

Island Economies Part 2

Malta - An Economy In Transition

A historic island paradise, Malta has its sights set on the future as global businesses and foreign investors cash in on the country's favorable tax system and business-friendly policies.

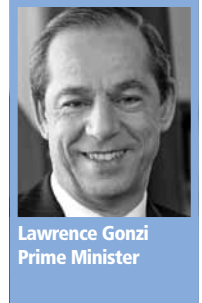


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A Vision for the Future, a Blueprint for Growth



A strong push toward private sector development and excellence is making Malta a magnet for foreign investors.

Boasting beauty, history, and an enviable location in the Mediterranean Sea, Malta is attracting a wave of global investors as it diversifies its economy and takes advantage of its recent adoption of the Euro.

The modern island nation, which gained independence from the U.K. in 1964, is a leading tourist destination and an important freight transshipment hub due to its strategic position near the North African coast and along trade routes to Asia.

With a population of 405,000, the country has enjoyed steady, if unspectacular, economic growth over the past decade. Analysts attribute this to its excellent transport links, and European Union (E.U.) membership since 2004. Driving Malta's economic growth are the service, tourism, and manufacturing sectors, while new industries such as pharmaceuticals, Information and Communications Technologies (ICT), and aviation services are feeling the impact of valuable foreign direct investment (FDI). The country is also a hub for the international gaming industry thanks to favorable tax laws, and it now hosts 10% of the world's e-gaming companies.

This focus on innovation is illustrated by the €300 million (U.S.\$432 million) Smart City project—a state-of-the-art ICT complex that will create 5,600 jobs when it is completed and further boost Malta's reputation as a business-friendly and forward-thinking nation.

Under the astute leadership of Prime Minister Lawrence Gonzi, the government has devised an economic development plan called Vision 2015, focusing on the liberalization of the private sector, human capital, FDI, and a commitment

to standards of excellence.

The ambitious blueprint identifies seven key sectors in which Malta aims to be regional leader—financial services, ICT, manufacturing, tourism, health care, education, and ecology, through the

development of ecological studies and tourism on the small island of Gozo.

Prime Minister Gonzi has played a pivotal role in Malta's development since he took office in 2004. "We have lots of advantages that make us unique," he says, "including a strategic position, efficiency, a lack of red tape, English-speaking quality professionals, a great climate, and a European lifestyle.

"This is the perfect package to attract investment. On top of that, being a small country means we offer quicker and more flexible solutions to any problems. Malta is arguably the only place where you can call the Prime Minister and meet him personally within two hours."

Education and the development of human resources are at the heart of government policy as the country looks to build a bright future based on a knowledge-based economy, and private sector enterprise and investment. "We are spending a lot of money on education. I believe by 2015 our economy will be totally knowledge-based and reach out to the world precisely because of its quality human resources that will provide the best services," Gonzi notes.

Malta Enterprise is at the forefront of this drive to attract valuable FDI in a range of sectors and industries from the E.U. and beyond. A government agency that aims to promote industrial development and sustain Malta's competitiveness by creating the right environment for successful enterprise, it has been instrumental in the development of a biotechnology park on a site that will link a hospital and leading university.

"We are moving up the value chain and increasing the complexity of the products manufactured in Malta," says Malta Enterprise chairman, Alan Camilleri. "We are focusing on research and development and have launched €4 million (U.S.\$5.8 million) worth of incentives in this field."

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As global banks and financial institutions recover from the worldwide economic crisis following a turbulent period, Malta's financial services sector remains strong, with banks protected by their limited exposure to structured financial products.

The country is being transformed into an alternative base for investment funds, private equity businesses, and hedge funds, as it follows the example of Luxembourg. "We have come out of the global economic crisis very strong and are recognized internationally as being in a strong position due to our regulatory and fiscal framework," says Tonio Fenech, Malta's Minister of Finance. "We are attracting a decent number of large companies and exploring openings outside of the E.U."

