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# MALTA

## At Center Stage for Global Trade

With one of the strongest economies in the European Union, Malta has gone from strength to strength throughout the recession. Now is the time for consolidation of markets and sectors.

**S**ituated in the heart of the Mediterranean, between Sicily and the North African coast, Malta is a hard-working and enterprising nation with a fascinating history and a buoyant economy. Just six miles from one of the world's busiest shipping lanes, the three-island archipelago is supremely positioned to take full advantage of its location and human capital to continue its rise on the global stage.

Despite having a population of just 423,000, Malta has successfully diversified its economy away from the seasonality that comes with the tourism sector and moved into highly specialized industries such as finance, maritime trade, precision engineering and information and communications technology (ICT).

As a testament to its growing international importance, Malta plays host to the 2015 Commonwealth Heads of Government Meeting (CHOGM) in November. A biannual event, CHOGM showcases the multicultural dialogue that the Commonwealth—a body that represents 2.2 billion people and 53 countries—brings to the world. And Malta, as a country at the crossroads of civilizations, faiths and cultures, is in

a prime position to show what cooperation and dialogue can contribute.

“Malta is geostrategically positioned near Europe, Africa and Asia, and this enhances stronger visibility for the event and the CHOGM member states,” Marie-Louise Coleiro Preca, President of Malta, explains. “Malta has a deep knowledge of the European Union, as well as North Africa. By embracing and acknowledging multiculturalism, we can be truly and effectively inclusive, addressing poverty in an indirect manner.”

As George Vella, Minister for Foreign Affairs, explains, the meeting will allow Malta and the U.K. to strengthen their already secure partnership for the betterment of the world: “Thanks to CHOGM—essentially a British institution—and an ongoing, historical relationship, we already have close relations with Britain. We therefore want to bring CHOGM countries together. We come with ideas to strengthen its economic standing, such as a trade financing facility within the Commonwealth, and a center of excellence for small states. There are many British investments in Malta—the U.K. is our No. 1 tourism partner.”



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Malta is a veritable melting pot for ideas, culture and commercial exchange, and one of the sectors that the government and its associated partnerships is trying to exploit is that of meetings, incentive, conference and exhibition (MICE) tourism, a huge growth industry. With its enviable position, the locale is ideal for people from around the globe to visit.

Edward Zammit Lewis, Minister for Tourism, explains the vision: “Our focus as Ministry for Tourism and the Malta Tourism Authority is to be aware of our priorities and our secure markets, and the British market is imperative for us. Malta is very popular during the off-peak season for senior citizens, but we are also trying to attract more visitors by creating activities and events that will appeal to younger people. Malta is open for foreign direct investment, the government is totally pro-business, and ministers are completely accessible. We work like a commercial enterprise with quick decision-making processes to boost competitiveness and capacity.”

As well as tapping into the MICE sector, increased capacity will also come from expanding the offer outside the normal summer season, with cultural events a key factor in enticing people to come to the island. Paul Bugeja, CEO of the Malta Tourism Authority, says that the appeal of the island to both tourists and those wishing to set up a tourism-related en-

**“There are many British investments in Malta—the U.K. is our No. 1 tourism partner.”**

*George Vella, Minister for Foreign Affairs*

terprise is simple: English is widely spoken, and thanks to the progressive policies of the government, doing business is easy.

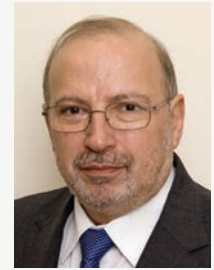
“Malta is a natural market for U.K. tourists,” he says. “Currently, the U.K. accounts for around one-third of the total number of visitors, and as many as 50% of them come back. Malta is an attractive destination for many reasons: It has an extensive leisure offering, safety, a cosmopolitan lifestyle and the presence of important industries.



**Edward Zammit Lewis**  
Minister for Tourism



**John Cassar White**  
Chairman, BOV



**Josef Bonnici**  
Governor, Central Bank

“We have joined forces with the Ministry for Tourism to work on the Tourism Vision 2030, a blueprint that will guide medium-term policies like the National Tourism Policy 2015-20. From a strategic perspective, the NTP focuses on three main issues: managing figures, policies and seasonality. Malta is much more than sun, sand and culture, which is why we set up the Malta Convention Bureau with the objective of attracting more association meetings to the country. The beauty of this country lies in the fact that it is very authentic and the people are genuinely welcoming.”

