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Malta 2006

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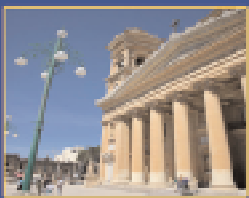
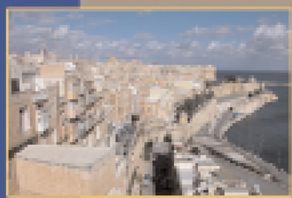
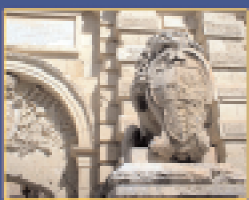
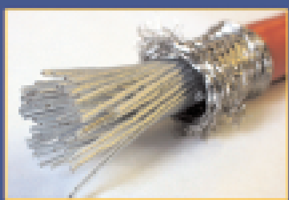
Mediterranean Economic and Business Guide



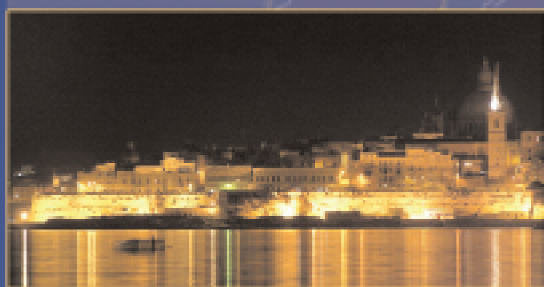






THE MEDITERRANEAN ECONOMIC AND BUSINESS GUIDE

is the first of its kind, gathering comprehensive information on economic and trade, business environment, capabilities and opportunities, potential partnerships, etc.
within the unique and vast Mediterranean area.



G.E.O.C.

THE OFFICIAL PUBLICATION OF THE ASSOCIATION OF THE MEDITERRANEAN CHAMBERS OF COMMERCE AND INDUSTRY
AND THE MALTESE CHAMBERS OF COMMERCE AND INDUSTRY

PROVISIONNAL CONTENT

THE MALTESE BUISINESS ENVIRONMENT

1. Setting Up A Business In Malta

Setting up a business in Malta follows different regulations for European Union (EU) nationals and non-EU nationals.

For an EU national wanting to do international business while based in Malta but not for the local Maltese market, Malta's accession to the European Union on May 1, 2004 made no difference: any person who wants to be based in Malta and run a corporate business for international trade can incorporate an International Trading Company (ITC). The director of such a company can reside in Malta and would require a work permit from the local authorities - but this is guaranteed and cannot be refused.

An EU national wanting to do business on the local market can freely incorporate a Maltese company and trade on the local market in any branch of trade. The company, for tax purposes, is treated like any other local company and is taxed at 35 per cent on its world-wide profits. This was practically impossible prior to Malta's accession to the EU.

The procurement of a work permit for an EU national wanting to work in Malta was practically impossible too: prior to Malta's accession to the EU it was very difficult for non-Maltese to obtain work permits and take up jobs with local Maltese companies. Again this has now completely changed and any EU national can find a job in Malta. A work permit is still required but this is a mere formality for EU nationals.

Any non-EU national, who wants to be based in Malta and run a corporate business for international trade, but who has no intention of undertaking local trade, can incorporate an ITC. These companies carry very advantageous tax advantages and the person who acts as director of such a company can reside in Malta. The director would require a work permit from the local authorities, but this is rarely refused

Non-EU nationals can not obtain work permits to do corporate or personal business in Malta’s local market or work in Malta.

Several types of tax-related incentives are available for foreign businesses setting up in Malta.

International Trading Companies

Malta has adopted a new Companies Act and has amended the Income Tax Act to create what is today known as the International Trading Company (ITC).

An ITC is a normal onshore Maltese company registered in Malta, which is allowed to carry on trading activities from Malta but is not allowed to trade in Malta. Moreover its trading activities must be confined to persons who are not resident in Malta. Shareholders are normally two, though it is possible to have a single shareholder for an ITC. There must be at least one director.

The director of an ITC is given a Work Permit to be able to work as a director of the ITC while living in Malta. If the directors do not live in Malta, they need no permits. Maltese ITC, which are EU compliant and OECD approved companies, offer substantial tax incentives and other advantages.

Since Malta has joined the EU on May 1, 2004, Maltese ITC benefit of a freedom to trade within the EU and receive an EU VAT number for EU VAT-free trading (where applicable). The same companies can be registered within 24 hours and guaranteed a complete anonymity of the beneficial owners. Furthermore, withholding tax on distribution of their dividends would not be applied, and an effective tax rate of 4.17 per cent is applied on world wide profits.

Maltese ITC, unlike offshore companies, can also benefit from annual audited accounts. The submission of these accounts to the Inland Revenue proves that the company is not a tax evasion structure. This advantage is increased by the use of the company's Maltese bank account and having the company's administration centred in Malta through the use of our back office administration facilities. These companies are supervised and regulated by the Malta Financial Services Authority (MFSA), which was set up by Government, but is an autonomous body with a distinct legal personality.

International Holding Company

An International Holding Company (IHC) is a company resident in Malta formed with the object of holding overseas investments and to distribute that income to non-residents. Non-resident shareholders of IHCs qualify for a full refund of the Maltese tax paid by the company on profits and gains arising from participating holdings when such profits are distributed.

While IHCs are subject to the normal corporate tax rate of 35 per cent, the extensive network of double taxation agreements, together with the full imputation system of taxation and provisions for tax refunds contained in the legislation make Malta a very tax efficient jurisdiction for non-resident shareholders. International Holding Companies are not allowed to trade. They are set up as onshore companies and their aim is to "hold" shares in one or more overseas companies. A Holding Company may also be set up to own and manage its own assets held outside Malta.

An International Holding Company (IHC) is considered to be a normal private limited liability company under Maltese law. A Holding Company is allowed to receive royalties, dividends, interest, capital gains, rents, permanent establishments, branches, holdings and other income arising abroad or derived from foreign investments, as well as the IHC's own dividends.

An IHC can also have nominee shareholders and directors, thereby ensuring full anonymity of the beneficial owners of the company. Finally the IHC is exempt from any transfer duty and exchange control restrictions applicable under Maltese Law and can therefore freely export its assets; shareholders also have no restrictions on the exportation of dividends.

Even in the case of International Holding Companies, shareholders receiving dividends from the Maltese company can make use of the thirty-four double taxation agreements which Malta has in place.

Re-domiciliation of foreign companies

Recent changes to the law of Malta have introduced the concept of re-domiciliation of foreign companies to Malta. In terms of the new amendments to the Companies Act, companies that are incorporated outside of Malta may change their domicile to Malta under certain terms and conditions. Foreign companies that wish to register in Malta do not need to wind-up their foreign business and re-incorporate in Malta, but can instead move their domicile to Malta while the former company set-up remains.

Foreign companies that re-domicile to Malta can do so under the structure of the existing legislation for International Trading or Holding Companies, which means that they can benefit from the very attractive tax advantages offered to these two types of companies.

There are conditions for re-domiciling from a foreign jurisdiction to Malta. The first one is a proof of the authorisation given to the company to do so. This can be proved to the Maltese authorities by presenting a declaration from the foreign authority, which permits a company to migrate

Secondly, the company's charter, memorandum or statute must allow the company to migrate. The company also needs evidence from the foreign jurisdiction that it has been informed that the company wants to migrate to Malta, and proof that the shareholders, debenture holders and creditors of the company have consented to the migration

The documents necessary for re-domiciling to Malta are the following: a resolution of the shareholders of the company authorising it to migrate to Malta, a copy of the company's charter, memorandum or statute which must include all the details as are necessary for registration of a company in Malta, a certificate of good standing or equivalent document issued by the jurisdiction where the company is incorporated, a declaration signed by the directors of the company confirming the name of the company, its jurisdiction, the date of incorporation, the decision to re-domicile to Malta, that the company has informed the foreign jurisdiction of its intention to migrate to Malta, and that no proceedings are pending against the company for breach of laws of the foreign jurisdiction, a declaration signed by the directors of the company confirming that the company is solvent, a list of directors and company secretary of the company and, if any, of the persons vested with the administration or representation of the company.

