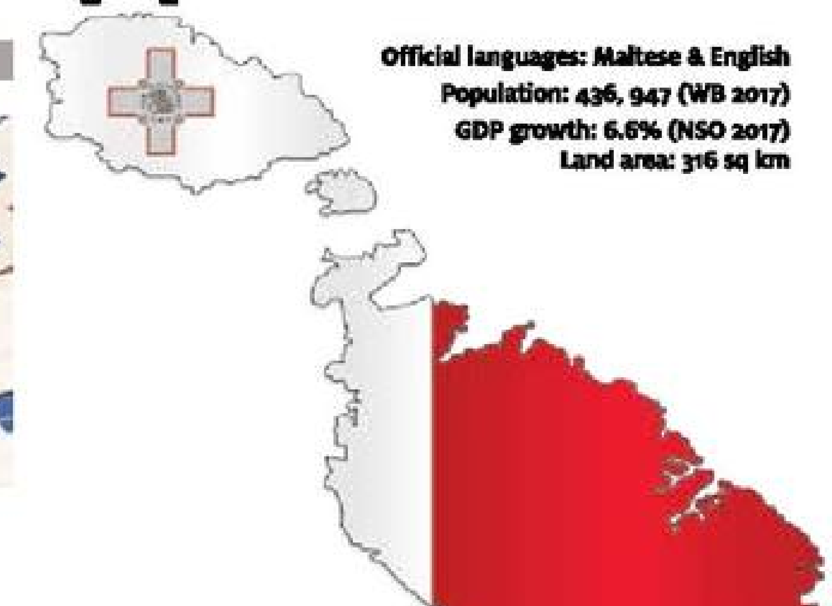
MALTA

Tapping into Growth and Seizing New Opportunities



Official languages: Maltese & English
Population: 436, 947 (WB 2017)
GDP growth: 6.6% (NSO 2017)
Land area: 316 sq km

A Progressive Agenda

Anyone doing business in Malta will frequently remark that it punches above its weight. A willingness to be open, accessible and flexible has enabled it to carve out niche industries and thrive in key sectors.

BY SORCHA HELLYER & GABRIELE VILLA ▶ While admirable, this approach is less of a choice and more of a necessity, but Malta is a serial challenge-taker that is keen to be taken seriously. With 6.6% GDP growth in 2017, the Maltese economy appears to be expanding at a rate of knots. Cited by the IMF as one of the strongest and fastest-growing economies in Europe, with record low unemployment and a budget surplus for the first time in over 3 decades, Malta may be the envy of many countries worldwide, but the pro-business administration believes that the best is yet to come. Despite the triggering of Article 50 for Britain's exit from the bloc in March 2017, Malta held what was widely perceived as a successful EU presidency last year. In an early election Prime Minister Dr Joseph Muscat won a second term with 55% of the vote (a sizeable share of the electorate), which was seen locally as a vote of confidence in his ability to further hone and develop the country's burgeoning economic outlook. The general population is staunchly supportive of the betterment of Malta's standing in the world and its contribution to the EU - however small that may be perceived as being, due to its size. Its successful flourishing economy is abuzz with activity and the nation is garnering increasing international interest as it makes forays into unchartered territories such as Blockchain certification and regulation as well as the manufacture and R&D of medical cannabis and its products. The government's willingness to take calculated risks is based on the country's history of reinvention, its accomplishments in other previously taboo sectors like iGaming and its steadfast belief in its legislative and administrative agility.

Malta has only been an independent country since 1964. Located on the outskirts of Europe, the smallest EU member state has a rich history. Sicilian settlers may have first inhabited the islands in 5200 BCE but a succession of powers have left their mark on these 316 square kilometres; including the Phoenicians, Romans, Moors, Normans, Spanish, Order of St John, French and most recently, until independence, the British. Others tried to conquer this geo-strategically important location; the Ottoman Empire's failed invasion during the Great Siege in 1565 was fiercely contested by the Knights of Malta; not to mention the Siege of Malta during WW2 when, in the early 1940s, Malta became the most bombed place on Earth as German and Italian air forces dropped an estimated 14,000 bombs during 3,000 raids over a 2-year period in a thankfully unsuccessful attempt to obliterate RAF defences and ports. Now as Malta sets out to conquer sectors that other jurisdictions may shy away from, it is once again realising its indomitable ability for resilience and nimbleness. Moreover, it is further capitalising on the remnants of its colonial past with English as the working language, as well as that of legislation, proving a boon for international investors seeking a domicile they feel comfortable operating in.

Growth Perspective vs Austerity

Malta has succeeded incredibly well in spite of its limited natural resources. Always open to new ideas, the government is boldly taking the lead into innovative sectors. Equally the nation has historically been open to overseas investors, the participation of whom has further enriched this multicultural society for the mutual benefit of all parties. Muscat's administration is one that has been keen to think outside the box. It came to power when austerity was a big thing and yet it insisted on bucking the trend. Instead of imposing more taxes it took measures to invigorate the economy; it placed the focus on giving opportunities by freeing up and opening up society. Essentially Malta has seen philosophy being transformed into policy and it is believed that this progressive attitude and Malta's anti-austerity measures are responsible for the rewards now being reaped by the country. Minister for Finance, Professor Edward Scicluna puts their success down to being, "A young inexperienced government that was bold enough to do things that were unthinkable previously." To underscore this he cites the 9% uptick in female participation in the workforce being brought about by the game-changing provision of free childcare and government funding for parental leave. The "Making Work Pay" initiative - discouraging dependency on social welfare - coupled with a booming economy means Malta is at a virtual "zero unemployment" status.

> **"An economy cannot grow if it is held back. Malta's success is all due to halting austerity as an economic philosophy; a progressive policy is the only way forward for the strengthening of democracies and societies"**
>
> DR JOSEPH MUSCAT
> **Prime Minister of Malta**

Structural Decision-Making

A number of forward-thinking measures (such as switching from being 100% oil dependent to gas for the production of electricity thereby creating cost cuts through savings) have had a positive impact on the economy and have seen Malta reverse a long-held deficit. It is now running a current account surplus (registered as €443.3m in the third quarter of 2017 according to an announcement by Malta's National Statistics Office in December) and Dr Mario Vella, Governor of the Central Bank of Malta, is of the belief that in the next 2 years Malta will have the highest current account surplus as a percentage of GDP of all euro area countries, 'beating' countries such as Germany and the Netherlands. Previous estimates of Malta's anticipated growth turned out to be mostly conservative, which has led many to wonder how the small island nation is exceeding all expectations. The European Commission's 2018 Winter Forecast revised Malta's growth rates upwards for the years 2018 and 2019. In it, the European Commission acknowledged that the country's economy continues to surprise positively and cited "the dynamics in the external sector are pushing up the current account surplus". The report theorises that strong employment numbers, improved consumer confidence and rising disposable income will boost private consumption in 2018 and 2019; "Driven by domestic demand, imports of goods and services are gaining momentum, and exports are forecast to continue rising, in line with growing demand in Malta's main trading partners". Meanwhile November 2017's IMF statement declared that "Malta's economic growth remains one of the strongest in Europe" and projected that this robust performance will continue on the back of rising incomes and historically low unemployment, complemented by buoyant services exports. "Reaching the desired fiscal position has not been easy," Scicluna explains, "We brought our import bill down so we have an external current account surplus - not just a public fiscal surplus - due to our emphasis on energy, as well as tourism and exports."

Diversified Growth Sectors

Of course, the removal of obstacles to enter the work market or to ensure economic expansion is only part of the story. On the business side Malta has created concrete prospects for growth with the use of tax credits to stimulate investment, as well as being closely aligned to entities in order to address issues (like those relating to training and human resources), before they become economic problems. Malta's stellar macroeconomic performance does not look set to nosedive, "We registered the highest rate of growth - 6.6% - in the eurozone in 2017 and the major indicators; GDP, labour market development, industrial machinery imports; all point to further expansion in the economy," Christian Cardona Minister for the Economy, Investment & Small Businesses, reiterates keenly. The 4 key pillars of the economy; namely tourism, manufacturing, financial services and iGaming, all continued to deliver sterling results last year.

The headway Malta has made to become a successful, diversified, open market economy is even more remarkable considering that it had previously revolved almost exclusively around the British military and had to completely reinvent itself in the 1970s. Today things are very different as Cardona explains, "Malta's relations with the UK are still strong, but trade with the UK has declined from almost total reliance as a part of the British colony, declining to about 30% in the post-independence era to about 5% today. Equally, in the 80s about 80% of our tourism arrivals were from the UK, whereas nowadays it is under 30% due to diversification. In terms of the UK's imports, nearly 60% come from the EU and about 50% of the UK's exports go to the EU." This highlights the interdependence between the UK and the EU with regards trade and, as Cardona forewarns, "Brexit will have an impact and any slowdown in the UK economy could have a reductive effect on foreign demand, as would a depreciation in the pound. But with regards the future, we have always been an honest broker and friend to the UK and this will remain a priority." Malta has - and continues to strive to develop - a number of specialised areas of activities as a way of maximising synergies, including the advanced manufacturing, aviation, maritime, education, healthcare, life sciences, ICT and shared services sectors. Having this variety of industries, as well as exporting to diverse markets (trade with the EU, Africa, Asia and the US is split almost equally), provides a buffer for economic and currency fluctuations in those markets and thus cushions the effects of any disturbances that might otherwise affect a small nation like Malta. Indeed, surprisingly, it was one of the few countries to emerge from the 2008 global economic crisis remarkably unscathed. Many entities, local and global, cite the readiness of employees to turn their hand to something new as being a major plus. Mario Galea of Malta Enterprise (the nation's economic investment agency) elucidates, "When the docks were closing down some 10 years ago, SR Technics took Malta Enterprise up on its suggestion to use maritime staff in the aviation business. The staff were taken to SRT's operation in Switzerland for training and company executives there were struck by how flexible and willing to learn they were." The Maltese are certainly a resilient people, but given the size of the working population there is a limited pool of local resources. Thus overseas workers have contributed strongly to the success of the economy.

New Niches

As committed as the government is to a diversified economy, the niches that have been developed over the years, and their success, have enabled clusters to be formed. With this in mind, new areas of economic focus are anticipated such as the health care sector; medical education has been earmarked as a priority given the success of Barts opening a campus on the beautiful sister island of Gozo. Envisaging the future, the multi-million euro life sciences park aims to enable Malta to transform itself into a centre for medical research, hopefully with a key focus on genome sequencing for cancer studies; and the future production of cannabis for medicinal use is set to receive the go-ahead. Innovation is not only a buzzword in Malta, it translates into action. Keen to be at the forefront of the evolution and revolution occurring in the marketplace, the administration is capitalising on streamlined processes to undertake ground-breaking advances, in particular in the digital sphere such as the Blockchain, FinTech and RegTech businesses. Weighing up the hazards involved in being first-movers is of critical importance, along with tackling local perception of taking on such revenue streams, but a strategy of so-called "risk-managed investments" is the way forward for Muscat's legislature.

Malta, as an island nation, may once have been considered rather insular decades ago, but today it stands as a beacon of progressive policymaking. Scicluna sums it up, "We are open to ideas, good at listening and ready to take calculated risks. We take the ball and we run with it. We attract investment, financial services, iGaming industries and so on because of our efficiency, not only our advantageous taxation. We have excellent lawyers, accountants, friendly but tight regulation that is neither stifling nor lax, access to policymakers and decision-makers, a pleasant environment in which to work with great communications in terms of IT infrastructure and flight connections." With all the uncertainty surrounding the UK's exit from the European Union, Malta is clearly intending to position itself as a liberal member of the bloc. It is hoped that taking an intelligent approach to creating pockets of opportunity that other jurisdictions may not be so agile in embracing is what will secure Malta's success for future generations.

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> CHRISTIAN CARDONA
> **Minister for the Economy, Investment & Small Businesses**

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> PROF EDWARD SCICLUNA
> **Minister for Finance**

GREENFIELD INVESTMENT

An Agile Partner

Although Malta Enterprise, the country's economic development agency, does target certain sectors, often business comes to them. A good example of this is in the currency and security printing sector when Crane Currency looked at Malta as a captive market given De La Rue's historic success in the country, where the latter prints British passports and banknotes.

