

Malta

Open for business and looking east

For centuries, the Maltese islands have taken full advantage of their strategic location between North Africa and southern Europe, becoming both a successful commercial hub and a popular destination for tourists. But in today's globalised world, the Mediterranean island nation has lofty ambitions: it is seeking to develop its digital economy, overhaul its energy sector, broaden its trade relations and spread its cultural influence. Traditional partners in Europe and Africa remain key areas of interest for modern-day Malta. But the country is also looking east, to nations such as China, for both investment and inspiration.

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A Mediterranean haven

Writer: Guy Hedgecoe



Malta has long enjoyed a reputation as a strategic hub and a paradise for visitors. It is now aiming to build on that status by developing a modern economy and attracting investment from across the globe.



1. With 320 monuments, Malta's capital city Valletta is one of the most concentrated historic areas in the world.
2. The Msida and Ta' Xbiex Marina serves as one of Malta's most popular marinas. Photo: Malta Enterprise
3. The Azure Window, a famous natural limestone arch, can be found on the Maltese island of Gozo.
4. Owing to its strategic location between Europe and North Africa, Malta has become a leading maritime centre.

Edward de Bono

The world's leading authority on conceptual thinking as the driver of organisational innovation, strategic leadership and problem solving, Edward de Bono is probably Malta's most famous person. The author of dozens of acclaimed books, including *Six Thinking Hats*, says: "Finding the truth is fine but unless you can put things together to find value, it's not enough."



Read the full Q&A the-report.com/malta

When the Phoenicians discovered Malta, in around 1,000BC, they called it "Malat", meaning "safe haven" and today this archipelago that sits just south of Sicily prides itself on being just that. Its location in the heart of the Mediterranean places it between the politically turbulent North African region and a southern Europe that is still reeling from the recent economic crisis. Yet despite the turmoil afflicting its neighbours in recent years, Malta can boast not just a calm political landscape and stable financial sector, but also a culture and economy that are reaching across the Mediterranean and beyond.

"We are promoting ourselves as a stable, safe country with good rule of law and good standards," says George Vella, minister for foreign affairs. "We are looking forward to opening up as much as possible to the whole world."

Malta's merits have long been apparent to visitors. The hundreds of thousands of tourists it receives each year are lured both by the extraordinary natural beauty of its beaches, bays and inland scenery, as well as its charming towns and historical monuments. As well as the Phoenicians, Malta has hosted the Greeks, Carthaginians, Romans, Byzantines and Ar-

abs, all of whom have been drawn to its ideal location as well as its beauty.

A modern nation

Today, Malta is determined to retain that strategic importance but also to convince the international community that among the historical buildings of its UNESCO World Heritage sites beats a vibrant, modern heart. There is a feeling that the time is ripe for Malta to make its presence felt on the global stage. "We are not a country in its infancy," says Christian Cardona, minister for the economy. "And so now we are positioned to focus on our niche markets. We have to work on those markets and excel in them and make sure we create a hub of excellence."

Over the last decade, Malta's economy, which Bank of Valletta CEO Charles Borg describes as "probably the most open in Europe", has suffered only one year of negative economic growth, in 2009. The banking sector, operating within a rigorous yet flexible regulatory framework, sidestepped much of the trauma of the eurozone crisis, and the financial industry draws 80 percent of Malta's foreign direct investment (FDI).

Eastern promise

In addition to tourism, the government is keen to grow other areas of the economy. Gaming is one area Malta is cultivating and having created pioneering legislation for e-gaming, the sector as a whole already accounts for more than 10 percent of GDP. Another objective is to broaden the sources of the country's FDI. Malta is encouraging the Asian market, in particular, to see it as both an investment target in itself and as a gateway to Europe and North Africa. Shanghai Electric Power's recent pledge to make a substantial investment in Malta's national energy firm reflects the growing economic links with China.

The Maltese-Chinese bond is also increasingly visible in other areas, with Chinese tourism and cultural institutions now well established on the islands. "China appreciates Malta's unique location and would like to make full use of it," says the Chinese ambassador to Malta, Cai Jinbiao. The planned construction of a new, improved Chinese embassy building in Malta speaks volumes about the direction bilateral relations are heading.

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Interview

A step change for Malta

Joseph Muscat, Prime Minister of Malta

Following a decisive victory at the nation's polls last year, Dr Joseph Muscat's Labour Party is forging a new path for Malta, transforming it into a knowledge hub and placing greater emphasis on the relationship with China.

What have been your priorities since taking office?