2. Business Environment

Since its accession to the European Union it is now possible for any European citizen to live and work on the Maltese island.

People who want to live and work on the island must be in possession of a valid passport, adequate means of support, a residence permit, and an employment licence. Employment licences are granted on application.

Citizens of the European Union have the right of entry and exit, on production of a valid identification document, and to move freely within Malta for a period of three months, commencing on the date of entry. The period of three months is extendable to six months in the case of persons who can provide evidence that they are seeking employment and have a prospect of securing employment by the end of the six months.

On attainment of employment, an application for a residence permit can be made at the Principal Immigration Office. Residence permits are valid for a period of five years from the date of issue, and are renewable.

An EU citizen who enters Malta to take up employment for a period of between three and twelve months is entitled to apply for a residence permit the validity of which shall be limited to the expected period of employment.

A residence permit is also issued to a seasonal worker employed for a period of more than three months for the expected duration of the seasonal work. The period of employment shall be shown in the licence.

A Citizen of the Union, who enters Malta to take up employment for three months or less, whether seasonal or otherwise, shall not be entitled to a residence permit but may stay in Malta for the duration of the work period on the basis of a licence.

Living in Malta

Living standards in Malta are good and compare well with those of continental Europe. Life expectancy at birth and infant mortality rate are comparable to that of advanced European economies. Education, health and sanitation facilities are of very high standard and available to all. Expatriates working in Malta generally command a salary that easily allows for a very comfortable standard of living to be achieved.

International Living magazine's 2004 Quality of Life Index ranked Malta in the top ten, while Malta ranks 31st in the United Nations' 2004 Human Development Index and is classified under the High Development category of countries. Indices for Malta are exceptionally high in terms of its cost of living, the environment, freedom, health, safety and climate. Annual living costs in Malta are substantially lower than the United Kingdom, Spain, Ireland, France, Italy and Cyprus.

Safety and security are outstanding. Children can play outside in absolute safety, and all areas are safe to walk or drive around at night. Furthermore, Malta's climate receives the highest possible rating in the International Living survey mentioned above.

Many non-Maltese residents have made their homes throughout Malta in towns, villages and even the smallest hamlets. They are readily welcomed and accepted by the local people, most of whom speak good English, and it is easy for them to become actively involved in a wide range of social, sporting and cultural activities.

Maltese Labour Laws

The right of all citizens to work and the state's role in promoting the conditions to make this right effective is recognised by Malta's 1974 Republican Constitution. The Constitution also upholds a number of workers' rights, such as the maximum number of daily working hours, a weekly rest day, minimum working age, gender equality, professional and vocational training for workers, contributory social insurance and the provision of the means of subsistence for those unable to work.

The Employment and Training Corporation is Malta's Public Employment Service and was set up by an Act of Parliament on August 7, 1990, and its objectives are to provide and maintain an employment service, to find suitable employment and to assist employers to find suitable employees, and to provide training service to clients seeking new jobs and to clients already on the job but wanting to improve their knowledge and skills.

3. Bodies Dedicated to Support Business Implementation an Investment Attraction

At the beginning of May 2006, three new enterprise support schemes were offered by the Malta Enterprise Corporation to help small and medium enterprises.

One scheme was directed at the food processing sector. This scheme, which aimed at helping small to medium enterprises to adopt and implement food quality systems and undertake product development, will help those involved in food processing to step up quality, production processes and introduce new products. The overall objective is to make further growth possible within local and European standards of quality.

The second scheme was to help small and medium sized manufacturers comply with health and safety regulations, the European Union's directives concerning machinery directives, and the environment.

The last scheme was designed for tenants at the craft village of Ta' Qali to purchase new workshops for the village, which is about to be given a wholesale uplift. This scheme will help tenants obtain bank loans to cover the purchase of their workshop.

Malta Enterprise

Malta Enterprise is, as the government's exclusive agency focused on attracting inward investment and supporting enterprise, the focal point for enterprise in Malta. Its role is to act as a single point of contact for all enterprise considering trade, investment or commercial links with Malta, and to provide cohesion to government policies and efforts relating to enterprise in this country.

The organisation is committed to creating the right environment for successful companies wishing to set up manufacturing, research and development, international trading, regional representation, and other operations in Malta.

Because businesses in Malta deserve the best kind of business support, the Enterprise Support Division provides a comprehensive range of support schemes and services aimed at making life easier for both local and foreign companies based in Malta.
Whether you are a local start up, a micro enterprise, a small to medium sized enterprise or a Foreign Direct Investment organisation Malta Enterprise's team of specialists can provide expert assistance in Support Schemes, Local Business Start Up, Entrepreneurship, EU Information and Tailored Training programmes.

Malta Enterprise provides a comprehensive a range of assistance and advisory services to international companies and investors seeking to trade with or invest in Malta, but it also provides practical services and solutions to Maltese enterprises seeking to internationalise their operations. These include professional pre-investment advice and support, start-up assistance as well as a suite of post investment services and aftercare facilities.

Malta Enterprise is dedicated to finding solutions to the particular business needs of international companies and does so by delivering a range of tailor-made services which include professional pre-investment advice and support, start-up assistance as well as a suite of post-investment services and aftercare facilities. It also offers a range of trade promotion services aimed at introducing foreign companies to suitable manufacturers, service providers, suppliers and potential strategic partners in Malta.

The vision for this national initiative is for a prosperous Malta where people truly add value by applying their energies, capabilities and resources with impact in targeted sectors. To achieve this vision, Malta Enterprise has been created as a focal point for Enterprise in Malta.

The mission for the new organisation will be to enable enterprise to achieve this vision and sustain Malta's overall competitiveness – in essence to create the right environment for successful enterprise in Malta.

ECONOMIC STRENTH OF MALTA

Malta is the European Union's smallest Member State, and lies in the central Mediterranean between the Italian island of Sicily, and Tunisia and Libya in North Africa. Given its small land area, Malta depends on imports of many foods and animal feeds. It is also highly dependent on imports of fuel, and many manufacturing industries must import materials such as chemicals and other intermediate goods.

Economic Growth

During the 2001 period, Malta's Gross Domestic Product (GDP) at current market prices increased by 4.4 per cent over the corresponding period of 2000, to USD 3.6 billion. An estimation made in 2005 brought the Maltese GDP at USD 4.9 billion.

This performance primarily reflected a drop in investment expenditures as well as in exports of goods and services following a decline in international demand and prices of electrical machinery products. Real GDP growth net of the electronics sector is estimated to have advanced by 5.2 per cent. This performance covers almost 98 per cent of the gainfully occupied population. Furthermore, in each of the first three quarters of 2001 real GDP net of the electronics sector recorded positive growth rates.

Consumers' expenditure advanced by USD 107.6 million, or 4.9 per cent, to USD 2,299 million. In real terms, this component grew by 2.5 per cent. Household disposable income stood at USD 2,381 million during the first nine months of 2001, representing an increase of USD 33.8 million, or 1.4 per cent, over the first three quarters of 2000. The savings ratio declined from 6.6 per cent to 3.4 per cent during 2001, reflecting on the one hand the substantial increases in wages and salaries which had a positive effect on disposal income. However, this was partly dampened by the decline in non-wage income due to lower interest rates.

At USD 712.36 million, Government's current expenditure during the 2001 period was USD 81.52 million, or 12.9 per cent, higher than during the first nine months of the previous year. This was primarily underlined by the higher wages and salaries paid out to Government employees during the period under review. The increase in this component in real terms was equal to 3.3 per cent.

Gross fixed capital formation recorded a decline of USD 100.2 million, or 11.0 per cent, in nominal terms, underpinned by lower investment outlays on machinery. The decline in real terms was equal to 13.7 per cent. It is noteworthy that investment figures released in 2000 were exceptionally high, reflecting the significant expansion undertaken by a leading manufacturing firm.

