Smart innovation
This Mediterranean island nation’s great potential continues to challenge its citizens to innovate for economic growth while preserving Malta’s rich heritage and diverse natural environment - geopolitical turbulence and eurozone debt problems notwithstanding.
A modern economy on an ancient crossroads

The island of Malta has carved out an enviable position for itself as a business and financial centre in the Mediterranean and these days is also an ever more popular holiday destination. Its history as a British colony means that there are still strong cultural and economic ties to the UK, but its membership of the EU and the euro mean that there are new opportunities for the country across the whole of the continent.

It may be the smallest country in the EU, but Malta is by no means the smallest player on the international stage. Not only has it developed a vibrant banking and financial services sector, it is also one of the most important hubs in Europe for online gaming firms and it continues to build on its long history in the shipping industry.

That’s not bad for a country slightly smaller than the Isle of Wight, but there are some unique aspects to the island that have helped it to build up its reputation in these areas.

For one, their experience of almost continuous invasions over the centuries has made Maltese people nothing if not adaptable – the last generation of traders and invaders found opportunity in the past, a new generation is finding opportunity in the present. It may be the smallest country in the EU, but Malta is by no means the smallest player on the international stage.

The Maltese breed: Ruled over by countless foreign forces, Malta has adapted those influences into a culture of its own.

The local economy is being affected by the downturn in fortunes of some of its European neighbours, but Malta itself escaped lightly from the global economic crash of a few years ago. “Malta has a very diverse economy so the recession did not hit us hard,” says Tonio Fenech, Minister of Finance. “We weathered the recession in quite an effective manner. For us it was very short.”

Malta has also been buffeted by the winds of change sweeping across the Arab world this year. As the closest EU state to Libya and Tunisia, it has often had a crucial role to play in the diplomatic activity that has gone on, although it has been careful to avoid any military involvement.

But the island is not just about business and politics. The growing tourism trade, boosted by an ever growing number of cruise ships calling at Valletta’s port and the growth of low-cost carriers flying in and out of the country, means that these days many people know Malta as much for its food, beaches and nightlife as they do for its business friendly environment.

Every group that has come to the island has always left something behind. As locals like to jokingly say, the British left Malta with their culinary skills – thankfully it wasn’t the other way around!
Building on historic ties

The historic links with the UK form the basis of one of Malta’s most important relationships and lie at the centre of its foreign policy. These ties have continued to strengthen since Malta gained independence from London in the mid-1960s and in the wake of it joining the EU in 2004.

When Dr Lawrence Gonzi, Prime Minister of Malta, visited David Cameron at 10 Downing Street in May, it was an affirmation of the close relations between the countries that go back hundreds of years. Although it has been invaded by a string of overseas powers, the link with Britain as the final colonial ruler are most apparent today. Malta only gained independence in September 1964 and the two countries now regularly meet as equals in Brussels and at Commonwealth wealth meetings. The shared history creates a strong bond, says Gonzi.

“The understanding of the position of the two countries is something that is very special for us,” he says. “I have been prime minister of Malta for seven years and during that time we have met with other prime ministers all over the world, but there is a special spark that exists between Malta and Britain.”

The other relationship that helps to define Malta’s foreign policy is the one it has with its closest neighbour, Italy. Relations with both countries have been enhanced since Malta joined the EU in 2004.

“The two biggest influences on Malta are Italy, because of geographical proximity, and Britain, which was the last colonial ruler,” says Dr Tonio Borg, Minister of Foreign Affairs. “In Malta we take the best of both worlds. With the European Union we have intensified our relationship. Italy helped us a lot financially to join the EU, so there is a natural tendency to increase this friendship, but it has also occurred with the British government.”

The risk for a small country like Malta is that its voice will get lost among the major powers in Brussels, but according to Borg it has been able to protect its interests.

“At the Council of Foreign Ministers and the European Council our views are taken into account,” he says. “In foreign policy, decisions are by consensus. That doesn’t mean that each time you disagree with something you block it, but there is a genuine attempt to reach a consensus.

“Without any shadow of a doubt we have punched above our weight. Particularly in foreign affairs, but even in areas like home affairs or justice affairs where there is qualified majority voting.”

Perhaps the best sign of the success of its approach has been the rise in support for EU membership in Malta in the years since it joined the bloc in 2004.

“The fact that today 60% of people feel that it was a good thing to join the EU, when we were almost evenly divided, is a great achievement,” says Borg.

Island of Bravery

The George Cross medal was awarded by islanders during the Second World War, particularly while it was under siege by the Axis forces.

“To honour her brave people I award the George Cross to the Island Fortress of Malta to bear witness to a heroism and devotion that will long be famous in history,” the king said in a letter in April 1942 to the governor of Malta at the time, Lieutenant-General Sir William Dobbie. In his reply, Dobbie said, “By God’s help Malta will not weaken but will endure until victory is won.”

The George Cross is second only to the Victoria Cross in importance among British medals and is the highest gallantry award for civilians. The silver cross is now on display at the National War Museum and the George Cross is in importance among British medals and is the highest gallantry award for civilians.

What is Malta’s current position?

Malta is an IMF report from January stated Malta needed to raise productivity, skills and employment rates to catch up with richer European countries. How can it achieve this?

