it is a good question to ask because it encourages us to refresh our views, our concepts, and how we can translate the concept of the Commonwealth into real on the ground benefits for each of us, in each of our countries. In my opinion the biggest advantage that the Commonwealth brings to us is the concept that there are – now we use this vague term – shared values. But what does shared values mean? In reality shared values means that we have a democratic system, we have governance, we have rules and regulations which we can share between us and pursue good practice, best practice, and then try to apply those, each one of us, in the particular circumstances of every single country. There are large countries, there are small countries, there are countries which have a very strong British tradition, but there are others that come from a different continent and a different background and culture, so it's a variety of culture and it's a rainbow of colours. However, when they come together they make a beautiful piece of nature.

Malta benefited from this experience by, for example, going into the governance aspect, the use of the ombudsman, the use of parliamentary procedures, the setting up of the committee structures within our Parliament, the use of the Public Accounts Committee, the Chairmanship of the Public Accounts Committee and the governance of an executive that has to be accountable to the legislator. All of this we have managed to bring together by sharing experiences with other members of the Commonwealth.

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### **Given these benefits, how do you see the organisation developing and evolving over the next twenty years? Does it have a future?**

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I see the Commonwealth continuing to go through a change process that responds to the changing society that is taking place around us. I think the biggest challenge of the Commonwealth is that we are facing

a special point in history where change is taking place at an extremely rapid pace. The world changes in a matter of months whereas it used to change in a matter of years. We used to live through a time when the price of energy used to take two, three years to vary just one or two dollars. We now see a variation in a matter of weeks which means that our economies have to be flexible and fast and react quickly to these changing challenges that are taking place.

The Commonwealth needs to come up with a common platform which will allow all the variety of participants within the Commonwealth to be able to benefit from the fact that we come together as a group, and that we share these values. The Commonwealth is such a complicated group of countries because the variety it represents is something phenomenal. I remember when we had CHOGM in Malta in 2005, I was sitting next to the Prime Minister of India. Now I am Prime Minister of a country which has a population of 400,000, it's in the middle of the Mediterranean, between two enormous continents and finds itself, I would say, not just the centre of the Mediterranean but the centre of history, and yet I, as the Prime Minister of Malta with a population of 400,000, was sitting next to the Prime Ministers of India, Canada and the UK.

So the way I see things developing over the next ten to fifteen years is the ability for us all to continue to share the unique experiences that we each experience in order to be able to adapt to change. Again Malta can be an example. We have transformed our economy from one that was based on the military presence in Malta in the sixties and seventies, because Malta then was considered to be a strong fortification with the British presence here. We have now transformed into a modern economy which is service oriented and very much based on information technology. Malta can therefore be a leading example within the Commonwealth as to how to maximise the application of IT to an economy that will have to respond to the modern challenges that we face today and that we will continue to face in the next ten years.

I see the Commonwealth developing on this basis, in other words the ability to share success stories that will allow other countries to avoid pitfalls, short-circuiting the learning curve and going straight for the benefits which are absolutely necessary for some

countries to continue to grow. And I think if you go for that kind of vision for the Commonwealth, I'm sure that there is a lot of benefit for everybody.

**With economic powerhouses such as South Africa, India, Australia and Canada dominating the Commonwealth, how can you, as a relatively small island economy, add value to the organisation?**

Malta can be described as a sort of microcosm; it is a perfect laboratory that can indicate and show how certain models work and within which parameters. Today Malta is considered to be amongst the countries at the top of the list, at the front of the class, with respect to the application of IT in e-government services. We have a public sector that was, until a few years ago, until twenty years ago, still very much cut off from the IT sectors. For all services you needed to queue, to waste time, to come to the office, to wait to fill in a paper and you needed to get your certificate and you needed to go to the registry and waste a lot of time in the bureaucracy that the public sector inevitably created. Twenty years ago we decided to invest heavily in information technology and e-government services with the end result that today the owner of a small shop can go online, get

a certificate, apply for a licence, pay the rent or fees, pay for a driving licence, fill in his income tax return, pay the VAT return, submit all the returns, all online. Now that means that we have improved the competitiveness of the private sector tremendously, simply by reducing and transforming the bureaucracy of government into an IT oriented service.