Exports of goods and services stood at USD 3,191 million, representing a drop of USD 319.6 million, or 9.1 per cent, in nominal terms. This decline was primarily due to lower exports of merchandise goods. The fall in real terms was equal to 7.3 per cent. Meanwhile, imports of goods and services declined by 13.3 per cent in nominal terms, to USD 3,330.6 million. This reflected a drop in imports of industrial supplies and capital goods which more than offset the increase registered in imports of consumer goods and fuel. The contraction in imports of goods and services in real terms was equal to 11.5 per cent.

A Flourishing Tourism Sector

Besides manufacturing and financial services, tourism is one of Malta's most important foreign exchange earners, and a priority for the government. Malta has based its economic development on the promotion of tourism, accounting for roughly 30 per cent of GDP, 24 per cent of the country's GNP, 22 per cent of Government Income, 11 per cent of Imports and Outflows, and 17 per cent of full-time equivalent employment.

Tourism is of primary importance. Tourist arrivals during the 2001 period reached 961,189, which corresponds to a decline of 1.3 per cent over the comparable 2000 period. In 2003, Malta counted 1.1 million arrivals. At USD 607.7 million, foreign exchange earnings in the first three quarters of 2001 were slightly less than the corresponding period of 2000. An increase in per capita earnings that stood at USD 632.3 was registered during the same period.

Tourist arrivals and foreign exchange earnings derived from tourism have steadily increased since the late 1970s. However, the number of visiting tourists fluctuates significantly, depending on outside factors. Following the September 11 attacks, the tourist industry has suffered some setbacks worldwide. Maltese tourist arrivals fell by a cumulative 7 per cent during 2001 and 2002.

A positive performance was registered in the cruise liner industry, with total arrivals reaching 189,763. This is a substantial increase of 52.5 per cent over the same period of 2000 and reflects the fact that this particular activity is consolidating its role and contribution in the domestic tourism industry. Furthermore, hotels, complexes, guesthouses and hostels increased the supply of accommodation bed-stock whilst there was a lower capacity in holiday furnished flats. Full-time employment in hotels and catering establishments stood at 9,762 which remained almost unchanged from September 2000 levels.

The Maltese tourism industry is intensifying efforts in order to ensure that Malta maintains a competitive position in the tourism industry, which is characterised by a number of factors including aggressive competition among major destinations, globalisation and the revolution in information technology.

Malta re-positioned its tourism strategy by focusing on attracting visitors from the diverse segments of leisure, history and culture, diving and sport tourism, language learning (English and Maltese are official languages, and Italian is widely spoken), and conference and incentive travel.

The majority of tourists, namely 90 per cent, originate from the European Union. The United Kingdom, Germany, Italy and France jointly generate 67 per cent of Malta's tourism inflow.

Some 95 per cent of tourist arrivals are by air, with Malta being accessible by air from a large number of European and Mediterranean cities. Within the islands, the maximum travel distance is 45kms, which makes domestic travel very convenient.

Malta's Ministry for Tourism and Culture aims at improving the quality of life for all citizens through cultural activities and through the strengthening of the tourism, creative and leisure industries. Starting at the grass-root level of community through local clubs and reaching out to Europe and the rest of the world through partnerships and through the island's foremost institutions, the Ministry's vision is to recognize this wealth and to extend excellence and improve access in all its sectors.

A Low Unemployment Rate

The Maltese economy has maintained a relatively low rate of unemployment. Labour market pressures have increased as skilled labour shortages have become more widespread, despite illegal immigration, and real earnings growth has accelerated. The relatively flexible labour markets kept unemployment fairly steady at 7.8, according to a survey published in March 2004.

Income from employment rose from USD 1,490 million during the first nine months of 2000 to USD 1,612 million during the 2001 period. Average weekly earnings per employees rose by USD 19.4, or 6.6 per cent, to USD 314.3. In real terms, the increase was equal to 3.9 per cent.

In 2001, the domestic labour market recorded several noteworthy developments. The labour force increased by 929, or 0.6 per cent, to 144,692 during the twelve months to September 2001. Meanwhile, the gainfully occupied population advanced by 1,198, or 0.9 per cent, to 137,708 during this period of time. Both the public and the private sectors contributed to the generation of new employment opportunities. The number of those searching for work subsequently dropped by 269, to 6,984.

The drop in unemployment during the twelve months to September 2001 was mainly attributable to the 8.7 per cent decline in the manual category, primarily in the construction, labouring and miscellaneous categories. The share of the manually unemployed in total aggregate unemployment stood at 72.5 per cent in September 2001, as compared to 74.9 per cent a year earlier. Meanwhile, the non-manual category increased by 2.2 per cent, from 1,360 to 1,390. It is noteworthy that during September 2001, males accounted for 90.9 per cent of those registered as manual unemployed and for 57.2 per cent of those in the non-manual category, as compared to 92.2 per cent and 61.3 per cent respectively in September 2000.

A Competitive Manufacturing Sector

In the manufacturing sector, which accounts for just over one-fifth of GDP and of the workforce, the main exports include communications equipment, processed food, printing and publishing, plastics and chemical products, textiles, footwear and clothing.

The manufacturing sector performed comparatively well, with several sectors recording higher levels of domestic exports and local sales. This seems to indicate that manufacturing industry is coping with the twin challenges of trade liberalisation and globalisation, which have characterised the world in recent years and which Malta cannot isolate itself from. Exports of manufactured goods, mainly semi-conductors, are an important sector accounting for some 75 per cent of total Maltese exports.

ST Microelectronics has a large manufacturing plant on the island. The international developments registered in this specific market is of particular interest to Malta, given that it provides direct employment to around 3,000 persons, accounts for a significant proportion of trade flows, and is also one of the sectors which is targeted for investment attraction.

Most of the sectors within the manufacturing industry registered increases in both domestic exports and local sales. In fact, local sales within the January-September 2001 period increased by 5.7 per cent, reaching USD 462.16 million. Net investment by the industry fell from the exceptionally high level in 2000, and reached just under USD 89 million.

Employment income registered an increase of 5.5 per cent, and totalled USD 251 million during the 2001 period. Value added is a good indicator of the wealth generation capability of the manufacturing industry. Value added per capita for the total manufacturing industry increased from USD 28,141 in 1996 to USD 38,754 in 2000. Both wages and salaries per capita and net margins per capita, the two components making up value added, registered improvements. In real terms, value added per capita increased from USD 27,904 to USD 35,167 during the 1996-2000 period.

Investment and Finances

Virtually, all Maltese manufacturing sectors are open to export-oriented investors. Direct investment by non-residents is usually permitted in all sectors except real estate, wholesale retail trade, and public utilities. Non-resident participation may not exceed 50 per cent of equity in businesses involved in information technology services.

According to the U.S. Department of Commerce, proposals for investment are considered on a case-by-case basis by the Malta Development Corporation. While there are no overt legal prohibitions against such activity, the government carefully screens foreign proposals that are oriented principally toward the domestic market or are in direct competition with local business. Certain economic activities, such as energy, are effectively closed to new private investment both foreign and domestic. There are no reported incidents of discrimination against foreign investors.

However, foreign investors may purchase privatized state-owned enterprises. The IMF reports that both residents and non-residents may hold foreign exchange accounts, subject to maximum amounts for residents and restricted to income earned in Malta for non-residents, and that some capital transactions, including selected capital and money market transactions and real estate purchases by non-residents, require government approval. The Economist Intelligence Unit reports that the remaining exchange controls primarily controls on short-term flows were removed in May 2004 when Malta became a member of the European Union.

The Maltese Government has pursued a policy of gradual economic liberalization, taking some steps to shift the emphasis in trade and financial policies from reliance on direct government intervention and control to policy regimes that allow a greater role for market mechanisms. Malta’s accession into the EU marked the total dismantling of protective import levies on industrial products, increasing the outward orientation of the economy. Malta maintains a long-standing exchange rate peg to a basket of currencies currently composed of the euro, pound sterling and US dollar. The peg has delivered low inflation and served Malta well, especially during the period of liberalization.