There’s a big commitment from the government to meet the demand in the economy and educate the people. Not only are there no fees but we pay students to go to university, with higher stipends in the sectors in which we want them to get training.

The banking sector has already grown from assets of €20bn in 2004 to €30bn now. Is that level of taxation sustainable?

Malta has a very good regulator, who is very hands-on and he insists on meeting all the companies. We’re competing with Luxembourg and Ireland, but we’re not aspiring to become completely dependent on financial services. We want a diversified economy.

In the eye of the storm

As uprisings have swept through much of the Arab world this year, Malta, which is one of the closest EU countries to North Africa, has often found itself at the centre of events.

The ongoing political unrest in Libya has been particularly testing, putting pressure on Malta’s economy, which has significant and long-standing ties with Libya, as well as placing its diplomatic abilities in the spotlight.

Malta’s southern neighbours have always been important. Despite EU membership, the island nation still has important business links with Libya in particular, which lies around 200 miles to the south. There are also strong cultural ties, with the Maltese language part of the same family of Semitic languages as Arabic.

As such, the events of this year have been a big test for the country. As Dr Tonio Borg, Minister of Foreign Affairs, says, “We are in the eye of the storm.”

The unrest has meant that trade with Libya has had to be suspended, which has not always been easy for Malta. “It was very painful to apply sanctions, because traditionally we have a good commercial relationship with Libya,” he adds.

In place of trade has come a spike in diplomatic activity. Malta has not been involved in any military operations in Libya, but it has been born willing to act as a base for humanitarian purposes and as a refuge. On 21 February French fighter jets had to land after running out of fuel.

Malta also played a key role when the UK was evacuating its nationals at the start of the crisis.

Borg says Malta and Europe now have an opportunity to build even closer ties with North Africa.

“We launched a European Commission-League of Arab States liaison office in 2009,” he says. “We want to foster dialogue with the Arab League; we need more of this dialogue, not less.

“We should give them the toolkits for the new democracies. It’s not just about free elections; you have to set up institutions that support democracy: freedom of the press, civil society, ombudsmen. This is where the Council of Europe and the European Commission can help.”

A Diplomat’s View

1. What is Malta’s current position?
2. An IMF report from January stated Malta needed to raise productivity, skills and employment rates to catch up with richer European countries. How can it achieve this?
3. The banking sector has already grown from assets of €20bn in 2004 to €30bn now. Is that level of taxation sustainable?
4. What can you do to persuade more tourists to visit Malta rather than other Mediterranean islands?
5. How do you see relations with the UK evolving in the future?

With tourism, Malta is not on everybody’s radar as it is considered to be ‘dull and boring’, but that definitely isn’t the case. We have a rich 7,000-year-old culture with prehistoric temples older than the Egyptian pyramids. There is a market in people wanting to learn about our culture and this is where Malta can really excel.

Joseph Zammit Tabona High Commissioner to the UK

Q&A

1. What is Malta’s current position?
   - Malta’s position in Europe is, I would say, fairly strong. Labour costs are around 50% of what they are in mainland Europe. We have the English language and all our legislation is in English and Maltese. Also, our social contribution is limited to 10% of wages and there is a cap on €16,500.

2. An IMF report from January stated Malta needed to raise productivity, skills and employment rates to catch up with richer European countries. How can it achieve this?
   - There’s a big commitment from the government to meet the demand in the economy and educate the people. Not only are there no fees but we pay students to go to university, with higher stipends in the sectors in which we want them to get training.

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   - Malta has a very good regulator, who is very hands-on and he insists on meeting all the companies. We’re competing with Luxembourg and Ireland, but we’re not aspiring to become completely dependent on financial services. We want a diversified economy.

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5. How do you see relations with the UK evolving in the future?
   - Although there is always room to further strengthen ties, at present Malta enjoys excellent relations with the UK. This stems from a long association between the two countries. There are at least 60,000 people of Maltese origin in the UK and we owe our roots to the UK.
The success of our financial services sector is one of the major pillars of our Vision 2015 which also includes ICT, manufacturing, tourism, education and creative sectors. The main sources of FDI in the past have traditionally been other European countries, such as Germany, Italy and the UK, helped by efforts such as the ThincMalta marketing campaign in the UK. That ad campaign is unusual in being a general branding exercise; usually the country focuses on particular sectors. Meanwhile, there is now also a concerted push to target new parts of the world, with more commercial attacks being apprised. There is a renewed effort to ignite our message across the world to put Malta forward as a business location,” says Camilleri. “Hopefully, now that we’re spreading our wings and putting our presence into new markets, we will also see roots being established in Russia, India, Australia, New Zealand and South Africa.”

Think of Malta
And why branding matters

Alan Camilleri, chairman of Malta Enterprise, is in no doubt about the challenges the country faces when it comes to attracting inward investment and the importance of overseas marketing. “Obviously being small, we have to punch somewhat above our weight,” he says. “But the more we speak about Malta the more people discover the value proposition.”

The number of long-term investors on the island suggests this strategy has been successful. Swedish industrial group Triflex has been in the country for more than 30 years, for example, and German company P&Shib has first set up there in 1971. “There are long-standing international investors in Malta,” says Tonio Fenech, Minister of Finance. “They don’t just come for five years and then move out. When you ask them why, they tell you they can’t find the quality of people elsewhere.”

