

Malta: An Overview

The small but highly ambitious island of Malta has become one of the most attractive investment locations in the Euro-Med region, and is well on its way to achieving its vision of becoming the regional centre of excellence in a number of priority sectors.

Six years into European Union membership and having adopted the euro as its currency on January 1, 2008, the small island state of Malta is beginning to enjoy the results of years of sustained efforts to transform its economy into a sharply-tuned instrument of growth, custom-designed to address the challenges of the globalised world. Positioned strategically between Europe, North Africa and the Middle East, the island promotes itself as a stepping stone to these markets and is building a strong reputation as the ideal regional hub for expansion-focussed businesses.

The island's legislative and regulatory systems, formulated and implemented over the last fifteen years to create a solid yet flexible framework for business; a wealth of highly skilled, flexible professionals in every field; its state-of-the-art telecoms infrastructure, ranking amongst the very best in Europe; the injection of EU structural funds accelerating the upgrading of the general infrastructure; together with its central Mediterranean location and sun-kissed lifestyle create a unique combination that has enabled Malta win both investment and international recognition.

History

With a history that spans seven millennia, the island - already blessed with the exquisite natural beauty of its golden limestone, crystal clear sea and charming rural landscape - is a treasure trove of historical heritage. From the extraordinary 7,000 year old Neolithic temples, the oldest known human structures in the world, to Phoenician shrines and burial places, Ancient Roman villas, bath houses and olive oil presses, Medieval chapels, Baroque Palaces and Renaissance cathedrals, the island provides a living snapshot of an enduring and fascinating history.

Just over 100 square miles in area, the Maltese archipelago comprising Malta, Gozo and Comino is located right in the centre of the Mediterranean Sea. Inevitably, its history is intrinsically linked with its location, as a succession of foreign conquerors sought to rule the islands to take advantage of their strategic location, from the Phoenicians, the Romans, the Arabs, the Normans, the Bourbons, the Knights of St John, a brief French rule under Napoleon, and finally the British until 1964, when Malta won its Independence.

This has shaped Malta's 413,000 inhabitants, who have become the most international of peoples, blessed with creativity, determination and the unique ability to adapt to new ideas and adopt - and improve - the best of them to their ultimate advantage.

Economy

Malta's GDP stood at around Euro 5.7 billion at the end of 2009. With the exception of 2009, when Malta had a negative growth of 1.9% in the midst of the recession (which is nevertheless a better performance than the EU27 average, where the economy contracted by 4.2%), the country is consistently registering growth in its economy, with rates amounting to 4.7% in 2005, 3.3% in 2006, 3.9% in 2007 and 2.7% in 2008. Eurostat projections for 2010 forecast that Malta is expected to bounce back with a growth rate of 3.1%, whilst the same projections show a growth rate of 1.8% across the EU27.

These encouraging statistics are reflected by the fact that, at around 102.1% of GDP in 2008, the stock of foreign direct investment in the Maltese economy is by far the highest when compared to that of Malta's major competitors and some 40 percentage points above the EU average.

Over the past two years, characterized by the worldwide recession and efforts towards recovery, Malta managed to attract new projects and encourage expansion of existing operations to the tune of €100million, while it also succeeded in containing the unemployment rate to around 6% - the fourth lowest rate in the EU, when the average across the EU has reached almost 10%.

The island's current success was not achieved overnight: In the four decades since Independence, the foundations for a sustainable economy based on tourism, industry and services were laid. Initially, from the mid-Sixties to the mid-Eighties, Malta sold itself as a manufacturing base for products like textiles and electronics, using low wages and plentiful supply of labour as its main selling point.

However by the end of the Eighties it was recognised that educating the work force to include highly qualified professionals would attract higher value added products and services to the island. This has enabled the country to react when labour intensive industries moved to countries with lower cost, with Malta climbing up the value chain and shifting to knowledge based industries in which its highly skilled workforce excels.

Sectors driving Growth

Malta's accession to the EU in 2004 brought significant sector-specific advantages. One of the main reasons Malta has become such an attractive domicile to many financial services firms is the passporting rights firms enjoy to other EU and EEA areas, which has led to Malta becoming a magnet for insurance and fund management firms.

Indeed, thanks also to a sound regulatory background, the financial services sector has grown by around 22 per cent in 2009 while the resilient banking sector not only did not fail but actually registered strong balance sheets and increased its debtor base, despite the international crisis.

This sector is one of the priority sectors which the Government has identified in its Vision 2015+, which seeks to transform Malta into a centre of excellence and a regional hub in a number of sectors.

ICT is another of these sectors, with Malta-based firms enjoying success on an international stage. Malta-developed software is making substantial leaps forward, while remote gaming is fast becoming a major revenue earner and employer, again driven for the most part by effective regulation. The new SmartCity project, a self-sustained township in this industry with an investment exceeding \$300 million by the developers of Dubai Internet City, Tecom, is expected to give a further boost to the ICT industry in Malta and is gradually shaping up.

Thanks to its excellent communication infrastructure, with 95 per cent of its territory covered by high-quality broadband, Malta has also managed to develop its shared services sector, attracting scores of call-centre and back-office support operations which also benefit from the fact that English is one of the two official languages in the country.

Priority is also given to the tourism industry, with over 1.2 million tourists visiting the country every year. The recent decision to open up the market to low cost airlines has given the industry a massive boost, and new niche segments such as weekend visits and short breaks are successfully attracting a previously untapped, less seasonal-centric, market. Moreover, Malta is the port of call for over half a million cruise liner passengers, with this niche expanding and an ever-growing number of companies including Malta in their Mediterranean itineraries. New investment in five star hotels and conference and incentive travel facilities continues to strengthen the island's product offering, and the MICE travel industry keeps going from strength to strength.

