

# PRESS RELEASE

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## Integrating Islands in the European Industrial Value Chain

"The potential effects of moves of Malta-based economic activities out of the country, could lead to exports from Malta going down by €451,3 million, representing 18,9% of overall exports. This would reduce Malta's GDP by 5,1%" said Anton Borg, President of the Malta Chamber of Commerce, Enterprise and Industry on 7th February.

Quoting a report commissioned by the Malta Chamber on the subject of regional aid to island states Mr Anton Borg was addressing "What Future for Islands in the European Union?", a hearing organised by the European Economic and Social Committee (EESC), in collaboration with the Malta Chamber.

The same report concluded that the Maltese economy displays substantial vulnerability to potential relocation of economic activities involved in exports to other European countries.

"The danger of 'back-shoring' to hub-locations is an unfortunate reality for many of the peripherally located economic activities involved" he said.

"In fact, we strongly believe that Europe must allow permanent measures to neutralise added costs incurred by businesses located on Island States. We feel it is only fair that these costs are neutralised because they only arise from specific conditions related to the isolation, smallness and peripheral location of a business operation" Mr Borg said.

Mr Borg moved on to explain how, Malta was hit by two major developments that are rendering investment in local manufacturing less attractive. "As a result, the Maltese authorities are no longer allowed to grant investment aid incentives which used to reach a maximum of 30 per cent in the case of large undertakings" he explained.

The Malta Chamber President said that the continuous challenge was to enhance Malta's export competitiveness. "Manufacturing companies in small peripheral islands have no option but to sell products outside their national confines and in doing so, operators are hampered by economies of scale restrictions which are further compounded by additional burdens like transport costs. Operators on the mainland are spared from similar disadvantages" Mr Borg said.

"We believe that EU-level and national policies should be engineered in such a way as to promote European Industry as 'One whole value chain' with particular consideration for those countries that are small or on the periphery. The policies should encourage (not discourage) these countries to provide their specialised contribution" he concluded.

The hearing, which was held at the Exchange Buildings, was also addressed by Mr Joost van Iersel, President of ECO Section, EESC and the Hon Dr Chris Cardona, Minister for the Economy, Investment and Small.

A panel discussion, moderated by Mr Stefano Mallia, on identifying challenges and finding solutions featured the interventions Mr Nectarios Santorinios, Vice Minister of Maritime Affairs

and Insular Policy, Greece, Mr Tonino Picula, Member of the European Parliament (EP), Vice-President of Seas, Rivers, Islands and Coastal Areas EP Intergroup and Ms Judit Torokne Rozsa, Head of unit, DG Regio, European Commission.

A second panel discussion moderated by Mr Philip von Brockdorff, EESC member, Consultant and Member of the board directors, Voice of the Workers (UHM) included Dr John Vassallo, President, Malta Business Bureau, Mr Gianfranco Fancello, Professor, University of Cagliari, Ms Caroline Buts, Professor of Economics, Vrije Universiteit Brussel and Mr Luc Gobin, Director, ISTO Europe.

Closing remarks were delivered by Mr Stefano Mallia, Rapporteur, EESC.

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