The type of jobs the country is trying to attract is also evolving. “We need to keep climbing up the value chain,” says Camilleri. “We’re no longer a country of cheap labour and neither do we want to be.”

While the challenge is unlikely todim in the years ahead, at least the country has a strong base from which to work. Marketing is important for a small country like Malta if it is to get noticed on the world stage and attract the level of investment the economy needs. Many European firms already have a base on the island, but the country is now targeting more far-flung markets.

Think of Malta
And why branding matters

Writer: Dominic Longstaff

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Back on the expansion trail

Kenneth Farrugia
Chairman of Finance Malta

The government’s ambitious target for financial services is to more than double the sector’s share of the economy, from 12% today to 25% by 2015. With sights focused on the lucrative fund management industry, can challenges be overcome to hit the target?

Just as the economy rebounded last year, with 3.6% growth largely attributed to the financial services sector, Malta found itself in the middle of a humanitarian effort to evacuate people from Libya and now watches from the sidelines as the eurozone debt crisis begins to spread. But Malta is meeting these challenges from a position of strength. In the 2010-11 Global Competitiveness Index, the World Economic Forum ranks the country in the top third of 139 economies for business sophistication and eleventh for financial market development.

The banking sector by far represents the greatest portion of financial services, estimated by the Central Bank of Malta at 83% of a total €18.3 billion in assets, compared to insurance at 11% and funds at 5%. But it is this latter category that’s driving growth, notes Kenneth Farrugia, chairman of Finance Malta, an initiative established to promote international investment.

He points out that the funds industry has grown from two funds, two asset management companies and two custodians in the early days to 410 funds, 102 asset management firms and 18 administrators, mostly in the years following EU membership. That is in part because of Malta’s competitive advantage in terms of the speed with which it can transpose international legislation, placing it in the EU top spot jointly with Denmark. “We are efficient in transposing directives of European regulations into our national legislation,” says Farrugia. “The reason behind this is because we’re small but nimble – we don’t have a significant hierarchy.”

Meanwhile, new markets are in development. After negotiations with the UK’s HM Revenue & Customs agency, pension schemes established in Malta and regulated by the Malta Financial Services Authority (MFSA) are eligible for transfers on a case-by-case basis.

Overall, incentives are challenging such competitors as Luxembourg and Ireland for the fund management sector, particularly as a regulatory framework allows domiciliation without requiring companies to change existing service providers, corporate identity or performance benchmarking. And there is certainly room for growth to the funds industry - Malta has about €8 billion in assets under management, while Luxembourg and Ireland are at the €2 trillion level.

Mark Watson, CEO of Mediterranean Bank, founded just two years ago as a specialist wealth management bank, admits there is a problem. “The regulator, certainly at the top, is very good. You’ve got a pro-business environment,” he says. His first day in Malta included meeting the president of MFSA, the deputy governor of the Central Bank and the finance minister. “There is no other country in Europe where that could happen,” he adds.

As the country develops, it looks to branch out internationally in the future while staying true to its past roots.

Kenneth Farrugia
Chairman of Finance Malta

As the country develops, it looks to branch out internationally in the future while staying true to its past roots.

The small nation is no longer waiting to be discovered, says Farrugia, noting a marked shift in mindset towards international markets after the island was granted EU membership. The domestic market remains important to the core, but he identifies clear signs of growth such as an increasing share of services to European and North American-based fund managers.

Through Europe is Malta’s “big brother”, Farrugia also appreciates that 100 years as a British colony left its mark on the country and this influence includes good business acumen and English-language fluency among workers. “I think we always look to the UK as the model country we wish to emulate because they’ve grown and continue to expand. “The lesson we learned is: use what you have, which [in Malta] is being small and effective,” he says.

Fallout from the global recession meant the country had to prove the advantages of being small and effective. It succeeded. When the recession hit the tourism and manufacturing sectors, the government intervened with supportive policies, not bailouts. “In terms of manufacturing, the advantage of being small played its part because we as a government could sit down with every major company in Malta that was affected by the crisis,” says Fenech.

It might be his private sector background informing such actions, as the minister has 12 years of experience in consulting. Companies were incentivized to invest in post-recession opportunities and human resources. Now, these same companies have grown and continue to expand.

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Perspectives

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Joe Bannister
Chairman and President of Malta Financial Services Authority

Development strategy for the Maltese financial services industry includes sector diversification and “attractive” legislation. As the presiding officer of one of the top regulatory boards in the world, Professor Bannister takes pride in its adaptability. “It operates more to the timeframe of the companies; we are flexible,” he says of Malta’s competitive advantage for a wide variety of financial services players, a comment also true of the board’s attitude to meeting diverse legislative needs.

Malta implements and maintains good governance on directives and has a compliant tax regime, says Bannister, who is keen to dispel notions about the island being an offshore tax haven, which would exclude it from EU membership.

“There are lots of perceptions, but they have changed. Otherwise we wouldn’t have succeeded,” he says.
Banking on success

Malta’s banking system continues to prove its resilience while still weathering storms from the Arab Spring and eurozone debt crisis. But with gloomy predictions on the horizon, the industry isn’t celebrating quite yet - particularly as real estate and construction remain sluggish.

