



**THE MALTA CHAMBER**

**Annex E 5**

Post-COVID19 Exporters Think Tank Round Table  
**This exercise was carried out between June and July 2020.**

## Report of Committee Meetings

**Meetings held:**

3<sup>rd</sup> June, 2020 – 1330hrs  
8<sup>th</sup> June, 2020 – 1530hrs  
15<sup>th</sup> June, 2020 – 1530hrs  
22<sup>nd</sup> June, 2020 – 1530hrs

**Participants:**

Shane A. Hunter (SAH) – AquaBioTech Group (Aquaculture Technologies & Engineering), Reuben Sciberras (RS) – Stargate Studios (Film Post Production), Joe Pace (JP) – Consolidated Biscuits (Food Export), George Amato (GA) – Hudson Group (Sports apparel for Export), Chris Busuttil Delbridge (CBD) – Evolve (Scientific Solutions & Services), Ivan Cachia (IC) – QP (Construction Services), Peter Grima (PG) – First United (Insurance Services), Daniel Bilocca (DB) / Bernard Gauci (BG) – KSi (Financial Services), Angelique Maggi (AM) – MMH (Marine Services), Sam Borg (SB) – Bortex (Clothing Export).

**In Attendance:**

Kevin Mizzi, The Malta Chamber

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## Briefing Note

While the exercise of the Malta Chamber to follow a standard analysis tool has its merits, the difficulties that the Round Table (RT) for Exporters have found using this tool goes to show just how different our sector is compared to the vast majority of Maltese businesses.

Even within our small group, the diversity of our operations is significant to the point of making many of our recommendations very personal by their nature. However, we have tried to keep our overall recommendations as generic as possible for any industry based in Malta that wants to export. This point is further evident from the varying opinions of RT on the most likely scenario for the future. On this point, it is the participants' general opinion is that the most likely scenario is: ***“Scenario 4, moving closer towards Scenario 2 in the medium term”***.

It should also be recognised that the limited size of the RT means that the recommendations provided are not necessarily representative of the entire export community in Malta.

## Concerns

**Finding Talent:** While we appreciate that the Government's objective to try to maximise the employment opportunities for Maltese Nationals and other EU residents on the island, the change in the regulation restricting recruitment of 3<sup>rd</sup> country nationals with local companies has actually had the opposite effect for Export oriented companies. The new regulation providing only for renewal of 3<sup>rd</sup> country nationals' work permit who are currently employed within the company, or the employment of persons with a wage greater than €30,000 a year is severely damaging export orientated businesses that heavily rely on a wide variety of staff from all over the world so as to provide specific knowledge, language and cultural capabilities.

We would recommend that the Malta Chamber take the lead and find a way of creating an exemption for export orientated companies that can prove the need for large numbers of third-country nationals.

**Skills attraction and retention:** Repeated governments have failed to recognise the positive impact that highly skilled third-country nationals have had on the economy and specifically export businesses. In fact, many leave for other EU countries where they have the potential to become EU nationals in a defined period of time. Presently there is no mechanism for these people to become Maltese nationals after years of being resident in Malta. It is time for the government to create a clear pathway for keypersons to become Maltese nationals.

**Reputation:** Our country's image has deteriorated to unprecedented lows in the past few years which by consequence is tarnishing the image of local business wanting to do international business. The situation is not improving considering the latest revelations in court compilations which dominate media headlines daily. There is a dire need to recover Malta's reputation internationally.

**Financial Incentives and Support Measures:** The current cash rebate scheme from the Malta Film Commission is loaded with bureaucracy and is cumbersome to operate. If the government is serious about developing the sector further, we need to see a simplification of the rebate mechanisms.

The application of *De minimis* / state-aid rules for research and innovation project funds administered by MCST and/or Malta Enterprise is not necessary and detrimental to ambitious local companies seeking to engage in R&D projects. This issue has been ongoing for many years, with no progress at all.

**Access to finance / Liquidity:** The risk appetite of local banks and insurers is very limited and the financial mechanisms and packages that they can offer export orientated businesses place local companies at a severe disadvantage when compared to companies in other EU member states. There is a pressing need for government to incentivise the local banking and insurance industry to prioritise

export orientated operations and ensure that more corresponding banks are available to facilitate financial transactions derived from export activities.

For example, Denmark has EKF that works as an export guarantee bank that seeks to promote Danish companies abroad by offering up to 70% export finance with favourable terms and conditions.

**Export capability:** The local industry is spreading itself thin across too many sectors and markets rather than being strategically diversified and focused. Participants think that the characteristics currently adopted are closer to that of a trading nation with local export companies lacking support towards export clustering of strategic economic activities.

**Supporting Maltese Exporters:** Although Malta has a strong tradition in trade which can be considered a precursor to export, there has been more focus on Foreign Direct Investment (FDI) in recent years. Ironically, with the various financial incentives that FDI receives in the form of support and lower taxation, many indigenous Maltese exporters are now at a trading disadvantage. It is time for the government to support and invest more government time and money in indigenous local companies to build and maintain its export market.

**Regulation:** Local legislation is becoming tighter on industry and looser on employees. From an international perspective, capacity building for industry on international market entry regulations in strategic markets is crucial. Malta needs to lobby the EU to ensure that there are as few barriers to trade as possible in emerging markets that are crucial for Malta. It would also be important for the government to ensure that all foreign missions / embassies are actively promoting Maltese businesses.

## Recommendations

**Economic Vision:** A drastic change in approach is recommended whereby focus shifts on safeguarding Maltese resilient indigenous business rather than persisting in disproportionate imbalance towards FDI. Export is a necessity and priority for the country which will allow Maltese companies to survive tomorrow. Our local market is saturated. Helping indigenous business to export will indirectly help bring over new and fresh FDI towards the country. An export campaign exposing local indigenous success stories growing internationally will entice other local business to make the leap.

**Export Clustering:** The future of export industry in Malta relies on the identification of key economic sectors (like turnkey projects for example). Local companies perform better if plugged in strategic export clusters. Teaming up to export will generate direct and indirect benefits for such ambitious companies such as identifying contacts, build networks, join consortia, and enhance their market penetration knowledge to grow globally.

**Digital Transformation:** Technology is essential for modern businesses and even more so for export. The recent pandemic has further heightened our need to invest in digital technologies and ensure that global communications are seamless and capable of supporting clients in the absence of travel. While our country has a solid digital infrastructure, government needs to ensure that adequate investment continues and more emphasis is placed on training and education in emerging digital technologies.

**Education for Industry:** Our educational institutions need to make more efforts to adjust their methods and *curricula* to better reflect the rapidly evolving requirements of industry. In the absence of such, industry is left with no choice but to resort to foreign alternatives. There is also an urgent need to develop a comprehensive strategy on how to encourage local talent towards a more strategic and research and innovation-based thinking. As a nation we have lagged behind other countries that foster a culture of research and innovation values from a young age.