**Fiscal Prudence**

Much of Malta’s economic growth can be attributed to the excellent regulation of banks and the financial services sector. Maltese banks also have a strong local deposit base, and as a hub for business from European and North African countries, the area is marked by its flexibility, innovation and competitiveness, and a safe haven for investors.

Christian Cardona, Minister for the Economy, Investment and Small Business, explains that these factors and the country’s second-to-none human capital show why it is an ever-growing sector: “We are a major port area and gateway for products being shipped to Europe from Africa and the Middle East. This helps us attract FDI, which is vital for our economic growth and exports, as well as for knowledge transfer and continuous upskilling of the workforce. Investment in human resource



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development and management must be seen as a priority on any political and economic agenda.

“During 2014, trade between Malta and the U.K. amounted to €471.3 million, an increase of 13%. Exports from Malta to the U.K. in 2014 amounted to €97.2 million, a decrease of 9.8% on the levels recorded in 2013, whereas imports by Malta from the U.K. in 2014 amounted to €374.1 million, an increase of 21.1%.”

Edward Scicluna, Minister for Finance, echoes these thoughts, agreeing that the country’s workforce will allow Malta to continue its expansion in a sustainable manner, supported by the business-friendly nature of the government. “We have top professional and human capital, fantastic legal

**“Malta’s resilient economy can be partly attributed to its sound banking sector.”** *Josef Bonnici, Governor, Central Bank*

and accountancy firms, as well as leading ICT companies,” he says. “Our banking conservatism is something all regulators require. We have high liquidity ratios, good profitability and capital requirements, strong regulation and we have enacted the E.U.’s Capital Requirements Directives.”

In conjunction with the Malta Financial Services Authority (MFSA), the Central Bank of Malta (CBM) is tasked with keeping the financial sector stable. The CBM is focused on macro-prudential policies, while the supervisory role is undertaken by the MFSA.

Josef Bonnici, governor and chairman of the CBM, explains that the benefits of solid regulation for Malta, when combined with the sound economic management of successive governments, highlight why the

jurisdiction has not struggled during the global recession. “Malta’s resilient economy can be partly attributed to its sound banking sector: It ranked 10th worldwide in 2014, according to the World Economic Forum,” Bonnici says. “The country has focused its efforts on developing human capital. There is a substantial allocation of public resources to all levels of education. Tourism is very important for the economy, and it has maintained its contribution to GDP, while newer growth sectors include ICT, financial services, Internet gaming and aircraft maintenance.”

One bank leading the charge for the Maltese economy is the Bank of Valletta (BOV), led by Chairman John Cassar White. BOV espouses strength through stability and has a keen sense of what the bank should invest its time and considerable resources in. Having avoided the pitfalls of rapid expansion into unstable markets, BOV stands tall as a model of prudence for the financial sector on the island.

“Malta has a tradition of reputable management of financial services. The country is so small that companies do not have to navigate a long bureaucratic process. Investors can get decisions made by the regulators or a governmental department faster than other locations,” Cassar White says. “Diversification is a key success factor, but it has to be very well chosen and we need to ensure that we don’t overstretch ourselves. For this reason, I am careful about internationalization.

“It is natural for us to look to Britain as the ideal partner for business ventures, and although we realize there are differences between us, there are also very strong and evident ties. CHOGM is a great opportunity for the country—not only for the media coverage it will receive, but also for the networking and social activities that will take place.”

Cassar White is keen to continue to build upon the longstanding relationship BOV and Malta have developed with the U.K. as he sees it as a stable market, one that is able to provide good, if not record, revenues.

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“A lot of the investment in Malta comes through the U.K., and we work closely with partners such as FinanceMalta and Malta Enterprise to promote our country,” he says. “Bank of Valletta will continue to be a leader in supporting the Maltese economy as it evolves and becomes more service-oriented.”

FinanceMalta is driving this evolution as a body that represents the sector on the island, boosting its international reputation and that of the jurisdiction as a well-rounded financial services provider. As Kenneth Farugia, chairman of FinanceMalta, explains: “Malta has come a long way. There are statistics that support it; we have seen a paradigm shift in the financial sector, from offshore to onshore, from domestic to international, and today there are growth opportunities in many segments, including wealth management and securities. Together with factors such as a well-crafted regulatory system and competitive cost structure, we have strengthened Malta’s value proposition.”