Crane Currency's recently opened €100m-facility represents one of the largest greenfield investments in decades, according to the government. Crane Currency's Operations Director, John Scott is delighted with the speed at which the Maltese authorities moved for the printing plant to be operational. From start to finish, the process (of the agreement to being up and running) has taken just over a year and the US entity is proud of the fact that it strengthens relations between America and Malta. Moreover, Scott remarks, "It really is quite something for a small nation in the middle of the Mediterranean to now have two of the largest currency printers in the world." He isn't wrong there, but he also points out how it is possible, "Like Hong Kong and Singapore, Malta's size makes relations much more manageable and accessible. After meeting with Prime Minister Joseph Muscat, we met with Malta Enterprise and Malta Industrial Parks the following day. The government has a very proactive approach, and they have no choice but to operate within the constraints of the EU, but in my opinion they do it very well. They have an EU-audited chequebook - not a Malta chequebook. They give you what they can within those constraints and that's how it works. I can compare Malta most favourably with my experiences in Hong Kong and Singapore."

> **"I can compare Malta most favourably with my experiences in Hong Kong and Singapore"**
>
> JOHN SCOTT
> **Operations Director of Crane Currency**

From advanced manufacturing, aviation and maritime industries, to education, healthcare, life sciences, ICT and shared services; a multitude of niches and clusters have been - and are being - created within the Maltese economy in order to maximise synergies, space and expertise. This new endeavour by Crane Currency already employees 300 personnel, of which only two are foreign but it is expected that it may create even more jobs in the future. Thus far the company has capitalised on a number of employees who bring 30 years of experience in the printing sector to the new plant, while complementing its workforce with personnel who undertook a specially designed course at MCAST (Malta College of Arts, Science & Technology), demonstration of the government's ability to respond swiftly to market needs.

Defying Expectations

The beginning of 2018 started on a high note for Malta with upgrades from credit rating agencies Moody's and DBRS. Citing diverse factors, Moody's awarded Malta A3 positive status and a future upgrade to A2 if its fiscal position continues to improve in a sustainable manner has been mooted. On the other hand, DBRS raised its assessment of Malta to A High, which is the highest rating ever awarded to the country. The small island nation's gaming industry got a special mention in DBRS's analysis but there was also acknowledgement of various other sectors being vital for economic growth. These ratings come on the back of 2017's upgrades; in August, Fitch raised Malta's credit rating to A+ with a stable outlook, and confirmed it in February this year. Its report also forecasts that "the fiscal surplus is likely to outperform the government's initial target of 0.6% of GDP in 2017 and is now estimated at 2% of GDP." Meanwhile a 1.5% surplus this year, compared with a 1.8% deficit for other countries, is predicted. Additionally, just one year after improving its rating from BBB+ to A-, Standard & Poor's also raised its classification of Malta's economy from stable to positive. A report released by the ratings agency this year confirmed Malta's 'A-/A-2' long-term and short-term ratings, while also reaffirming the outlook of the Maltese economy as 'positive'.

During a speech at the IFS Malta Annual Dinner in December, Dr Mario Vella, Governor of the Central Bank of Malta, highlighted Malta's fiscal results as well as international and domestic reaction to the country's success saying, "In recent years, definitely since the European sovereign debt crisis, we have increasingly come to realise that while we have a very open economy, dependent on foreign trade and investment, it has shown a degree of resilience and adaptability that has defied expectations, surprised foreign institutions and, indeed, ourselves too." Projections that Malta's public debt ratio (currently at around 59%) is on target to decrease to 41% of GDP by 2022 are encouraging, as are reports that the government is making efforts to strengthen its institutions and curb corruption. Certainly, robust growth, coupled with Malta's "safe harbour" appeal for investors, adds to its attractiveness.

CREDIT RATINGS

AGENCY	RATING	OUTLOOK	DATE
Fitch	A+	Stable	Feb 2018
Moody's	A3	Positive	Feb 2018
DBRS	A (High)	Stable	Feb 2018
S&P's	A-	Positive	Sep 2017

OUT OF 138 COUNTRIES IN THE WORLD ECONOMIC FORUM'S GLOBAL COMPETITIVENESS INDEX (2016-2017) MALTA RANKS AS FOLLOWS:

- 16th for the soundness of its banks
- 18th for its health & primary education
- 20th for its technological readiness
- 21st for its macroeconomic environment
- 25th for the skills of its current workforce
- 33rd for its innovation capacity
- 37th overall

No1
In Europe's Ship Registry
Lloyd's List Intelligence 2017

The establishment of the Maltese flag as the top maritime flag of choice in Europe is perhaps unsurprising given the strategic location of the Maltese islands, at the heart of the Mediterranean. Coupled with its natural harbours and the maritime know-how of the local populace, Malta offers a lot of advantages.

Ranked 6th globally, Malta has seen outstanding growth since 2012; 63% in the number of new entries in the shipping register and a record 97% increase in super yacht registrations. By the third quarter of 2017 more than 8,000 ships with a combined gross tonnage of 74m were flying the Maltese flag.

Malta: Open for Dialogue

A willingness to explore ideas is a hallmark of the government of Malta. Here the incumbent Prime Minister, Dr Joseph Muscat, discusses the stunning success of the Maltese economy, progress being made in various sectors, and what Brexit means for the EU's smallest state.

After calling a snap election in 2017, you are now almost one year into your second term in office. How would you characterise your legislature thus far?

We are more experienced now so we are no longer making the mistakes that are synonymous with people who are new to office, but at the same time we still have the energy to get things done and not settling for second best. So I think that is the sort of appetite that has distinguished us for the past few years. We have built on solid foundations, meaning that like many other countries we did not need to start from scratch. Really and truly, every government builds on what it finds from its predecessors but what we have done since taking office for our first term is to significantly increase the momentum of changes; the momentum of decisions, growth and for taking the plunge. I think this is one of the most important characteristics that has distinguished us since 2013, and now we have the benefit of more experience.

Looking at the macroeconomic data, forecasts and ratings, Malta's economy is performing beyond the EU average and even better than most expected, but how would you describe the current scenario?

Well I think we are not done yet, in the sense that for the past 4 years, I have been hearing people saying that we have plateaued and that now the economy would have to moderate but I think this may be the new 'normal' for us. We are optimistic because, knowing what projects are in the pipeline and the amount of investment we are attracting, we feel this really might be our new reality. What inspires even more confidence is the fact that this growth is not based on one or two single areas or sectors; it is broadly spread especially in the four key pillars of our economy; tourism, gaming, financial services and manufacturing. Figures from the National Statistics Office show that the Maltese economy overall is performing very strongly. In a nutshell we had record tourist arrivals of 2.3m and the manufacturing sector registered very solid results, generating an increase in Gross Value Added of 9% (compared with the previous year), which is even more significant than the overall real GDP growth of 6.6% in 2017. So there is positive momentum and I really think that more good news is yet to come for our economy.

The formation of the Malta-UK Business Promotion Task Force aims to assist UK-based businesses in preparation for Brexit. How do you see Malta's role as a co-location destination?

We believe the UK, and London in particular, will remain a pole of attraction especially for financial services. However, it is obvious that there are companies - not only British firms but also companies from other continents - who, for historical reasons, have always looked at the UK as their natural first step in Europe, and they will want to make sure that they are still present in the EU for a number of reasons. We are taking a proactive, not a predatory approach. That's why we are using the term co-location because we are not telling these companies that we want them to move everything from the UK to Malta - to another jurisdiction; instead we are proposing a solution that entails moving only part of their operations to our country. We are proposing the set-up of structures here in Malta - within the EU - since some of those companies would need to be present in an EU jurisdiction, say for passporting rights and other issues. It's also likely they would probably be looking for an English-speaking jurisdiction, one which uses English legislation and English as an official language. Here we have all legislation published in both Maltese and in English. There is certainty and rule of law.

Malta's size and agility are key advantages but what would you say constitute the other factors that differentiate your nation from other members of the bloc?

I believe innovation is not something you only do in a laboratory. I think innovation is the name of the game, be it in regulation, be it in the way you come up with legislation, so I do believe that our competitive edge lies in our administrative and legislative agility. The fact is that here, once a decision is taken, you can get things done from a regulatory point of view in 6 months max. That may be the shortest time to delivery period in any democracy in Western Europe. Additionally, I still think that our human resources are some of the best you can find around, at some of the most competitive prices given the quality of our professionals. Moreover, our geographical location, essentially straddling two continents, is a big positive. So these are our key competitive selling points, and add to this that we have the frame of mind of always being as innovative as possible. Being innovative has paid us a lot of dividends. Our success stories when it comes to digital gaming, financial services, but also tourism, precision engineering, speak volumes of the way in which we have always aimed to be as pioneering as possible.

On the subject of innovation, how difficult is it to stay ahead of the curve especially in terms of disruptive technologies like, for example, FinTech and Blockchain?

Obviously, when you are first you are also running risks; the risk of being singled out, of maybe being too ground-breaking and irking some people. But those are the rules of the game. There are risks in being innovative, but I think there are much greater risks in being conventional so I'd rather we are always innovative. I wouldn't list being copied as one of the risks. It needs to be put within the equation that once you do something successful, someone else out there is bound to imitate you. Imitation is the best form of flattery but, at the end of the day, this creates an ecosystem where you try harder in order to form a new market for me this is extremely exciting; the prospect of being trailblazers; first or second movers in particular markets. We're very excited about Blockchain and FinTech, indeed we will probably be one of the very first jurisdictions in the world to have regulatory authorities on these aspects which will mean that we will be heavily scrutinised but that's something we welcome. There will be others who will learn from our mistakes but we will always have the benefit of being there among the first in the group. And we will learn a lot. It worked for the gaming sector and it will work for these sectors too.

In which sectors - whether new ones like FinTech or Blockchain or more established sectors such as financial services, education, healthcare and energy - do you see the most potential?

Our economy is broadly spread from manufacturing to services such as remote gaming, software development, tourism and the financial services sector. If we focus on the latter, our financial services are fashioned on what the British have been doing for many years; although our sector is nimbler and demand-driven more than anything else. Our regulators are tough but fair and our policymakers accessible. I think our proposition is very solid, especially when factoring into the equation our relatively competitive costs when it comes to labour recruitment and structures. When it comes to Blockchain I don't see it as something that has to do solely with financial services. Actually we have already signed a memorandum of understanding to introduce Blockchain technology into education; with the aim of using it to provide our students with educational certificates so they won't need to ask universities or institutions for their accreditation and their credentials. I look forward to also utilising it for medical files and for land registration so this is a more horizontal form of innovation. The other areas where I think we will have a lot of good news are in education and health combined together. We see a lot of potential in health tourism and also in providing young people, especially from the Gulf region and North Africa, with an education in medicine. We already see demand for this and more institutions are opening up here. Barts Medical School is one such example, maybe our flagship right now, together with the University of Malta Medical School. These developments started before Brexit but the UK's departure from the bloc has compounded the growth in this sector.

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> DR JOSEPH MUSCAT
> **Prime Minister of Malta**

Previously you mentioned scrutiny. What are your thoughts about the way the global media portray Malta and how the international community perceives it?

It's OK, it's fair game, I think. When you have nothing to hide I think one should never overreact. I have been a journalist myself so it is obvious that people ask questions. Maybe it is less fair when people don't have the time to hear the answer or to hear the proper answer to all this. In the world of social media and the world of connectivity, it is bound to be the name of the game for all countries. So I am proud of our country, proud we have not overreacted and that we understand the way in which some parts of the media want to put forward their analysis of the situation. I believe it speaks volumes about the way we are as a people. So you say scrutiny, I say I don't mind. We welcome it. We will have to invest more time explaining to people that sometimes some headlines might be misleading, and that one should rather read the whole story but unfortunately not everyone has time to read the whole story.