We promised that our administration would not create earthquakes that bring instability to the economy. During the past year, we maintained continuity in those sectors where the economy was doing well and at the same time introduced swift measures to correct what we felt could be done better. We're seeing the first results and all the indicators are positive. During the past year, for example, we have managed to increase our economic growth fourfold over the previous year. Our efforts have been noticed and lauded not only by the European Union but also by international credit agencies.

How has the return of the Labour Party to government impacted Malta's relationship with China?

We are very proud of our relationship with China. In 1972, it was a Labour government that established diplomatic relations with China. However, it has been more than just a diplomatic relationship between the two nations. It has been a strong friendship and we're adamant that it remains so. I believe that since we've been in government we have strengthened Malta's ties with China even more.

To facilitate commerce between the two countries we've appointed a special envoy and our ambassador in China is doing sterling work to maintain a continuous dialogue with the Chinese government.

We are investing together to strengthen the local energy sector but we're also targeting larger markets by investing together in the development and production of alternative energy sources. The prospects are good and I have faith that these projects will yield excellent returns for both Malta and China in the near future.

How important is China to Malta?

China is currently the world's second largest economy. However, China's attractiveness to Malta goes beyond this economic fact. Our relationship is a lasting relationship of friendship. We're interested in China as a whole; in its culture, economy and society. We hope to attract Chinese investors as much as we hope to attract Chinese tourists or Chinese students who can avail themselves of our educational facilities.

What does Malta offer to China as a partner?

As an EU member, Malta can become a platform for Chinese investors to access the European market. Malta is in an advantageous position to facilitate dialogue between Europe and China. That's a role we are keen to assume and I think we can do the job very well. Furthermore, Malta offers fiscal incentives, a stable and safe economic climate, a good lifestyle and a strategic geographical location to any Chinese investor that wants to access the European or North African market. Malta, therefore, can be China's platform towards Europe and North Africa.

What opportunities does Malta's Individual Investor Programme (IIP) present?

Following a few legislative changes, Malta's Individual Investor Programme has become the only such programme that has the official endorsement of the European Commission. With the IIP we will be attracting high-net-worth individuals towards Malta and consequently towards Europe. These people will be investing in property, government bonds and citizenship. We are very careful to ensure that in the process all the necessary due diligence will be done scrupulously. In turn, individual investors will benefit from fiscal incentives, mobility within the European Union and all the business benefits that being a European citizen brings.

How would you like Malta to be perceived on an international level?

I want the world to see Malta for what it is. Being so small sometimes means that in certain parts of the world we're nearly invisible. But when investors get to know Malta, they like what they find. Malta does not only have a stable political and economic climate; we have a well-trained, versatile, English-speaking workforce, an established industrial environment and a business-friendly financial and regulatory establishment. Foreign investors coming to Malta are constantly fascinated by the history that foreign direct investment has. Companies that came here thirty, forty, fifty years ago are still here, going strong, still believing that Malta is the best place for their investment to thrive. That's why we always market our country for what it is: investors, as much as tourists or anybody else, appreciate the element of authenticity in what we do.

"As an EU member, Malta can become a platform for Chinese investors to access the European market."

Biography

Educated first in Malta and then in the UK, where he received a doctorate from the University of Bristol, Dr Joseph Muscat worked as a journalist prior to entering politics in 1995, at the age of just 21. After successfully contesting the first European parliamentary elections in Malta in 2004, Dr Joseph Muscat was elected as leader of the Labour Party in 2008. After an extensive political reform, moving the party to the centre and changing its formal name and emblem, Muscat led the Labour Party to a landslide general election victory in 2013, on the promise of lower energy bills and greater transparency.



+ A year of anniversaries



2014 marks the 50th anniversary of Maltese independence from the British, who had ruled the islands since 1814.



Queen Elizabeth II remained head of state until 1974 – this year therefore marks 40 years since Malta became a republic.



Malta is also celebrating 10 years of European Union membership. It has been part of the eurozone since 2008.

Perspective

Sai Mizzi Liang is originally from China, but has Maltese citizenship and was appointed as Malta Enterprise's investment promotion envoy for Asia in September of 2013. She believes that the maritime and

logistics industries are particularly ripe for investment from China – and Asia in general – over the coming years. She also says that Malta's small size and low risk will be key in attracting Chinese enterprise.

"Malta's potential as a regional hub for Chinese firms to service North Africa and Southern Europe is very attractive."

