

Malta

Smart innovation

This Mediterranean island nation's great potential continues to challenge its citizens to innovate for economic growth while preserving Malta's rich heritage and diverse natural environment - geopolitical turbulence and eurozone debt problems notwithstanding.



A modern economy on an ancient crossroads

The island of Malta has carved out an enviable position for itself as a business and financial centre in the Mediterranean and these days is also an ever more popular holiday destination. Its history as a British colony means that there are still strong cultural and economic ties to the UK, but its membership of the EU and the euro mean that there are new opportunities for the country across the whole of the continent.

It may be the smallest country in the EU, but Malta is by no means the smallest player on the international stage. Not only has it developed a vibrant banking and financial services sector, it is also one of the most important hubs in Europe for online gaming firms and it continues to build on its long history in the shipping industry.

That's not bad for a country slightly smaller than the Isle of Wight, but there are some unique aspects to the island that have helped it to build up its reputation in these areas.

For one, their experience of almost continuous invasions over the centuries has made Maltese people nothing if not adaptable – the country only gained independence from Britain in 1964. Its small size also means regulators and other key decision makers are very accessible; something that can make a big difference when firms are trying to understand the details of local regulations or lobby for changes to the rules.

These days Malta is part of a much bigger club, having joined the EU in 2004. According to senior business executives, that has brought multiple benefits to the country, opening up a vast market on its doorstep. The situation has been enhanced by the country's membership of the euro since 2008.

"The fact that we're part of a bigger community means it's much easier to do business, especially since we adopted the euro," says Nazzareno Vassallo, chairman of Vassallo

Group and one of the most prominent entrepreneurs in the country.

The local economy is being affected by the downturn in fortunes of some of its European neighbours, but Malta itself escaped lightly from the global economic crash of a few years ago.

"Malta has a very diverse economy so the recession did not hit us hard," says Tonio Fenech, Minister of Finance. "We weathered the recession in quite an effective manner. For us it was very short."

Malta has also been buffeted by the winds of change sweeping across the Arab world this year. As the closest EU state to Libya and Tunisia, it has often had a crucial role to play in the diplomatic activity that has gone on, although it has been careful to avoid any military involvement.

But the island is not just about business and politics. The growing tourism trade, boosted by an ever growing number of cruise ships calling at Valletta's port and the growth in low-cost carriers flying in and out of the country, means that these days many people know Malta as much for its food, beaches and nightlife as they do for its business friendly environment.

The island's unique past plays a big role in attracting all these visitors, with historic sites dotted across the country. Where older generations of traders and invaders found opportunity in the past, a new generation is finding it again today.

The Maltese breed

Ruled over by countless foreign forces, Malta has adapted those influences into a culture of its own.



It does not take long to spot the signs that foreign powers have left behind on Malta; whether it is the forts dotted around the country, the popularity of foreign ingredients or the red post boxes in town centres.

Yet Malta has also managed to fashion all these influences into something unique, with a mix of Mediterranean and British culture, a creative and adaptable nature and a language that borrows from several others.

Every group that has come to the island has always left something behind. As locals like to jokingly say, the British left Malta with their work ethic while the Italians left their culinary skills – thankfully it wasn't the other way around!



01 A Maltese harbour from the sky
02 Capital city Valletta from Marsamxett Harbour
03 Valletta waterfront by day
04 The narrow streets of Malta's old capital, Mdina





Building on historic ties

Writer: Dominic Longstaff

M The historic links with the UK form the basis of one of Malta's most important relationships and lie at the centre of its foreign policy. These ties have continued to strengthen since Malta gained independence from London in the mid 1960s and in the wake of it joining the EU in 2004.

When Dr Lawrence Gonzi, Prime Minister of Malta, visited David Cameron at 10 Downing Street in May it was an affirmation of the close relations between the countries that go back hundreds of years.

Although it has been invaded by a string of overseas powers, the link with Britain as the final colonial ruler are most apparent today. Malta only gained independence in September 1964 and the two countries now regularly meet as equals in Brussels and at Commonwealth meetings. The shared history creates a strong bond, says Gonzi.

"The understanding of the position of the two countries is something that is very special for us," he says. "I have been prime minister of Malta for seven years and during that time have met with other prime ministers all over the world, but there is a special spark that exists between Malta and Britain."

The other relationship that helps to define Malta's foreign policy is the one it has with its closest neighbour, Italy. Relations with both countries have been enhanced since Malta joined the EU in 2004.

"The two biggest influences on Malta are Italy, because of geographical proximity, and Britain, which was the last colonial ruler," says Dr Tonio Borg, Minister of Foreign Affairs. "In

Malta we take the best of both worlds. With the European Union we have intensified our relationship. Italy helped us a lot financially to join the EU, so there is a natural tendency to increase this friendship, but it has also occurred with the British government."

The risk for a small country like Malta is that its voice will get lost among the major powers in Brussels. But according to Borg it has been able to protect its interests.

"At the Council of Foreign Ministers and the European Council our views are taken into account," he says. "In foreign policy, decisions are by consensus. That doesn't mean that each time you disagree with something you block it, but there is a genuine attempt to reach a consensus."

"Without any shadow of a doubt we have punched above our weight. Particularly in foreign affairs, but even in areas like home affairs or justice affairs where there is qualified majority voting."

Perhaps the best sign of the success of its approach has been the rise in support for EU membership in Malta in the years since it joined the bloc in 2004.

"The fact that today 60% of people feel that it was a good thing to join the EU, when we were almost evenly divided, is a great achievement," says Borg.

Island of Bravery

The George Cross medal was awarded by King George VI to Malta in recognition of the bravery displayed by islanders during the Second World War, particularly while it was under siege by the Axis forces.

"To honour her brave people I award the George Cross to the Island Fortress of Malta to bear witness to a heroism and devotion that will long be famous in history," the king said in a letter in April 1942 to the governor of Malta at the time, Lieutenant-General Sir William Dobbie. In his reply, Dobbie said, "By God's help Malta will not weaken but will endure until victory is won."

The George Cross is second only to the Victoria Cross in importance among British medals and is the highest gallantry award for civilians. The silver cross is now on display at the National War Museum in the capital, Valletta, and is also proudly incorporated into the top left hand corner of the country's flag.



In the eye of the storm

As uprisings have swept through much of the Arab world this year, Malta, which is one of the closest EU countries to North Africa, has often found itself at the centre of events. The ongoing political unrest in Libya has been particularly testing, putting pressure on Malta's economy, which has significant and long standing ties with Libya, as well as placing its diplomatic abilities in the spotlight.

Malta's southern neighbours have always been important. Despite EU membership, the island nation still has important business links with Libya in particular, which lies around 200 miles to the south. There are also strong cultural ties, with the Maltese language part of the same family of Semitic languages as Arabic.

As such, the events of this year have been a big test for the country. As Dr Tonio Borg, Minister of Foreign Affairs, says, "We are in the eye of the storm."

"We need more dialogue. We should give them the toolkits for democracy"

Dr Tonio Borg
Minister of Foreign Affairs

The unrest has meant that trade with Libya has had to be suspended, which has not always been easy for Malta. "It was very painful to apply sanctions, because traditionally we have a good commercial relationship with Libya," he adds.

In place of trade has come a spike in diplomatic activity. Malta has not been involved in any military operations in Libya, but it has been willing to act as a base for humanitarian purposes and as a refuge. On 21 February, two Libyan jets defected to Malta and on several occasions French fighter jets have had to land after running out of fuel. Malta also played a key role when the UK was evacuating its nationals at the start of the crisis.

Borg says Malta and Europe now have an opportunity to build even closer ties with North Africa.

"We launched a European Commission-League of Arab States liaison office

in 2009," he says. "We want to foster dialogue with the Arab League; we need more of this dialogue, not less."