Historic ties bind Malta and the UK, and as a Commonwealth member you remain intrinsically linked. What special message would you like to communicate to the UK audience?

I am an unashamedly proud republican, but I think everyone in Malta, even a person like myself coming from the traditional social democratic background, feels that there is a natural rapport with the UK. Over time we have learned a lot from our history and we owe some of our better working institutions to the UK. I feel that the Maltese wish to maintain and improve our relations with the UK - and this is not just political talk. I think if you go on the streets and ask each and every citizen, even the younger generation would speak with fondness about this special bond. We are a proud, independent country; proud of what we have achieved, but we have taken the best of our history and are open to the UK-Malta relationship. What we want to do is open a dialogue with our business friends in the UK and actively engage in helping them find solutions to Brexit-EU issues. We are not proposing an 'off the shelf product' nor do we have a brochure saying 'this is what we can do for you'. Instead, we are nimble enough to be able to say 'tell us what you need' and we are in a position to feasibly custom-make solutions for different industries.

Is this what sets Malta apart from other domiciles and jurisdictions - the ability to provide bespoke solutions while at the same time being EU compliant?

I think that rather than telling business people, 'this is what we have, do you like it?', the most successful instances of eureka moments that we have had, worked the other way round. They are when people came to us with ideas and we said, 'yes we can do that in Malta; yes we can regulate that area; yes we can do things that other jurisdictions may not be too keen on'. This is what is unique in our proposition. The reason is that we make time for smaller companies; we have time for the smaller sectors that many other multi-billion euro markets may dismiss as second-tier business. Here in Malta we have time for them, we have time for people, we have time to listen to even to the smaller players. You don't have to be the number one firm in the world to get a meeting with policymakers. If you come here with a good proposition, or you have a good idea for us, we will sit down with you and we will talk business. And this is the message that global companies - large and small - are getting from us. That is our key message.

What does the Malta-UK Business Promotion Task Force, formed last year and aimed at assisting UK-based businesses in preparation for Brexit, hope to achieve?

The Task Force being headed up by Joseph Zammit Tabona has a very clear raison d'être because we believe we can provide UK-based companies with a structure that will enable them to continue their EU operations. We are not suggesting that firms relocate here but rather that they can co-locate part of their operations to Malta. The way in which we are cooperating with the British government and a number of important institutions, namely the City of London Corporation and others, shows that our solutions-oriented approach is being appreciated by our British counterparts.

You, and other top government officials, are often in the UK sharing your thoughts on how Malta can help UK-based business mitigate the effects of Brexit, so why is it so important for them to come here?

Deals are made once people visit here because to be very frank if you look at the map, Malta is not the first thing you would notice; and maybe not even the second or third. If you look at it from a very logical point of view, you'd think what is this piece of rock south of Tunisia yet it's part of the EU, how's that? So is it Sicily? Is it North Africa? However, once you are here you get the feeling of what this country is all about; culturally, business-wise and as a lifestyle. And this is what I think strikes people. I've met some of the most influential people in the business world in this office. For such people the scarcest commodity is not money, it's time. So for them to come to Malta for 12 hours is a big deal. After they have been for those initial 12 hours, most of them become repeat visitors; and not because they like staying on a yacht but because they realise it makes sense. So yes, we will always press people to come here and see for themselves. I think the degree of connectivity we have from London and other locations makes it relatively easy to take one day to visit the place just to get a taste of it.

As a young, dynamic country, outpacing the growth of most of your European Union counterparts, what are your aspirations for the nation this year?

With Valletta as the European Capital of Culture it is an even more appealing moment to discover Malta's offerings in 2018. Going back to what I said before, once people come here, most probably they will fall in love with the country. They will be surprised in a positive manner and we will exceed their expectations in many ways. Our aim is to continue to surprise on all levels. I believe we are a country with a plan and our ambition is to make it clear that what we have achieved is not a flash in the pan. It's something durable, something sustainable, and I stress that need for sustainability, because this is not a boom and bust approach to economic growth. This is a sustainable, upward trajectory and the figures speak for themselves.

The EY Attractiveness Survey 2017 is testament to strong confidence in Malta's economy;

78% of investors stated that they expect to be here in 10 years' time

61% had expansion plans for 2018

Once again Malta has exceeded expectations but this is not surprising as the trend has been positive over the years.

70+
Double Taxation Treaties
Source: Finance Malta

41%
Debt to GDP by 2022
Source: DBRS

€700m
Road Project Expenditure
Source: European Commission

1.5%
Surplus of GDP
Source: Moody's

6.6%
GDP Growth
Source: National Statistics Office

1.6%
Inflation
Source: IMF

€11.1bn
Total GDP
Source: National Statistics Office

$30,500
GDP Per Capita
Source: IMF

MALTA-UK RELATIONS

An Inspiring Business Co-Location

Notwithstanding - or perhaps because of - 150 years under colonial rule, the Maltese affinity with the British means that the countries have a mutual understanding; united by their Commonwealth ideals and language.

As citizens of a dynamic, independent country, the Maltese are as keen to learn from the past and forge their own future as their UK counterparts. However, while the latter are preparing to leave the European Union, the former have found fortitude in membership.

As Minister of Finance, Professor Edward Scicluna acknowledges, "Malta is known to be in the EU and it is doing well in the EU context. For a country our size, there are advantages in having a union decide the regulations and we derive benefit from the research and experience of the bloc." What have been seen as the disadvantages of the EU by the British public are often seen as advantages in the smallest European Union state. "A sensitive subject in the UK is migration, but for us migration is a useful resource in a fast-growing economy. Malta wouldn't be where it is now without a labour supply from the EU," explains Scicluna, "There's no way we would be touching almost 7% economic growth." The finite pool of local human resources is determined by the indigenous population who, while talented, would not have sufficed to fulfil Malta's economic achievements.

Keen to extend the hand of friendship to the UK, the Maltese government is gearing up to be of assistance

Not willing to rest on their laurels, and keen to extend the hand of friendship to the UK, the Maltese government is gearing up to be of assistance. At a lunch hosted by the City of London at Guildhall in November 2017, Prime Minister Dr Joseph Muscat elaborated on Malta's desire to take what he called "a proactive - not predatory - approach to Britain's exit from the EU" and posited that Malta's financial services and company registry in particular would offer such companies a competitive advantage if they chose Malta as a co-location. Hence the formation of the Malta-UK Business Promotion Task Force. Although difficult to ascertain the severity of the Brexit fallout, or forecast which UK-based companies may suffer and how, the idea of having a base in Malta is aimed at mitigating the impact. Joseph Zammit Tabona who, as Special Envoy to the Prime Minister chairs the Task Force, explains the benefits, "The setting up of any co-location structure in Malta will enable UK-based companies - or companies that would previously have chosen the UK as their natural European base - to be present in an English-speaking EU jurisdiction. Depending on the sector, their Maltese structure will help them overcome various matters such as passporting issues, broadcasting rights, AOC (air operator certificate) licensing, the registration of pharmaceuticals, medical devices and engineering components or access to bank loans."

Accessibility Key

Instrumental in bringing business to the islands, Zammit Tabona is a veteran businessman as well as the former High Commissioner in the UK. Based part-time in London, he is a strong believer in the incredible synergies that exist between the UK and his home country and, like most Maltese, he feels that it is much more than just a shared history. The UK and Malta share the same language, have similar laws, legislation, regulatory frameworks and business ethics. However, one area where Malta differs is in "accessibility" - not the flight which is only a couple of hours - but the ability to meet with the Prime Minister, relevant ministers or other key decision-makers. The Task Force works hard to get business leaders down to Malta - even if only for one day - and get them in front of the people that matter so that their propositions are taken seriously and fast-tracked, which is very reassuring for busy entrepreneurs whose time is precious. That said, lifestyle is also a deciding factor for investors, so if possible business visitors are always taken on a cultural tour to do some sightseeing in order to show them the Maltese way of life.

The ability to meet with the Premier, relevant ministers and key decision-makers means that serious business propositions are fast-tracked and processes are streamlined

From its pretty fishing ports and marinas filled with yachts and sailing boats, rugged coastlines, cliffs, caves and sandy coves; to the picturesque Valletta Waterfront and the majestic and historically splendid Grand Harbour, the smallest EU member state appears to be the true definition of an island nation. Surrounded by turquoise and azure blue waters that routinely win awards, Malta is indeed a sea-lover's paradise. Yet to all intents and purposes it also defies its watery boundaries with its international appeal and global reach. Whether coming to the country for business or pleasure, accessibility to Malta remains primordial to the success of all sectors. Chairman of the national flag carrier airline Air Malta, Dr Charles Mangion explains, "Our growth strategy at Air Malta is underpinned by connectivity. Besides bringing about 2.3m tourists here in 2017 and enabling locals to fly out, we also serve thousands of foreigners living in Malta. They visit family and friends and vice versa, as well as travel for business. We recognise our role as a facilitator of business, it's in our DNA. Moreover, Malta has often been a springboard for companies wishing to develop their activities in North Africa." While it may have strongly diversified service-based economy, the nation's manufacturing sector remains a key pillar of economic activity and obviously counts on the ease of moving goods. The beauty of Malta's size means that distances from factories to either Malta International Airport or the Freeport are markedly shorter than in other countries, which is a great benefit. Additionally, upgrades to the road network (a total investment of €700m) are underway. Internet connectivity has also been fundamental to the burgeoning tertiary sector, in particular for gaming and financial services.

Insurance Options

Exceptional growth has been generated across all sectors of the economy and the country is enjoying record-breaking prosperity. In the past 15 years Malta has managed to create a very well established financial services sector in an economy built on regulation and jurisdictional innovation. However, change is the only constant; regulation is continuously developing and regulatory structures have to evolve to cope with regulatory progress. As such, a restructuring of the MFSA (Malta Financial Services Authority) involves the strengthening of the internal structures to avoid blurring of the roles of supervisors, and remits are being rewritten. Additionally, a business process review has been carried out; this is being implemented and it should increase efficiency in the operations. Being part of the European Union has certainly had its benefits for Malta and the UK's departure signals an opportunity for Malta to step up its game. It is being considered by the financial services sector in Britain as one of the potential alternative jurisdictions for UK licence holders who intend to continue operations in the EU post-Brexit.

Insurance operators have been fast to signal their interest, as shown by an increase in licence applications at the MFSA especially in the wake of the triggering of Article 50. While Malta has attracted big names such as Munich RE and MAPFRE, to name just two major insurance players, interest from second-tier entities is gaining traction as more and more mid-sized companies recognise the advantages of co-locating in the jurisdiction. Fund management and banking industries are also keen to discover what Malta has to offer. Besides Malta's offerings, the ambiguity of the situation is a driver, David Curmi, CEO of MAPFRE MSV Life, explains, "The way we are currently reading the situation is that whilst most insurance operators in the UK are hoping for a soft Brexit, all those companies are very conscious that it is likely to be a hard Brexit and they have - in fact - started internally to put in motion the process to prepare and mitigate for this." One such example is US underwriter Starr Companies. It selected Malta as its European Union base for Starr Underwriting Agents Limited and Starr Managing Agents Limited in London, for when the UK leaves the EU. These are uncertain times as the conditions of Britain's exit remain a mystery so for entities like Starr it makes sense to plan for a Brexit in which the UK may have regulatory equivalence with the EU-27, but will likely have no passporting or freedom of services. Creating a structure in Malta - as a fully regulated EU jurisdiction - will mean a seamless service during and after the transition as the UK leaves and will ensure that they can continue to conduct business in Europe.

Curmi, who is on the Malta-UK Business Promotion Task Force, is keen to highlight the fact that Malta's stance towards Brexit is "focused and low-key; not aggressive at all" and says, "The Task Force is working with insurance associations and players like Marsh and Willis. We are doing a bottom-up approach; we listen and we seek solutions based on our findings. There may be capacity challenges within the regulatory authority but these are outweighed by the advantages such as accessibility because we are a small domicile. We know we can't be everything to everyone which is why we must focus on quality, rather than quantity when it comes to bringing business to Malta." He cites Malta being one of the few territories where a Protected Cell Company structure can be created as a very attractive regime for smaller insurance operators but points out that they have also been successful in attracting major players to the shores of Malta. However, the increasing number of EU members wrangling for "Brexiting" business means that the sector now needs to consolidate its position and continue to build on its accomplishments.