At the forefront of the fast-growing ICT sector is the Malta Communications Authority. Headed by chairman Philip Micallef, the authority promotes innovation in telecoms technology.

A leading global provider of card-payment solutions, IT consultancy and related services to international and domestic banks, financial organizations, service providers, and retailers, RS2 Software plc is one of Malta's biggest success stories.

The firm has established its core development center in the country as it takes advantage of a talented and well-educated pool of graduates. "RS2 provides solutions to its global clients and it all comes from our development center in Malta," RS2's CEO Mario Schembri observes. "This is testimony to the skills level of the Maltese and the desire to reach certain standards."

As a top tourism destination, Malta enjoys a glowing reputation among international visitors, many of which now own real estate, such as villas and apartments. With a straightforward residency permit process that is backed up by a strong legal system, Malta has enjoyed a buoyant property market for many years, especially among retirees.

"We have come out of the global economic crisis in a strong position."
Tonio Fenech, Minister of Finance

High-end real estate developers GAP Holdings Ltd., founded in 2001, is behind many of the new properties springing up in Malta. Led by industry veteran, George Muscat, GAP's latest showpiece development is the Fort Cambridge project in Sliema that is built on the site of an ancient fort. The €180 million (U.S.\$260 million) project comprises 350 luxury apartments—two thirds of which are now sold—a large pool, and gardens.

"I have always focused on location, quality, and timing," Muscat says. "We tell investors all about the beneficial tax regime, high level of security, and other attractions here."

With so much to offer investors, Malta is sure to enjoy further success as foreign companies take advantage of its unique location, entrepreneurial attitude and solid infrastructure. •

Malta Develops Magical ICT Industry

Having identified ICT as a top priority, the Maltese government has built a robust framework to support the sector and invested heavily in ICT education. Hefty capital investment means the island boasts four nationwide broadband networks. Malta has also facilitated access to radio frequencies that enable firms to test innovative technologies on a national scale at minimal cost.

Ranked first in the E.U. in terms of e-commerce as a percentage of total turnover of enterprises, Malta has a telecoms sector with modern legal frameworks. These enviable factors have attracted top e-gaming companies and financial industry players, plus a new ICT village.

Through various investment-aid projects, officials are improving ICT infrastructure and FDI. In addition, with 95% of its services available on-line, Malta continues to set the pace in public and private sector ICT innovation and is ranked second by the E.U. in e-government excellence.

Key indicators as at June 2009:

Nationwide fixed broadband networks	2
Nationwide WiMax networks	2
Nationwide 3G mobile networks	3
International links	4
Fixed line penetration per capita of the population	59.7%
Mobile telephony penetration	98%
Broadband Internet penetration	25.7%

Malta Communications Authority

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Maritime Malta Steams Ahead

With its eye on the country becoming a maritime center of excellence within five years, the Malta Maritime Authority (MMA) is witnessing strong growth across the board, thanks to efficient management, ongoing privatization initiatives, and the support of Government.

Situated on major trading routes, the Mediterranean's most southerly island-group has proved to be an ideal stop-off point for ships calling for the transhipment of cargo, bunkering, crew changes, and the supply of provisions. According to Stanley Portelli, MMA's CEO, the growth is attributable to the success of the government's privatization policy: "During the last five years the terminals operated by Malta Freeport and Oiltanking Malta, which both specialize in the handling of transhipment cargo, have invested significantly to increase capacity, improve productivity and increase employment.

"VISET Malta plc has continued to extend its quays to ensure they can handle the largest cruise liners trading in the Mediterranean, while Valletta Gateway Terminal has invested in cargo handling equipment to better serve the local market." In addition to regulating Malta's ports, the MMA is responsible for promoting the registration of ships under the Malta flag. The number of ships registered under the Malta flag account for 35.7 million gross tons, making the Malta registry the second-largest in the E.U.

Malta Maritime Authority

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MALTA MARITIME AUTHORITY