The fiscal situation remains difficult despite some progress in consolidating public finances. The budget deficit was brought down from 10.7 per cent of GDP in 1998 to 9.7 per cent of GDP in 2003, which is still high by European Union's standards. This was possible mainly through increases in tax rates and improved collection of taxes due. Current expenditures were reduced in the late 1990s but have crawled back up. The public sector wage bill and subsidies to public enterprises were mainly responsible for this increase. Substantial privatization proceeds have limited the increase in public debt, which grew from 24 per cent of GDP in 1990 to almost 72.01 per cent in 2003.

The Maltese Government is expected to announce reforms to the pension and welfare system and reduce the public sector involvement in the economy as part of the medium- term fiscal consolidation plan. According to the Maltese government plans, the fiscal deficit is expected to go down to 3.5 per cent of GDP by the end of 2005. Economic growth was 1.6 per cent in 2003.

Economic priorities

The European Commission identified five priority areas for economic policy actions by the Maltese government. One priority is to reduce the public sector deficit. Although there has been a significant improvement in 2005, with the deficit projected to fall to -4.2 per cent of GDP, the Maltese government will need to maintain its efforts to reduce the deficit further and keep it at a sustainable level. Equally important, Malta needs to reverse the rise in its debt-to-GDP ratio.

The country has a particularly low rate of employment amongst women of just 33.1 per cent, while the male employment level is above the EU average. Therefore, a package of incentives has been introduced to increase employment among women. With an ageing population bringing greater pressure to bear on the social security system, it is essential to increase participation in the workforce.

The Commission has set out three priorities in this area: to reduce taxation on labour and streamline the tax-benefit system to strengthen incentives to work; to improve the quality of secondary education and vocational training; and to improve retraining of the labour force to make workers more adaptable and, in particular, to facilitate the return to work of middle-aged women.

Finally, the Commission has underlined the importance of increasing competition in key sectors of the economy, such as the network industries (e.g. telecoms, power utilities), food industries and shipbuilding. That said, it recognises that the specific circumstances of Malta's small domestic economy mean that tailored solutions must be found.

1. The Transport Infrastructures

As new transport arrangements were made for the annual Malta International Fireworks Festival held on 29 and 30 April, the Malta Transport Authority showed its efficiency in terms of management of both sea and road infrastructures.

Public Transport and Road Network

Public Transport in the Maltese Islands is regulated by the Malta Transport Authority, which was established in 2000. The Authority's principal function is the provision of a properly integrated, safe, economical and efficient public transport system. Appointed by the Minister for transport, the Authority consists of a Chairman and four other members.

The major modes of public transport travel are coaches, vintage buses, minibuses, taxis, chauffeur-driven and self-drive vehicles, and karrozzini (horse-drawn cabs). The route bus service plays a significant part in providing mobility within the Maltese Islands, as it accounts for 24 per cent of all public and private transport journeys in Malta and Gozo. On average, around 38 to 40 million tickets are sold every year.

Following an agreement entered into a few years ago between the then Public Transport Authority and the Gozo Bus Owners Association, the number of buses has doubled and now amounts to 78, 40 of which are fully air-conditioned and have a 53-seat capacity. The vehicles provide both the scheduled and unscheduled services. In addition to these a number of white window vans also provide unscheduled services.

Road networks are managed by the Ministry for Urban Development and Roads. The Ministry, through the Network Infrastructure Directorate within the Malta Transport Authority, is heavily involved in overseeing the successful execution of Malta's most ambitious 16-kilometre road upgrade programme in the centre of the island. These works are worth 30 million euros and are being funded under the Fifth Italo-Maltese Financial Protocol.

Road upgrade projects in Malta and Gozo are eligible for up to 85 per cent funding under the European Union's (EU) Cohesion Fund and European Regional Development Fund. The Ministry for Urban Development and Roads is in charge of ensuring that the circa 25 million euros available during the European Union's financial period ending in 2006 are fully absorbed.

The Ministry for Urban Development and Roads is also responsible for the construction of new roads in residential areas. Such works are funded under the national budget. In 2004, Government funded the construction of 80 roads in residential areas.

Malta International Airport

The foundation stone of the present air terminal was laid in September 1989 and inaugurated in record time 29 months later, in February 1992. Malta International Airport (MIA) became fully operational on March 25, 1992, effectively closing down the old Luqa airport after 35 years.

The public perception of the airport is that it is a clear example of progress, improved technology and modern standards. Malta International Airport has always been a role model for other organisations and is a prime force for change, innovation and creativity in Malta's civil aviation history.

After building a sound base through experience and investment, in July 2002 the Government of Malta sold 40 per cent of its equity to the Malta Mediterranean Link Consortium Ltd., and eventually a further 40 per cent to the general public, thus opening a new chapter for MIA as it is now a fully privatised company with a vision to develop further the country's main gateway.

In 2005, Malta International Airport handled 2.78 million passengers and 29,160 aircraft movements, with tourism as the main reason for travel. For the Financial Year ended 31 March 2005 MIA made a pre-tax profit of 11.95 million euros for an earning of 1.11 euros per share. Some 55 per cent of the company's total revenue derived from the Passenger Service Charge and 15 per cent from the concessionaires' turnover charge.

MIA's core air terminal operations include general passenger services, and the operation of an extensive range of retail services at the Airport, airside and landside shops, restaurants and other retail outlets, which are all operated under concession arrangements. MIA also leases office space to airlines and other travel related operators at the airport.

Malta International Airport is a member of ACI-EUROPE (Airport Council International - Europe) and a number of company officials sit on specialized committees and working groups within this council.

Malta's Ports

Main ports in Malta include Marsaxlokk, Valletta and the cruise port, all of them managed by the Malta Maritime Authority

The Malta Maritime Authority was set up as a distinct and autonomous corporate body to supervise the organisation of the primary maritime services. It was established by law in 1991 as a Government Agency and so vested with detailed regulatory powers. The set-up of this Authority was to enable ports, merchant shipping and yachting centres to operate within centralised framework.

The Authority operates as a distinct commercially driven organisation, committed to excellence in the provision of services that are both effective and competitive.

The Malta Maritime Authority develops and supports policies and initiatives consonant with the functions and duties stipulated in the Malta Maritime Authority Act of 1991.

a comprehensive package that offers a wide range of maritime services.

For centuries, Valletta has been Malta's main gateway, being the only developed port to handle all goods imported and exported from the Island, all sea passenger traffic and vessels arriving for repairs, bunkering, provisions and other maritime services. The Grand Harbour has however experienced a radical change as a direct result of recent initiatives directed at transforming Malta into a Mediterranean hub. In fact, the past two decades have seen the development of another port, in the south of Malta, at Marsaxlokk Bay.

With the development of container handling facilities therein, Marsaxlokk has taken from Valletta a large share of the cargo it previously handled. Consequently, Valletta is directing its activities towards niche markets like cruising, bunkering, and roll-on roll-off transhipment activity, which can exploit the services it has to offer. Through privatisation and corporatism Valletta is steering itself more and more towards a landlord management structure in order to more effectively achieve its commercial goals.

Malta Freeport

Since its establishment in 1988, Malta Freeport has experienced remarkable growth and is now a major maritime transhipment logistic centre in the Mediterranean region. The three main activities that have been established, namely two container terminals, the distripark facilities and an oil products terminal are all functioning well and have amply proved their worth.

In 1998, as part of Malta Freeport's strategy to consolidate its eminence internationally, the Freeport undertook a corporate restructuring exercise. The organisational changes, which were completed in 2001, have significantly improved operational efficiency. Malta Freeport

The Malta Maritime Authority's principal role is to create a climate that further enhances Malta's maritime standing and associated business activities. The Authority's aim is to develop and promote Malta as a maritime centre of international repute that is capable of providing Corporation Ltd. now solely fulfils the role of landlord and authority over the Freeport zone.

Other activities have been divested from the Corporation and passed on to the operating companies. Malta Freeport Terminals Ltd. was established in 2001 as the single operating company of both Container Terminals and the warehousing facilities. This structure provided a clear distinction between the authority and the operator.