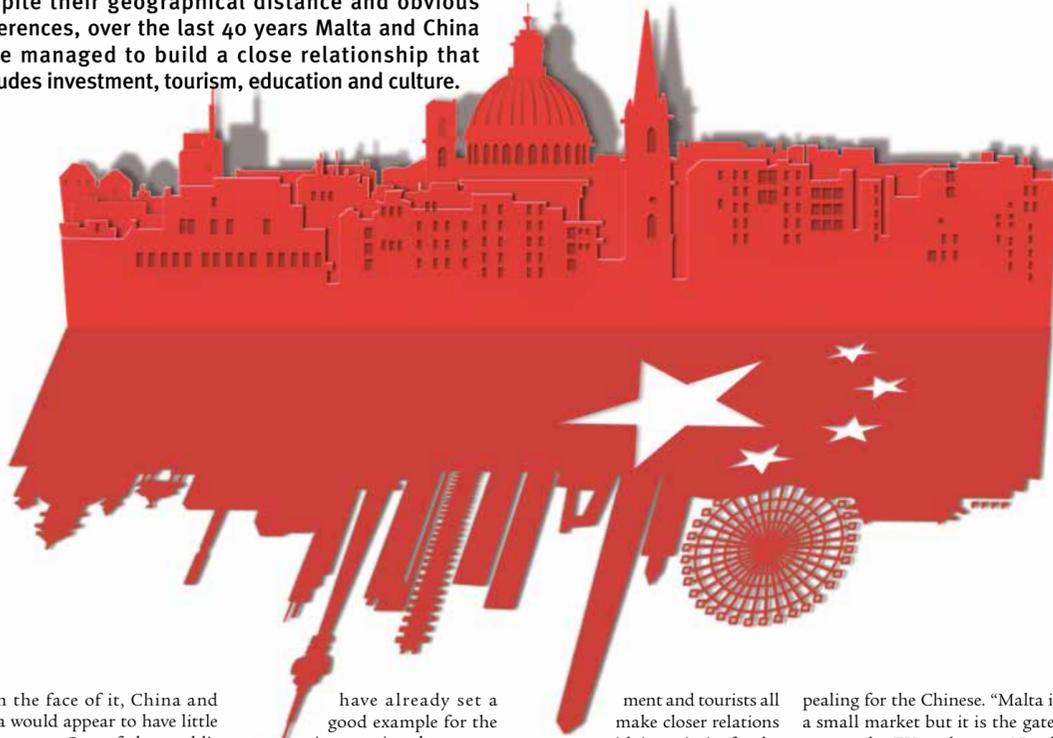
Sai Mizzi Liang
Special Envoy, Malta Enterprise



Opposites attract

Writer: Guy Hedgcock

Despite their geographical distance and obvious differences, over the last 40 years Malta and China have managed to build a close relationship that includes investment, tourism, education and culture.



On the face of it, China and Malta would appear to have little in common. One of the world's largest countries, China's political system and Oriental culture contrast with the small islands of Malta, where a rich European heritage is the context for a UK-style parliament.

And yet, the two countries can look back on four decades of strong relations as they seek to build substantial bilateral ties in areas such as the economy, education and culture. Malta was one of the first European nations to establish diplomatic relations with China, in 1972. Coincidentally, that was under a Maltese Labour government and the same party is in power now. "China and Malta

have already set a good example for the international community on how two countries of vastly different sizes, cultures and social systems may develop friendly relations," says China's ambassador to Malta, Cai Jinbiao. "China and Malta have a lot in common. They are both rich in history and culture, and deeply value their own cultural heritages."

Malta has fostered close ties to the East throughout its history, being a key part of the Mediterranean trade route for the Phoenicians and other civilisations. Two millennia later, the mutual attractions of Malta and China are undeniable. China's energy invest-

ment and tourists all make closer relations with it a priority for the island nation; meanwhile, Malta's

"China and Malta have successfully nurtured a partnership and friendship which is growing from strength to strength."

Cai Jinbiao
China's ambassador to Malta

strategic location in the heart of the Mediterranean makes it ap-

pealing for the Chinese. "Malta is a small market but it is the gateway to the EU and many North African countries," explains the Chinese ambassador.

While investment is clearly driving the relationship between the two countries, culture is also very central. This is reflected in the recent agreement on the establishment of a Maltese consulate in Shanghai and it is also apparent in the increasing numbers of Chinese tourists who are discovering the island. Malta's hosting of a Confucius Institute, a Chinese Cultural Centre and even a Chinese Garden of Serenity all reinforce the notion that bilateral ties between these two countries are reaching beyond just trade and industry.