Banking on a Bright Future

By offering itself as the ideal place to co-locate Malta is aiming to lessen the potential impact of Brexit on its own economy too. According to a 2016 IMF Report the value of all imports to Malta from the UK is equivalent to 27.3% (21.1% services and 6.2% goods) of Malta's GDP - the highest for any member state. This could potentially make it one of the most exposed countries to the consequences of the UK's departure from the EU, since it could lead to higher import costs in the form of tariffs, thus pushing up prices for Maltese consumers. Although conversely, the appreciation of the euro against the pound may offset this. The government and industry players - local and international - are aware that they are not immune to Brexit fallout but historically there have been a lot of positives in the resilient Maltese economy. Despite the global financial woes a decade ago, in Malta there were no bail-outs in the banking sector, no austerity measures, no devaluation of the currency or deflation issues. The country had, however, been registering a deficit for over 3 decades and so registering a surplus has further boosted confidence.

Based on traditional British models, Malta's stable banking system is generally considered conservative. There is occasional criticism from some quarters about the "over prudent approach" but diligence has been a cornerstone of the banking sector. It has also likely helped its reputation; in the WEF GCI ranking for the soundness of Malta's banks it was 16^{th} out of 138 countries in 2016-2017, pretty impressive for a country with a population of less than half a million. Deo Scerri, Chairman of Bank of Valletta (BOV), Malta's leading financial services provider for retail banking, investment banking, private banking, fund management, bancassurance and stockbroking services, explains, "Banks in Malta are very liquid; the Tier 1 capital (the core measure of a bank's financial strength from a regulatory point of view) is strong with an average of 13.4%. Non-performing loans in Malta are about 4.1% but at BOV our NPLs are lower than that

International Campuses in Malta

It is more than 100 years since Malta earned its reputation as the "Nurse of the Mediterranean" for its incredible contribution treating the casualties of the 9-month, allied-led campaign on the Gallipoli Peninsula during WW1. However, the story of the nation's medical excellence goes back centuries. The University of Malta Medical School is one of the oldest in Europe, hailing from the epoch of the Knights of St John in 1676.

Considered to be among Britain's Top 3 medical education establishments, England's first medical school, Barts, can trace its roots back to 1123. It now has a campus on the Maltese island of Gozo, and this represents its first and only campus outside the UK. According to Dr Chris Fearne, Deputy Prime Minister & Minister of Health, the number of international medical educational institutions with facilities and presence in Malta is on the increase. Northumbria University already operates in Malta. Attracting more educational institutions of global renown is on the cards, and students are expected to hail from North Africa, the Gulf and the UK. Malta aims to become a hub for quality healthcare teaching - both undergraduate (medical schools and nursing schools) and postgraduate. For the latter, the focus will be on short courses - usually a week in length - and the idea is to set up a regional simulation centre within the next 3 years to provide postgraduate training on mannequins and in simulated scenarios.

There is also a great opportunity for Malta to set itself up as a centre for clinical research. The nation has an advantage in this field because, as a small country, there is a "captive" population that does not migrate in the same fashion as they do in other states. The collation of, and access to, anonymous data can enable whole population studies, which could be very interesting especially when it comes to cancer medicine. Having a population of half a million that can be traced effectively, as well as a very good biobank going back 25 years with samples linked to clinical conditions, makes Malta an ideal candidate for such studies or as a test bed for new research.

DR CHRIS FEARNE
Deputy Prime Minister & Minister of Health

Another very important aspect of the health sector which is showing great potential is medical education. We already get a lot of British and European doctors who come here to do their foundation training, in order to have access to the UK health sector profession. This is because Malta has the only centre outside the UK which is affiliated to the foundation school. We hope to welcome more medical students and professionals as our country opens up further.

Listings: Moving with the Times

Size has always been Malta's double-edged sword, yet today the horizons have broadened and, thanks to internet connectivity, the world seems smaller. In the past Malta Stock Exchange (MSE) was a domestic stock exchange servicing a domestic market. In the last decade Malta's fund management and insurance sectors have done so well that the decision was taken to totally pivot the stock exchange to being more internationally focused. It certainly was time for the capital markets to have a presence on the international stage.

With a fully operational Central Securities Depository (CSD), and a main board of 55 equities and bonds, Malta Stock Exchange (MSE) "offers pretty much the same services as London or the Deutsche Borse, although clearly on a smaller scale," as Chairman Joseph Portelli explains. MSE offers full compliance with EU regulatory structures and respective passporting rights, while providing a very cost-competitive solution. Portelli has brought about many changes in his tenure; from making MSE a full-day trading venue with services such as listing ETFs, amending the rules to list investment trusts; to the launches of the IFSM (Institutional Financial Securities Market) and Prospects MTF (Multilateral Trading Facility). The latter aims to provide smaller entities - local or international - a listing venue to raise between €3-5m and to raise assets quickly and cheaply. Qualifying firms can gain admittance to the Prospects MTF in a week, with annual listing costs as low as €5,000.

All the exchange's efforts appear to be bearing fruit; with increased activity in the capital markets on both Prospects MTF and MSE's main market. There is a lot of liquidity on Malta and, with over 75,000 individual investors on the islands (a significant figure given the population is under half a million), there is a lot of potential for growth. Demand for corporate bonds and IPOs almost always outstrips supply, sometimes by 3 or 4 times the offering. According to the Malta-UK Business Promotion Task Force there also will be a couple of corporate bonds issued (of about €30m each) for the UK market in 2018.

Traditionally the exchange had been rather insular but we created a structure in order to present Malta as a true financial services destination, by not only offering funds but also offering capital markets. The result is the National Capital Markets Strategic Plan which covers 23 points to modernise the MSE and make it more competitive. We have a vision; currently there are about 300 listings but within 5 years we hope to have 2,000. As ambitious as this may sound, it is entirely feasible.

JOSEPH PORTELLI
Chairman of Malta Stock Exchange

The setting up of any co-location structure in Malta will enable UK-based companies to be present in an English-speaking EU jurisdiction.

JOSEPH ZAMMIT TABONA
Special Envoy to the Prime Minister & Chairman of the Malta-UK Business Promotion Task Force

UK educational institutions that rely on EU subsidies for R&D, and will no longer be eligible once Britain leaves, can benefit from having a campus in Malta.

MARIO GALEA
CEO of Malta Enterprise

because we have taken very aggressive steps to reduce them. The economy is doing very well and this has also encouraged people to reduce their debt, and so too have record employment rates." Taking steps to prepare BOV for the future is par for the course, including the opening of a new representative office in Piccadilly in London in March 2018 to strengthen the bank's international reach and elevate its visibility in strategically important locations. This will enable it to tap into new opportunities, especially any investors or businesses, that are looking to broaden their horizons to Malta.

UK Remains Pole of Attraction

For the Maltese government, one thing is certain in this uncertain world; there will be no huge exodus from the UK of companies - especially in the financial sector - as has been touted by some. Speaking in London at the Institute of Directors conference, in March this year, Muscat declared that "predictions of mass relocations from the City and other places in Britain are being grossly overestimated". That said, although the UK, and London in particular, will remain a pole of attraction, measures may be taken by an increasing number of companies to mitigate the effects on their business. Locations in continental Europe, such as Frankfurt and Paris, are seen as the most likely alternative domiciles to provide passporting for the so-called "big boys" but Malta firmly believes it is the ideal co-location jurisdiction for smaller firms. Companies in the UK wishing to co-locate by setting up a structure in Malta will likely do so as a gateway to the EU but the country is well positioned both geo-strategically and politically to act as a bridge to the MENA region. There are representatives of the country's investment agency, Malta Enterprise, based in the UK, Dubai, China and India who are providing opportunities in Malta to entities located in those countries and beyond. However, it is probably the high-level participation by, and accessibility to, top government officials which endears Malta to the international business community. In February, the Prime Minister visited London to meet face-to-face with UK-based Indian industry leaders for talks with those who might be considering moving their business from the UK due to it leaving the EU. He was eager to stress that it is not about leaving the UK (relocating) but rather providing a solution as a favourable investment destination co-location and tweeted, "I illustrated to prominent Indian business leaders in the UK why Malta is the ideal co-location jurisdiction in a post-Brexit scenario. From pharmaceuticals to Bollywood productions, their presence in Malta is already strong, but has the potential to grow much stronger".

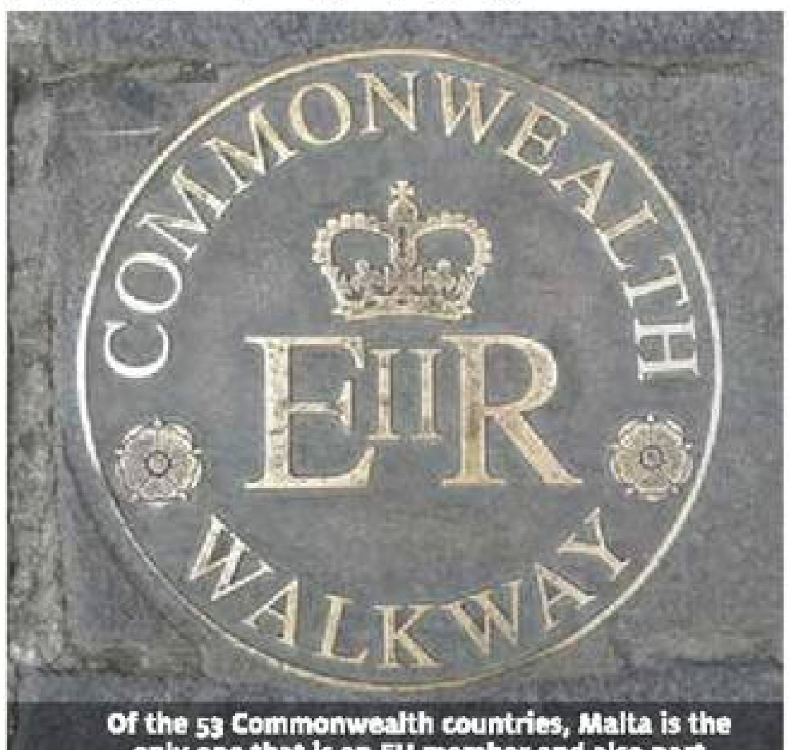
Whatever the sector, Malta stands ready to be a partner to entities wishing to explore their options. The pro-business administration is willing to find solutions that bring mutually beneficial results. One key growth area showing great potential is the study of medicine, as Mario Galea, CEO of Malta Enterprise, elucidates, "We have been successful in bringing one of the UK's top medical schools - Queen Mary's Barts - to Malta. In fact, Barts made a direct investment and we are proud they have chosen to base their first campus outside the UK on the Maltese island of Gozo. It is in its first year of operation and has 45 students of diverse nationalities. In addition we have a joint venture between MCAST and Northumbria University offering an undergraduate course for nurse training in Malta, and tie-ups with Goldsmith operating through a local company, and Middlesex University has had its third overseas campus here in Malta since 2013." However, as always there is also a solid two-way business transaction taking place here. While the government and Malta Enterprise in particular provides entities with the required support and incentives, Malta benefits by top brands investing in the country; its reputation is enhanced internationally and locally. Students undertaking their education here are exposed to the nation's offerings, and perhaps the hope is they will also end up contributing to the nascent medical tourism sector. Moreover, Galea affirms that in a post-Brexit scenario having a campus in an EU jurisdiction like Malta will enable UK educational establishments to access EU funding (particularly for R&D) that would otherwise be denied them.