"We should give them the toolkits for the new democracies. It's not just about free elections; you have to set up institutions that support democracy: freedom of the press, civil society, ombudsmen. This is where the Council of Europe and the European Commission can help."



A Diplomat's View



Joseph Zammit Tabona
High Commissioner to the UK

Q&A

Joseph Zammit Tabona is used to being at the top. After being appointed chairman of Malta Accountancy Board in 2001, he has since held a number of senior posts, including chairman of the Malta Stock Exchange. Now, he uses his experience to expand Malta's business, political and cultural links with the UK.

1. What is Malta's current position?

Malta's position in Europe is, I would say, fairly strong. Labour costs are around 50% of what they are in mainland Europe. We have the English language and all our legislation is in English and Maltese. Also, our social contribution is limited to 10% of wages and there is a cap on €16,500.

2. An IMF report from January stated Malta needed to raise productivity, skills and employment rates to catch up with richer European countries. How can it achieve this?

There's a big commitment from the government to meet the demand in the economy and educate the people. Not only are there no fees but we pay students to go to university, with higher stipends in the sectors in which we want them to get training.

3. The banking sector has already grown from assets of €20 bn in 2004 to €50 bn now. Is that level of growth sustainable?

Malta has a very good regulator, who is very hands-on and he insists on meeting all the companies. We're competing with Luxembourg and Ireland, but we're not aspiring to become completely dependent on financial services. We want a diversified economy.

4. What can you do to persuade more tourists to visit Malta rather than other Mediterranean islands?

With tourism, Malta is not on everybody's radar as it's considered to be 'dull and boring', but that's definitely not the case! We have a rich 7,000-year old culture with prehistoric temples older than the Egyptian pyramids. There is a market in people wanting to learn about our culture and this is where Malta can really excel.

5. How do you see relations with the UK evolving in the future?

Although there is always room to further strengthen ties, at present Malta enjoys excellent relations with the UK. This stems from a long association between the two countries. There are at least 60,000 people of Maltese origin in the UK and we owe our roots to the UK.



Lawrence Gonzi
Prime Minister

Q&A

Close relations with both the public and private sector in a small economy, developing key sectors that include ICT and financial services going forward and solving energy challenges in a sustainable way are just some of the things Dr Lawrence Gonzi must take into account in his role as head of Malta's government. In an interview with The Report, the Prime Minister talks about the past, present and future of his country

1. In May 2011, you met with David Cameron in London. What was the outcome and do you now see closer cooperation with the UK Government?

I was particularly pleased to note the British Prime Minister's appreciation of what Malta did during the peak of the crisis in Libya when the need to suddenly help many nationals, including British citizens, out of Libya required an effort of major coordination. A certain amount of risk was taken by our country in this respect because of our previous close links with Libya.

We also talked about how we see the current situation, how we see things developing and

what we need to do to get some stability in the region. These matters are not just fundamental to Malta, but to the whole of Europe. On this, I believe there is a common vision between the Malta and British governments.

2. How has Malta faced up to the global economic crisis?

We have one basic ingredient which is fundamental to our strength and that is that the Maltese citizen remains very conservative as far as savings are concerned. As such, our banks remained financially very liquid.

The other key factor was the very strong regulatory authority that we have here in Malta. During the economic crisis, we were one of last countries to enter recession and also one of the first to get out.

In terms of the economy, with Malta, it is a case of small is beautiful. It is much easier for us to know what is happening on the ground, with individual employers and individual companies and this made it possible for us to have a robust programme of stimulus packages.

We asked every employer to come to us and explain what the problem was. If it was related to the economic crisis, then we would help them retain staff. That way, we helped employers get ready for the time when the recession was over and they could restart their 'economic engines' without having to go through a re-employment programme. That

is why in 2010, we had an increase in exports of some 12%.

3. What is your strategy regarding the key financial services sector in Malta?

The success of our financial services sector is one of the major pillars of our Vision 2015 initiative, which has now been fine-tuned to take it beyond 2015. Along with the financial services sector, we also include ICT, tourism, manufacturing, education, health, plus the creative and logistics sectors.

Specifically, in terms of financial services, we realised from the very start that the way to succeed was to aim for a strong reputation as far as professionalism is concerned. We've changed to a system that is now all onshore, fully regulated, ensuring that we are as transparent as possible.

4. Just how 'green' is Malta and what are the environmental challenges being faced?

Energy is a major challenge in Malta for the next 20-30 years. The population of Malta is only around 400,000, but the needs of around 1.3 million annual tourists place a huge extra strain on energy infrastructure. The only way to provide energy in the future is to invest in alternative resources, such as wind farms. We are also looking at an interconnecting cable linking Malta to Italy through which we could buy 'green' electricity and encouraging the installation of solar panels.

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The success of our financial services sector is one of the major pillars of our Vision 2015 which also includes ICT, manufacturing, tourism, education and creative sectors

Think of Malta

And why branding matters

Writer: Dominic Longstaff

Marketing is important for a small country like Malta if it is to get noticed on the world stage and attract the level of investment the economy needs. Many European firms already have a base on the island, but the country is now targeting more far-flung markets.

Alan Camilleri, chairman of Malta Enterprise, is in no doubt about the challenges the country faces when it comes to attracting inward investment and the importance of overseas marketing.

"Obviously being small, we have to punch somewhat above our weight," he says. "But the more we speak about Malta the more people discover the value proposition."

The number of long-term investors on the island suggests this strategy has been successful. Swedish industrial group Trelleborg has been in the country for more than 50 years, for example, and German company PlayMobil first set up there in 1971.

"There are long-standing international investors in Malta," says Tonio Fenech, Minister of Finance. "They don't just come for five years and then move out. When you ask them why, they tell you they can't find the quality of people elsewhere."

These days the government is focusing on a number of pillars on which to build Malta's economic future, including manufacturing, financial services, ICT, tourism and the maritime sector.

The main sources of FDI in the past have traditionally been other European countries, such as Germany, Italy and the UK, helped by efforts such as the Thincmalta marketing campaign in the UK. That ad campaign is unusual in being a general branding exercise; usually the country focuses on particular sectors. Meanwhile, there is now also a concerted push to target new parts of the world, with more commercial attachés being appointed.

"There's a renewed effort to invigorate our message across the world to put Malta forward as a business location," says Camilleri. "Hopefully, now that we're spreading our wings and putting our presence into new markets, we will also see roots being established in Russia, India, Australia, New Zealand and South Africa."

The type of jobs the country is trying to attract is also evolving. "We need to keep climbing up the value chain," says Camilleri. "We're no longer a country of cheap labour and neither do we want to be."

While the challenge is unlikely to dim in the years ahead, at least the country has a strong base from which to work.

"We have to punch above our weight, but the more we speak about Malta the more people discover"

Alan Camilleri
Chairman of Malta Enterprise

At the forefront of economic growth



Alan Camilleri
Chairman of
Malta Enterprise

Appointed by the government in May 2008, Alan Camilleri is in charge of attracting international investment to Malta. He is now in his second two-year term in the job.

"It's a unique position where you feel you are a contributor to economic growth and performance," he says. "My role is more one where I try to facilitate as much as I can. With this job you're at the forefront of making all the deals."

Camilleri's vision includes developing Malta's ICT industry and investment in research and development to boost what he believes is strong potential.

"Our economy survives on the ability to attract foreign investment to Malta and help indigenous companies grow and internationalise," he says. "I truly believe Malta has potential and can really deliver."



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Vision 2015+ sets out Government's plans for Malta to become a centre of excellence in the Mediterranean in seven core areas: financial services, ICT, manufacturing, tourism, health, education and establishing sister island Gozo as an eco island.

thinc
malta

Back on the expansion trail

Writer: Anna Reitman

The government's ambitious target for financial services is to more than double the sector's share of the economy, from 12% today to 25% by 2015. With sights focused on the lucrative fund management industry, can challenges be overcome to hit the target?