Forging links through education

In May 2013, Malta and China signed an accord ensuring the mutual recognition of university degrees between the two countries. This is seen as important for Chinese students, because it now means that qualifications they gain in Malta can make them eligible for a government post back home. Chinese students are particularly drawn to Malta because of its specialised courses in areas such as diplomacy and maritime law.

Meanwhile, the Confucius Institute at Malta University, which was set up in 2009, is teaching locals Chinese. Malta hopes to inspire the younger generations to learn about China's language and culture, with the institute also due to start offering classes in schools.

"We would like to work more with Chinese universities."

Evarist Bartolo
Minister for Education



Photo: John Gaudí

Q&A

Dr George Vella
Minister for Foreign Affairs

"We can offer genuine business opportunities in a professional, qualified environment"

Which are the main challenges and your objectives as minister for foreign affairs in Malta?

We are in the middle of the Mediterranean and in the last few years we have been facing the problems that have arisen in this region, especially the Arab Spring and the problems that

followed after that. It is a very complex situation and our foreign policy at the moment is obviously qualified to a certain extent by what's happening in the region.

As well as the southern Mediterranean neighbourhood, there is another neighbourhood to the European Union which is the Eastern neighbourhood and there we're talking about relationships with countries like Ukraine, Georgia, Moldova, Armenia and Azerbaijan; these are the countries beyond the EU's borders which the EU is reaching out to because of evolving circumstances. We're right in the middle of this process.

How would you like Malta to be perceived internationally and particularly by the Chinese market?

I'd like to see my country perceived as an opportunity for investment. Malta is a very small place; we do not have our own natural resources but we rely on our human resources and the services which we can offer. If we manage to convince the world outside that we are a credible business partner, they will see that we can offer genuine business opportunities in a professional, qualified environment in a country which is placed strategically in the middle of the Mediterranean.

Why invest in Malta?



1 Situated between Europe, North Africa and the Middle East, Malta has huge strategic value.

2 Malta enjoys political stability, with a parliamentary system based on that of the UK.

3 Its tightly regulated bank sector has avoided the turmoil other nations, such as Cyprus, have seen.

4 Malta has the largest ship registry in the European Union.



This is an English translation of the feature published in **The Economic Observer** **China**

Creating an attractive investment location

Malta's traditional strengths, including its strategic location and stability, have served it well, but as it looks to lure new investors, the country is putting innovation at the heart of its economy.

Malta's attractions for foreign investors are obvious for the visitor: besides its enviable strategic position in the Mediterranean, it is a safe country with political stability and an English-speaking populace. It also boasts solid regulation in key industries such as finance, shipping and aviation. In addition, Christian Cardona, minister for the economy, investment and small business, believes that the Maltese themselves offer potential investors some valuable assets. "We have a workforce that is agile, we have legislative agility, we are flexible and we are eager to work," he says.

Yet Cardona and other important figures in Malta's economy believe that in a globalised, digital world, these virtues need to be constantly honed and added to if the country is to thrive, especially given its small island nation status, which means a lack of raw materials and a heavy dependence on trade and investment.

Around 80 percent of the €8 billion Malta received in FDI in 2012 went into the financial sector. But the country is seeking to increase investment in areas as diverse as the maritime industry, digital gaming, printing, aviation maintenance and refurbishment, waste management, pharmaceuticals, media training and precision engineering.

Local meets global

"Traditionally, the largest exporters in this country were the foreign-owned industrial companies," says Dr Mario Vella, chairman of Malta Enterprise, the national development agency responsible for promoting and facilitating international investment. "We're trying to bridge the gap between the traditional local-market-oriented and innovative foreign-owned export-oriented."

This determination to embrace innovation is particularly visible in the digital gaming

sector and with projects such as a new life sciences park which is due to be completed by the end of 2014. Germany has traditionally been Malta's biggest investor in the life sciences industry, but the island is keen for that to change as it looks beyond Europe for FDI, particularly towards Asia.

A key part of the process of attracting new investors is ensuring that bureaucracy is kept to a minimum. This is one of the main tasks of Malta Enterprise, which sees itself as a one-stop shop for foreign investors. Its chairman makes the bold claim that those who present "a serious business proposal" will have a clear decision from the agency within one month on whether or not it will proceed.

"The amount of trade between Malta and China should be ten times greater than what it is. And it will be."

Maurice Mizzi
Chairman of the Maltese-Chinese Chamber of Commerce

An ideal starting point

Although Malta's authorities are bullish about the country's merits and ambitious as they look to the future, they are realistic about its capabilities given that it is the EU's smallest economy. Sai Mizzi Liang, investment promotion envoy for Malta Enterprise, sees the island as an ideal starting point for investors who are unfamiliar with Europe's business environment.