Competitive Edge

Apart from limestone and a highly educated population, Malta has precious little in the way of resources and thus favourable taxation has allowed the economy to flourish. Dating back to 1948, the imputation tax system was instituted under British colonial rule and was approved by the EU, thus enabling Malta's succession to the bloc in 2004. While some EU countries have been pushing for a harmonisation of taxation (largely on the basis that some jurisdictions such as Malta, the Netherlands, Luxembourg and Ireland, are making a dent in their tax revenues by offering what they perceive as aggressive tax planning that are far more favourable than their own locations) it is especially critical for the smaller economies in the EU (particularly within the eurozone) to retain this sovereign right and the flexibility of tax competition. Outliers like Malta do not have the benefits or the market proximity of larger or more centrally located countries. Moreover, they lack critical mass in their domestic market so the attraction of foreign investment in its various guises and provenances can be vital to the survival of such nations, and to them thriving economically. Undoubtedly transparency in taxation dealings is a must, as is trust, but this "one size fits all" approach in the EU can appear unjust. To rebut allegations that are often based on incorrect statements, assumptions, or a lack of knowledge, KPMG issued a report in 2017 entitled "Malta's Tax System - Setting the Record Straight". It aims to lay out the facts pertaining to Malta's favourable tax regime in a clear, concise and informative manner in order to refute incorrect claims and demonstrate that the country's taxation is both OECD and EU compliant.

In many ways it may be surprising to some that the World Economic Forum Global Competitive Index 2016-2017 now ranks Malta 37th out of 138 countries, ahead of Italy, Portugal, Slovenia, and Croatia. Not bad for a country 316 square kilometres in size, located at the very edge of the bloc, bridging two continents. But this may be exactly why Malta has such a resilient open market economy. Essentially it welcomes all types of business but, when it comes to co-location, it recognises that space is at a premium so companies with over 20 employees that are exporting goods or services to the EU are top of the list. In preparing the groundwork to anticipate the impact of Brexit and mitigate issues for businesses, the country hopes to play an important role, paving the way to mutual success with a solutions-oriented approach which simply shifts some operations and activities to Malta rather than requiring companies to uproot completely. This is somewhat different to the more assertive stance of other EU countries who have already been jostling for a greater share of the UK's action in a post-Brexit scenario. With its pleasant Mediterranean lifestyle, educated population, highly qualified professionals including numerous law firms and top global accounting firms, such as EY, KPMG, PwC and Deloitte among others, the Maltese Islands are a natural fit for a wide range of business activities and the administration and workforce alike are willing to deliver. Few countries offer what Malta can offer; it has a stable, growing and broadly spread economy where there is certainty and rule of law. Taking into account that most UK-based entities will likely be looking for a domicile with legislation in English and policymakers that are accessible; put into the equation its relatively competitive costs when it comes to labour recruitment and structures; and most will agree that its co-location proposition is a very solid one.

No doubt, the Prime Minister will be reiterating Malta's commitment to being of assistance not only to its ally but also more specifically to UK-based companies during his visit to the UK for the 25th Commonwealth Heads of Government Meeting, where he will transfer the position of Commonwealth Chair-in-Office back to Prime Minister Theresa May.



Of the 53 Commonwealth countries, Malta is the only one that is an EU member and also part of the Schengen area

Considered to be among Britain's Top 3 medical education establishments, England's first medical school, Barts, now has a campus on the Maltese island of Gozo. This represents its first and only campus outside the UK

FINANCIAL SERVICES

Making Malta the Jurisdiction of Choice

Shedding light on the strengths of Malta's financial services sector, Kenneth Farrugia, Chairman of FinanceMalta & Chief Business Development Officer at Bank of Valletta, also explores the challenges the domicile faces.

"Malta is going through a very strong economic cycle evidenced by a number of indicators; our growth for the final quarter of 2017 was 7.3%. The average over the last couple of years has been between 4% and 6% which is quite good for Malta given that the economy has shifted from an industry that was very much dependent on manufacturing in the 1970s and 1980s to a service-oriented economy. Joining the EU has been a catalyst for this development. I think the initiatives undertaken by successive governments are bearing their fruit today. I think it's healthy to have periodic changes in government; as the saying goes 'a new broom sweeps clean' and new governments come with a certain verve in them.

The fact is that Malta is more visible today from various facets - the sectors that are driving growth; tourism, financial services, aviation and maritime - have elevated the visibility of Malta over the past 5-7 years. The foundations, insofar as our legal and regulatory frameworks are concerned, have played a role in that but beyond this is the fact that there is economic and political stability and that Malta is a peaceful country, bar rare incidents such as the killing of Daphne Caruana Galizia, which shocked the nation. I don't think any government of any country registering positive growth would want such an incident to dampen what is happening. Clearly as with all media it becomes sensationalised; it's very disheartening and disappointing to a degree. There are many examples of success stories, companies that have been in Malta for decades who testify to the fact that this is a peaceful and stable country. So I am confident we will continue to attract business and investment to Malta.

Highly qualified persons rules give tax liability of only 15% to those eligible

KENNETH FARRUGIA
Chairman of FinanceMalta

From a financial services perspective we have continued to gain year-on-year traction. Thus past growth is sustaining itself and has morphed into expansion in different areas. For example, in asset management we used to have funds coming in. Now with the onset of regulation across Europe we have seen that slowing down; but then on the other hand we have seen an increase in the number of investment services operators setting up here. Additionally, we witnessed growth in key new areas like FinTech, pensions including administrators and managers, securitisation vehicles, in the family office and family business space, so we have a very good proposition there. The sheer diversity of operators in the market has added value to the proposition of Malta as a financial centre from where you can do international business. We have continued to evolve our legal and regulatory framework over the years and this has - in no small way - helped that. We are actively looking into new areas such as Blockchain and cryptocurrencies. The Malta Financial Services Authority (MFSA) has issued two consultation papers on virtual currencies; one relates to funds investing in cryptocurrencies and the other document relates to the regulation of persons who provide services in cryptocurrencies. This document includes ICOs; investment advice, trading platforms etc. While the rules for investment funds have been published, a Virtual Currency Act, which will regulate all activities relating to investments, is currently being prepared. There is also a review of the MFSA currently underway because they want to ensure it is positioned to service growth, not only of the existing business sectors but also these future ones. They may need a different set of skills, possibly a different organisational structure so even from a regulatory perspective, government is ensuring we have the apposite scenario to sustain development into these new arenas.

Do we have challenges? Yes, for sure. Resources is one of them, although sometimes I think we over accentuate the issue of human resources. It has become critical to a certain extent because all sectors are affected; however, I think that it can easily be addressed with a contingent of foreign personnel. Being an EU member state has advantages in this regard thanks to the freedom of movement of workers. As a heavily tourism-oriented culture we are used to having non-nationals around. So it's not that we are not for multiculturalism, but previously it was a less common occurrence in the workplace. We are adapting to this and at a national level we also need to alleviate the process for non-EU workers to come here. Changes in legislation have helped but there's still room for improvement. The UK examples could be adopted whereby we could launch visa programmes for certain skillsets and cap the numbers coming in according to our requirements.

Most of the big auditing and accounting firms like PwC and KPMG employ 20 to 25 different nationalities. It's easier for them to recruit from abroad due to their own network of firms globally. However, for construction companies or retail outlets it is much more problematic. There is a paradigm shift from the traditional way of recruiting via an advert in a local newspaper, to going digital and doing Skype interviews. Agility and the ability to react quickly is a differentiating factor when comparing Malta with other jurisdictions. So for HR we need to have a forward-thinking strategy based on a study of the education system, sector growth forecasts, where graduates can be employed and how to address the gaps. Otherwise we will suffer wage inflation, which we are already experiencing, and although we remain competitive we need it to be gradual and not exponential wage inflation.

Supporting infrastructure is another aspect under review. Traffic is becoming a problem although the government is making adjustments to roundabouts and creating overpasses to alleviate the situation. However, until a mass transit system is built I don't think the issue will be resolved. The size of the country, population and economy has previously made such an investment - in the hundreds of millions - prohibitive. However, again I do think we make this problem seem bigger than it is because when business people visit Malta from London or Frankfurt, for example, they say 'Traffic? What traffic?' so I suppose it is all relative. Yes, there are more cars on the road, more locals are driving and more tourists are renting cars. These are the pains of success and I believe we need to be sure that we can sustain the growth because ultimately Malta is what it is, therefore these pains have to be managed dynamically rather than on a knee-jerk basis. The multiplier effect of our economic growth is significant. Workers arrive and buy cars so there are more cars on the road, strain is put on accommodation demands so rental prices rise, and this pushes people at the lower strata of society out of the market. This is being addressed by the provision of 700 units of affordable housing aimed at persons in need. Real estate prices are booming and those who bought 7 years ago have likely doubled their money. High-rise developments are inevitable given our size. Some complain because it will spoil the aesthetics but ultimately we need to preserve the older zones to ensure that no development happens in heritage areas.

Back on the subject of HR, the HQP rules (relating to highly qualified persons) give tax liability of only 15% to those eligible, making Malta's financial services sector a highly attractive place for operators that want to extend their footprint and deploy their workers here. In the cluster all the major insurance operators are present but there is room for growth and a number are setting up a seat in Malta. Clearly, many in the UK are concerned by what Brexit will bring to their table, so they are exploring our jurisdiction from a co-location point of view. We have already seen enquiries increase and believe that, in the coming months, the more the UK's departure becomes a reality, the more we will receive. Most interest remains on the same pillars we have always promoted - asset management, insurance, family office and family business - but of late, given that we have taken a proactive approach on the Blockchain side and virtual currency side, we are getting a lot of enquiries about that as well. This includes the possible development of an exchange, which would be regulated here. Government has been developing legal and regulatory frameworks to support virtual currencies in the country and within the next 12 months we will see that materialising. We envisage the same scenario as we had with gaming. We can create and provide a home for a number of operators, ICOs and cryptocurrencies that are looking for the right legalisation and regulations.

FinanceMalta, unlike Malta Enterprise (the country's investment agency), does not handhold investors, or provide grants. We are a public-private initiative, a promotional body responsible for explaining the domicile to players in the financial services sector. However, our metrics are the actual number of operators setting up in Malta and, as we have consistently experienced mid to double digit growth, we are pleased with our success. The UK remains, as always, a key target for our international outreach. I think we held about 11 events there in the last 4 months of 2017; many of which were undertaken in collaboration with established media houses such as Captive Review (for insurance), Spear's (for family offices), Hedge Funds Review and HFM Week (for asset management) and so on. This year we have another full calendar and welcome financial service sector players to join us to explore how they can benefit from making Malta their domicile."

MALTA WORKS FOR KPMG

TONIO ZARB
Senior Partner of KPMG Malta

Considering the criteria co-location entities look for, Malta is at the top of the list in many cases; on the regulatory and the cost side including tax, as well as the availability of professionals with experience.

MALTA WORKS FOR EY

RONALD ATTARD
Country Managing Partner of EY

Our survey shows that for foreign investors the top parameters which make Malta attractive are corporate taxation (88%), the stability of the social climate (83%), and the telecoms infrastructure (73%).

MALTA WORKS FOR PWC

DAVID VALENZIA
Territory Senior Partner of PwC

Our very strong ties with the UK mean British or UK-based clients feel very comfortable with us. I believe they choose us not only for cost optimisation but also because we offer an optimum service.

FDI

Bold Moves for a Dynamic Future

The wind is definitely in the sails of the Maltese economy as its prevailing growth outstrips all forecasts. What underpins this ongoing positive trajectory is a collective and cohesive effort to maximise all opportunities.

With a land mass just a 5th of the size of London, space is limited in Malta. So, for the benefit of society and investors alike, successive governments have maximised its use by choosing value-added industries and creating the right kind of service-based economy (particularly financial services, iGaming and ICT) to create opportunities along the country's economic journey. Malta is also one of the world's most densely populated countries, and although rich in cultural heritage, history and sun-drenched limestone, there is little else in the way of resources on "the rock" (as the locals often refer to their beloved country) except for the exceptionally strong work ethic and entrepreneurial spirit of the people as frequently laid down in testimonials from global players who operate businesses in Malta.