Kevin Buttigieg, CEO and MD of RE/MAX Malta, understands that it is vital that potential clients know about the variety and quality of the products on offer in Malta, as it shows the modern face of its financial sector. Within the government’s Individual Investor Program, for example, applicants must acquire residential property at a minimum of €350,000, and RE/MAX is the ideal partner for high-net-worth individuals taking up the residency scheme.

“We sent out a newsletter to promote the scheme and we had 40 requests in less than a week,” Buttigieg says. “Malta is a great place for residential properties with all the expatriates that arrive in the country. Property prices are going up from between 8%–10%. It could go up to 15% this year. The market is exploding; we have had €320 million in sales this year alone.”

## Gaming to the Top

Over the last two decades, Malta has transformed itself into a service economy, with a strong focus on ICT and knowledge-based industries, dubbing itself the Smart Island. With around 270 gaming operators now present, Malta has truly become a hot spot for the online gaming and casino industry, by proving that tight regulation and stringent supervision offer the ideal conditions for companies to flourish.

Economy, Investment and Small Business Minister Cardona knows that this needs to continue if Malta is to keep attracting the industry’s bigger players, while looking to create synergies with other sectors.



**Christian Cardona**  
Minister for the Economy,  
Investment and Small Business



**Joseph Cuschieri**  
Executive Chairman  
Malta Gaming Authority



**Ulrik Bengtsson**  
CEO  
Betsson Group

“Our current strategy is to develop synergies between different industrial sectors present in Malta, such as the links between competencies in the production of digital games and life sciences in bioinformatics,” he says. “The rationale behind the building of a digital creativity hub within the Life Sciences Park complex is to have a one-stop shop to house innovative, leading-edge projects in the production of digital games while keeping an eye on synergies with life sciences.”

The success has not surprised Joseph Cuschieri, executive chairman of the Malta Gaming Authority (MGA), though, as the government has kept the industry close to the legislators, so any and all issues of governance can be rapidly dealt with to the benefit of all.

“Malta has been very successful in the gaming sector, and its development as a primary jurisdiction within the global gaming arena is attributed to many key features that make it a gaming operator’s natural home,” he explains. “Offshoring is not one of these features, but rather, it remains the jurisdiction of choice within Europe to shore up the otherwise unregulated gaming options.

“The remote gaming industry understands that it needs to be ‘ashore’ in a well-regulated jurisdiction to mitigate its inherent and related risks, flourish commercially without incurring avoidable regulatory and other costs, and thus release valuable energy and impetus to innovate. Malta is definitely the place to be. Our vision is to be the Silicon Valley of the gaming industry, as Malta is home for gaming activities given the ecosystem developed to support the sector.”

One of the gaming giants in Malta is Mr Green, a major online casino operator throughout Europe and Canada that was originally launched

```

25
26  if ( you_want_to_make_an_impact ) {
27
28      apply_now();
29
30  } else {
31
32      keep_moving();
33
34  }

```

**betsson group**  
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in the Swedish market. It is licensed under the MGA and primarily operates in Italy and the U.K. Bo Wänghammar, CEO, explains that many attractions brought the company to the island, with the legislative environment a key factor, coupled with the amazing quality of life, and support from the government: “The gaming industry here is already very important: There is a gaming community, a pool of skilled people, a great ecosystem for the sector, and I think that this is essential.

“Our relationship with the MGA is very good; we have great communication with them. When there is an issue, the MGA reacts. We already have a very strong brand and the most loyal customer base in the industry, something we will continue to build on. When it comes to entertainment, however, the gaming industry is underperforming; it has been too easy to launch a website with a few generic games and start making money. We don’t think that the old model is viable anymore. We need to raise the level of online gaming.”

One area that Wänghammar does feel could be improved upon is the future provision of employees for the sector. He acknowledges that this is a long-term goal for the island and one that should be addressed as soon as possible if the jurisdiction is to stay at the top of the list for attractive locations for the gaming industry.

“In terms of recruiting people, we find the educational system in Malta is improving; we are hiring more and more Maltese with expert skills,” Wänghammar says. “There is a lack of qualified people in the fields of marketing, graphic design and technical development, so overall, reinforcing those areas is something that Malta could support.”