Just as the economy rebounded last year, with 3.6% growth largely attributed to the financial services sector, Malta found itself in the middle of a humanitarian effort to evacuate people from Libya and now watches from the sidelines as the eurozone debt crisis begins to spread.

But Malta is meeting these challenges from a position of strength. In the 2010-11 Global Competitiveness Index, the World Economic Forum ranks the country in the top third of 139 economies for business sophistication and eleventh for financial market development.

The banking sector by far represents the greatest portion of financial services, estimated by the Central Bank of Malta at 83% of a total €18.3 billion in assets, compared to insurance at 11% and funds at 5%. But it is this latter category that's driving growth, notes Kenneth Farrugia, chairman of Finance Malta, an initiative established to promote international investment.

He points out that the funds industry has grown from two funds, two asset management companies and two custodians in the early days to 410 funds, 102 asset management firms and 18 administrators, mostly in the years following EU membership.

That is in part because of Malta's competitive advantage in terms of the speed with which it can transpose international legislation, placing it in the EU top spot jointly with Denmark. "We are efficient in transposing directives of European regulations into our national legislation," says Farrugia. "The reason behind this is because we're small but nimble - we don't have a significant hierarchy."

Meanwhile, new markets are in development. After negotiations with the UK's HM Revenue & Customs agency, pension schemes established in Malta and regulated by the Malta Financial Services Authority (MFSA) are eligible for transfers on a case-by-case basis.

Overall, incentives are challenging such competitors as Luxembourg and Ireland for the fund management sector, particularly as a regulatory framework allows domiciliation without requiring companies to change existing service providers, corporate identity or performance benchmarking.

And there is certainly room for growth in the funds industry - Malta has about €8 billion in assets under management, while Luxembourg and Ireland are at the €2 trillion level.

Mark Watson, CEO of Mediterranean Bank, founded just two years ago as a specialist wealth management bank, admits there is bad and good. "The regulator, certainly at the top, is very good. You've got a pro-business environment," he says. His first day in Malta included meeting the president of MFSA, the deputy governor of the Central Bank and the finance minister. "There is no other country in Europe where that could happen," he adds.



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Perspectives

Kenneth Farrugia
Chairman of Finance Malta

Tonio Fenech
Minister of Finance

Joe Bannister
Chairman and President of Malta
Financial Services Authority

As the country develops, it looks to branch out internationally in the future while staying true to its past roots.

The small nation is no longer waiting to be discovered, says Farrugia, noting a marked shift in mindset towards international markets after the island was granted EU membership. The domestic market remains important to the core, but he identifies clear signs of growth such as an increasing share of services to European and North American-based fund managers.

Though Europe is Malta's "big brother", Farrugia also appreciates that 160 years as a British colony left its mark on the country and this influence includes good business acumen and English-language fluency among workers.

"I think we always look to the UK as the country we wish to emulate because they've had great success in financial services."

Fallout from the global recession meant the country had to prove the advantages of being small and effective. It succeeded.

When the recession hit the tourism and manufacturing sectors, the government intervened with supportive policies, not bailouts. "In terms of manufacturing, the advantage of being small played its part because we as a government could sit down with every major company in Malta that was affected by the crisis," says Fenech.

It might be his private sector background informing such actions, as the minister has 12 years of experience in consulting.

Companies were incentivised to invest in post-recession opportunities and human resources. Now, those same companies have grown and continue to expand.

"The lesson we learned is: use what you have, which [in Malta] is being small and effective," he says.

Development strategy for the Maltese financial services industry includes sector diversification and "attractive" legislation

As the presiding officer of one of the top regulatory boards in the world, Professor Bannister takes pride in its adaptability.

"It operates more to the timeframe of the companies; we are flexible," he says of Malta's competitive advantage for a wide variety of financial services players, a comment also true of the board's attitude to meeting diverse legislative needs.

Malta implements and maintains good governance on directives and has a compliant tax regime, says Bannister, who is keen to dispel notions about the island being an offshore tax haven, which would exclude it from EU membership.

"There are lots of perceptions, but they have changed. Otherwise we wouldn't have succeeded," he says.



Banking on success

Writer: Anna Reitman

Malta’s banking system continues to prove its resilience while still weathering storms from the Arab Spring and eurozone debt crisis. But with gloomy predictions on the horizon, the industry isn’t celebrating quite yet - particularly as real estate and construction remain sluggish.

Waiting for test results can be stressful. So, when Malta’s financial system passed EU-wide stress tests with flying colours, it might have been tempting for banks to rest on their laurels. The Bank of Valletta (BoV), chosen to participate for the second time in the tests, saw its core tier one capital ratio drop marginally to 10.4% as a result of the unlikely but plausible shock scenario. In other words, well above the 5% pass rate required. That bolsters an already strong performance during the financial crisis (no bailouts were required) and the Central Bank of Malta (CBM) confirms that banks maintain strong capital adequacy and liquidity ratios as well as the ability to withstand shocks. No wonder then that Malta is ranked tenth out of 139 economies for soundness of banks in the World Economic Forum’s 2010-11 Global Competitive Index. Yet the sector is dominated by two banks: HSBC and BoV, which control about 90% of the market. A newcomer like Banif Bank, founded in Portugal, hopes to be listed on the national stock exchange with an eye on becoming a major market player. In all, 25 credit institutions serve international or domestic markets, of which seven are considered “systemically relevant”. And just because Malta got straight-As on its last report card doesn’t mean CBM has stopped doing its homework, instead assessing systemic vulnerabilities from high concentration risk on banks’ balance sheets. This is owing to large exposures to the real estate sector and a high proportion of short-term and thus potentially volatile deposits in total deposit liabilities. Meanwhile, property development is in decline. BoV chief, Tonio Depasquale, says the last few months have seen weakened credit demand. “The financial services sector is expanding, but it is not capital intensive,” he says. Adding to concern is that fact that consumer default rates increased last year, though the ratio of mortgage defaults remained stable at 2.5%, according to CBM. “The lower quality of consumer loans can be viewed as a potential leading indicator of further financial strains ahead,” said its most recent Financial Stability Report, adding that pressures may intensify if interest rates increase. In terms of laurels, then, in Malta there is cause for celebration but no rest.

DUOPOLY OF SUCCESS

HSBC AND BANK OF VALLETTA ARE BIG FISH IN A SMALL BUT COMPETITIVE POND. THEIR CHIEFS MUST ANGLE WITH THE RIGHT LURE.



Alan Richards
CEO of HSBC

Before becoming head of HSBC Malta in 2008, Richards worked across Asia-Pacific and the Middle East in countries such as Turkey, Malaysia, China and Australia. Still, he is excited by prospects in the here and now. “The fact that Malta is now known as a viable alternative to Luxembourg or Dublin is very significant,” he says. “We’re now seeing a pipeline of referrals bigger than we’ve ever seen.” This, he says, is backed by research from the City of London, home to 80% of hedge funds, showing that Malta ranks fourth for global centres poised for significant growth. “It’s an exciting time,” says Richards. “We’re very optimistic about the future.”



Tonio Depasquale
CEO of Bank of Valletta

Long established in Malta, BoV has a relationship with a big slice of local corporate businesses, often being the go-to bank. “We have fewer restrictions because our head office is in Malta,” says Depasquale, adding that being rooted means BoV understands the Maltese situation while also conferring responsibilities for safeguarding employees. A new initiative, the BoV mental health policy, was launched during Healthy Lifestyles Week. “It was important to us because we are a local bank and we depend more than other institutions on our staff,” he says, indicating a preference for a communication-based management style to foment team mentality.