In October 2004, the Government of Malta awarded CMA-CGM a 30-year concession to operate and develop further Malta Freeport Terminals. To fulfil this obligation, the carrier appointed Terminal Link to run the operation, which is a 50/50 joint venture between CMA-CGM and P&O Ports. The Group is obliged to ensure that Malta Freeport remains a common user facility, allowing different clients to avail themselves of the Port's services. CMA-CGM is the Freeport's largest clients and commenced calling at the Port in 1997.

Malta Freeport has also established an in-house training centre. The Freeport Training Centre operates in close collaboration with the Port of Rotterdam College for Transport and Shipping and is responsible for the ongoing training of all Freeport personnel.

In 2001, the Freeport Terminal Ltd handled 796,825 Twenty Equivalent Units (TEUs) in transhipment throughput as against 710,185 for the corresponding period in 2000. This represents a 12.2 per cent increase. Moreover, transhipment throughput accounted for 93.3 per cent of total TEUs handled. An increase was also recorded in the number of ship calls at the container terminal which reached 1,467 ship calls during the 2001 period as compared to 1,286 in the first three quarters of 2000.

In an effort to remain competitive in the containerisation industry and given projected increases in traffic volumes, the Malta Freeport is planning to consolidate and expand its capacity. This expansion will enable the Freeport to handle a total of 2.5 million TEUs. The Freeport is also a shareholder of the Brindisi Terminal Italia S.p.A. Apart from the investment this terminal is making in advanced technological equipment and personnel development, progress has been achieved with the establishment of close links with Maersk Sealand, one of the leading international shipping carriers.

2. Telecommunications and Information and Communication Technologies

Malta's achievements in its progress towards an information society were measured by the EU against a set of pre-defined performance indicators. Malta's performance was among the best of the countries participating in Europe, and in some instances the EU average was also surpassed.

The sector's infrastructure has developed well. The island's telecommunications networks are 100 per cent digitised, and advanced services such as high speed data transmission, frame relay service, telematics applications, GSM mobile telephony and Internet are provided to all inhabitants.

The 53 per cent penetration rate in fixed voice telephony is close to the average rate in the EU Member States. Since the introduction of a second GSM mobile network in December 2001, a mobile penetration rate of 51 per cent was achieved. The percentage of Maltese households connected to cable TV, with 71 per cent, is the highest of the applicant countries.

While the Internet penetration rate within the population is 29 per cent, the launch of National Broadband Strategy in February 2005, drawn up jointly by the Malta Communications Authority within the Ministry for Competitiveness and Communications and the Ministry for Information Technology and Industry, was a clear signal that the Maltese government was dedicated to providing a state of the art telecommunications sector. A sector with high added value, broadband can enhance the island's competitiveness on the European market.

Internet subscriptions have multiplied and over 75 per cent of the population have access, at home or otherwise, to this mean of communication. In Malta there are over 32,000 broadband connections, which is equivalent to 8.5 per cent of the population and it therefore exceeds the EU average of 7.3 per cent.

Malta's legislation in the field of telecommunications aimed at the elimination of obstacles to the effective operation of the single market, and at providing universally available modern services.

Malta Communications Authority

The Malta Communications Authority (MCA) is the national agency responsible for the regulation of telecommunications. It was established on January 1st, 2001.

The MCA has general powers under the Malta Communications Authority Act and specific powers under other laws, such as the Telecommunications (Regulation) Act. The Authority is the appointed competent authority for the supervision of signature certification service providers established in Malta as defined in the Electronic Commerce Act, and with the enactment of the Postal Services Act, the Authority also became the competent authority to regulate postal services in Malta.

The MCA is responsible to ensure freedom of communications, which shall not be limited except when there are higher values at stake, such as the protection of the right to privacy, or the prevention of crime. It also has a duty to ensure non-discrimination and equality of treatment in matters related to communications. The primary role of the Authority is to enable choices and value for money for consumers. In addition, the Authority has a strategic role to promote sectorial investment intended to create an environment that is conducive to business and ensuring sustainability of competition.

The Authority also grants licences, resolves disputes relating to communications, and in general ensures the well-being of the communications markets, including the telecommunications markets. It has obligations to the consumer relating to prices, standards and availability of services. The Authority is also responsible to set quality of service standards, and perform all the functions assigned to it by the Ministry for Competitiveness and Communications.

In June 2002, the Malta Communications Authority published an official decision on the designation of dominant market operators. The MCA has also published consultation papers on cost-based accounting systems, universal service obligations and on the introduction of price controls. The 2003 report from the Commission found that the Malta Communications Authority is now fully operational.

Electronics Production

The real GDP growth net of the electronics sector was estimated to have advanced by 5.2 per cent in 2001. This performance covers almost 98 per cent of the gainfully occupied population. Furthermore, it is noteworthy that in each of the first three quarters of 2001 real GDP net of the electronics sector recorded positive growth rates.

Similar to a wide array of other economies around the world, the Maltese economy has been exposed to recent fluctuations in the electronics sector. This sector was particularly affected by the economic slowdown overseas. As a result, total exports by the machinery and transport equipment sector declined by USD 341.8 million to USD 1,272 million. However, exports by this sector were still higher than those recorded in 1999. Moreover, if we exclude the machinery and transport equipment sector, total exports would have shown an increase over the first nine months of 2001. As the electronic components and related goods represent about two-thirds of the total exports and over half of the total imports, a collapse in global demand and prices would have an immediate impact on the economic statistics for a given period.

In this regard, the National Statistics Office has compiled some of the key economic indicators for the Maltese economy net of the electronics sector for the period 1996 to date. It clearly emerges from the table that there is a direct relationship between GDP growth and the performance of this sector. In fact, whilst GDP at market prices for the whole economy registered a growth rate of 4.4 per cent during the first nine months of 2001, this would have reached 6.6 per cent when the electronics sector is excluded. In real terms, the GDP growth net of the electronics sector is estimated to have reached 5.2 per cent. The effects of the slowdown in the international economy, together with the plummeting of semiconductor prices affected the performance of the companies within this sector operating from Malta.

Fluctuations in the exports and imports of the communication equipment and apparatus sector largely affect the performance of the economies trade balance. When excluding this sector from the analysis, exports for the January to September 2001 period register an increase of five per cent in nominal terms, whereas in real terms exports increase by 2.2 per cent. On the other hand, imports would register a decline of 0.2 per cent in nominal terms and six per cent in real terms. Notwithstanding the depressed international conditions in the electronics sector, the number of employees engaged by Malta-based firms operating in this sector, remained strong between January-September 2001 and the comparable period of 2000. This seems to imply that the local operators are absorbing most of the international turbulence and also sheds important light about their outlook for the future.

3. The Financial and Banking Sector, the Insurance Sector

Malta's financial sector is small but competitive. Over the past decade, Malta has moved from being an offshore to an onshore jurisdiction. It has completed a programme of reforming all its finance sector legislation in line with international best practice and was one of the first six countries in the world to reach an advanced accord on fiscal matters with the Organisation for Economic Co-operation and Development (OECD).

Formerly state-owned banks are now largely privatized, and foreign banks have a significant presence. The government has in recent years privatized a number of state-controlled firms, including the country's largest bank, Mid-Med Bank, bought in 1999 by HSBC. In 1995, Malta's second largest bank, the Bank of Valletta, was privatised after the Government sold 12,000,000 shares to the public, thus reducing its stake from 51.2 per cent to 25.2 per cent. As part of its privatisation programme the Government has indicated that it will privatise its minority shareholding in the future.

Maltese banking is now conducted according to the Banking Act 1994 for credit institutions also know as commercial banks, and the Financial Institutions Act 1994 for non-lending institutions, mostly meaning foreign exchange bureaux. This legislation conforms to current EU banking directives.

International Banking Institutions, seven of which were licensed as offshore companies under the Malta International Business Activities Act 1988 now have to convert to a credit institution status under the Banking Act. Incoming banks are now licensed only under the Banking Act. With the gradual abolition of exchange controls, there now remains little distinction between international and local banks, or between offshore and onshore banks.