Waiting for test results can be stressful. So, when Malta’s financial system passed EU-wide stress tests with flying colours, it might have been tempting for banks to rest on their laurels. The Bank of Valletta (BoV), chosen to participate for the second time in the tests, saw its core tier one capital ratio drop marginally to 12.4% as a result of the unlikely but plausible shock scenario. In other words, well above the 10.4% as a result of the unlikely but plausible scenario. No wonder the BoV, chosen to participate for the second time in the tests, saw its core tier one capital ratio drop marginally to 12.4% as a result of the unlikely but plausible scenario.

The Bank of Valletta (BoV), chosen to participate for the second time in the tests, saw its core tier one capital ratio drop marginally to 12.4% as a result of the unlikely but plausible scenario. No won- der then that Malta is ranked tenth out of 139 economies for soundness of banks in the World Economic Forum’s 2010-11 Global Competitiveness Index. Yet the sector is dominated by two banks: HSBC and BoV, which control about 90% of the market. A newcomer like Banif Bank, founded in Portugal, hopes to be listed on the national stock exchange with an eye on becoming a major player. In all, 25 credit institutions serve domestic or international markets, of which seven are considered “systemically relevant.” And just because Malta got straight-A on its last report card doesn’t mean CMB has stopped doing its homework, instead assessing systemic vulnerabilities from high concentration risk on banks’ balance sheets. This is owing to large exposures to the real estate sector and a high proportion of short-term and thus potentially volatile deposits in total deposit liabilities. Meanwhile, property development is in decline. BoV chief, Tonio Depasquale, says the last few months have seen weak credit demand. “The financial services sector is expanding, but it is not capital intensive,” he says. Adding to concern is that fact that consumer default rates increased last year, though the ratio of mortgage defaults remained stable at 2.5%, according to CMB. “The lower quality of consumer loans can be viewed as a potential leading indicator of further financial strains ahead,” said its most recent Financial Stability Report, adding that pressures may intensify if interest rates increase. In terms of laurels, then, in Malta there is cause for celebration but not for rest.

A hybrid legal system

With a GDP of €6 billion, the Mediterranean island nation is like a corporation with specialised legal services, guiding international businesses wishing to establish or undertake cross-border acquisitions.

International advisers are increasingly aware of Malta’s advantages as a stable base for international investment and financial services. And interested companies will find a legal community poised to help them through a hybrid system of civil law from continental Europe and administrative and fiscal legislation of mostly British extraction.

“One big advantage we’ve had in this coun- try,” says Louis de Gabriele, partner at law firm Camilleri Preziosi, “is that we are a Mediterranean country that has adapted to the discipline of 160 years of British rule. This is clear in our system of law.” With mostly banks, investment funds, local corporations and tele- coms clients, the law firm acts as a kind of external counsel, providing transactional, regulatory and litiga- tion services.

Growth, according to de Gabriele, is expected in international mergers and acquisitions (M&As) because of Malta’s advantages in terms of having international holding companies (IHCs) - onshore companies holding overseas investment with the purpose of income distribution to non-residents. IHCs are the result of legislation that replaced an old corporate taxation regime.

“We have seen a lot of M&A activity com- ing our way,” says de Gabriele. “We do work that would otherwise be done in London at eight times our rate.”

Since non-resident shareholders of IHCs qualify for a full refund of the 35% tax paid by the company on profits and gains, Malta appeals as a tax-efficient jurisdiction that is also EU compliant. And double taxation agree- ments are in place with dozens of countries across the world. Such incentives are getting attention. Zammit & Associates, established in 2005, serves mostly European-based clients, particularly those with e-commerce business models. Through e-gaming, the company has reached maturity on the back of anticipated tightening of regulations, e-commerce in financial services is gaining traction, according to Andrew Zammit, managing partner. The law firm recently dealt with the first online fore- ign exchange platform in Malta after the company redomiciled from Switzerland.

And because of the nation’s Mediterranean location, maritime law is another area of focus. Fenech & Fenech, the oldest law firm in the country, celebrating its 120th anniversary this year, has the only maritime litigation depart- ment on the island, established by managing partner Dr Ann Fenech. Malta has got some excellent first-class solutions that not only benef- it the ship owner, but more importantly, ben- efit the financier,” she says, adding that before investors are charmed by Malta’s culture and beauty, they first meet and entertain a tax-efficient jurisdiction that is also EU compliant.

Anon typical Malta story.

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Valletta: a model city
The country’s capital city is built on a peninsula that juts out into the Mediterranean Sea, with the ports of the Grand Harbour and Marsamxett Harbour flanking it on either side. The fortifications that still encircle the city are a testament to its often turbulent history. It was first established in 1566 and over the years it has been ruled by a bewildering array of foreign invaders, including the Phoenicians, Greeks, Carthaginians, Romans, Byzantines and Arabs. All these groups have left their mark on the city and consequently, Valletta squeezes some 350 monuments into its narrow streets, making it one of the most concentrated historic areas in the world. As a result, the entire city was made a UNESCO World Heritage Site in 1980.
Valletta is also notable in being the first city in the world to have its streets laid out in a grid system, making it a model for the likes of New York.

Small but perfectly formed
With an area of just 316 square kilometre, Malta is by far the smallest of the 27 countries that make up the EU, until 2004, that title had been held by Luxembourg, which is eight times bigger. In fact Malta is the 42nd country in the world by size. The population of 400,000 is spread across three of the seven islands that make up the Maltese archipelago: Malta, Gozo and Comino. However, most people live on Malta. The main island has a coastline of 566 km, while Gozo’s is 56 km long.