Human capital stretches thin

If you ask companies that have been around 30 or 40 years why they stay in Malta, their reason, according to Minister of Finance Tonio Fenech, is the quality of the people – committed, flexible, skilled and ambitious. But with a financial services sector growing at 30% a year and 75% of foreign investment directed towards it, human capital can start to stretch thin. In order to ensure sustainability, aside from training locally, the government imports globally for the gaps, offering tax incentives to qualified foreign personnel that companies want to employ. Add to that the easy flight connections, an excellent education system, the ubiquity of English and natural beauty and it makes for quite a benefits package.

A hybrid legal system

Writer: Anna Reitman

With a GDP of €8 billion, the Mediterranean island nation is like a corporation with specialised legal services, guiding international businesses wishing to establish or undertake cross-border acquisitions.

International advisers are increasingly aware of Malta’s advantages as a stable base for international investment and financial services. And interested companies will find a legal community poised to help them through a hybrid system of civil law from continental Europe and administrative and fiscal legislation of mostly British extraction. “One big advantage we’ve had in this country,” says Louis de Gabriele, partner at law firm Camilleri Preziosi, “is that we are a Mediterranean country that has adapted to the discipline of 160 years of British rule. This is clear in our system of law.”

With mostly banks, investment funds, local corporations and telecoms as clients, the law firm acts as a kind of external counsel providing transactional, regulatory and litigation services.

Growth, according to de Gabriele, is expected in international mergers and acquisitions (M&A) because of Malta’s advantages in terms of having international holding companies (IHCs) - onshore companies holding overseas investment with the purpose of income distribution to non-residents. IHCs are the result of legislation that replaced an old offshore regime.

“We have seen a lot of M&A activity coming our way,” says de Gabriele. “We do work that would otherwise be done in London at eight times our rate.”

Since non-resident shareholders of IHCs qualify for a full refund of the 35% tax paid by the company on profits and gains, Malta appeals as a tax efficient jurisdiction that is also EU compliant. And double taxation agreements are in place with dozens of countries across six continents.

Such incentives are getting attention. Zammit & Associates, established in 2005, serves mostly European-based clients, particularly those with e-commerce business models. Though e-gaming may have reached maturity on the back of anticipated tightening of regulations, e-commerce in financial services is gaining traction, according to Andrew Zammit, managing partner. The law firm recently dealt with the first online foreign exchange platform in Malta after the company redomiciled from Switzerland.

And because of the nation’s Mediterranean location, maritime law is another area of focus. Fenech & Fenech, the oldest law firm in the country, celebrating its 120th anniversary this year, has the only maritime litigation department on the island, established by managing partner Dr Ann Fenech. “Malta has got some excellent first class solutions that not only benefit the ship owner, but more importantly, benefit the financier,” she says, adding that before investors are charmed by Malta’s culture and beauty, they are first and foremost attracted by the fiscal regime and legislative package.

“We are a Mediterranean country that has adapted to the discipline of 160 years of British rule. This is clear in our system of law”

Louis de Gabriele
Partner Camilleri Preziosi

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If the only things you know about Malta are the sun, sea and sand that help lure so many holidaymakers to the island every year, then you will be amazed by the rich culture and the quirks of history that have given the country its own unique character. Malta may only take up a small space on the map, but the country certainly knows how to pack a lot in.



Small but perfectly formed

With an area of just 316 square kilometres, Malta is by far the smallest of the 27 countries that make up the EU. Until 2004, that title had been held by Luxembourg, which is eight times bigger. In fact Malta is the 204th country in the world by size. The population of 400,000 is spread across three of the seven islands that make up the Maltese archipelago: Malta, Gozo and Comino. However, most people live on Malta. The main island has a coastline of 196.8km, while Gozo's is 56km long.



Valletta: a model city

The country's capital city is built on a peninsula that juts out into the Mediterranean Sea, with the ports of the Grand Harbour and Marsamxett Harbour flanking it on either side.

The fortifications that still encircle the city are a testament to its often turbulent history. It was first established in 1566 and over the years it has been ruled by a bewildering array of foreign invaders, including the Phoenicians, Greeks, Carthaginians, Romans, Byzantines and Arabs.

All these groups have left their mark on the city and consequently, Valletta squeezes some 320 monuments into its narrow streets, making it one of the most concentrated historic areas in the world. As a result, the entire city was made a UNESCO World Heritage Site in 1980.

Valletta is also notable in being the first city in the world to have its streets laid out in a grid system, making it a model for the likes of New York.



Ancient civilisations

The seven megalithic temples found on the islands of Malta and Gozo are believed to be the oldest free-standing monuments in the world. In 1980 they gained international recognition when they were included on the UNESCO list of World Heritage Sites. Five temples are found on Malta, while the other two are at Ggantija on Gozo. They are described by UNESCO as “unique architectural masterpieces” and are all the more impressive when you consider what limited resources were available to their builders.



“Titkellem bil-Malti?”

Malti is one of the country's two official languages, alongside English. It is part of the same family of languages as Arabic, Hebrew and Amharic, but what makes it unique is that it is the only Semitic language that is written in the Latin script. Its alphabet consists of 30 letters, with some novel ones for English speakers such as Gh, which is silent but lengthens any preceding vowel sound.

The language evolved from Arabic but many of the Maltese words used today have their roots in Italian, English or French, so the answer to the question above (which means “Do you speak Malti?”) might well be “Ftit” (“just a little”).

But even if you can't speak any, you should have no trouble communicating with the locals. Most Maltese people are at least bilingual and a significant number are even trilingual – as well as English, geographic proximity has ensured that Italian is also widely spoken.



'Green' buses take over

Malta took a significant step forward this summer, when the country's colourful but ageing fleet of buses was finally replaced after putting in many decades of service. The orange buses that used to cluster together at the City Gate in Valletta before striking out to all corners of the island were one of the most noticeable features of any road journey in the country. However, the noxious black fumes that many of them emitted as they drove around were rather less welcome.

As a result they have been gracefully retired and, as of 3 July, a new fleet of modern buses has been plying the country's roads, operated by UK transport group Arriva. The new vehicles offer substantially lower emissions and more energy-efficient engines. According to a recent government study, the buses will produce 94 per cent less particulate matter, 70 per cent less nitrogen oxide and 55 per cent less carbon monoxide.



A different church for every day

As befits what is still a very religious nation, Malta has more churches per square kilometre than any other country in the world. In all there are 365 churches, or “one for every day of the year” as people in Malta like to say. Many have impressive architectural features, such as the dome of Mosta church in the centre of the main island. The history of Christianity on Malta dates back to a visit by St Paul, who was shipwrecked on the island around 60AD and subsequently stayed for three months.



Outside the box

Edward de Bono, the father of lateral thinking and one of the world's most influential thinkers, was born in Malta in 1933. And even though he has travelled far and wide, this small island nation remains proud of perhaps its most famous and arguably most influential son.

De Bono's concept of lateral thinking has become well known the world over, challenging conventional practice and analysis in a range of sectors, from banking to transport to IT.

Preaching the concept of thinking as a deliberate act, de Bono suggests that standard solutions are no longer satisfactory in many situations, thus requiring an alternative method of thinking that draws on creativity as an essential factor.

The author of more than 80 books not only preaches lateral thinking, however. He has also written at length about happiness, valuing its positive effect on productivity, both personally and professionally.



A witness to history

It is perhaps not widely known, but Malta was the scene of the official end of the Cold War. A summit between the then US president George H W Bush and the Soviet leader Mikhail Gorbachev was held on the island in late 1989, just a few weeks after the Berlin Wall had been torn down. Attracted by the island's neutrality, the two leaders held a series of meetings aboard the Soviet ship SS Maxim Gorkiy and the USS Belknap. During the summit the two leaders declared that the Cold War had come to an end.



