

Much of the good news reported in EY's *European attractiveness survey* can also be found in Malta, an EU Member State that is much more than a destination for summer tourists. With cranes adorning its skyline, its resilient economy is growing and proving richly attractive to investors. But its recently elected Prime Minister **Joseph Muscat** is not one for standing still. Here, he tells *Citizen Today* about his job, his life and hopes for the future

Moving Malta forward

Prime Minister Joseph Muscat ▼



Country overview

GDP per capita: US\$27,000 (2012)
 GDP growth (annual %): 1.2% (real, 2012 est.)
 Population: 452,000 (2011 est.)
 Area: 316km²
 Official languages: Maltese (national / official), English (official)
 Religion: Roman Catholic (93.9%), other (1.1%), unspecified/ none (5.0%) – 2005
 Education public expenditure: 5.8% of GDP (2008)
 Literacy (total population): 92.8% (2005)
 Life expectancy: 82 years (2011)

Malta may be one of the 10 smallest sovereign states in the world but its sphere of influence remains significant. Partly, this is down to location. Lying between Sicily to the north, and the North African coast to the south, the Maltese Islands enjoy a strategic position at the heart of the Mediterranean. And, unlike others in the region, it has – through a combination of well-structured regulations and a well-capitalized banking system – also managed to steer clear of the worst of the financial crisis, a fact not unnoticed by foreign investors.

With this in mind, one might expect the Maltese Prime Minister Joseph Muscat, to be quietly content with the way things are going. Think again. From just a few minutes of conversation, it soon becomes clear that he possesses a clear vision for the future of his country. “We want Malta to be known in Europe, and the world, as a place where one can do business,” he says. “Here, investors can operate without losing time, they can find a flexible environment, with regulators at arm’s length who are willing to listen, and policy-makers who are flexible enough and fast enough to try to anticipate the needs of the market. This then leads to improvements in standards of living for Maltese citizens.”



Muscat’s office – located in the heart of Malta’s capital Valetta – combines old with new. High ceilinged and decorated in traditional Maltese style, it is also, crucially, well air conditioned – something that no home or office in Malta should be without during the intense summer heat. But such modern appliances require energy – and lots of it. With high electricity bills a common complaint among voters, Muscat is prioritizing investment and reform in the energy sector which, if all goes to plan, should address escalating costs. “We are embarking on our energy strategy which will lead over a two-year period to a 25% decrease in energy prices as we transition from oil to gas based electricity production” he says. “This significant decrease will aid businesses and households, leading to more disposable income.”

Prudence with a purpose

Muscat has been leader of Malta’s Labour Party since 2008, having previously been a member of the European Parliament. His background is in economics, management and journalism. His landslide election in March 2013 means he is a comparatively new leader and certainly, from conversations with Maltese citizens around

the island, his personal popularity remains undimmed. “Down-to-earth,” “nice guy,” and “just like one of us” were just a few of the phrases used to describe him.

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Such comments perhaps also reflect the fact that Maltese citizens have not been exposed to the worst of the financial crisis – certainly when compared to their counterparts in many other countries around the world. Although it is the smallest country in the Eurozone, many of its fellow members would be forgiven for casting envious glances at Malta’s economy. As well as enjoying robust export growth, the country’s unemployment rate of 6.4%, is about half that of the Eurozone. Debt as a proportion of GDP is 72%, below the Eurozone average, and the deficit is also under control.

Maltese domestic banks are highly capitalized, profitable and they are funded mainly from the domestic retail

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deposit market, rather than risky foreign assets. Importantly, Maltese Treasury bonds tend to be purchased locally, which reduces the risk of speculative investors influencing price movements. This means the Maltese Government doesn't need to go to international markets to sell its bonds, eliminating the need to engage international market speculators.

“We are careful in the way we face challenges,” confirms Muscat. “We're open for business – but we're open for the right type of businesses. We're not in it for the quick buck. In the midst of the financial crisis and the Cypriot bailout, we opted to reinforce our jurisdiction as one of

repute. We are very aware that credibility and respect is hard to gain but very easy to lose so this means Malta is a place where we want to attract the right type of businesses.”

Direction of travel

As befits islands that see sunshine ten months of the year, tourism is a key industry, so much so that Malta's population triples during the summer months with the arrival of more than one million tourists from around the world. Merchant shipping, too, is a core industry,

and Malta – which has the largest ship registry in Europe – makes full use of its large deep water harbor.

However, the Prime Minister believes there is scope to do more. “Our location in the center of the Mediterranean has been underestimated for some time,” he says. “We want to reinvigorate this by means of new projects in the maritime sector, which we believe is one of the most under-utilized sectors of our economy. Yes, we have the largest ship registry in Europe but that's not enough – we can do much more in servicing and ship management.”

Interestingly, when asked which country he most admires, Muscat says

there is not one country that he aspires to be but cites parallels with dynamic countries such as Singapore – another small nation with a huge shipping industry. “We have some important parallels,” he says. “Singapore adopted lock, stock and barrel our industry ordinances that were published in 1959. Since then they have grown exponentially so maybe at one point in time they were looking up at us and now were looking up at them, but I think it's all about drawing on lessons. The context is different but Singapore and Malta can provide the right model with innovative and ambitious ideas.”

“I don't want Malta to be a secondary option. We want Malta to be firmly on the radar of investors worldwide”

Both Malta and Singapore also share deep historical links with the UK – a fact that Muscat readily acknowledges. “We gained independence from Britain in 1964 and I think the British experience taught us a lot,” he says. “It seared into our culture a sense of discipline that is perhaps uncharacteristic of some parts of the Mediterranean. Most foreign investors in this country encounter a work ethic that is symptomatic of northern Europe, and I think that's an advantage that we don't always put forward immediately. But getting German investors, for example, to invest here and stay here for 40 years shows we have the correct work ethic – otherwise they would have just moved their money elsewhere. There is loyalty to the employer and a sense of belonging.”

Life in the hot seat

As Prime Minister, Muscat's is a 24/7 role. Even during the course of our interview there was a pause while he took what appeared to be an important phone call. Certainly, there is no shortage of issues to address. Despite its economy faring far better than many of its neighbors, growth slowed to about 1% in 2012 and remains below potential. Malta also faces challenges regarding the sustainability of

its public finances in view of the budgetary impact of its ageing population, which is projected to exceed the EU average.

Here, though, Muscat expresses his relief that speed is his ally. “In a small country you can get things done faster,” he says. “We have a swift legislative process and, as Prime Minister, you can take the decisions and they are implemented. It's also important to remember that the private sector doesn't need any sort of government involvement. It just needs vision and a can-do attitude. I was surprised over the past few months that when we issued a number of Expressions of Interest for key projects, the enthusiasm from the private sector was overwhelming. We thought there would be some interest but not on the scale that did occur.”

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But that doesn't mean there isn't more work still to do. On the contrary, Muscat says he is only just getting started. “If you ask people where in Europe is the best place to do business I would doubt that many would mention Malta as one of their top five,” he concedes. “But I believe that Malta will be on the radar soon. We want companies around the world to automatically think of us. Most who end up doing business in Malta produce extremely good testimonials about our country. They stay here, and most will tell you they almost ended up here by mistake but are happy they came. I don't want Malta to be a secondary option. We want Malta to be firmly on the radar of investors worldwide.”

Time will tell if this vision becomes a reality but, judging by his energy and determination, few would bet against him. Watch this space. **GT**