While the traditional selling points of Malta have been its vast history, its eclectic culture with influences inherited from foreign rulers of the country, and its natural beauty and almost year-round sunshine, in recent years the country has seen a surge of visitors that travel to its shores for medical tourism or for education purposes – another two sectors given priority under Government's Vision 2015+.

Malta offers a widespread range of courses, starting from basic studies in English language for foreigners, to degree or postgraduate level courses given either by the University of Malta or by foreign universities through their representatives in Malta, where they can benefit from lower living costs. The country is also an ideal base for companies to set up their regional training centres, as it also offers specialised training courses in such fields as Health and Safety, Risk Assessment for oil and gas industry, as well as Flight Academies, amongst many others.

Having been the pioneer in high-quality healthcare in the Mediterranean at the time of the Knights of St John, Malta keeps offering first class medical facilities in public and

private hospitals and clinics. Its mild climate make it an ideal location for medical tourism, where patients can spend their rehabilitation period. The country has also managed to diversify its offering in this industry, establishing a strong presence of manufacturers of medical devices and generic pharmaceuticals. In particular, the latter have benefited from a wide interpretation of the Roche-Bolar exemption, which creates a favourable legal framework allowing generic drug development and stock piling ahead of patent expiry. The industry is also looking ahead, and with the setting up of a new Life Sciences Park in the coming years it is expected to give a further boost to R&D and innovation in life sciences, biotechnology and other related fields.

The manufacturing industry nowadays mostly comprises high-end operations with a high added value. Besides the aforementioned pharmaceuticals and medical devices, Malta specialises in the production of electronic components which represent one of its major exports, as well as precision engineering, automotive components, foodstuffs and beverages. These are also complemented by services provided to the maritime and aviation industry, with the Malta Shipyards having found a new lease of life and the Aviation sector growing significantly and attracting some of the world's leaders in the industry, particularly in the maintenance, repair and overhaul (MRO) sector such as Lufthansa Technik and SR Technics.

Conscious of the fact that a green economy is also conducive to a better lifestyle for its inhabitants, Malta is pushing forward initiatives in favour of the environment. These include the generation of energy from alternative energy sources, including solar energy and energy generation from waste, as well as resource management and reduction of pollution. An innovative concept which is being promoted in this field is that of an ecological island, whereby Malta's sister island Gozo is gradually transformed into a sustainable reality comprising environmental, social and economic issues. Being smaller in size and more rural in its nature, Gozo offers the implement such a concept with greater ease through such projects as agri-tourism and reducing the dependency on polluting energy sources.

The Business environment

Malta offers a highly competitive investment location for niche manufacturing, particularly in the following industries; medical, bio-tech, pharmaceutical, automotive, film, maritime activities, contact centres, aviation services, e-business and iGaming, back office services, electronics and software. Companies setting up in Malta today include software developers, financial services, iGaming, aviation, pharmaceutical companies or manufacturers of high value electronic components and R&D particularly in the medical, bio-tech and pharmaceutical industries.

An HR rich location offering a multi-lingual, innovative and highly-qualified workforce, Malta knows that its people are its most valuable resource. Indeed, the authorities remain committed to retraining the entire workforce to take on specialist

manufacturing and other industry jobs, while the University of Malta, vocational colleges and other specialist academies ensure a steady stream of top level, highly motivated graduates. With labour costs in Malta still well below the European average, the high productivity, dependability and performance of the workforce are considered the island's greatest strength.

Malta's geographic position in the centre of the Mediterranean makes the island a key player in the global warehousing and logistics chain. The Malta Freeport, the third largest transshipment and logistics centre in the Mediterranean handling 2.3million TEUs per annum and run by CMA CGM, is connected to 50 Mediterranean ports and 100 ports worldwide, while the Port of Valletta is serviced by many of the world's major shipping lines. Within close proximity of both Ports, the Malta International Airport ensures multimodal freight services and distribution are easily manageable. MIA offers both passenger and cargo services to key destinations in Europe and North Africa through regular daily flights.

The island offers investors a comprehensive package of incentives under the Business Promotion Act and the new Malta Enterprise Act. Incentives include soft loans, investment allowances, training grants, tax incentives and the provision of ready built specialised factory space. New provisions provide incentives for those industries demonstrating growth and employment potential that are engaged in manufacture, repair, improvement or maintenance activities, and there are specific incentives aimed at encouraging activities in the growth-targeted pharmaceutical, plastics, biotechnology, electronics, electrical equipment and IT enabled service sectors.

Malta's infrastructure is of a world standard and can cater to all investors' requirements. At the same time, living in Malta offers an excellent lifestyle in a glorious Mediterranean climate, the island is politically stable and within a few hours flying time of most major European cities. These combined advantages make Malta one of the most attractive investment locations in the region, and international attention is fast being drawn to the island and its potential.

The Bottom Line

Malta offers foreign investors the security and ease of operating within EU borders yet within easy reach of the emerging markets of North Africa and the Middle East, supported by top class legislative framework, a stable political and economic environment, and a cost-effective, driven workforce. For foreigners working in Malta, the combination of an efficient business climate and excellent infrastructure enhanced by the relaxed holiday environment in which they operate offer a unique and magical opportunity to do business successfully.

For those looking to contract or outsource their requirements, Malta could be the location for a range of manufactured products and services. Moreover, Malta

Enterprise, the national agency for trade, investment and enterprise support, (www.maltaenterprise.com) can assist you with contacts, leads and insight on doing business with Malta for trading, joint ventures, franchising, technology transfer, strategic alliances etc.