Yet despite its obvious constraints, almost all the components within the supply chain are available in Malta, making doing business in the island nation much easier than one might expect. The relevant support mechanisms exist and cargo routes (both by sea and by air) are easy to access, meaning that export readiness is one of the key selling points for manufacturing companies in Malta. Indeed, in many ways the country has been a pioneer in the region. One such example is Malta Freeport; having been established in 1988, it was the first transhipment hub in the Mediterranean region and has experienced remarkable growth over the years. Currently it ranks 12th among the top European ports and is the 3rd largest transhipment and logistics centre in the Mediterranean region.

Fertile Ground

As the country's economic development agency, Malta Enterprise is tasked with attracting new foreign direct investment (FDI) as well as facilitating the growth of existing operations. It has the ability to find solutions, grant incentives, strike deals and manage relationships with industry. As the driver of the Maltese economy since the 1950s Malta Enterprise has been very effective, not only in attracting productive industry, but also in retaining it and developing it organically. This has been no easy feat; the Maltese have had to be ingenious in their approach to providing the right conditions and in creating a fertile ground for a myriad of businesses to thrive. While recovery in the European economy has been witnessed lately, it has been remarkably impressive in Malta where all sectors have shown strong performances leading many companies across the country to experience unprecedented success and record-breaking prosperity.

Malta Freeport; having been established in 1988, it was the first transhipment hub in the Mediterranean region and has experienced remarkable growth over the years. Currently it ranks 12th among the top European ports and is the 3rd largest transhipment and logistics centre in the Mediterranean region

The further attraction of FDI has been imperative to bolster Malta's flourishing economy but as Mario Galea, CEO of Malta Enterprise (ME) explains, the EU-regulated environment means countries can find it difficult to compete on the "product". He maintains that the way they differentiate themselves is through the delivery of assistance by ME, "Giving a top-class service is our hallmark even for smaller industry players. We do not shy away from large projects but we have a great capacity to be more open to small and medium scale projects. Moreover, we have a 'handholding' strategy; supporting industry players from the first contact up to their establishment and even beyond, we remain in a very close relationship. It has been beneficial to all parties since a good number of these international players have now been in Malta for over 50 years." Taking this in context it is easier to see why this is such an achievement for the tiny island nation. Previously under 150 years of colonial rule when the Maltese economy revolved almost entirely around servicing the British navy, the country had to totally reinvent itself from scratch after military withdrawal in the 1970s.

Thriving Growth

One company that came from the UK in the precursor period was Trelleborg Sealing Solutions Malta. Managing Director Martin Hignett highlights key aspects of their positive experience of co-location in Malta, "Trelleborg has been here for 56 years; we originally came here in 1961 as a low-cost alternative to the UK. What we found here was a tremendous resource in terms of engineering, in terms of talent, English-speaking and very hospitable government and people. Basically it was a very easy place to set up a business." Many of these faithful long-stayers hail from the manufacturing sector, an industry which is now the second most important employer in Malta, contributing to 11% of total full-time employment. 2017 saw the sector record another solid performance with its Gross Value Added to the economy up by 9% on the previous year according to the National Statistics Office. However, although ME makes a positive contribution to economic success through the attraction of new investments from overseas, its other equally important remit is in assisting companies already in Malta to consolidate and expand their operations. Historically many of the companies that have chosen Malta as a base, started with small outfits and expanded exponentially due to their success and the favourable business environment in the country. International players such as Playmobil, Trelleborg, De La Rue and Toly Products are all excellent examples of firms that have thrived in Malta.

"In the industrial scenario we have about 200 foreign-owned companies producing in Malta, besides manufacturing ME oversees service sectors such as aviation, maritime, healthcare, education and ICT (with the exception of betting)," Galea highlights but he also points out that there is still a degree of demystification of his country required. "Many people do not know that important components are made in Malta for a wide range of products for top brands and household names like Mercedes, Apple or Chanel. Our first aim as the agency responsible for attracting investment must always be to get Malta known, then to get Malta known as a manufacturing and services base, and finally - perhaps most crucially - to get potential investors to come to Malta where they can really and truly learn about the opportunities that abound here." Indeed, Galea believes this is the crux of the matter since they are able to convert a third of delegations brought to Malta.

A Firm Hand on the Helm

One of Malta Enterprise's specialities is its ability and agility in addressing shortcomings in a timely and practical fashion. It is encouraging for industry leaders to have an the administration that is extremely proactive in pre-empting issues and turning around negative situations. A firm hand on the helm is what has held Malta steady in stormy waters. The 2008 global recession created a huge dilemma for Trelleborg's O-ring production when its international order book dried up due to a significant decline in automotive sales. Unwilling to lay off staff, Hignett was forced to reduce the working week but, recognising it was a temporary problem, the government stepped in to fund training courses in soft skills, leadership and computer studies thereby tiding Trelleborg over, "It was an absolutely brilliant, win-win-win solution from which all benefitted. It mitigated against the traumatic experience of mass redundancy across the board, and losing skilled staff. All of this was under the government body, Malta Enterprise, and they could not have been more helpful. Our expansion, new equipment and technologies, R&D and that training have been facilitated by using tax credits and Malta is unusual in this because it really cares about helping businesses grow."

Tax credits, incentives, accessibility to government aside, it is Malta Enterprise's ongoing assistance and approach that has facilitated the manufacturing sector and Hignett remarks it makes all the difference, "You feel like somebody cares. The government is very good at making us feel like a loved child and like we are being listened to." Equally when aviation MRO (maintenance, repair and overhaul) started taking off in the

MALTA WORKS FOR TRELLEBORG

MARTIN HIGNETT
Managing Director of Trelleborg Sealing Solutions Malta

Malta Enterprise provided an absolutely brilliant, win-win-win solution from which all benefitted...and they could not have been more helpful. Our expansion, new equipment and technologies, R&D and training have been facilitated using tax credits and Malta is unusual in this because it really cares about helping businesses grow.

MALTA WORKS FOR DE LA RUE

EDWARD CHETCUTI
Head of Malta Operations of De La Rue

The government has always provided very good incentives for the business. In the last 2 years we made a massive investment of around €30m to upgrade the facility and to bring in a third business unit for the production of tax stamps and brand protection labels. We produce all the brand protection labels for Microsoft, a direct result of our significant recent investment.

country with SR Technics and Lufthansa Technik, ME intervened in the market to make sure that these entities could find the right people locally. Courses with the vocational institute MCAST (Malta College of Arts, Science & Technology) and the University of Malta were organised and in no time - within the space of 3 years - there were about 700 qualified people working for these two companies.

To date this specialised sector continues to go from strength to strength, SR Technics is currently in final discussions with ME to expand its operations by making a €30m-investment in a new 6-bay hangar which will create an additional 400 jobs. Sealing the deal on this new facility is on the horizon Galea indicates, "It is envisaged that within the next 2 years the total employment in the MRO business in Malta could be in the region of about 1,500-2,000 people." A large chunk of MRO business was originally brought to Malta by Zammit Tabona (then High Commissioner to the UK) who played a pivotal role in encouraging SR Technics and easyJet to choose the country as their preferred investment location. Joining other names of international renown such as Rolls-Royce, MCM, Medavia and Lufthansa Technik, this consolidated Malta's engineering tradition and strengthened the growing aviation maintenance cluster, but these new developments take the sector to a whole new level.

De La Rue: Example of Excellence

By strategically positioning itself and nurturing key areas of expertise, Malta can create a roadmap of the future as well as concretise its past. More recently it has done this in the currency printing arena by attracting new investors by dint of the success enjoyed by long-term players in the market. Listed on the London Stock Exchange and headquartered in the UK, De La Rue has been operating in Malta for several decades and 550 of its 4,000 employees are based here. Highlighting the importance of its operations on the island nation, Edward Chetcuti, Head of Malta Operations of De La Rue reiterates, "We are a 200-year old British firm - the only public company in our industry - and we export to two thirds of the countries of the world, over 80% of which are outside the UK and EU. Malta is the microcosm for De La Rue and is central to our strategy because it is the only factory that has all 3 production lines; banknotes, passports and ID cards, as well as identity and brand protection capability. Our customers, who are mostly governments, can be served holistically through this facility, we can actually fuel an economy through this factory. In total, we sell 7bn banknotes a year, 1.6bn of which are made in Malta."

There are a number of reasons that make the country so appealing for such a specific industry, but one of them should not be overlooked. As a Malta Stock Exchange communiqué recently upheld, "Malta is very safe and can be claimed as one of the safest countries in the developed world. According to Eurostat, Malta has only 0.3 violent crime incidents per 1,000 inhabitants; among Europe's lowest. In 2015, Malta was ranked as the 7th safest small country in the world and 15th overall, in a new study by the US data analysis firm Value Penguin". A low country crime rate, short transportation times from the facility to the export location, and a trustworthy workforce are priceless attributes in the security printing business. Chetcuti continues, "The Maltese workforce has proven itself to be very hardworking, well-educated and skilful. De La Rue really values their work ethic, as well as the fact that people are really committed and really passionate. Maltese workers have a vested interest in their job."

Internationalisation

When asked about the difference Malta Enterprise makes to international businesses seeking to co-locate in the country Galea is clear, "We are very fast at finding solutions, our remit is to streamline the processes with different government departments to ensure that the procedure is as smooth as possible." The current administration is definitely making inroads in improving procedures, borne out in the World Bank's Ease of Doing Business 2017 report which saw Malta climb 26 places in the rankings. In terms of incentives the development agency has a flexible package consisting of 4 types of incentives; first, the provision of industrial space; second, financial grants under investment aid which is sometimes given as cash and sometimes as tax credits, as well as financial support for the acquisition of knowledge, equipment or fixed assets; thirdly, it offers support for the training of people; and finally it provides assistance for internationalisation.

Having made the move from the UK, the late Dr Zoli Gatesy built Toly from humble beginnings in Malta. "In the 1970s, when I was growing up, Toly was an engineering company building moulds and converting plastics as a supplier, but since then we have evolved to a packaging solutions provider to the beauty industry and now into a brand partnership with our customers." The business model Toly created in Malta, fits perfectly with the new trends in the market that demand innovation, design and timely delivery. "With local support, we have doubled our business from $50m to $100m in the last 5 years," explains Toly Group's Chairman & CEO, Andy Gatesy who has led the company since taking over the reins from his father in 1991. Toly has been transformed into a highly internationalised, successful global entity, producing innovative packaging for the cosmetic industry, and counts 21 of the top 30 beauty brands in the world among its clients.

Besides Malta, Toly has offices and operations across the globe, from the UK, France and Belgium to the US, China, Korea and Hong Kong. However, Gatesy (British-born with Hungarian ancestry) remains a great ambassador for Malta, "It's unique; connections are what make Malta special. Half of our workforce is foreign, yet of the 350 plus people working here, 160 of them have been with Toly for over 20 years and that's really quite something in this day and age." These are people who have been taken on a journey, delivering excellence to top brands such as Christian Dior and Hugo Boss, as well as to household names like M&S, Boots and Avon.

"Thanks to the internet the beauty product world has changed more in the last 18 months than in the last 30 years; the era of 'fast beauty' is here. It is disrupting the market and catching out established brands that cannot move at the same speed. Our biggest launch, in February this year, was a start-up brand from England; their first order with us as a group was a $4m piece of business and they will only be selling their products on the internet with influencers." Being geared up, at the forefront of this fresh approach to the beauty market, will likely ensure future success, "The milestone I want to reach is $250m and continual investment in our values - of people, passion, pride and creativity - will help us get there. Our core competence is to be customer-centric so staying relevant and disrupting the market is vital. Industry 4.0 is all about customisation so 3D moulding will be disrupted by 3D printing. But what you cannot replace are the soft skills, creativity and branding. It's all driven by Malta because we run the business from here," confirms Gatesy.