**Marin Hili**  
Chairman, Mariner



**Edward Hili**  
Executive Director, Mariner

Human capacity is something that Ulrik Bengtsson, CEO of Betsson Group, is well aware of. Despite witnessing astounding growth in operations over recent years, he found it difficult to hire the right staff for his operations to grow. His solution was for the group to carve out its own path regarding training and development for employees.

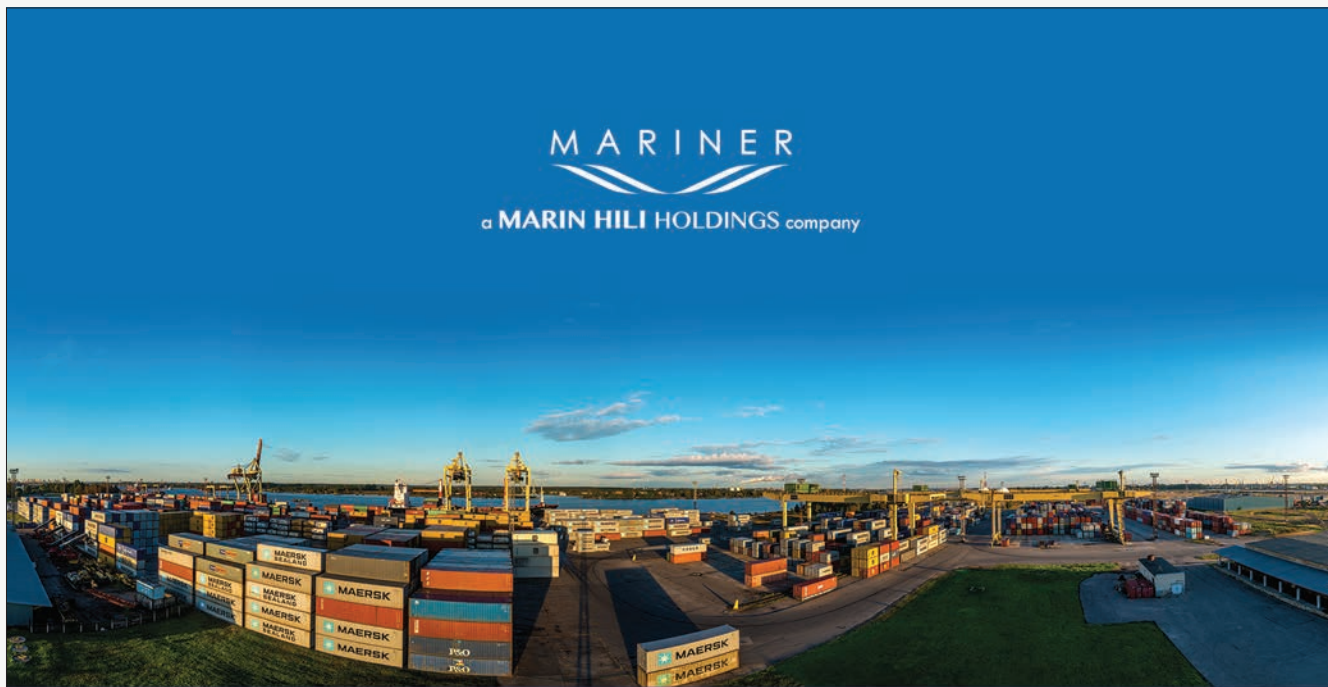
“Malta is an exciting project, a chance of a lifetime to live and work in the sun,” Bengtsson says. “Schools and amenities are close by, and you can have a pleasant life. However, the

overall educational system and its collaboration with local industries must scale up in order to ensure that we establish a system that produces the necessary labor force. We created the Betsson Academy for Adults, a collaboration between Betsson and the faculty of data science at the University of Malta.

“We made a commitment to offer an internship with Betsson to a certain number of graduates in their third year of university who will go on to full employment with us. Last year we grew by 23%. Betsson recruited over 250 people, and to continue to grow revenue and profits at this pace, the organization and its capabilities will support growth.”

As to how the company has enabled this rapid expansion, Bengtsson puts it down to a relentless focus on customers, much like the focus of the Maltese government on creating the right space for the gaming industry to continue its contribution to GDP.

“I cannot stress enough how important customer focus is in 2015—it is all about the customer experience, about making their journey seamless and smooth,” Bengtsson says. “We innovate where it is important for



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the customer, and although we offer the same core product as everyone else, we think about the entire experience around the site visit; we want to solve real customer problems.”