The Knights of Malta

Perhaps the most famous group to have ruled Malta over the years were the Knights of St John or, to give them their full title, the Sovereign and Military Order of the Knights Hospitaller of St John of Jerusalem.

Founded in Jerusalem in around 1048 during the crusades, they were given Malta as a gift by the Holy Roman Emperor Charles V after they were thrown out of their previous base on the island of Rhodes. In exchange for taking over Malta they had to pay an annual rent of two falcons a year. The group arrived in 1530 and remained on the island until Napoleon expelled them in 1798.

These days the group is known as the Order of Malta and has diplomatic relations with 104 countries around the world. Its main activities centre on providing medical and social care and humanitarian aid in more than 120 countries. Despite its name the organisation today has its headquarters in Rome.



Car crazy

If there is one thing that almost all Maltese people agree on, it is the necessity of having a car. Everyone drives everywhere, despite the short distances involved in travelling around the country – the main island is little more than 17 miles long and up to 8 miles wide at its widest point, while Gozo is even smaller. Although no one can drive very far or for very long, Malta today has the fifth highest rate of car ownership of any country in the world, with 607 cars for every 1,000 inhabitants.

MALTESE TALENT



1 Louis A Farrugia (Air Malta), 2 John Portelli (Valleta Cruise Port), 3 Joseph Gassan (Gassan Group), 4 Albert Mizzi (MIDI plc), 5 Louis de Gabriele (Camilleri Preziosi), 6 Nazareno Vassallo (Vassallo Group)

Malta may have a relatively small economy, but the way in which companies have been developed shows that the island's business culture can now compete with the best.

“If you want to be successful in Malta there are a few things you need to get right,” says Ivan Bartolo, CEO of IT consultancy 6PM. “You have to have very good customer service, ethics, pricing and quality; that is engrained on the island.”

In this competitive environment a number of business leaders stand out for the way they have built up their empires.

Some, such as Joseph Gasan, chairman of the Gasan Group, started in the family business at a young age. Gasan went into the business at 16 and took over operations when he was 20.

Since then Gasan Group has diversified into tourism, insurance, property and media. “The whole economy has to be doing badly for us to suffer as a group,” he says.

Nazzareno Vassallo has pursued a similar strategy. Having started in the construction industry, Vassallo Group is now involved in

everything from hospitality to running care homes. “I started from nothing and worked my way up, so I strongly believe that if you set your mind on something it's never impossible,” he says.

Such groups have been able to draw on the unique characteristics of the Maltese people as they have expanded.

“We are creative and we are survivors,” says Louis de Gabriele, a partner at the Camilleri Preziosi law firm. “We survive because we adapt to different circumstances. I think the creativity of a Mediterranean culture plus the rigour of British culture have given us our resilience.”

Now, older business leaders are preparing to hand over the reins to the next generation and Gasan is optimistic. “We're a clever people, hard working and the level of education is very good. I see a good future.”

Featured Company

Vassallo Group

The Vassallo Group has been operating for 65 years, during which it has become a central actor in many areas of the Maltese economy.

From its roots in construction, the Vassallo Group now has an interest in some 40 companies and presence in everything from elderly care to catering, IT, education and landscaping.

“My strategy is to identify a specialist in an area where we don't operate,” says its chairman Nazzareno Vassallo. “We offer them the opportunity to develop together. If you have an idea, we'll support it.”

Women drive change in Malta

Writer: Kirsty Tuxford

Malta's women are emerging as a crucial power behind economic growth. The Report talked to Ann Fenech of law firm Fenech & Fenech and Playmobil Malta CEO Helga Ellul about how they are leading the way.



Helga Ellul
Playmobil Malta

Thanks to initiatives started by Ann Fenech, such as a nursery at the company, more women now have the opportunity to advance their careers, even when they have children to care for. “I feel very strongly about family and children,” she says. “I want our female employees to develop normally, to get married and have kids – not to have to choose.”

Helga Ellul has also made her mark. Formerly president of Malta's Chamber of Commerce, Ellul is passionate about education and has engineered numerous initiatives for students and employees.

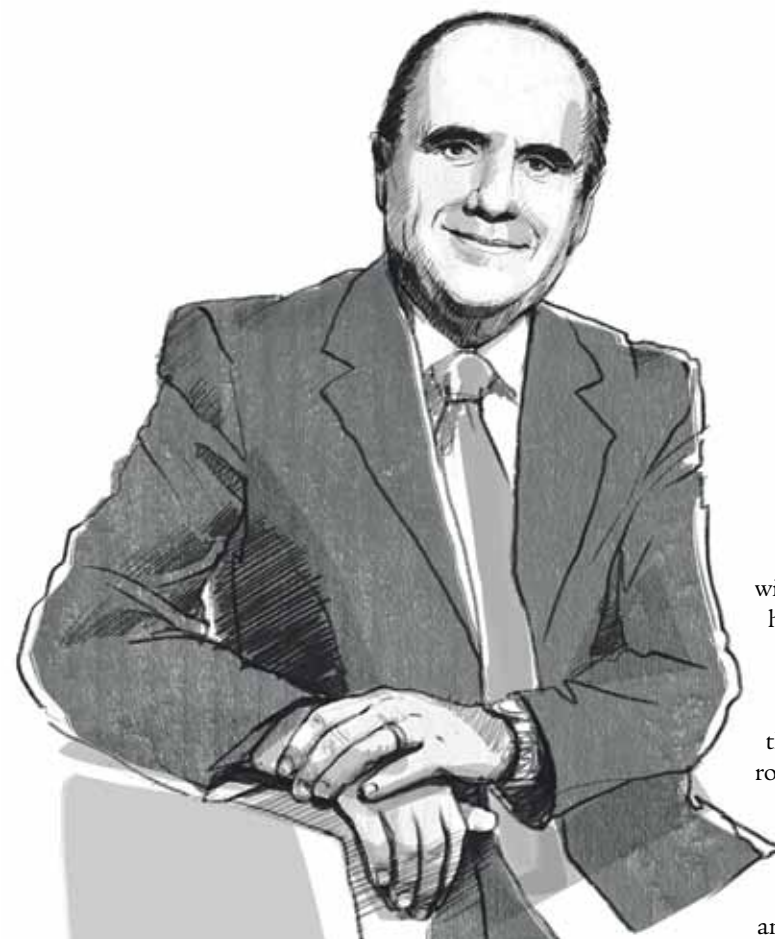
With both women stressing that they have an “open-door policy”, it appears that their management style is to offer a more understanding approach, but without being a soft touch themselves.



Ann Fenech
Fenech & Fenech Associates

The 5-star Entrepreneur

One name that stands out among Maltese entrepreneurs is Alfred Pisani. The chairman of Corinthia Group has been expanding his hotel chain since 1966, establishing an unrivalled reputation.



with the opening of its five-star hotel close to London's Trafalgar Square.

As the group's first establishment in the UK, Corinthia Hotel London boasts 294 rooms (including 43 suites) in a building that dates back to 1885. Modern designs contrast with a stately outward appearance, in an attempt to bring the past and present together right at the heart of the British capital.

Despite the evident success of the group today, however, the origins of the business go back to more complicated times. Pisani had been planning a career in the sciences, but when his father died suddenly his plans changed.

“My father had just bought this big villa with a large mortgage, so out of necessity we started using the hall for wedding receptions. Two years later, we opened the restaurant,” he says.

With the government of the time keen to boost the economy and the island's infrastructure, grants and tax breaks were being offered to hotel developers, so Pisani put together a plan for a hotel attached to the restaurant. When his first design for a 40-room hotel failed to win approval, he expanded his plans and aimed for a 156-room hotel instead. Pisani's new plan was successful and after having received a grant and raising bank finance, he hasn't looked back.