The Central Bank of Malta

The functions of the Central Bank of Malta have been strengthened through various amendments to the Central Bank Act. In 1994 the Bank was given greater autonomy in the implementation of its monetary policy and was provided with a wider range of instruments to enable it to conduct its policy operations.

In 2002, further amendments to the Central Bank Act formally established price stability as the primary objective of the Bank, reinforced its independence and gave the Bank the operational flexibility needed to carry out its functions in a liberalized financial environment, while at the same time providing for more accountability and transparency.

With Malta's accession to the European Union on 1st May 2004, the Central Bank of Malta became an integral part of the European System of Central Banks (ESCB). But since Malta has not yet adopted the euro as its national currency, the Central Bank does not form part of the Euro system.

The Governor and Deputy Governor are respectively, the Governor and Alternate Governor for Malta on the International Monetary Fund (IMF). The Governor is also Alternate Governor for Malta at the European Bank for Reconstruction and Development (EBRD) and attends the Annual General Meeting of the Bank for International Settlements (BIS) in an observer capacity.

The Bank regularly monitors developments within all these institutions and co-operates with such institutions in furthering the implementation of new initiatives falling within their mandate, particularly those related to international monetary and financial stability and economic development.

The Malta Financial Services Authority

Over recent years Malta has established itself as a model jurisdiction in financial services regulation. The Malta Financial Services Authority (MFSA) is a fully autonomous public institution with a distinct legal personality to regulate financial services in Malta and those offered from Malta.

As the primary regulator of the financial services sector, the principal activities of the Authority are the supervision and monitoring of international commercial and financial activities as well as registration of trusts; and the regulation and supervision of banks, insurance and investment services.

Established by law on July 23rd, 2002 the MFSA reports to the Parliament on an annual basis. The MFSA has taken over supervisory functions previously carried out by the Central Bank of Malta, the Malta Stock Exchange and the Malta Financial Services Centre. Creating the MFSA as a single regulator was a structured part of Malta's long term strategy to create a mainstream finance centre in the country. Malta is a jurisdiction that follows and helps develop international best practice.

The MFSA has also taken over responsibility as the Listing Authority, and houses the Registry of Companies thereby ensuring that the international business community will find within the same set-up all company incorporation services as would be required. Moreover, the MFSA assists new promoters in setting up their operations in Malta and is committed to provide such companies with services of the highest standard.

The MFSA is also responsible for consumer education and consumer protection in the financial services sector. This function is vested in the Consumer Complaints Manager. The International Tax Unit of the Inland Revenue Department and the Companies Registry are also housed at the MFSA's offices and have the task of ensuring that all taxation and company registration matters relating to international activity are dealt with swiftly and effectively. The International Tax Unit is also responsible for issuing advance revenue rulings which give certainty to the tax treatment of all international undertakings.

Emoneymalta

In September 2001, Malta announced a three-year inward investment marketing initiative called emoneymalta, which aims to position the country as a leading centre for the management, processing, and movement of money moved electronically through mobile phones, PCs and similar devices. The campaign to attract new investment and jobs is targeted at electronic money issuers and payment systems providers.

Emoneymalta focuses on attracting operations involved in the movement, management and administration of e-money, including billing, processing, record keeping, customer services, marketing, call centres, help lines and server location. Target companies, mainly in the US and Europe, also include major hardware and software providers, loyalty card operators, business to business exchanges, settlement and clearing systems and outsourcing companies servicing third party customers.

Malta is ready to welcome electronic money institutions on the lines of EU directive 2000/46 on the taking up, pursuit of and prudential supervision of the business of electronic money institutions. Malta is also well set up to serve as a platform for back office operators making use of electronic payment services such as utilities, hotel and car hire groups.

The Insurance Sector

Malta offers a high quality location for the delivery of services and back office administration to insurance, reinsurance, risk management and captive insurance companies.

As an indication of government's commitment to this sector, dedicated legislation was enacted on the December 1st, 2003. The insurance regulations were changed in 2003 to allow the creation of captive insurance companies, called Affiliated Insurance Companies (AICs) in Maltese legislation. Further regulations issued in 2004 allow the creation of Protected Cell Companies.

Malta provides the opportunity for companies to locate their captive insurance business and insurance management activity within an OECD-recognised tax environment that combines tax efficiency with controlled foreign company tax legislation requirements.

Malta's insurance legislation is based on research carried out among Maltese and international insurance operators and provides opportunities for captive insurance business and related activities, including cell companies, insurance management companies and regional operations for insurers, re-insurers and brokers.

There are 19 insurance companies in Malta - five local and 14 foreign - authorised to carry out insurance business, plus 32 agents and 24 brokers. The biggest life company in Malta is Middlesea Valletta Life, with 60,000 policyholders accounting for 56 per cent of the market. It is owned by Middlesea Insurance (Malta's biggest composite insurer), Bank of Valletta and Munich Re.

The insurance, banking and real estate sector registered an improvement during the 2001 period. Factor income increased by USD 10.37 million or 4.0 per cent to USD 270 million, reflecting advances in both employment income and profitability levels, with the latter component being the main driving force. In particular, the increases registered in employment income resulted from higher average wage and salary levels which more than offset the lower number of employees in the sector.

Although the improvements in profitability levels reflect higher profits within the banking and the real-estate sub-sector's, the insurance sub-sector registered a marginal decline in profits. The insurance, banking and real estate sector accounted for 8.8 per cent of GDP at factor cost, which remained unchanged from that recorded during the January-September 2000 period.

In terms of pensions, the Maltese rely on state pensions but the government is working on a programme of reforms to provide tax incentives for local people to take out occupational or private pensions. In parallel, a regime is being set up that will allow cross-border pension funds to be set up in Malta, with tax benefits based on double taxation treaties with other countries. It would enable workers switching countries to take their pensions with them and would be helpful to multinationals operating across the EU. If it goes ahead, it will be one of the first regimes to be created under the new pan-European Pensions Directive framework.

4. The Tourism and Culture Sector

With a 316 sq km territory bordering the Mediterranean and an uninterrupted 7,000 year history, Malta is a very attractive year round destination for tourists. A cross-section of European and Mediterranean culture, the Maltese islands have in fact been described as an open-air museum.

Culture

Maltese culture stems largely from the Islands' history of domination by Arab, Norman, European and English influences, as well as from the widespread prevalence of the Roman Catholic Church. Folk traditions have grown mainly around the 'festas', held in honour of the patron saints of towns and villages; these are marked by religious ceremonies, processions and celebrations of a more mundane nature.

The Easter period also gives rise to a spate of Good Friday biblical character pageants in several parts of the Islands, these being colourful and devotional at the same time. Folk festivals are also popular. The principal one is 'l-lmnarja', an agrarian feast held on June 29, the joint feast day of St. Peter and St. Paul, and highlighted by 'I-ghana', a type of folk singing peculiar to the Maltese Islands.

Carnival in Malta dates back to at least the middle of the 15th Century. Balls and dance competitions featuring the 'Maltija', the national dance, the 'Parata', a sword dance, as well as contemporary dances and defile of floats, satirical and other, are the order of this 3-day festival.

Malta is a country of bastions and belfries. No other country in the world has so many walled cities, churches and chapels in so small an area. Mdina, Malta's old capital city, ranks amongst the world's oldest mediaeval cities. St. John's Co-Cathedral, in the heart of Valletta, is hung with beautiful Flemish tapestries and houses many famous paintings by Caravaggio and Mattia Preti. Another church of distinction is the Mosta Rotunda, noted worldwide for its immense dome.

Malta owes its rich architectural heritage to the rule of the Knights of the Order of St. John (1530-1798). Under the Knights, the Maltese discomfited the Turks of the Ottoman Empire in the Siege of 1565. They also built their capital city Valletta, a jewel of Baroque architecture.

Tourism

Besides manufacturing and financial services, tourism is one of Malta's most important foreign exchange earners, and a priority for the government. Malta has based its economic development on the promotion of tourism, accounting for roughly 30 per cent of GDP, 24 per cent of the country's GNP, 22 per cent of Government Income, 11 per cent of Imports and Outflows, and 17 per cent of full-time equivalent employment.

