Interview: Christian Cardona – Minister for the Economy, Investment and Small Businesses, Malta



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Dr. Christian Cardona, Minister for the Economy, Investment and Small Businesses shares his strategic view on the evolution of Malta, a country boasting no natural resources and limited connectivity, that today proudly stands as the fastest growing economy within the European Union. Cardona details that a strong competitive edge, excellent logistics and a highly productive workforce in combination with the government that is listening to people and acting accordingly, create all the right ingredients for innovation to flourish in the future.

Having been in position as Minister of Economy, Investment and Small Businesses for five years, what items are currently at the top of your agenda?

Since taking office in 2013, Malta has made a significant progress and now stands as a very different country bustling with activity. This represents an epochal shift in people's concerns when compared to the last days of the previous administration where people were mostly worried about making ends meet and paying the bills. In the past five years, I have strived to change things for the better. My aim has always been to create significant economic growth in order to cut our deficit in a sustainable way. My vision has been to create enough employment opportunities that we need to bring in people from Europe and elsewhere to fill these roles. We managed to achieve this by changing the paradigm of our economic reality. Malta's economy is well balanced, predominantly export-oriented and fast growing. The major indicators namely, gross domestic product, labor market developments, industrial production and trade, all indicate growth. Malta's strong economic

performance has been lauded continuously by various international entities such as the European Commission, the International Monetary Fund and credit rating agencies. This year alone, in real terms the Maltese economy grew at the rate of 7.2 percent – making it the fastest growing economy in the Eurozone. All of our economic sectors are contributing to Malta's GDP growth, naturally to different extents. Malta's labor market has also been performing very strongly, with the fastest employment growth rates amongst all the 28 EU member states. In most sectors demand for workers is exceeding supply. We want to continue building on what has been successful so far.

What incentives would you highlight that led to a creation of an attractive investment environment, both for international and local business community?

Malta is a fantastic place to live and invest in. Malta has many faces: the sea and the sun, culture and history, business and investment. Foreign investors always comment favorably on our business environment and the efficient service they receive. This is very positive, but we want Malta to be a place that they think of as home. To smooth the process of settling in, we created a citizenship and visa agency, which is committed to clear deadlines and a fast track for business. We have also developed a new residency scheme, which offers favorable conditions for foreigners if they relocate to the island. We want to show our foreign guests that we value their contribution towards economic growth and wealth creation.

As an FDI location, we are very specific on what kind of investment we would like to attract. We are not interested in the quick buck or glitzy things. We are looking at what makes sense in the medium to long-term. Our unique selling points are our flexibility and proximity to the government and institutional decision makers. We have built a reputation as being approachable, while also offering a regulatory framework that is serious and business sensitive. We will continue to target investment from pharmaceutical companies, financial services, tourism, high-value manufacturing, life sciences, maritime and aviation, as well as ICT and the creative industries. Malta is also one of the few EU member states that in 2003 fully recognized the Roche-Bolar Provision, where generic companies are allowed to undertake development work prior to patent expiry – held by originators – but excluding any product commercialization. More importantly, we want to broaden and deepen the activities and services that are already being offered in or from Malta. One such example is the production of medical cannabis. We have been exploring new ways to expand the pharmaceutical industry and have recently introduced legislation for regulation of the production of medical cannabis industry. This is the latest in a series of initiatives consistently taken by this government to boost the country's potential and to seek innovative markets to establish new economic niches which are emerging internationally. The ultimate aim of the government is to further strengthen

the local economy which every year, keeps surpassing the expectations. With regards to local companies, in 2017 alone, Malta Enterprise approved 55 projects from Maltese entrepreneurs. In total, these projects are expected to amount to an investment of €23.6 million and the creation of approximately 430 new jobs.

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What are your plans to promote domestic companies' international expansion, improve export opportunities and attract more international companies to establish business in Malta?

As the Ministry for the Economy, Investment and Small Businesses, we are doing our utmost to offer help and incentives to local businesses to help them flourish locally and expand abroad. Concretely, we have several initiatives in place:

Micro Invest: the objective of this scheme is to encourage undertakings to invest in their business, innovate, expand and implement compliance directives or to develop their operations. Such undertakings which may include self-employed persons will be supported through tax credit representing a percentage of the eligible expenditure including wages of newly recruited employees. During last year's budget, we also increased the funds allocated to this scheme from €30,000 to €50,000 whereas Gozo-based companies are eligible for €70,000.

Family Business Office: as a pro-business government, as soon as we got into office a few years back, we were quick to go down the road of creating legislation on family businesses. We immediately understood how crucial they are to our economy. We decided to support them the best way we can, with effective policy. Our legislation's primary aim is to encourage the regulation of family businesses, their governance and the essential transfer. This legislation now increases their chances of survival. We strengthened take-up by expounding this act with attractive incentives such as free legal guidance, reduced tax rates and tax credits.

Business 1st Office: governmental initiative to create a one- stop shop for businesses. With the addition of this training program, businesses will now be provided with better support for their operations in an effort to reduce red tape.

Further investment: we shall be investing further in the Life Sciences sector by developing further the area between the Life Sciences Park and Mater Dei in San Gwann. We shall be giving priority to projects related to the R&D Sector, particularly those related to Bioinformatics. We are working on creating a special fund to incentivize Research, Development and Innovation (R&D&I) projects. This

should lead to more researchers exploring what Malta's specific needs are and eventually turn these needs into the development of new products.

What are the main trends and challenges impacting the Maltese healthcare industry and how is the Ministry positioned within such frame?