Ancient civilisations
The seven megalithic temples found on the islands of Malta and Gozo are believed to be the oldest free-standing monuments in the world. In 1980 they gained international recognition when they were included on the UNESCO list of World Heritage Sites. Five temples are found on Malta, while the other two are at Ggantija on Gozo. They are described by UNESCO as “unique architectural masterpieces” and are all the more impressive when you consider what limited resources were available to their builders.

“Titkellem bil-Malti?”
Malti is one of the country’s two official languages, alongside English. It is part of the same family of languages as Arabic, Hebrew and Amharic, but what makes it unique is that it is the only Semitic language that is written in the Latin script. Its alphabet consists of 30 letters, with some novel ones for English speakers such as Gh, which is silent but lengthens any preceding vowel sound.
The language evolved from Arabic but many of the Maltese words used today have their roots in Italian, English or French, so the answer to the question above (which means “Do you speak Malti?”) might well be “Is e” (“Just a little”). But even if you can’t speak any, you should have no trouble communicating with the locals. Most Maltese people are at least bilingual and a significant number are even trilingual – as well as English, geographic proximity has ensured that Italian is also widely spoken.

Outside the box
Edward de Bono, the father of lateral thinking and one of the world’s most influential thinkers, was born in Malta in 1933. And even though he has travelled far and wide, this small island nation remains proud of perhaps its most famous and arguably most influential son. De Bono’s concept of lateral thinking has become well known the world over, challenging conventional practice and analysis in a range of sectors, from banking to transport to IT. Preaching the concept of thinking as a deliberate act, De Bono suggests that standard solutions are no longer satisfactory in many situations, thus requiring an alternative method of thinking that draws on creativity as an essential factor.
The author of more than 80 books not only preaches lateral thinking, however. He has also written at length about happiness, valuing its positive effect on productivity, both personally and professionally.

A different church for everyday
As befits a country as old and as religious, Malta has more churches per square kilometre than any other country in the world. In all there are 345 churches, “one for every day of the year” as people in Malta like to say. Many have impressive architectural features, such as the dome of Mosta church in the centre of the main island. The history of the country as a whole can be traced back to a visit by St Paul, who was shipwrecked on the island around 60AD and subsequently stayed for three months.

A witness to history
By 1603, perhaps not that well known, but Malta was the scene of the official end of the Cold War. A summit between the then US president George H W Bush and the Soviet leader Mikhail Gorbachev was held on the island in late 1989, just a few weeks after the Berlin Wall had been torn down. Attached to the island’s neutrality, the two leaders held a series of meetings aboard the Soviet ship SS Maxim Gorky and the USS Bunker Hill. During the summit the two leaders declared that the Cold War had come to an end.

The Knights of Malta
Perhaps the most famous group to have ruled Malta over the years were the Knights of St John or, to give them their full title, the Sovereign and Military Order of the Knights Hospitaller of St John of Jerusalem. Founded in Jerusalem in around 1071 during the crusades, they were given Malta as a gift by the Holy Roman Emperor Charles V colon. They were thrown out of their previous base on the island of Rhodes. In exchange for taking over Malta they had to pay an annual rent of two falcons a year. The group arrived in 1530 and remained on the island until Napoleon expelled them in 1798.
Those days the group is known as the Order of Malta and has diplomatic relations with 104 countries around the world. Its main activities centre on providing medical and social care and humanitarian aid in more than 100 countries. Despite its size, the organisation today has its headquarters in Rome.

Car crazy
If there is one thing that almost all Maltese people agree on, it’s the necessity of having a car. Everyone drives everywhere, despite the short distances involved in travelling around the country – the main island is little more than 17 miles long and up to 8 miles wide at its widest, while Gozo is 56 km long. Although no one can drive very far or for very long, Malta today has the fifth highest rate of car ownership of any country in the world, with 667 cars for every,000 inhabitants.
Women drive change in Malta

Women’s emergence as a crucial power behind economic growth. The Report talked to Ann Fenech of law firm Fenech & Fenech and Playmobil Malta CEO Helga Ellul about how they are leading the way.

Thanks to initiatives started by Ann Fenech, such as a nursery at the company, more women now have the opportunity to advance their careers, even when they have children to care for. “I feel very strongly about family and children,” she says. “I want our female employees to develop normally, to get married and have kids – not to have to choose.”

Helga Ellul has also made her mark. Formerly president of Malta’s Chamber of Commerce, Ellul is passionate about education and has engineered numerous initiatives for students and employees.

With both women stressing that they have an “open-door policy”, it appears that their management style is to offer a more understanding approach, but without being a soft touch themselves.

The 5-star Entrepreneur

One name that stands out among Maltese entrepreneurs is Alfred Pisani. The chairman of Corinthis Group has been expanding his hotel chain since 1966, establishing an unrivalled reputation.

With the government of the time keen to boost the economy and the island’s infrastructure, grants and tax breaks were being offered to hotel developers, so Pisani put together a plan for a hotel attached to the restaurant. When his first design for a 40-room hotel failed to win approval, he expanded his plans and aimed for a 156-room hotel instead. Pisani’s new plan was successful and after having received a grant and raising bank finance, he hasn’t looked back.