### Logistics and Infrastructure Drive Growth

Into the mix of industries that are driving Malta forward is the logistics sector, unsurprisingly one of the top performers for an island nation, but one that is truly driven by the island’s laserlike focus on the client. It has two main commercial ports: the Port of Valletta and the Malta Freeport, situated in the south of the island.

The latter is one of the largest free ports in the region, handling intercontinental cargo for distribution throughout the Mediterranean basin. One of the kingpins of the Maltese shipping sector is Mariner, led by Chairman and CEO Marin Hili and Executive Director Edward Hili. The company is one of the biggest names on the island, and with business interests that span the whole of Europe, it shows that although its business is based on a small island, it need not stop the company from punching above its weight, thanks to its quality-over-quantity working methods and the canny management of the top team.

As Edward Hili explains: “Mariner is an international business. The maritime business has evolved to focus on terminals, expanding to three container terminals, and we have established ourselves as a player within the industry. With a highly experienced team and solid financial position, we feel the time is now ripe for us to expand further.”

His thoughts are echoed by Marin Hili: “In the Baltic States, we are the number one container company, both in terms of efficiency and expansion. In the last few years, we have spent €20 million on new equipment: We have invested in IT, acquired equipment and built new warehousing facilities.”

The company has been in Latvia for 20 years and can lay claim to 48% of a container terminal in Albania, with plans to acquire the rest of it. Mariner also has a terminal in Venice, in partnership with the shipping line MSC; it is now the leading container terminal in the Port of Venice.

“Although on a global scale we may be a smaller player, we are market leaders where we operate,” Edward Hili says. “Mariner can bring its expertise and know-how to really make the most of the growth opportunities that exist, and to contribute to the development of trade in these regions. We have identified key regions where we are looking to expand, including the Baltic Sea and the Black Sea. These are regions where we think there is both scope for growth, given the economies’ stage of development, and scope for significantly improving the existing facilities. We will be able to drive developments positively in challenging environments.”

Marin Hili is quick to acknowledge that local governments can be both a help and a hindrance, but adds that the relationship with the Maltese officials is symbiotic in that both work toward improving the island nation’s economy: “The importance of regulation is high—wealth can be created through pro-business governments. Maintaining the credibility of the country is of the utmost importance. The Maltese government is very pro-business, which is positive. Change happens more swiftly. It’s true that small is beautiful.”

Which points to the success of the Maltese government being business-friendly and open to investment in whatever sector looks set to boost GDP. The flow of investment into the country is matched by the flow of goods outward, and also the exchange of ideas and best practices that define the country. Konrad Mizzi, Minister for Energy and Health, explains: “We are quick, agile and work like a small business. We follow rules and processes but are as agile as possible. We believe that diversification can excel our economic growth, and there is a steady flow of investors keen on the country.”

This has benefited William Wait, executive chairman of the Water Services Corporation (WSC), who has been looking outside of the island for best practices on which to base the company, and also to share the knowledge it has built up as a company that operates in a country with very little fresh water.

“The World Bank recognizes us as a successful case study in water management,” he says. “For this reason, we decided to have a large conference in Malta with representatives coming from various MENA countries to showcase our best practices. We share views and best practices, and have committed to helping the World Bank in various aspects of their work in neighboring countries.

“The WSC created the Innovation and Commercialization Division, which explores the strengths of other institutions and integrates them into our corporation, which shows Malta has innovative potential ahead of it. This little island state will be a positive case study of how an economy has diversified and its entire population can share the wealth created.”

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### Falzon: Malta’s Bespoke Fuel Energy Provider

With 60 years’ experience in providing bunkering services and fuel supplies, as well as a range of related environmental services, to maritime and onshore industries, Falzon Group is the sector leader in Malta. A major energy provider, Falzon operates two oil-storage terminals and a port reception facility, together with logistics that include four bunker vessels and a fleet of road tankers. Falzon’s competitive advantage lies in its ability to invest and manage its services in a highly respected value chain. The vertical integration of operations allows the group to serve its clients on land and at sea, which makes it not only the largest provider in the Maltese market but also the most cost-effective and efficient. “We pride ourselves on the quality of our service and the products that we provide,” says CEO Cornelia Zammit German. “Malta is increasingly investing in its potential to become a hub for energy, bridging Europe with Africa and beyond, and as a group we will also continue to sustain the ongoing growth of our operations here.”



Cornelia Zammit German  
CEO, Falzon Group of Companies

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