The Palace Hotel remains at the heart of the group's operations, but most of the properties are now overseas, including hotels in Prague, St Petersburg and Lisbon. This international expansion is done with a clear strategy.

“The first thing that we look at is location. Location is very important and it makes it easier to succeed,” he says. “We have always been interested in finding buildings that have a stately appearance. But it doesn't mean we're going to go for heavy red drapes as if you've gone back 100 years. You will find a sense of grandeur, but in a lighter manner.”



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A joint venture between SmartCity and The Government of Malta.

Building a connected island

Writer: Dominic Longstaff

M In Malta you are never very far from the internet. There are more than 140 free Wi-Fi hotspots around the country, providing online access to anyone with a laptop or smartphone. And with some 98 per cent of government services now online, Malta has become one of the most connected countries in the world. It is currently ranked number 30 out of 192 countries in the UN's E-Government Development Index, ahead of far larger neighbours such as Italy.

2 The challenge in the years ahead will be to build on that position, by continuing to adapt and innovate and attract more international investment in the information and communications technology (ICT) sector.

A number of factors suggest Malta has the potential to succeed, not least the rapid progress the country has made in developing its IT infrastructure in recent years, particularly since it joined the European Union in 2004.

"There used to be just one operator per sector," recalls Philip Micallef, executive chairman of the Malta Communications Authority. "We now have five operators in the mobile sector, including two virtual operators. The number of fixed-line operators has grown from two to three while broadband has also grown."

The growth of the IT sector is due to a combination of well-targeted government initiatives and flexible regulation – things which are arguably easier for a small country like Malta to achieve than for larger economies. But there is the potential for the country to do far more, according to local industry executives.

"I think we want Malta to be an ICT hub, to make it attractive so that organisations relocate to Malta," says Ivan Bartolo, CEO of 6PM, one of the leading ICT companies on the island, providing IT services and solutions and business intelligence expertise. "But people will only relocate if they have a business case. We need to become

smarter in the way we do things, because there are [other] countries that are coming up fast."

One area where things are already improving is in terms of the infrastructure available to technology businesses on the island, not least with the ongoing development of the SmartCity Malta business park.

The project involves a \$300m investment by Dubai-based Tecom Investments and is the largest foreign direct investment in Malta's history. A number of major international IT companies including Cisco and Hewlett-Packard are already based on the site, and work is ongoing to expand the facilities (see over).

The park is focused on attracting a wide range of international media, telecoms and IT companies looking for a base inside the EU. "We are in discussions with many companies," says Fareed Abdulrahman, CEO of SmartCity Malta. "For our business parks in Dubai we target five industries: ICT, media, healthcare, education and logistics. It's all knowledge-based companies, so anything that comes under that is a possibility for Malta too."

Among its recent marketing efforts, SmartCity last year launched an initiative to bring Chinese and South Korean e-gaming companies to Malta. The e-gaming sector has been a critical element of Malta's success in the ICT industry and the country is already the largest e-gaming jurisdiction in Europe.

According to Reuben Portanier, chief executive officer of the Lotteries & Gaming Authority, there are 290 gaming operators on the island, holding 400 licences between them. They collectively employ more than 3,000 people directly and a further 3,000 indirectly.

WORLD CLASS ICT SECTOR

	World Ranking
· Government prioritisation of ICT	3
· Importance of ICT to government's vision of the future	4
· Impact of ICT on access to basic services	9
· High-tech exports	2
· Telephone lines per 100 population	4
· Mobile network coverage rate	1
· Internet access in schools	19
· Secure internet servers	10
· Laws relating to ICT	23
· Government success in ICT promotion	3

Source: The Global Information Technology Report 2010 – 2011, World Economic Forum

There have been concerns that some e-gaming companies may move their operations to rival jurisdictions, in the wake of Malta lifting its VAT exemption for e-gaming firms on 1 August this year. However, the depth of expertise that has been built up on the island, alongside some other key benefits, means the country should be able to maintain a strong market position.

"We are an EU member state and that has its own attractions," says Portanier. "The euro has created another influx of interest as we've completely eliminated the exchange rate risks. Malta has also developed an unrivalled ecosystem of service providers that are experts in gaming. There are law firms here that know EU

gaming law inside out, and it's the same with the telecom operators and the banks – they know exactly what the needs of the gaming industry are."

One of those lawyers is Andrew Zammit, managing partner of Zammit & Associates. He acknowledges the challenges the industry faces, but says there are strengths too.

"We've spoken to our larger clients. They see a role in continuing to be in Malta because there is an expertise and understanding of the industry that has developed here. They're finding good, dedicated people for salaries that would be less than in other jurisdictions, so they feel there is still a value to being here. How long that will last is anyone's guess. I think five years

is the longest timeframe you can think in business terms."

Even if growth in the e-gaming industry does begin to slow, other areas could take up the slack according to Alan Camilleri, chairman of Malta Enterprise.

"If we look at the ICT industry we believe we are already quite solid, but we believe the way forward is going into digital entertainment as a subset of ICT, such as games development," he says. "We're working very hard on that. That's where we want to take the economy." In all of this a critical element is ensuring the country's skills base is constantly refreshed. Businesses will only come to the island if there is a reliable supply of expertise.

SMARTCITY BY THE REPORT COMPANY

"The companies that come here will want to have 24/7 operations and we encourage that"

Fareed Abdulrahman
CEO of SmartCity and acting CEO of SmartCity Malta



SmartCity

Looking out over the Mediterranean Sea, to the north-east of Valletta, SmartCity Malta has been designed to act as a hub for ICT and media companies on the island.

The project was launched following an agreement signed with the government of Malta in April 2007 and involves an investment of at least \$300m, making it the largest ever foreign investment in the country. It is being run by SmartCity, a member of Tecom Investments of Dubai and is modelled on its successful business parks such as Dubai Internet City and Dubai Media City. Once complete SmartCity Malta will be home to a vibrant knowledge economy community anchored by leading global, regional and local companies.

The first building at SmartCity Malta is up and running and a number of major international and local companies are already operating from there. They include US technology giants Cisco and Hewlett-Packard as well as software and consultancy firm Meridium and local mobile operator Go.

SmartCity Malta's CEO, Fareed Abdulrahman is understandably very pleased with the way things are progressing in Malta. "HP and Cisco are ideal business partners. It is really a two-way relationship as SmartCity Malta offers the best in terms of quality, connectivity and access to key markets."

"This is just the start and there is more to come," says Abdulrahman. "If you look at the master plan, a whole city is being designed. We will provide the infrastructure for IT, power, roads, sustainability and so on.

"The companies that come here will want to have 24/7 operations and we encourage that. It is what we call mission critical operation."

The ICT infrastructure at SmartCity Malta is so secure and redundant that it will be practically impossible to shut it down. It is also designed to cope with any future technology breakthroughs and will position Malta as a regional centre of excellence between Europe and North Africa.

But the project is designed to be more than simply a business operation, with everything from retail outlets and restaurants to healthcare facilities and even a lagoon currently under construction. "We're creating the environment to make it attractive for knowledge workers during the day and friendly for families in the evening," adds Abdulrahman.

Even more development work is scheduled in the years ahead. "The second phase is due to be completed by the end of 2012. There will be around four to five phases, so I would say the whole project will take 10 years and will be complete by 2020."

Meanwhile, the global marketing efforts by the government of Malta and SmartCity Malta mean that the employers are likely to come from all corners of the world.

"Dubai has always been a bridge between the Middle East and the Indian subcontinent and North Africa. Malta can be a bridge too, acting as a stepping stone from the Middle East and North Africa to Europe."

"Malta has developed an unrivalled ecosystem of experts in gaming - they know exactly what the needs of the industry are"

Rueben Portanier
Lotteries and Gaming Authority

In that regard, the government's efforts to incorporate IT across the school curriculum are critical, providing a steady stream of potential recruits to the sector.