Now this in itself is just one example out of a long list. So Malta can provide an example to other economies, whether small or large, where we can provide our own experience and our own pitfalls, our own mistakes mind you, because this was not a perfect process, we had to learn from our own mistakes and we learned also from what other countries did but the end result was, and is, a more efficient private sector, a service oriented economy which shifted from one that was highly dependent on tourism. Tourism is still a very important pillar of our economy, but it was clear from the very start that tourism very often does not depend only on what you provide in your country, it depends on the economic situation of your client countries, and over that you have absolutely no control. So we needed to diversify and diversifying meant going into the services industry. And the services industry meant having a strong IT backbone.

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Prime Minister Lawrence Gonzi of Malta with Waqās Ahmed, Head of Special Projects at FIRST

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So this is one example where Malta can be presented as a model for other economies, especially those island states which are struggling to change their economy from one that has been for a long number of years dependent, close to exclusively on agriculture, into an island that will continue with agriculture, but changing into what the modern world will require, namely services oriented industry. And the only way they can do that is by investing in education, by training their younger generations to go for the career paths that will be required within their economies within five to ten years; so it's a process that needs to be thought out from the very start. But it is do-able and we are an example which can really show that an economy can be transformed over a period of ten years from one that is an old-fashioned economy suited for what the world was ten years ago, into an economy that will be suited for what the world will be in ten years time.

**I imagine that this is particularly relevant for other island economies within the Commonwealth?**

I mentioned islands in particular because again the experience that Malta had over a long number of years, for example in tourism, is special because with tourism once you're an island you don't have your railways or coaches transporting tourists from the mainland to Malta. You need sea transport and air transport which makes tourism a little bit more expensive for an island state than other countries.

Similarly, if you have a manufacturing base on an island state, you have added costs because you have to import raw materials and then you have to export your finished products, so those costs are very often much higher than what can be provided on the mainland where the costs are that much less. So an island state needs to compete with all of this and the question arises can an island state compete with this, can we remove the disadvantage of added costs? The answer is yes. And the only way you can do that is by going to the higher value added parts of manufacturing. You need to modernise and get your IT dimension into it, you get your automation, your robotics, you get your manufacturing dependent no longer on intensive labour on the ground but go for the services oriented part of the specialised market. Then you can compete with anyone and, again, here Malta is an example because we do have a strong manufacturing base in Malta which has transformed. Ten years ago it was textiles. Textiles have finished now, now it's the high value added robotic automation part of producing either computer chips or pharmaceutical products. We used to have factories that employed a thousand people. Now we don't need those, or want those, now we want are factories that employ a hundred, two

hundred or three hundred people but that produce a specialised product that can compete with a factory that is in China. Malta can produce those products at the same price, and probably at better quality and a faster pace.

**There have been significant changes in North Africa recently – how has this impacted Malta, given its proximity to and close connection with the markets of this region?**

Of course the unrest in North Africa has meant that a lot of Maltese have lost their jobs. Our calculation is that there are about 600 to 700 Maltese workers who used to cross over to Libya to work and come back. There is Maltese investment there and, of course, in the present circumstances those businesses are closed and they are losing money. So we have been impacted, that is true. However the impact so far has been controlled. We have not seen our unemployment in Malta rise, on the contrary we continue to see our unemployment going down and it seems that most of the workers that have lost their jobs in Libya have been absorbed into our domestic labour market. But these are short-term implications.

The changes that have taken place in Tunisia, Egypt and hopefully that will take place in Libya, will mean that we will now have the North African coast – or states along the coastline such as Tunisia, Egypt and Libya – transformed into democracies. Vibrant democracies will allow more business to be attracted and growth in a transparent way. So the way I see things is that this change will really bring enormous economic activity once these countries settle down and start to advance in the direction of economic governance.

But it is early days. I do realise that these countries need to go through some tremendous transformations and it is vital for them to get the institutions in place, those institutions that are the pillars of freedom in democratic society. History has taught us that where you have free democratic societies, the growth rate of those democratic societies will be higher. All you have to do is look at countries which were East European. When the fall of the Berlin Wall took place in 1989, it took ten, fifteen years, but look at those countries today. They are the fastest growing economies we have in the European Union. They are major competitors to the rest of the European Union. This will also happen in North Africa and that's good news for all of us. It's very good news for all of us because it will bring stability to the region and hopefully will eventually trickle into the rest of the continent.

So these are difficult times, they are challenging times but the changes that are taking place I am convinced will, in the medium to long term, be of tremendous benefit to the whole region. **F**