Stepping Up

Keeping one toe in traditional markets and another in future ones may seem like an impossible feat at times, but although Malta is keen to be at the forefront of avant-garde disruptive industries and technologies, there is also a healthy respect for the "old guard" industries. For many years Malta has been developing a vibrant and diversified healthcare manufacturing industry; from the production of generic drugs to medical devices, it is a sector that has generated - and still continues to generate - significant economic activity. Over 30 established international brand names operate in Malta and yet more new players are recognising Malta's offerings. One recent development includes pharmaceutical company Cetic that plans to invest €15m in a plant for nasal sprays and ophthalmic products, which is previously untrodden territory for Malta. Forging ahead into new areas and stepping up to meet new challenges is one of Malta's fortes but it is also a necessity. As the cost of operations will inevitably rise, the country has been transitioning itself from a manufacturing base to one that gives added value with a focus on R&D. To this end ME developed the Malta Life Sciences Park (MLSP) which boasts state-of-the-art facilities for the chemistry, biology and digital imaging sectors. MLSP is strategically located, adjoining the University of Malta, the main teaching hospital and the national oncology centre. There are also plans afoot to develop Malta's research capacity, for example in the sphere of genome sequencing, and to make use of the excellent biobank that has been 25 years in the making.

On the subject of unconventional medicine, the government of Malta has made bold moves recently to develop the regulation and production of cannabis for medicinal purposes. Currently reaching the final stages to get the green light for manufacturing, medicinal cannabis has already been officially legalised meaning that Malta joins a growing number of European countries who recognise the therapeutic benefits of the plant. There has been significant interest from manufacturers from Canada, Australia and Israel who are looking to invest €30m in projects that will create 185 new jobs. Of course, the decision to engage in this type of industry has had its detractors, but the administration gauged local and foreign reactions and determined that it must take an intelligent approach to embracing this opportunity. Certainly, Malta is not alone in pursuing this type of business in Europe. However, its legislative framework may well put it at an advantage in comparison with other jurisdictions and could allow clinical trials to take place on products.

iGaming: Innovation & Regulation

Malta boasts a sophisticated tertiary sector, with financial services, iGaming and software development constituting key pillars of the economy along with tourism and manufacturing. Creating the right environment for growth has been the constant effort of successive governments, with some sectors ending up more prioritised than others over the years. Yet there are two vital factors affecting them all, which not only ensure their survival but also their success; innovation and regulation. Sometimes the dichotomy between them seems like a chasm too wide to cross; but in Malta their interdependency means that both business and society alike are flourishing.

The robust approach to innovative regulation that has become an industry standard during the MGA's (Malta Gaming Authority) 13-year timespan, led to the country becoming the iGaming capital of Europe. Trust has been built over the years, with both gamers and gaming companies, through transparency and safeguards, and a willingness to adapt to new market demands. A pioneer in the iGaming industry, "Malta was the first EU member state to regulate the remote gaming market in 2004, and has since established itself as a significant gaming hub with global relevance. Both the land-based and remote gaming segments continued to grow in 2016", states the EY Attractiveness Survey 2017. According to NSO statistics cited in the survey, the sector directly accounted for 13% of Malta's gross value added (GVA) and the gaming industry is estimated to have generated over €1bn in terms of GVA in 2016.

That year saw the MGA issue a total of 91 new remote gaming licences. Malta's success and its growth does not come from being lax or because of its favourable taxation. The fact is that serious companies want to be in a serious jurisdiction, and gamers also want to know that they can trust where the gaming company is located so that their rights are safeguarded. The reason that entities come here is due to the integrity of the jurisdiction and not solely for fiscal incentives. In fact, Malta has often been lauded by official bodies for its innovative approach to legislation and the country has been held up as a role model for taking a strong stance on regulatory procedures.

A robust approach to innovative regulation, which became an industry standard, led to Malta becoming the iGaming capital of Europe

The country's philosophy is one of continuous improvement; constantly aiming to make the systems as fool-proof as possible. One example is in the compliance aspects including adherence to the EU's 4th Anti-Money Laundering Directive, pushed through by Malta during the EU Presidency in 2017. The requirements of compliance are onerous on the MGA (as a supervisory body), the industry itself, and on the country in general, yet some operators criticise Malta for being too stringent. According to the authorities this doesn't put serious players off though; for example Tipico, an international provider of sports betting and casino games, is present in 9 locations worldwide. It has its headquarters in Malta and has made the jurisdiction its hub due to the sound legislation, support from the government and the fact that its core has been strengthened here.

Replicating Success

Given its stunning achievements in iGaming, it may come as no surprise that Malta will likely be one of the world's first countries to regulate ICOs and cryptocurrencies; or that the Malta Stock Exchange is on track to become one of the world's first stock exchanges to utilise Blockchain technology. Malta's plan to develop sound regulatory frameworks - for Blockchain, FinTech and RegTech - is being touted as the next big thing. Indeed, the intention of government to adopt Blockchain strategies, to harness its potential with a legal, operational structure, is expected to lead to what has been termed "an ideal ecosystem" for those wishing to invest in the technology. Being brave in taking the leap and to lead in disruptive industries and disruptive technologies is something that smaller, less cumbersome economies do more easily. The apparatus of government in Malta has always been quick to react to new opportunities and to try to leverage their potential. The future lies in maximising the manner in which financial and regulatory services are provided, thus it is likely that FinTech and RegTech will continue to reshape sectors with the use of advanced software and modern technology. According to Eurostat, Malta is ranked 2nd in the EU with 6.7% of its citizens working in the technology sector.

The government is committed to creating a digital economy, and Malta is looking to be the first jurisdiction to devise the legal framework for the certification and regulation of Blockchain, Artificial Intelligence, and IOT devices. These will be overseen by MDIA (Malta Digital Innovation Authority), which is in the process of being set up, whose aim will be to provide legal certainty in what some have termed "a regulatory vacuum". It is for these reasons among others that Binance, the world's largest cryptocurrency exchange by traded value, recently announced its intention to move its operations to Malta. Founder Zhao Changpeng (CZ) is reported to have described Malta as "very progressive when it comes to crypto and FinTech". Prime Minister Dr Joseph Muscat explains this progressive approach, "These entities are not saying that they are coming to Malta because they can do what they want; they are saying they are coming because Malta is ready to regulate them. Malta's role is to bring the consumer peace of mind that the system is being regulated."

Muscat believes that these new activities will see similar growth to Malta's financial and iGaming sectors but is also aware that as trailblazers they may face problems along the way, problems that they will learn from. One idea is to use Malta as a test bed for the proper use of Blockchain technology; being small makes it easy to test an application here. Indeed, CZ is said to have confirmed that, having reviewed a proposal bill, Binance is convinced that "Malta will be the next hotbed for innovative Blockchain companies, and a centre of the Blockchain ecosystem in Europe". He also signalled Binance's commitment to "lending its expertise to help shape a healthy regulatory framework as well as providing funds for other Blockchain start-ups to grow the industry further in Malta". This, along with Malta's first technology business incubator TAKEOFF, undoubtedly sits well with the government's initiative to ramp up support for smaller business ventures - whether local or international - particularly in the digital sphere, in order to nurture the nation's flourishing start-up community.

Policymakers are unwavering in their efforts to promote Malta as a leader in the digital assets field. Certainly, the factors determining the country's success are founded on its ability to sound out potential and get ahead of the curve. Muscat sums it up by saying, "I believe innovation is the name of the game; be it with regulation or legislation, our competitive edge lies in our administrative and legislative agility." A willingness to take calculated risks and be a proactive pioneer - as opposed to a reactive follower - will set Malta apart from other jurisdictions. These are undeniably exciting times for the nation; the ramifications of Malta's new path and outcome of its roadmap for the future will only be known in the years to come. However, as the Prime Minister has pointed out, the way forward is not about simply adapting to new technologies but rather "about the 'butterfly effect' that innovation and creativity have on economic, social and human progress," and this is what will define Malta and its development in years to come.

"Really and truly, I believe innovation is the name of the game; be it with regulation or legislation, our competitive edge lies in our administrative and legislative agility"

DR JOSEPH MUSCAT
Prime Minister of Malta

€30m of FDI is anticipated for the manufacturing of cannabis for medicinal purposes as it reaches the final stages to get the green light

Binance, the world's largest cryptocurrency exchange by traded value, recently announced its intention to move its operations to Malta

MALTA WORKS FOR TOLY GROUP

ANDY GATESY
Chairman & CEO of Toly Group

Our core competence is to be customer-centric so staying relevant and disrupting the market is vital. Industry 4.0 is all about customisation, so 3D moulding will be disrupted by 3D printing. But what you cannot replace are the soft skills, creativity and branding. It's all driven by Malta because we run the business from here.

