

Surfing the economic waves

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Malta views the global reach of the Commonwealth as an excellent platform for the furtherance of international finance and trade objectives and we are proud to host the CHOGM for the second time in ten years.

Economies move in cycles, and the best way to avoid a downward spiral is by preparing to attract investment by industries which are still on the rise. This forward-looking strategy adopted by the current Maltese Government is reaping its fruits and we view the Commonwealth, particularly CHOGM, as an excellent setting where we can all further our common interests of discovering and tapping into new international markets whilst being alerted to emerging global trends at an early stage. Friends all over the world allow you to know what's going on elsewhere, and to be aware of global business needs before your competitors, and this is where the Commonwealth provides us with unparalleled value.

As we look ahead and adopt a more globalised mindset in search of emerging trends, the Maltese authorities are also putting into place solid economic and financial fundamentals. A strategic priority is to strengthen the sustainability of public finances. The government deficit and debt have continued to decline at a steady pace over the past two years, and express attention was given that such fiscal consolidation is not done at the expense of growth. The examples around us in Europe have taught us that much. Austerity cannot be the focus and a priority of our government has always been the absence, as much as possible, of shocks to the system. Gradual transformation is more effective.

Concurrently, the government has undertaken ambitious reforms in the energy and health sectors and we are currently investing in industry sectors whose products and services are still on the rise. This ought to shield Malta's currently-booming economy from hitting a plateau or going downhill. By way of example, when a drinks manufacturer sees that their core product has grown stale, and that there is no long a high demand for it, they diversify to survive; they spin out a new kind of drink and start fuelling demand for that new drink. That's the approach that we are adopting in Malta with our economic strategy, and it's a tried and tested formula. Malta cannot just rely on its traditional economic sectors, and this is true of all Commonwealth

economies moving forward. Times change, and so must our economies. Diversification has helped Malta weather the recent financial crisis and I believe that the Commonwealth can help a lot in this constant mission to find new sectors to diversify into, not least because of its global reach, but also because of a common and shared history between us – we have all undergone a significant transformation in our recent history.

Let us look at Malta. If you look at our economic history over the past century, you can easily identify a number of phases with one or two industries as their focus. We started off as a military base, so it was our harbours and the maritime sector which were important. This was followed by the factories, where a manufacturing base was formed. Then it was hotels and tourism. And this is where our economy started to become much more service-oriented, not least because of our lack of natural resources. Our current phase is heavily based around remote gaming and financial services provision, which has helped us attract and nurture talent in accountancy, law and IT, reaching the most stringent international standards. Consequently, when the potential of those sectors for growth has been thoroughly exhausted, we will be ready and fully equipped to start branching out into the next phase of Malta's economy, where the vision is to have the medical field and tertiary education taking up the service-export mantle as the force in Malta's economic driving seat.

A strong and clear vision of where we want to get to is imperative. In Malta we don't want to be simply a business hub but a base camp. Politically, socially and geographically, Malta is very well positioned to serve as a safe base for people who want to operate in more risky parts of the world which are still quite close to us, including North Africa and the Middle East (MENA).

The stability of our financial sector is a beacon in the Mediterranean region and prudence is ensured through strong regulatory measures which deter unnecessary risk-taking. Serious institutions inevitably look for stable and competent jurisdictions. In Malta we can provide most of the services that leading business destinations can offer, except we are in the Mediterranean, which is both closer to and more like home for these investors, offering the same level of service at a more reasonable price. This is something that potential clients from the MENA region find very

appealing and we are currently seeing a significant surge in demand for business services.

Economic sectors are closely interlinked, and success in opening up a certain sector is almost always going to lead to greater gains in associated sectors. For example, Malta's recent focus on promoting itself as a destination for medical tourism as well as a destination of excellence for university education has helped make up for the endemic seasonality of Malta's tourism industry, and the lack of interest during off-peak months. An academic year is nine months long, and treating a chronic condition has no peak or shoulder months. Furthermore, an investment in these sectors will also supplement other industries, including the hospitality, housing and retail sectors.

This brings me back to the fundamentals. When we started devising an economic plan for Malta, we made it a point to address the areas where Malta is weakest and most vulnerable. First on our list was the energy problem. Malta was wasting fuel on old and inefficient plants at the cost of industry. This had to be stopped. Secondly, Malta still has one of the lowest rates of female participation in the workforce in Europe. Having so many economically inactive women is a terrible waste of potential, and while we have already seen changes for the better, there is far more work to be done to encourage women to seek work outside the home. A number of parallels can be drawn on this issue of female participation in the labour market with other Commonwealth countries where female participation remains very low. This year we came up with the idea of holding the first ever Commonwealth Women Business Forum in the margins of the CHOGM in Malta, and I am told that that was a resounding success that will be emulated in the future.

Another important theme in the Maltese government's economic plan is a sustained focus on education and strengthening the skills and capabilities of Malta's workforce as a whole. If fresh graduates are equipped with the kind of skills that are currently in demand, then companies will be able to employ capable local people instead. We also have to make the education system more inclusive, especially for those whose talents and abilities are in line with traditional University standards, as they still have much to contribute. In Malta we have reformed a number of schools so that they are better geared to providing vocational and technical training to those persons who are less inclined to read a book, but more inclined to build a machine. We now have institutions that are educating all kinds of students – even those who in previous decades may have fallen by the wayside – and providing them with an excellent and useful tertiary education. We are also encouraging young people to find stable and productive employment through our Youth Guarantee (every person under the age of 23 is

guaranteed education, an apprenticeship or employment, and therefore should not be on social benefits).

Another priority area is to cut down on bureaucracy and inconsistency. Malta still has a very long way to go in this regard, with miles of red tape. It's a quirk of this country that we are so advanced in some areas but still lagging far behind in others. We are working on reducing the waiting times for procedures such as public procurement, company resolution and liquidation, and this should improve the local business environment. Measures are also being taken to improve access to finance for companies, and we are planning to set up a Development Bank and a framework for venture capital funds to further stimulate private investment in productive sectors. Local businesses are also being assisted in expanding their international market through the organisation Trade Malta, a public-private-partnership created to promote Maltese products and services abroad.

Looking forward, there is recognition here in Malta that there are certain things that are under our control, whilst others are beyond us. The unrest in the Middle East and North Africa, so close to our shores, was unexpected. Indeed, we are currently experiencing the largest influx of migrants into Europe since World War II. And yet we must try and find opportunities in every occurrence. We are upbeat and optimistic. Our plan is to keep monitoring Malta's progress and ensuring that the economy grows at a steady rate, eventually leading to a convergence with the European average income. While there will always be obstacles and threats to be faced, I am confident that Malta, and likewise the Commonwealth, has enough resources and talent to face these challenges and surmount them. **F**

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Malta's economic plan seeks to boost female participation in the workplace