The Palace Hotel remains at the heart of the group’s operations, but most of the properties are now overseas, including hotels in Prague, St Petersburg and Lisbon. This international expansion is done with a clear strategy.

“The first thing that we look at is location. Location is very important and it makes it easier to succeed,” he says. “We have always been interested in finding buildings that have a stately appearance. But it doesn’t mean we’re going to go for heavy red drapes as if you’ve gone back 100 years. You will find a sense of grandeur, but in a lighter manner.”

Malta may have a relatively small economy, but the way in which companies have been developed shows that the island’s business culture can now compete with the best.

If you want to be successful in Malta there are a few things you need to get right,” says Icarn Bartolo, CEO of IT consultancy 6PM. “You have to have very good customer service, ethics, pricing and quality; that is engraved on the island.”

In this competitive environment a number of business leaders stand out for the way they have built up their empires. Some, such as Joseph Gasan, chairman of the Gasan Group, started in the family business at a young age. Gasan went into the business at 16 and took over operations when he was 20.

Since then Gasan Group has diversified into tourism, insurance, property and media. “The whole economy has to be doing badly for us to suffer as a group,” he says. “The whole economy has to be doing badly for us to suffer as a group.”

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Women drive change in Malta

Women’s emergence as a crucial power behind economic growth. The Report talked to Ann Fenech of law firm Fenech & Fenech and Playmobil Malta CEO Helga Ellul about how they are leading the way.

Thanks to initiatives started by Ann Fenech, such as a nursery at the company, more women now have the opportunity to advance their careers, even when they have children to care for. “I feel very strongly about family and children,” she says. “I want our female employees to develop normally, to get married and have kids – not to have to choose.”

Helga Ellul has also made her mark. Formerly president of Malta’s Chamber of Commerce, Ellul is passionate about education and has engineered numerous initiatives for students and employees.

With both women stressing that they have an “open-door policy”, it appears that their management style is to offer a more understanding approach, but without being a soft touch themselves.

The 5-star Entrepreneur

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With both women stressing that they have an “open-door policy”, it appears that their management style is to offer a more understanding approach, but without being a soft touch themselves.
The challenge in the years ahead will be to build on that position, by continuing to adapt and innovate and attract more international investment in the information and communications technology (ICT) sector.

A number of factors suggest Malta has the potential to succeed, not least the rapid progress the country has made in developing its IT infrastructure in recent years, particularly since it joined the European Union in 2004. “There used to be just one operator per sector,” recalls Philip Micallef, executive chairman of the Malta Communications Authority. “We now have five operators in the mobile sector, including two virtual operators. The number of fixed-line operators has grown from two to three while broadband has also grown.”

The growth of the IT sector is due to a combination of well-targeted government initiatives and flexible regulation – things which are arguably easier for a small country like Malta to achieve than for larger economies. But there is the potential for the country to do far more, according to local industry executives. “I think we want Malta to be an ICT hub, to make it attractive so that organisations relocate to Malta,” says Jean Barcelo, CEO of 6PM, one of the leading ICT companies in Malta. “But people will only relocate if they have a business case. We need to become smarter in the way we do things, because there are [other] countries that are coming up fast.”

One area where things are already improving is in terms of the infrastructure available to technology businesses on the island, not least with the ongoing development of the SmartCity Malta business park.

The project involves a $300m investment by Dubai-based Tecom Investments and is the largest foreign direct investment in Malta’s history. A number of major international technology companies including Cisco and Hewlett-Packard are already based on the site, and work is ongoing to expand the facilities (see over).

The park is focused on attracting a wide range of international media, telecoms and IT companies looking for a base inside the EU. “We are in discussions with many companies,” says Fareed Abdulrahman, CEO of SmartCity Malta. “For our business parks in Dubai we target five industries: ICT, media, healthcare, education and logistics. It’s all knowledge-based companies, so anything that comes under that is a possibility for Malta too.”

Among its recent marketing efforts, SmartCity last year launched an initiative to bring Chinese and South Korean e-gaming companies to Malta. The e-gaming sector has been a critical element of Malta’s success in the ICT industry and the country is already the largest e-gaming jurisdiction in Europe.

According to Reuben Portanier, chief executive officer of the Lotteries & Gaming Authority, there are 290 gaming operators on the island, holding 400 licences between them. They collectively employ more than 3,000 people directly and a further 3,000 indirectly.
There have been concerns that some e-gaming companies may move their operations to rival jurisdictions, in the wake of Malta lifting its VAT exemption for e-gaming firms on 1 August this year. However, the depth of expertise that has been built up on the island, alongside some other key benefits, means the country should be able to maintain a strong market position.

“We are an EU member state and that has its own attractions,” says Portanier. “The euro has created another niche of interest as we’ve completely eliminated the exchange rate risks. Malta has also developed an unrivalled ecosystem of service providers that are experts in gaming. There are few firms here that know EU gaming law inside out, and it’s the same with the telecom operators and the banks – they know exactly what the need of the gaming industry are.”

One of those experts is Andrew Farrugia, managing partner of Zammit & Associates. He acknowledges the challenges the industry faces, but says there are strengths too.

