

Speech by the Hon Dr Tonio Borg, Deputy Prime Minister and Minister of Foreign Affairs during the BKR Malta Conference, The Westin, Saturday 12th May 2012

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Fellow Maltese

Distinguished guests

Merhba! It is with an immense sense of pride that I welcome you to Malta. I sincerely hope that during your annual conference you will find time to tour around Malta and Gozo. I also hope that your conference will be a success and reach its goals.

Malta has long capitalised on the skills of its workforce and has built a diverse economic base over the years. Although an inherently vulnerable small island state with one of the most open economies in the world, Malta still managed to recover well from the global economic recession.

In spite of our size – we are 316 km² with a population of 410,000 located in the centre of the Mediterranean – Malta is transforming natural disadvantages into competitive advantages. It is truly a case in which it is right to say that small is beautiful. Our size enables us to adapt and change easily. Embracing emerging economic niches and technology has enhanced our flexibility and adaptability.

Malta is now host to a wide variety of financial services companies within various sectors including banking, investment, trusts, occupational pensions and funds. Suffice to say that over the past three years, over 9,200 companies were registered with the Malta Financial Services Authority, 58% of which had some form of foreign shareholding. These include credit institutions, insurance companies, retirement schemes, funds, investment services and fund administrators.

Admittedly, the crisis in the corporate financial sector in 2008 followed by the Eurozone crisis in 2011, brought about a series of challenges. However these challenges were well managed and the financial sector has continued to register year on year strong growth numbers. Our legislative and regulatory frameworks were continuously updated to ensure that Malta remains competitive and that this would extend the first mover advantage. We took the opportunity of the crisis to improve our legislation further and make Malta an even better value proposition for potential investors. Such regulation permitted, for example, the setting up of new operations managing occupational retirement schemes in Malta as of last year.

A strategy, that continued to enhance Malta's investment attractiveness and position us as a regional hub in a number of sectors primarily financial services. Building on a strong and reputable regulatory jurisdiction with highly qualified and competitively priced human resources, Malta's financial services industry continued to register further growth and successes. Attracting companies across a wide-range of services

including hedge funds, trusts and insurance, Malta's financial services sector grew by substantially in the last two years. Together with Malta's competitive taxation system, wide network of double taxation agreements and strong communications infrastructure, Malta is poised to continue attracting new business to its shores.

Registering an aircraft in Malta is beneficial to owners for various reasons. It's not just the location but also a well established legal infrastructure which is sensitive to the rights of those holding security interests in aircraft. Malta has an all-inclusive National Aircraft Registration which integrates the aircraft and mortgage registers. We also offer an attractive fiscal regime. Our skilled, cost effective and multi lingual workforce is yet another plus. During the past years, we also developed a wide range of airline services ranging from aircraft and engine maintenance, repair and overhaul to software development, aircraft management, aircraft maintenance training and ancillary support services.

However, as you are aware, the external environment is still uncertain. Although the global economy continues to recover, it is still unbalanced between countries and within countries.

A resurgence of commodity price inflation is compounding domestic challenges. North Africa is going through a historic transformation. In Europe, and specifically in the euro area, although growth is more self-sustained, country divergences are wide. Countries are still burdened with long-standing structural weaknesses such as fiscal imbalances and loss of competitiveness. Fiscal austerity measures, which have been rendered even more urgent following the sovereign debt crisis, will also weigh on the recovery.

They are indeed delicate times however in Malta, Government had the courage and political will to undertake reform programmes which do not necessitate us to implement such austerity measures. This should continue helping us in our efforts to diversify our economy with other sectors such as manufacturing, ICT and tourism to continue growing and contributing even more to growth and job creation. During the past 4 years, we signed around 170 bilateral agreements amongst which 25 double taxation agreements.

Located in the centre of the Mediterranean, our island has long been viewed as holding a key strategic position in the region. This geographical position poses an enormous advantage to firms who choose to locate in Malta and exploit the North African markets. Malta's historical connections with North Africa are proving increasingly valuable.

In a Global Competitiveness Report drawn up earlier this year by the World Economic Forum, Malta placed 15th out of 142 countries in terms of financial market development for 2011-2012. This is on the same level achieved by countries including Luxembourg, Switzerland and Singapore, which certainly need no introduction in terms of financial services. The same report placed our banking sector 12th in terms of soundness, while Malta placed first first in the timely implementation of Internal Market rules into national law according to the EU's Internal Market Scoreboard 2011.

Over the past four-five years economic growth has not only surpassed both European and euro area averages but we are amongs the front liners. We have contained unemployment by protecting jobs and incentivising job creation. Malta's unemployment hovers around 6.5%, which is well below the EU's average 10%.

Distinguished guests

A word of thanks goes to Mr Ian Mercieca and his team who like most of the Maltese professionals, strives hard to promote our country abroad and contributes towards further progress of Malta.

Malta offers a multitude of factors which can truly make it a regional centre of excellence and we are looking forward to welcoming you to our country to explore investment opportunities. We believe that you can not only participate in our economy but also be protagonists in our development.

Thank you.