Tourism is of primary importance. Tourist arrivals during the 2001 period reached 961,189, which corresponds to a decline of 1.3 per cent over the comparable 2000 period. In 2003, Malta counted 1.1 million arrivals. At USD 607.7 million, foreign exchange earnings in the first three quarters of 2001 were slightly less than the corresponding period of 2000. An increase in per capita earnings that stood at USD 632.3 was registered during the same period.

Tourist arrivals and foreign exchange earnings derived from tourism have steadily increased since the late 1970s. However, the number of visiting tourists fluctuates significantly, depending on outside factors. Following the September 11 attacks, the tourist industry has suffered some setbacks worldwide. Maltese tourist arrivals fell by a cumulative 7 per cent during 2001 and 2002.

A positive performance was registered in the cruise liner industry, with total arrivals reaching 189,763. This is a substantial increase of 52.5 per cent over the same period of 2000 and reflects the fact that this particular activity is consolidating its role and contribution in the domestic tourism industry. Furthermore, hotels, complexes, guesthouses and hostels increased the supply of accommodation bed-stock whilst there was a lower capacity in holiday furnished flats. Full-time employment in hotels and catering establishments stood at 9,762 which remained almost unchanged from September 2000 levels.

The Maltese tourism industry is intensifying efforts in order to ensure that Malta maintains a competitive position in the tourism industry, which is characterised by a number of factors including aggressive competition among major destinations, globalisation and the revolution in information technology.

Malta re-positioned its tourism strategy by focusing on attracting visitors from the diverse segments of leisure, history and culture, diving and sport tourism, language learning (English and Maltese are official languages, and Italian is widely spoken), and conference and incentive travel.

The majority of tourists, namely 90 per cent, originate from the European Union. The United Kingdom, Germany, Italy and France jointly generate 67 per cent of Malta's tourism inflow.

Some 95 per cent of tourist arrivals are by air, with Malta being accessible by air from a large number of European and Mediterranean cities. Within the islands, the maximum travel distance is 45kms, which makes domestic travel very convenient.

Malta's Ministry for Tourism and Culture aims at improving the quality of life for all citizens through cultural activities and through the strengthening of the tourism, creative and leisure industries. Starting at the grass-root level of community through local clubs and reaching out to Europe and the rest of the world through partnerships and through the island's foremost institutions, the Ministry's vision is to recognize this wealth and to extend excellence and improve access in all its sectors.

Malta Tourism Authority

The mission of the Malta Tourism Authority (MTA) is to advance the economic and social activity of tourism in the national interest, by working with all stakeholders to develop a sustainable industry for current and future generations.

The Authority has a diverse role, but one which in essence is all about creating and fostering relationships. The MTA is Malta's tourism industry's regulator and motivator, its business partner, the country's brand promoter, and it is here to form, maintain and manage meaningful partnerships with all tourism stakeholders.

Primarily, this means talking to visitors to the Islands, but the MTA works closely alongside its private sector partners. Importantly, they are also to help strengthen the industry's human resources, ensure the highest standards and quality of the island's tourism product, and foster relations with local and international media.

The Authority was formally set up by the Malta Travel and Tourism Service Act in 1999. This clearly defines its role – extending it beyond that of international marketing to include a domestic, motivating, directional, co-ordinating and regulatory role. The Act strengthens the public and private partnership in tourism through greater and more direct participation by the private sector in national planning and development of the tourism industry.

The Medina Project

The Medina project, which is supported by the European Commission, promotes cultural tourism in different Mediterranean countries. The aim of the project is to create a web-portal which guides the user through pathways across countries linking cultural heritage to tourist information.

The Medina project is co-ordinated by IMED - The Mediterranean Institute, and involves 18 partners from 14 different countries. There are seven Member States (Italy, France, Greece, Austria, Belgium, Malta and Cyprus) and seven Mediterranean Partner Countries (Algeria, Tunisia, Morocco, Lebanon, Jordan, the Palestinian Authority, Syria).

The main objective of the project is the design and the pilot development of a federation of nine integrated national websites and the creation of the Medina portal in order to promote cultural tourism in different Mediterranean countries.

Malta already has its own Medina website, which offers useful information for potential tourists or investors, information illustrated with beautiful pictures.

5. Knowledge Centre and Back Offices Services

Knowledge Centres

A range of high quality support services are available in Malta, thanks to an English speaking and multilingual population and a Western culture with European legal institutions, accounting standards and trade practices.

Maltese costs for the labour force are very competitive compared to those of the USA and Western Europe, and its proximity to mainland Europe and equivalent time zone puts the island in a very competitive position. The island's excellent telecommunications infrastructure also increases this competitiveness.

A Knowledge Centre of the Employment and Training Corporation was inaugurated in March 2003 by the Deputy Prime Minister and Minister for Social Policy Laurence Gonzi. The centre offers IT training to all interested men and women. Courses will include basic IT, general office packages and computer based training leading to the European Driving Licence.

Back Offices Services

The Maltese authorities encourage the setting up of foreign operations that offer back office administration and support services to other foreign enterprises. Back office administration services are widely defined as "routine administration services", provided to individuals or to companies registered outside Malta wishing to have an operating presence in Malta.

The use of these facilities will ensure that mail, e-mail and communication are relayed through Malta thus keeping the company's administration centred in Malta. Qualifying activities also include the processing and recording of invoices, sales transactions, accounts management information reporting, form-filling work in support of trust services, shipping and maritime trade, processing and filling of insurance claims forms, repetitive administrative work involved in fund administration business and other professional services ; in other words, generally any routine administrative, basic book-keeping and analogous administrative support services. These services are applicable to any business or professional activity.

Any routine or administrative tasks that is carried out in support of any business or professional activity pertaining to a financial services (including banking, insurance and investment services) concern may be hived off or out-sourced in a way as to qualify as a back office activity as required by the Malta Financial Services Authority.

Back office services used in conjunction with the operation of the company's Maltese bank account, makes it less likely that the Maltese registered company would be viewed as a tax avoidance structure by the tax authorities in the country where the company carries out its business or in the country of the beneficial owner's tax residence.

The benefits of such an incentive are a low rate of tax for ITCs, an extensive range of double taxation agreements which supports effective tax planning, but also training grants for approved programs are offered to employees and management and factory and office space at low rental costs.
Malta is in a good position to encourage local set-ups of this nature because of a well-educated workforce and its high number of professionally qualified and trained personnel.

THE MALTA CHAMBER OF COMERCE AND ENTREPRISE

1. The Malta Chamber of Commerce and Enterprise

History

The Malta Chamber of Commerce and Enterprise was set up as a voluntary constituted body and officially recognised in 1848.

Two similar organisations existed prior to the Malta Chamber of Commerce and Enterprise: the first was the University, composed of senior citizens and was responsible, among other things, for the importation and storage of grain at a time when piracy was rife in the Mediterranean. Leading businessmen were members of this institution. The second came into being shortly after the arrival of the British in Malta in 1800. Referred to as the "Commercial Rooms", it was housed in the premises later occupied by the Lyceum and now the Arts and Design Centre in Merchants Street, Valletta. Detailed minutes of the meetings of the "Commercial Rooms" have been preserved at the Chamber's offices and give a clear picture of trading conditions at the time.

In the early Nineteenth Century there was heavy shipping traffic between Britain and Malta and the Island served for the redistribution of British products, chiefly to the Barbary States and the Adriatic ports.

In 1848, the Governor of the Island was Sir Richard More O'Ferrall, who took a keen interest in commerce. It was due to his strong desire to make Malta a spearhead of British trade in the Mediterranean that the reorganisation of the commercial community arose and the Malta Chamber of Commerce and Enterprise was born.

Sir Richard found great help in the person of Sir Agostino Portelli, K.C.M.G., a leading merchant who was also a politician and who held a seat in the first Council of Government of Malta. Sir Agostino became the first President of the Chamber.