LEISURE & BUSINESS

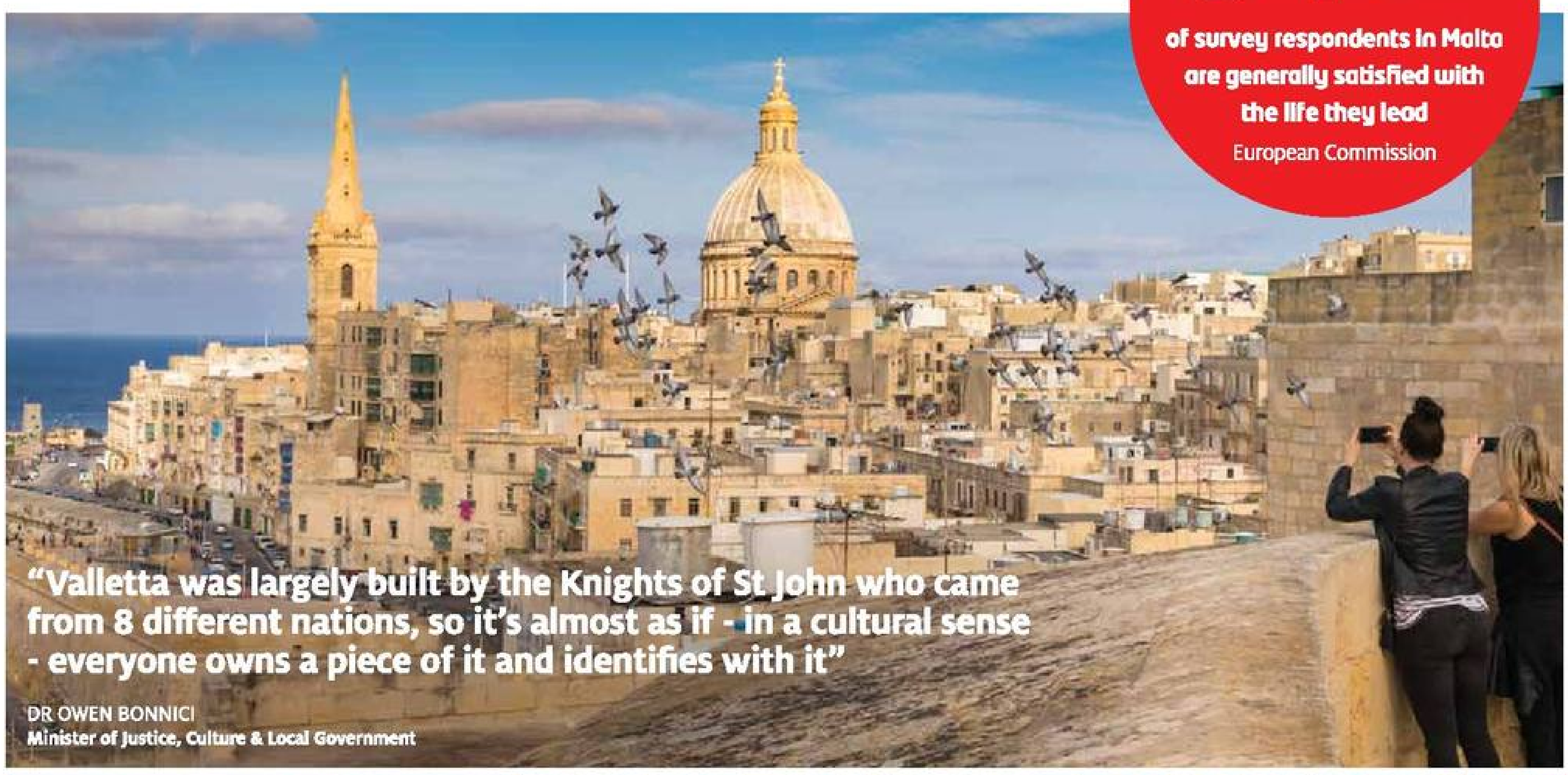
Take a Lifestyle Audit

94%

of survey respondents in Malta are generally satisfied with the life they lead

European Commission

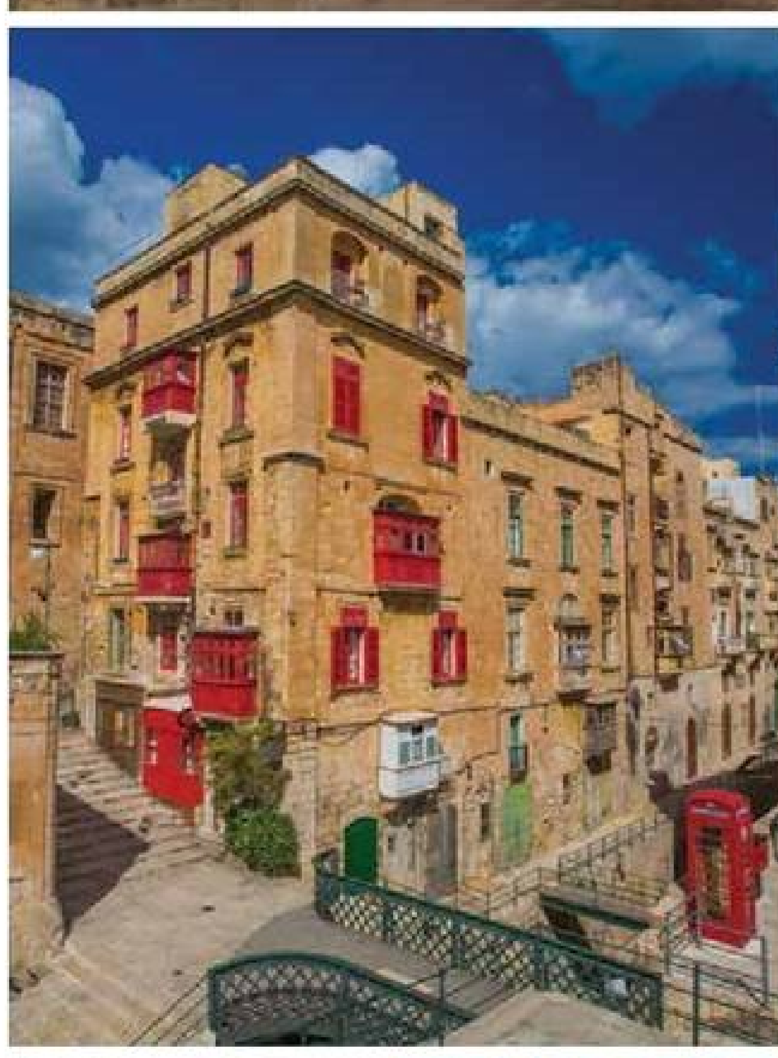
With the UK's impending divorce from the EU in March next year, 2018 is definitely the year to discover Malta and partly explains why there has been a significant increase in interest from businesses wishing to extend their footprint here.



This is not the only reason for a surge in visitor numbers; currently the country is alive with happenings and colourful festivals thanks to Valletta 2018, the European Capital of Culture. Emblematic of the nation's wealth of heritage, arts and creativity, this year-long event also represents a chance to experience the best Malta has to offer. Yet even without Valletta being the European Capital of Culture, leisure and business travellers, as well as local and foreign workers, are often amazed by the hive of activities that are crammed into the Maltese islands and its many advantages. Just to spell things out to any potential investors thinking of co-locating or doing business in the country, the Malta Stock Exchange (MSE) recently published a document entitled, "21 Reasons Why Malta is a Great Place to Locate Your Company". Its Chairman, Joseph Portelli reiterates, "I have now been living in Malta for 16 years, before that I was in the US. I think that setting up in Malta is a no-brainer; the country offers so many positives. Firstly, the Prime Minister and the people around him have put together some very pro-business legislation and policies. Secondly, Malta is a really pleasant place to live; the people are great, the weather is awesome, it's safe and it's affordable. Plus when it comes to business, the regulators are very approachable and easy to talk to."

Perfect Climate

It would not be wrong to also use the word "awesome" to sum up what living in Malta entails. It is hard to tire of its Mediterranean climate which boasts 300+ days of sunshine annually, or the numerous bays, beaches, caves, cliffs, fortifications, villages, ports and harbours that make up its 250+ kilometres of scenic coastlines. It is the perfect weather for an outdoor existence, especially for sea-lovers, divers, yachting enthusiasts, ramblers and dog-walkers. Weekends are often spent visiting picture-perfect fishing ports to sample freshly caught fish; taking a sailing trip to glimpse stunning coves; going diving in what has been voted the top diving destination in Europe; or hiking in the amazing Gozitan countryside. All of these represent the perfect way to do a "lifestyle audit" in order to grasp just how easy it could be to have that much coveted work-life balance in Malta. Of course there are many entertainment opportunities to enjoy too including concerts by both local and internationally renowned talent, plays, recreation activities for children and shopping.



Tradition Meets Modernity

Dotted around the islands are the UNESCO World Heritage sites of Ggantija, Hagar Qim, Mnajdra, Skorba, Ta' Hagrat and Tarxien - prehistoric monumental buildings constructed during the 4th and 3rd millennium BCE - among the oldest free-standing structures known to mankind, they are even said to pre-date the iconic Pyramids and Stonehenge. Valletta, commercial hub and administrative seat of government, is also a unique UNESCO World Heritage Site, likely the only entire capital city in the world to have earned that title. Highly pedestrianised, its vibrancy is different by day and by night. During office hours busy business people walk purposefully to meetings among ambling shoppers. The café scene has grown enormously in recent years, with numerous cute eateries to choose from, where locals and foreigners sample delights such as home-baked pastizzi (savoury pastries) and exquisitely fresh local seafood dishes, or while away the time people-watching and taking in the rich baroque heritage from the era of the Knights of St John. At night Valletta comes alive with theatre-goers and diners spilling out of restaurants chattering over the sound of music.

Despite being a modern, dynamic nation, Malta has held on determinedly to many of its traditional crafts and has always promoted its history, but cultural heritage is now firmly top of the agenda. Essentially Valletta - renovated, nurtured, and buzzing - epitomises the transformation of the country. It is something that can be seen and felt in all facets of society and is definitely motivating more and more businesses and individuals to call Malta their home. They understand that, beyond the fiscal or economic reasons, there are many positives; and a cultural menu to feast on is just one of them. If business people need convincing of the merits of Malta's way of life then a long-weekend here is just enough to sample the nation's delights and the legendary warmth of its people.

Peaceful Secular Society

With 365+ cathedrals, churches and chapels in Malta it hard to miss the influence of the Catholic religion, which permeates everyday life and is the reason for the many festivals that are enjoyed throughout the year in each village and parish. Yet, Malta is a secular society and very tolerant of the various faiths that are practised here. Although it has, as an island nation, sometimes been insular in its outlook, this is a thing of the past. Now there is a high degree of acceptance and multiculturalism. Owen Bonnici, Minister of Justice, Culture & Local Government rationalises this, "Valletta was largely built by the Knights of St John who came from 8 different nations, so it's almost as if - in a cultural sense - everyone owns a piece of it and identifies with it. We are utilising Valletta 2018 as a means to build on this image and notion of Malta being a bridge between continents, as a place of stability and peace; of one that fosters cooperation because I think that's what distinguishes us."

400+ events take place during Valletta 2018 to celebrate being the European Capital of Culture

Safe & Familiar

The value proposition of Malta goes beyond the economics or fiscal stability as David Valenzia from PwC explains, "In competing with other jurisdictions we need to promote all the other Maltese values; the quality of life, a safe place with friendly people; the history, scenery and weather, because all of this makes it a great place to live and should inspire businesses to co-locate here. These contributing factors are not necessarily a priority, but they are part and parcel of Malta's incredible offering. We live in a competitive world so we need to explain this. It's easy to underestimate the value of relationships in other jurisdictions, but here there is a real sense of community. That's the beauty of Malta and it's because of its size."

With a very low crime rate, excellent health and education facilities (the nation ranks high for primary education and health - 18th out of 138 countries in the WEF Global Competitiveness Index), Malta is the ideal place for families. Besides the ease of communicating and doing business in English, for Brits there is the added benefit of familiar traits such as driving on the left and red telephone boxes, elements of the colonial past that will make them feel at home.

Liberal Attitudes

In many ways, Malta's progressive agenda (including achieving improved social inclusion) is new to the nation. A lot of positive changes have been very recent. For example, the Civil Unions Act came into existence in 2014, paving the way for same-sex marriage. As a result the nation has shot up the ranks in terms of civil liberties and is now top (out of 49 countries across Europe) in terms of respect for human rights and equality according to ILGA-Europe (International Lesbian, Gay, Bisexual, Trans and Intersex Association). Surpisingly, until 2011 Malta was the only EU member that prohibited divorce and the law on IVF treatment was passed just 2 years later. A liberal attitude, one that is outward-looking and open-minded, will stand Malta in good stead as it fights to remain competitive and relevant in the world today.

Work-Life Balance

Nowadays the concept of work-life balance is becoming an increasingly important factor for a happy society - no longer simply a buzzword or phrase that is bantered around in corporate circles by overstretched personnel who are struggling to live the life they want to lead. It is becoming a serious consideration even for businesses, as productivity is often undeniably linked to the happiness of the human resources. Gauging this, let alone achieving it, can be difficult. However, a Eurobarometer survey carried out by the European Commission in late 2016 demonstrated that, "94% of respondents in Malta are generally satisfied with the life they lead and 41% of respondents in Malta expect their life to get better in the next 12 months." So what is it that makes the Maltese so content with their lot? Could it be the Mediterranean lifestyle with fabulous weather, seascapes and food? Or perhaps it is the more laidback existence that makes living and working here a pleasure?

At the outer limits of the European Union footprint, Malta has often felt like one of its best kept secrets. Yet more and more foreign workers and businesses are discovering how it ticks all the boxes when it comes to good quality, affordable accommodation, utilities, healthcare, childcare, education, food and transportation. For those with specialised skills there is also a flat tax rate of 15% (Highly Qualified Persons rules) and foreign-owned entities can benefit from the imputation tax system, which makes Malta one of the most favourable places in Europe - maybe even the world - to set up shop. Certainly, all these reasons may explain why the 2016 edition of an InterNations' survey put Malta 2nd best place in the world for foreigners to live.

Getting There

Of course, being an island nation is sometimes of concern to foreign workers but Malta has worked hard to counter this issue. Consistently ranked in the Top 5 Best European Airports in its category, it may be the island's only one but Malta International Airport serves over 80 destinations with 30 partner airlines and handled 6m passenger movements in 2017 (up from 5m in 2016). This will likely rise to 6.5m this year thanks to Valletta being European Capital of Culture 2018. Key low-cost air carriers are all present including easyJet and Ryanair, offering a great deal of choice to the consumer. Air Malta's Chairman, Dr Charles Mangion reiterates, "More airlines are competing for business in Malta since it opened up, which has increased the market. Statistics over the last 10-15 years show we registered double-digit growth almost every month from a business travel and tourism perspective. Competition helps, because it keeps you fit," he admits. As the nation's flag carrier, Air Malta offers services to and from over 30 European destinations but it knows it has to do more. Optimisation of the fleet and human resources is just one area of improvement it is focusing on, it is also adding a total of 9 new routes in the coming months and up to 5 new aircraft to the fleet in the coming years. Given its significance to the success of the tiny island nation, it is not hard to see why the World Economic Forum Travel & Tourism Competitiveness Index 2017, ranks Malta top (1st out of 136 economies) for its prioritisation of travel & tourism. As Prime Minister, Dr Joseph Muscat has said "once people come here, most probably they will fall in love with the country. They will be surprised in a positive manner and we will exceed their expectations in many ways". Let's hope this continues to be the case for many decades.