Today pupils use the internet throughout their school career and the government has also been keen to teach IT skills to those that often get overlooked, such as the poor and the elderly. In the process it hopes to close the 'digital divide' and ensure people don't get left behind as more services and jobs rely on online access.

"We run a lot of what we call social IT," says Austin Gatt, Minister of Infrastructure, Transport & Communications. "There is still a digital divide and there are people who find it difficult to buy a computer or have internet access, so we run programmes to address this."

Among the initiatives are the establishing of computer learning centres and schemes whereby the government replaces old ICT equipment. Help is also offered to people wanting to move into IT from careers in other sectors.

"We provide incentives to individuals who want to undertake specific courses. If a teacher wants to go into a career in the ICT industry, they

would get 80% tax credits for their course fees," explains Camilleri.

The government's policy seems to be impressing the key audience of international executives. "What I admire is how they encourage fresh graduates to learn IT and be involved in IT and how they incentivise the students," says Abdulrahman.

It is this human capital which is Malta's greatest potential asset within the ICT sector –

something which can be seen in the hundreds of students that are enrolled on courses at the Malta College of Arts, Science & Technology. In June this year, final year students exhibited some of the innovations they have been working on to IT executives, ranging from website applications for managing multimedia content to client subscription software and network infrastructure technology to give businesses faster data transmission.

It is such home-grown innovation which should help Malta's IT industry succeed in the future, in tandem with international companies.

"ICT shouldn't just be ICT for ICT's sake," says Micallef. "It also needs to be sustainable and help make the country more competitive."

Vision for ICT



Austin Gatt
Minister for Infrastructure,
Transport and Communications

Q&A

1. What was the key to Malta becoming one of the EU leaders in e-government services?
We knew that we could leverage the fact that we were small, so we could decide faster and implement very quickly what others took years to do. We put in e-government services on all government levels.

2. What is Malta's position within the e-gaming sector?
We are the largest e-gaming jurisdiction in Europe. We have 370 e-gaming companies and 6,000 people employed in e-gaming today in Malta.

3. What role do environmental issues play in your projects?
We strive for a zero carbon footprint as far as possible. It's very difficult to achieve, but it is what we aim for.



Philip Micallef
Executive Chairman of Malta
Communications Authority

Q&A

1. Malta is the third most successful nation in promoting ICT. Where do you go from here?
We want to eradicate the digital divide in Malta and target those who have not had the chance to learn about ICT.

2. How flexible does the MCA have to be in the current, fluid global economy?
Very flexible, especially on the legal side. Here, legislative matters are dealt with rapidly. I could send a legal notice to the Minister on a Thursday and it will be approved by Monday.

3. What do the next five years hold for Malta's ICT industry?
We must aim to be a stepping stone into Europe for countries like India and China. North Africa will also bring more opportunities.

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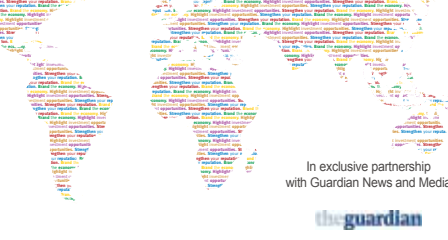
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Just a few hours away by plane, Malta has become an increasingly sophisticated destination for British tourists. The country’s attractions include everything from ancient ruins and historic palaces and churches to a vibrant night life with a fast developing music scene, world class dive sites and an ever improving culinary landscape. Could it become the next hot weekend break destination?

The attraction of diversity

Writer: Dominic Longstaff

➤ The backstreets of Valletta ooze charm. The narrow laneways of the Maltese capital are laid out in a grid pattern and flanked by overhanging balconies, shuttered to keep their occupants cool from the hot sun. Some 320 monuments are cloistered within these streets, a testament to the rich and varied history to which the country can lay claim.

As you walk around you occasionally catch a glimpse of the harbours to either side of the peninsula: Marsamxett to the west and the Grand Harbour to the east. These offer a more modern image of Malta, with huge mega-yachts lined up in rows and giant cruise ships gliding by to their moorings at Valletta Cruise Port.

The mix of history and modernity within easy reach of each other sums up what Malta has to offer visitors. The country has seen wave after wave of invaders through the centuries, all of whom left their mark, but these days it is also a young and forward-looking nation.

Growing numbers

Last year some 1.3 million tourists had a taste of what the country had to offer. A further 490,000 people made shorter visits as part of a cruise tour around the Mediterranean. Between them, these groups now represent a major economic boon to the country and one that the authorities are keen to encourage. The cruise port, for example, is continually expanding its facilities to accommodate the rising number and size of vessels.

“We are preparing for the future and our plan is not to stop,” says John Portelli, chief

executive officer of Valletta Cruise Port. “We will continue to develop. I think this business will continue to grow.”

For those who venture around the island, there is no shortage of sites and activities to capture their interest. While Malta used to be known as a destination for cheaper ‘bucket and spade’ holidays, particularly among British tourists, the profile of the country has been changing in recent years into something far more sophisticated.

“The diversity we can offer, from beaches to our rich culture and history, has the potential to offer an altogether different kind of tourist experience in Malta,” says Louis Farrugia, ex-chairman of the Malta Tourism Authority (MTA).

Historic and modern attractions

The country boasts three UNESCO World Heritage sites, including the entire city of Valletta, as well as seven Neolithic temples spread across Malta and Gozo and the Hypogeum – an underground structure first excavated around 2500BC, possibly for use as a sanctuary.

For those interested in more modern, seaside attractions, the country’s standout beaches include the red sands of Ramla Bay on Gozo or the ever popular Golden Bay on the main island. There are also a growing number of dive sites, as well as the Blue Lagoon on the small island of Comino, made famous by Hollywood films.

By night the streets of Paceville and St Julian’s light up and the party continues to the