The Chamber was represented by nomination in the various Councils of Government that followed. The first self-governing Constitution in 1921 gave the Chamber the right to elect two senators. Incidentally, the first Prime Minister under the 1921 Constitution, Comm. Joseph Howard, O.B.E., was also a former President of the Chamber.

In 1857, the Exchange Buildings, constructed on its present site in Republic Street, Valletta which was granted to the Chamber in perpetual lease by the Government, was inaugurated. A commemorative tablet today exists in the Courtyard of the Exchange Buildings.

The Chamber celebrated its 150th Anniversary in 1998. To commemorate this important occasion, the Chamber published a book entitled "The Malta Chamber of Commerce 1848-1979 - An Outline History of Maltese Trade" by Dr. Carmelo Vassallo. It is available for sale from the Chamber Secretariat.

Role

Through the years, the Malta Chamber of Commerce and Enterprise has kept a close watch on developments in the field of commerce, giving advice to Government on commercial legislation and related matters and intervening in the interest of its members and the nation whenever necessary.

For example, when the British authorities found it expedient to extend the Malta Dockyard, the Chamber used its influence to see that the facilities in the Grand Harbour were extended at the joint expense of the local and Imperial Governments and that the New Port at the inner end of the Harbour was cleared and made suitable for commercial shipping.

The status of the Council of the Malta Chamber of Commerce and Enterprise was recognised by the Government in 1857 by Ordinance XII. It declared that the Chamber represented the mercantile body of the Island and that the transactions at The Exchange determined the official rate of monetary value, the current price of merchandise, and the current rate of insurance premiums and freight. It also granted the Chamber the privilege of issuing licences to brokers.

The rate of exchange was, at the time, a matter of great importance for the commerce of the Island because the pound sterling was not the only legal tender but was in use concurrently with Sicilian, Neapolitan and Austrian currency. It is clear that, under these conditions, the Exchange Buildings, with the Bank of Malta and the Anglo Maltese Bank on the ground floor, separated by a central courtyard, were a veritable beehive of activity in banking and other business. At the corner of the present courtyard there still exists the bell which was used to announce the fluctuations in exchange, premium, rate of freight and prices of commodities.

Far-reaching economic and political changes took place in Malta after the Second World War and particularly since the achievement of independence from Britain in 1964. The function of the Chamber of Commerce and Enterprise during this process of change has remained much as it has always been, although it has introduced new techniques enabling it to better fulfil its role.

Objectives

The Malta Chamber of Commerce and Enterprise is an autonomous institution, recognised by the laws of Malta. Membership is open to all merchants, bankers, manufacturers and others interested in commerce, industry, shipping, insurance, tourism and other forms of trade of the Maltese Islands.

Its main object is to promote and protect business interests. Towards this end, the Chamber collects, circulates and publishes statistics and other information relating to the sectors mentioned above. It is the policy of the Chamber to promote free competitive enterprise by supporting, or, if need be, resisting any laws and regulations affecting business interests.

The Malta Chamber of Commerce and Enterprise can also act as arbitrator in the settlement of disputes connected with commerce, industry, shipping etc., and it attends to inquiries and problems in relation to these sectors.

2. Malta in Europe and in the World

With its central location in the Mediterranean, Malta has long portrayed itself as a bridge between Europe and North Africa, particularly Libya, with whom it has enjoyed positive diplomatic and commercial ties.

Malta now constitutes the southernmost flank of the European Union. Malta continues to be an active participant in the United Nations, the Commonwealth (in 2005 Malta will host the Commonwealth Heads of Government Meeting), the Council of Europe, OSCE, the Non-Aligned Movement, and various other international organizations.

Malta has frequently expressed its concern for the peace and economic development of the Mediterranean region. The Nationalist Party government is continuing a policy of neutrality and nonalignment but in a Western context.

Malta and the European Union (EU)

As of 1 May 2004, Malta adopted the trade policies of the European Union and has become an active player in the European Union's Common Foreign and Security Policy (CFSP). Malta contributes actively to the various EU positions covered by the many spheres of External Relations and the Common Foreign and Security Policy.

Malta welcomed the launching of the European Neighbourhood Policy (ENP) as a new framework for relations with all the EU's neighbours in order to reduce the risks of instability in its periphery. The ENP offers deeper forms of cooperation in the political sphere as well as that of economic integration, involving substantial financial support, gradual participation in the single market and in the Community's programmes. Malta considers the ENP as providing an opportunity to build upon the "horizontal" Barcelona Process by reviewing and enhancing "vertical" cooperation between the Euro-Mediterranean Partners.

The ENP is based on the same principles of partnership, joint ownership and solidarity that have driven the cooperative relationships within the Barcelona framework. The ENP provides Malta with an opportunity to contribute in areas of primary interest, such as management of migration flows, promotion of human rights, democratisation, counter-proliferation and counter-terrorism efforts, and the acceleration of increased market integration with the objective of improving the investment climate in the region.

Malta's policy on the future enlargement of the EU centres on the ability of candidate countries to fully respect the Copenhagen political criteria and to integrate themselves in a manner that compliments the social, political and economic cohesion of the Union as a whole.

Bulgaria and Romania are set to join the EU on 1 January 2007. Croatia, the former Yugoslav Republic of Macedonia (FYROM) and Turkey all have pending applications. In the case of Turkey, negotiations are set to start on 3 October 2005 subject to certain conditions being met. Malta favours early commencement of negotiations with Croatia which is dependant on the assessment of their level of cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), FYROM's application was submitted on 22 March 2004 and the Commission's avis is awaited.

Malta views the further enlargement of the Union as an impetus for positive reform in European countries vying to form a part of the European project and ultimately, as a means of guaranteeing stability in the European continent.

Malta and the World

The objective of the Strategic Partnership for the Mediterranean and the Middle East is to promote the development of a common zone of peace, prosperity and progress in the Mediterranean and the Middle East, through the implementation of political, social and economic reforms generated from within the affected societies.

Malta is playing an active role in the formulation of the Mediterranean strand of this policy, where the Barcelona Process enhanced by the European Neighbourhood Policy constitute the central instruments for partnership and dialogue in order to achieve the objectives of the Strategic Partnership. This cooperation encompasses a number of areas such as political reform, trade and economic cooperation, people to people contacts, conflict prevention and resolution, counter-terrorism, counter-proliferation and illegal immigration. Malta is providing its active support and contribution to the implementation of these objectives in view of their relevance to the ongoing efforts towards the stabilisation process in the region.

Malta is committed to a peaceful resolution of the Middle East conflict and is seeking to play a meaningful part to the attainment of the objective of the coexistence of two States, by the creation of an independent, democratic and viable Palestinian State, living side by side with Israel and its other neighbours in peace and security. As a member of the EU, Malta has played an active role in the formulation of the evolving EU policy towards the Middle East. As a result of its knowledge of the region, Malta feels that it can offer added value to the debate and seeks to promote dialogue between the two sides. Malta's Foreign Minister has been twice to the region this year.

In view of the strong bilateral multi-level relations with Libya, which have developed over the years, Malta welcomes the process of reintegration of the Libyan Jamahiriya with the International Community, an essential point of which is the deepening of EU-Libya relations. Malta is keen to see an acceleration of this process and to act as an interlocutor in the interest if promoting the systematic development of these relations. It would particularly welcome Libya's integration within the Barcelona process.

Malta and the United States established full diplomatic relations upon Malta's independence in 1964; overall relations are currently active and cordial. The United States has been sympathetic to Malta's campaign to attract private investment, and some firms operating in Malta have U.S. ownership or investment. These include major hotels, manufacturing and repair facilities, and some offices servicing local and regional operations. The Maltese government desires close relations with the United States, with an emphasis on increased trade and private investment. U.S. Navy ships resumed liberty calls in 1992 and currently visit on a regular basis.

Diplomatic Representation

Malta’s diplomatic and consular representation includes accreditation to 88 foreign countries and international organizations. Malta is host to 18 resident diplomatic missions, and 89 countries have non-resident diplomatic representation.

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