"A Chinese investor might have the opportunity to start with a small investment in Malta, gaining a better understanding of the complexity of the European market whilst managing the risk associated with new markets," she says. "In a nutshell, Malta can be

the stepping stone for opportunities in the region."

The existence of a Maltese-Chinese chamber of commerce underlines the island's current focus on the East, as do initiatives such as the Individual Investor Programme (see below), which is expected to benefit Chinese investors greatly. "The trade between Malta and China should be 10 times greater than what it is," says the chamber's chairman, Maurice Mizzi. "And it will be."

Individual Investor Programme

What does it take to become Maltese? According to the government, investing at least €650,000 in the country, buying sovereign debt, owning property and spending a short period living on the island. These are the conditions of the Individual Investor Programme (IIP), a citizenship-by-investment scheme. It looks like a win-win plan for Malta, which says it already has applicants queuing up to participate, even though the programme is not yet underway. But the European Commission has expressed concerns that this is akin to handing out EU passports in exchange for money.

Jonathan Cardona, CEO of Identity Malta, a newly created agency which oversees residency issues, insists that is not the case and that the above conditions are "sufficient to create adequate links with the country." Following talks with the Commission, Malta has agreed to introduce a 12-month residency requirement prior to granting Maltese citizenship. An initial cap of 1,800 arrivals has been set. Critics have also charged that the initiative is simply aimed at bringing wealthy Chinese to Malta. But Cardona says that whoever comes, they will benefit the country. "This new pool of talent will transform Malta into a modern business hub, where investors could embrace a pro-business atmosphere," he says.

Industry voices



John Huber
Managing Consultant of John Huber and Associates

"We have gone quite a long distance from an Individual Investor Programme which was heavily criticised to one that is endorsed by the EU. The impact is definitely positive."



Jonathan Cardona
CEO of IIP, Identity Malta

"The IIP would give an extra boost to the country's investment in areas such as health, education, research and innovation. Its main aim is to attract international talent to Malta."

What are the main priorities and challenges for the ministry at present?

We've been working on the creation of employment within foreign direct investment projects. Another important issue being addressed is the reduction of administrative burdens for enterprises operating in Malta. We have highly successful industries in Malta, including financial services, online gaming, manufacturing, tourism, aviation, life sciences and precision engineering and we need to ensure we keep them strong and competitive while at the same time developing new sectors in niche areas so that Maltese industry remains competitive through innovation.

What scope is there for greater Chinese involvement in Malta's economy?

We have had a special relationship with China for a long time but I think there is now scope for China to do more business in Malta. We welcome Chinese investment and expertise. In such a strategically placed location, Malta could offer itself also as a gateway for Chinese investment in the greater region.

What is your position in terms of modernising Malta's economy?

We've been developing a 'Digital Malta' strategy, which will cover all aspects of Maltese life and ensure nobody gets left behind in the digital

"Malta is building a digital economy which is robust, resilient and which fosters sustainable growth"

age. Reducing the digital divide is an important focal point in this argument and Malta's vision for 2014-2017 will revolve around building a digital economy which is robust, resilient, modern, very global and which fosters sustainable growth.

Photo: W. Attard/McCarthy



Q&A

Christian Cardona
Minister for the Economy, Investment and Small Business

Enterprise for investment

Malta Enterprise has a long history. In 1967 it was set up under a different name, Malta Development Corporation, but it had similar duties to those it has now: to promote and facilitate investment, both local and international. Today, the agency is represented in Africa, Asia, the Middle East, the United States and Australia.



Dr Mario Vella
Chairman of Malta Enterprise

"Foreign direct investment is vital for this country's economic development"

Dr Mario Vella is an economist and former president of Malta's Labour Party who in 2013 was appointed chairman of Malta Enterprise, which promotes and facilitates local and international investment. Vella has advised the Committee for Economic and Monetary Affairs of the EU parliament on foreign direct investment and has lectured on the subject at Urbino University. He believes his current role continues a longstanding tradition of incentivising FDI in Malta. "Foreign direct investment is vital for this country's economic development; it is vital for growth and it has to be export oriented," he explains. "We are a small country; we have to import just about everything and therefore it should come as no surprise that we need to export more than we import."

"If you look at the figures, investments are going to IT, technology and health. We are working for a better future."

Jimmy Magro
Director of Life Sciences Park, Malta Enterprise