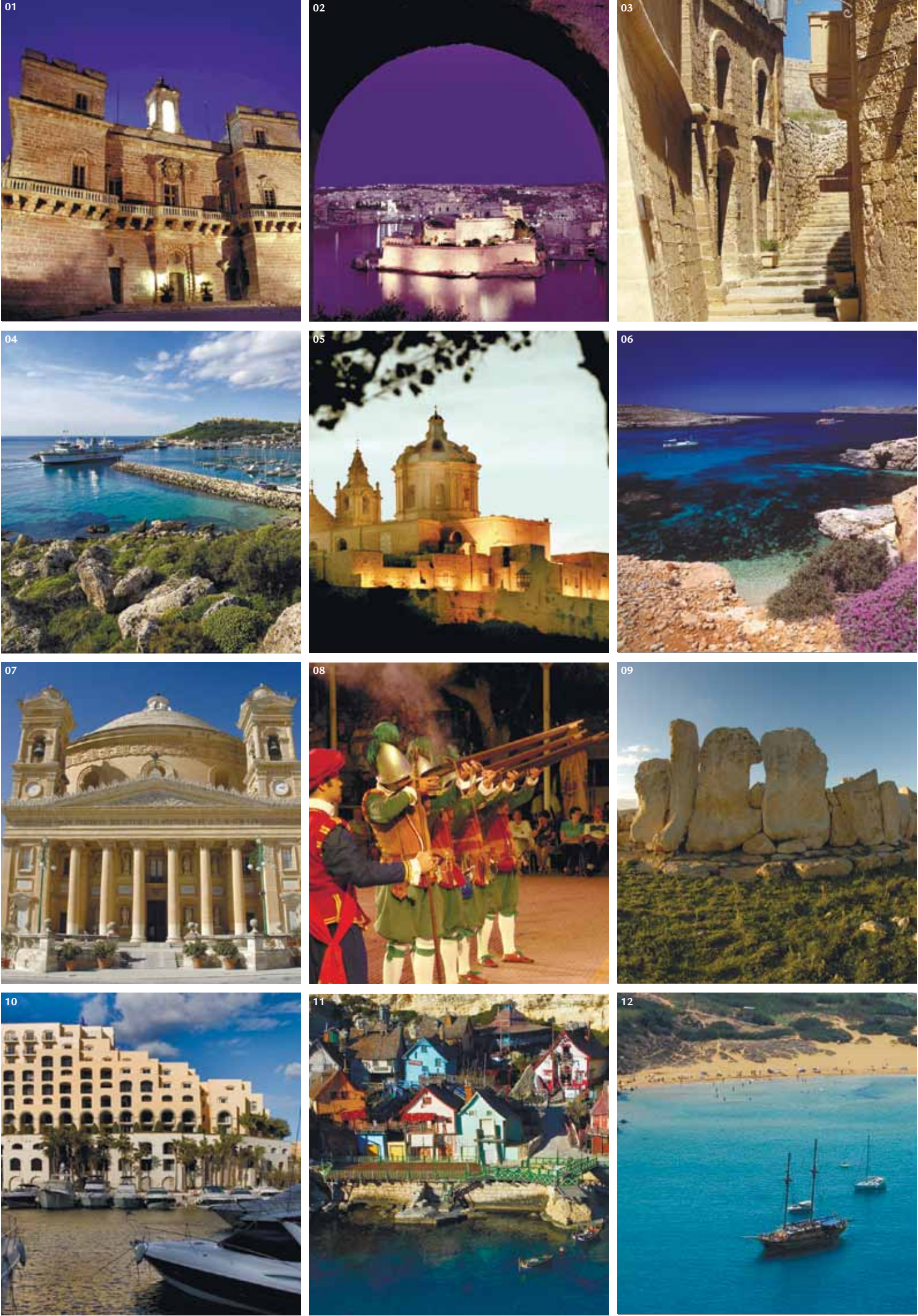
early hours of the morning. The Isle of MTV festival in late June is another major draw for music fans.

Tourists in search of more sedate charms tend to linger in the quiet streets of the ancient walled city of Mdina, or visit the innumerable churches that sit proudly at the centre of every town and village across the country. There is also the picturesque fishing village of Marsaxlokk in the east, where boats painted in a winning combination of yellow and blue paint bob up and down in the harbour.

Rising quality

The increasing number of visitors who come to explore such attractions has, in turn, prompted local businesses to expand the range and quality of services that they offer.

“Because of the build-up in the number of tourists that have come over the years, the island has expanded tremendously in that it has a choice of good restaurants, good hotels and



01 18th-century Selmun Castle
02 St Angelo by Night
03 Narrow streets hide historical treasures
04 Cruise ships are becoming a tourism staple
05 The walled town of Mdina
06 Comino's Blue Lagoon and its rich marine life
07 The 19th-century Mosta Dome
08 The Malta Military Tattoo, held in Valletta
09 The country's natural beauty is also a tourist attraction
10 Portomaso Marina, near St Julian's Bay
11 Popeye Village, the film set for the 1980s film 'Popeye'
12 Ramla il-Hamra Bay on Gozo



Viewpoint

“Our strength is we offer diversity. Our aim is to increase year-round seasonality rather than have one peak in the summer”

Josef Formosa Gauci
CEO of Malta Tourism Authority

places of entertainment for the evening,” says Alfred Pisani, founder and chairman of the Corinthia Group, the country’s leading hotel chain. “Malta has a historic culture and it is tremendous in such a small island to find so many churches and historic buildings, which is very appealing to the more culturally minded people.”

The tough economic climate in Europe is having an impact on the tourism industry in Malta. Those who visit are not always as free-spending as before, for example, but the country still relies heavily on its northern neighbours and has managed to attract rising numbers from some key markets in recent years.

“We’ve looked after the British tourist market, but we have also grown the European sector,” says Josef Formosa Gauci, chief executive officer of the MTA. “The Italian market used to be close to 50,000-60,000, but last year some 220,000 Italian tourists visited the island. Some 130,000 German tourists annually make up the third strongest sector. Outside Europe, around 35,000 Japanese choose Malta every year.”

Maintaining those growth levels requires some creativity when it comes to marketing the country to international audiences.

Creative marketing

“We’re always thinking about how to raise Malta’s profile,” adds Formosa Gauci. “For example, we recently branded a sailing boat which took part in some of the highest profile sea races around the world, including Cowes Week off the Isle of Wight. We have also forged links with professional organisations, such as

the British Sub-Aqua Club, to promote Malta as a diving destination. We now get up to 80,000 divers per year visiting.”

The numbers have also been helped by the growing number of air links. Air Malta still brings in around 55 per cent of all visitors, but low-cost airlines such as Easyjet and Ryanair also now fly to the island and some longer-distance routes have been opening up, such as the Emirates flight to Dubai.

“We have low-cost airlines coming here and people have a choice of more destinations than ever before,” says Farrugia. “Malta is now linked to 76 destinations, point-to-point, either through Air Malta or other airlines. The frequency has also allowed the short-stay tourist to come.”

Such air links are also vital when it comes to attracting business tourists. The meetings, incentives, conventions and exhibitions sector, known in the trade as MICE, brought in 60,000-70,000 visitors last year, with events held by major international corporations such as Sony, Philips and Ericsson. The benefit for the local economy is that much of this takes place in what would otherwise be quiet periods for the industry, such as March to May and October to November.

“Our aim has always been to increase all-year-round seasonality, rather than have one peak in the three summer months,” says Formosa Gauci. “MICE has helped that.”

The country should get a further boost in a few years time when the capital Valletta becomes the European City of Culture for 2018. This will offer further proof that the island is these days far more than just a sun and sand destination.

Stay

There is a wide range of accommodation in Malta at all price levels, but here are three options definitely worth considering.



Xara Palace

In the heart of the old fortified capital of Mdina, the Xara Palace is a five-star boutique hotel in a 17th century palace. www.xarapalace.com.mt



Corinthia Palace Hotel & Spa

This was the first Corinthia hotel to be developed and it remains at the heart of the luxury group’s operations. www.corinthia.com



Kempinski in Gozo

The smartest choice on the second island of Gozo, with tranquillity guaranteed in the 30,000 square metres of hotel grounds. www.kempinski.com

The tiny island of Gozo is making headlines with its forward-thinking sustainable development plan.



Green Gozo island

Writer: Kirsty Tuxford

Gozo may be Malta’s smaller neighbour, but it has some big plans. Not only is the island’s government spending €25 million on the first stage of its eco-Gozo sustainable development plan between 2010 and 2012, but they are also rolling out the red carpet for investors.

Gozo knows it has to compensate for the extra time needed to import and export goods from its port via Malta. So the government has put several incentives in place to make conditions more attractive for manufacturing businesses operating out of Gozo.

In terms of tourism, Gozo is targeting niche markets such as the diving market and yachting tourism. It’s also putting itself on the cruise ship map. “We don’t intend to have a cruise berthing facility because it would take half the island of Gozo,” says Mrs. Giovanna Debono, Minister for Gozo. “But we did put a buoy in the centre of Xlendi bay and that is going to attract more cruise liners – in fact for the year 2012/2013, we already have about 30 bookings.” Those visitors will be pleasantly surprised when they discover the unspoilt quality of the island.

And unspoilt is exactly how Gozo wishes to remain. Malta’s prime minister, Lawrence Gonzi has said: “We will render Gozo an ecological island – a model of sustainable development.” The eco-Gozo plan is being rolled out in three stages between now and 2020 and aims to improve the island in several ways. “The social aspect, identity and culture as well as the environment,” explains Debono.

In the immediate future the project will see 80 measures implemented, including projects to bring renewable energy to the island.

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