“We’ve spoken to our larger clients. They see a role in continuing to be in Malta because there is an expertise and understanding of the industry that has developed here. They’re finding good, dedicated people for salaries that would be less than in other jurisdictions, so they feel there is still a value to being here. How long that will last is anyone’s guess. I think five years is the longest timeframe you can think in business terms.”

Even if growth in the e-gaming industry does begin to slow, other areas could take up the slack according to Alan Camilleri, chairman of Malta Enterprise.

“If we look at the ICT industry we believe we are already quite solid, but we believe the way forward is going into digital entertainment as a subset of ICT, such as games development,” he says. “We’re working very hard on that. That’s where we want to take the economy. In all of this a critical element is ensuring the country’s skills base is constantly refreshed. Businesses will only come to the land if there is a reliable supply of expertise.

In that regard, the government’s efforts to incorporate the curriculum into the school curriculum are critical, providing a steady stream of potential employees.

Today pupils use the internet throughout their school career and the government has also been keen to teach IT skills to those that often get overlooked, such as the poor and the elderly.

In the process it hopes to close the ‘digital divide’ and ensure people don’t get left behind as more services and jobs rely on online access.

“We run a lot of what we call social IT,” says Azzurri Gatt, Minister of Infrastructure, Transport & Communications.

“There is still a digital divide and there are people who find it difficult to buy a computer or have internet access, so we run programmes to address this.”

Among the initiatives are the establishment of computer learning centres and schemes whereby the government replaces old ICT equipment. Help is also offered to people wanting to move into IT from careers in other sectors.

“We provide incentives to individuals who want to undertake specific courses. If a teacher wants to go into a career in the ICT industry, they would get 80% tax credits for their course fees,” explains Camilleri.

The government’s policy seems to be impressing the key players in international legislative executives.

“I am thrilled with the way they encourage fresh graduates to learn IT and be involved in IT and how they incentivise the students,” says Abdurrahman.

“It is this human capital which is Malta’s greatest potential asset within the ICT sector – something which can be seen in the hundreds of students that are enrolled on courses at the Malta College of Arts, Science & Technology. In June this year, final year students exhibited some of the innovations they have been working on to IT executives, ranging from website applications for managing multimedia content to client subscription software and network infrastructure technology to give businesses faster data transmission.

It is such home-grown annotation which should help Malta’s IT industry succeed in the future, as tandem with international companies.

“ICT shouldn’t just be ICT for ICT’s sake,” says Micallef. “It also needs to be sustainable and help make the country more competitive.”

SmartCity, by the Report Company

Looking out over the Mediterranean Sea, to the north-east of Valletta, SmartCity Malta has been designed to act as a hub for ICT and media companies on the island.

The project was launched following an agreement signed with the government of Malta in April 2007 and involves an investment of at least €500m, making it the largest foreign investment on the country. It is being run by SmartCity, a member of Telecom Investments of Dubai and is modelled on 15 successful business parks such as Dubai Internet City and Dubai Media City. Once complete SmartCity Malta will be home to a vibrant knowledge economy community and by leading global, regional and local companies.

The first building at SmartCity Malta is up and running and a number of major international and local companies are already operating from there. They include US technology giants Cisco and Hewlett-Packard as well as software and consultancy firm Meritum and local mobile operator Go.

SmartCity is a subsidiary of Azzurri Gatt, CEO, SmartCity Malta is understandable very pleased with the way things are progressing in Malta. “HP and Cisco are ideal business partners. It is a really two-way relationship as we play a key role in smart city projects, connectivity and access to major markets.”

“This is the start and there is more to come,” says Abdurrahman. “If you look at the master plan, a whole city is being designed. We will provide the infrastructure for ICT, power, roads, sustainability and so on.

Phil Micallef
Executive Chairman of Malta Communications Authority

Q&A
1. What was the key to Malta becoming one of the EU leaders in e-government services?

We knew that we could leverage the fact that we are small, so we could decide faster and implement very quickly what others took years to do. We put in -e-government services on all government levels.

2. What is Malta’s position within the e-gaming sector?

We are the largest e-gaming jurisdiction in Europe. We have 370 e-gaming companies and 3,000 people employed in e-gaming today in Malta.

3. What role do environmental issues play in your projects?

We strive for a zero carbon footprint as far as possible but we find it really difficult to achieve, but it is what we aim for.

Rueben Portanier
Lotteries and Gaming Authority

Q&A
1. Malta has developed an unrivalled e-gaming管辖 - they know exactly what the needs of the industry are

5. What do the next five years hold for Malta’s ICT industry?

We must aim to be a stepping stone into Europe and competitive in India and China. North Africa will also bring more opportunities.

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Camilleri Preziosi is a leading Maltese law firm with a commitment to deliver an efficient service to a highly demanding technical clientbase with a results-driven approach to the practice of law.
The attraction of diversity

The backstreets of Valletta ooz charm. The narrow laneways of the Maltese capital are laid out in a grid pattern and flanked by overhanging balconies, shuttered to keep their occupants cool from the hot sun. Some 320 monuments are dispersed within these streets, a testament to the rich and varied history to which the country can lay claim.

As you walk around you occasionally catch a glimpse of the harbours to either side of the peninsula: Marsamxett to the west and the Grand Harbour to the east. These offer a more modern image of Malta, with huge mega-yachts lined up in rows and giant cruise ships gliding by to their moorings at Valletta Cruise Port.

The mix of history and modernity within easy reach of each other sums up what Malta has to offer visitors. The country has seen the increasing number and size of vessels.

Tourists in search of more sedate charms tend to linger in the quiet streets of the ancient walled city of Mdina, or visit the innumerable churches that sit proudly at the centre of every town and village across the country. There is also the picturesque fishing village of Marsaxlokk in the east, where boats painted in a winning combination of yellow and blue paint bob up and down in the harbour.

Rising quality

The increasing number of visitors who come to explore such attractions has, in turn, prompted local businesses to expand the range and quality of services that they offer.

“Because of the build-up in the number of tourists that have come over the years, the island has expanded tremendously in that it has a choice of good restaurants, good hotels and modern attractions.

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Growing numbers

Last year some 1.3 million tourists had a taste of what the country had to offer. A further 490,000 people made shorter visits as part of a cruise tour around the Mediterranean.

Between them, these groups now represent a major economic boon to the country and one that the authorities are keen to encourage. The cruise port, for example, is continually expanding its facilities to accommodate the rising number and size of vessels.

“We are preparing for the future and our plan is not to stop,” says John Portelli, chief executive officer of Valletta Cruise Port. “We will continue to develop. I think this business will continue to grow.”

For those who venture around the island, there is no shortage of sites and activities to capture their interest. While Malta used to be known as a destination for cheaper ‘bucket and spade’ holidays, particularly among British tourists, the profile of the country has been changing in recent years into something far more sophisticated.

“The diversity we can offer, from beaches to our rich culture and history, has the potential to offer an altogether different kind of tourist experience in Malta,” says Louis Farrugia, ex-chairman of the Malta Tourism Authority (MTA).

Historic and modern attractions

The country boasts three UNESCO World Heritage sites, including the entire city of Valletta, as well as seven Neolithic temples spread across Malta and Gozo and the Hypogeum – an underground structure first excavated around 2500BC, possibly for use as a sanctuary.

For those interested in even more modern, seaside attractions, the country’s standout beaches include the red sands of Ramla Bay on Gozo or the ever popular Golden Bay on the main island. There are also a growing number of dive sites, as well as the Blue Lagoon on the small island of Comino, made famous by Hollywood films.

By night the streets of Paceville and St Julian’s light up and the party continues to the early hours of the morning. The Isle of MTV festival in late June is another major draw for music fans.

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Gozo may be Malta’s smaller neighbour, but it has some big plans. Not only is the island’s government spending €25 million on the first stage of its eco-Gozo sustainable development plan between 2010 and 2012, but they are also rolling out the red carpet for investors.

Gozo knows it has to compensate for the extra time needed to import and export goods from its port via Malta. So the government has put several incentives in place to make conditions more attractive for manufacturing businesses operating out of Gozo.

In terms of tourism, Gozo is targeting niche markets such as the diving market and yachting tourism. It’s also putting itself on the cruise ship map. “We don’t intend to have a cruise berthing facility because it would take half the island of Gozo,” says Mrs. Giovanna Debono, Minister for Gozo. “But we did put a bay in the centre of Xlendi bay and that is going to attract more cruise liners – in fact for the year 2012/2013, we already have about 30 bookings.” Those visitors will be pleasantly surprised when they discover the unspoilt quality of the island.

The numbers have also been helped by the growing number of air links. Air Malta still brings in around 55 per cent of all visitors, but low-cost airlines such as Easyjet and Ryanair also now fly to the island and some longer-distance routes have been opening up, such as the Emirates flight to Dubai.

“We have low-cost airlines coming here and people have a choice of more destinations than ever before,” says Farrugia. “Gozo is now linked to 76 destinations, point-to-point, either through Air Malta or other airlines. The frequency has also allowed the short-stay tourist to come.”

Such air links are also vital when it comes to attracting business tourists. The meetings, incentives, conventions and exhibitions sector, known in the trade as MICE, brought in 60,000-70,000 visitors last year, with events held by major international corporations such as Sony, Philips and Ericsson. The benefit for the local economy is that much of this takes place in what would otherwise be quiet periods for the industry, such as March to May and October to November.

“Our aim has always been to increase all-year-round seasonality, rather than have one peak in the three summer months,” says Formosa Gauci. “MICe has helped that.”

The country should get a further boost in a few years time when the capital Valletta becomes the European City of Culture for 2018. This will offer further proof that the island is three days far more than just a sun and sand destination.

Stay
There is a wide range of accommodation in Malta at all price levels, but here are three options definitely worth considering.

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[www.corinthia.com](http://www.corinthia.com)

**Kempinski in Gozo**
The smartest choice on the second island of Gozo, with tranquility guaranteed in the 30,000 square metres of hotel grounds.

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Creative marketing
“We’ve looked after the British tourist market, but we have also grown the European sector,” says Josef Formosa Gauci, chief executive officer of the MTA. “The Italian market used to be close to 30,000-40,000, but last year some 220,000 Italian tourists visited the island. Some 130,000 German tourists annually make up the third strongest sector. Outside Europe, around 35,000 Japanese choose Malta, while some 220,000 Italian tourists visit the island to international audiences.

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The Report Company

Writer: Kirsty Tuxford

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