Malta's success within the pharmaceutical sector has not been built overnight. The decisions to invest in the sector go back many years, but even then, one can only build a success story in the industry if one possesses the right raw materials, and that is certainly the case for Malta. Malta's position – geographically, culturally and socioeconomically – is one such asset. In addition to this, Malta has linguistic skills, based on an educational system where multilingualism is promoted, but also includes the key language of English; and our graduates, as well as the more established members of the community which have distinguished themselves internationally. With these raw materials we have built not only a vibrant pharmaceutical industry, but also another key part in the jigsaw where pharma is concerned – a well-established Medicines Authority that has grown in leaps and bounds to be able to be a key part in the jigsaw puzzle of this success story. We are not sitting on our laurels but are continuing to be active, both overall as the Ministry, the country and also within the sector, in developing our skill sets to be prepared for the challenges that are sure to face the industry in coming years. This is always a key factor that entrepreneurs take into consideration when deciding whether or not to invest in our country.

When it comes to trends, it is probably more appropriate to talk of a phase of change and opportunity, rather than just a phase of growth. Over the last couple of years, mergers, acquisitions and portfolio exchanges have characterized the industry and despite our small size, these can have an impact locally. More emphasis is put on the prices of medicinal products and their social impact. Hence, factors such as the protection of intellectual property, the cost of research and development and the valorization of the outcomes of therapeutic intervention should be given weighting in determining market price and accessibility; which has an impact on availability and medicines shortages.

From a manufacturing point of view, although we still see new companies coming to set up manufacturing sites in Malta, we are possibly reaching a plateau, at least vis-à-vis the attractiveness provided by our special intellectual property situation. As the cost of operations inevitably increases, the nation needs to make the transition from manufacturing base to one which gives added value through an R&D focus. At a business level, there are some attractive R&D incentives but these need to be made less bureaucratic and more accessible. We are working in synergy with regulators to make efforts and find ways to simplify the procedures for harnessing

such incentives.

There is also an issue within the industry when it comes to the supply of human resources. The pharmaceutical industry has expanded very rapidly in the last 10-15 years, and supply has not been able to cope with demand. Other sectors of the economy that employ a workforce with a science or technical background have also experienced growth. This has the expected effect on salaries, which is consequently reducing the competitiveness of the local industry. Despite this, recent Eurostat figures ranked Malta as an EU member state with one of the highest employment rate of recent graduates, along with the employability index recently issued by the ETC, which showed that graduates in the healthcare, science, engineering and IT fields rank very high.

The will to further scale up the value chain and develop process innovation is highly present. It goes without saying that the future health of any economy rests on its ability to innovate and our emerging economy has all the right ingredients for innovation to flourish. During the past legislature, we have adopted a policy and institutional environment to support innovation and we plan on continuing to build on this strategy. We believe that there is no room for complacency on this front.

We are also investing in our students as they are tomorrow’s researchers. We will be setting up an Applied Research Centre at MCAST, in collaboration with local and international industry, to continue fostering innovation in Malta. We will also be investing in an R&D Medical Centre. Just a few months ago, the government launched a National Cancer Research Foundation to encourage research in this area and improve on genetic technology and genomics. This sector will widen our horizons. The Government firmly believes that Malta needs to participate in such research and development and as a result, we shall be incentivizing such initiatives. We have leading global brands setting up pilot studies in Malta. Because of our small population, proximity and fast intake, leading companies test out technologies and products they should either toss or let loose on a larger scale in a different country.

What is your view and the strategy adopted for the development of the medicinal cannabinoids segment?

Recently approved law establishes a strict regulatory framework in the sector, which outlines that no cultivation, import or processing of cannabis, or its derivative takes place in Malta without the possession of any approval, authorization, license or permit required under this law. The law makes it clear that cultivation, for the purpose of research and industrial production, will only be possible in designated industrial areas and under strict conditions and not as erroneously reported in certain

media. This law will lead to the creation of more investment and job opportunities in our country. We have had strong interest expressed by reputable international pharmaceutical companies to start operating in Malta. So far, the Malta Enterprise Corporation has already approved six projects from Canada, Australia and Israel, with a capital investment of 40 million and the creation of more than 200 new jobs. Interest from other countries continues to grow, particularly now that the Maltese Parliament approved the law. This step will further strengthen the manufacturing sector of pharmaceuticals in Malta, whilst at the same time enabling patients to have safe access to their medicine.

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How would you assess healthcare-related manufacturing capabilities of the island and what are the opportunities it encompasses?

Malta can boast of a healthy cluster in this sector with world-class companies such as Baxter and Cardinal Health having substantial operations here. The presence of these companies means that there is a well-established workforce, rooted in the ethos required for such sensitive operations. Operators based in Malta report a strong competitive edge based on closeness to market, excellent logistical links and a flexible, highly productive workforce. The companies are certified with good manufacturing practices according to European Union requirements and most companies are also accredited by the United States Food and Drug Administration. Malta’s accession to the European Union in 2004 and the Eurozone in 2008 undoubtedly made the country more attractive for the manufacturing sector. The EU’s regulatory framework ensures practices and products are not only effective and efficient in producing the desired results, but the operation of companies is also safe and reputable. Malta’s tax system is very attractive to the entrepreneur wishing to carry out activities in the pharmaceutical sector.

The government offers various further incentives in the form of investment allowances, investment aid incentives, research and development incentives and access to other potential funding opportunities under the relevant and applicable funding programs within the EU’s multi-annual financial framework. The wide manner in which the Maltese Patent and Designs Act has been adopted allows generic companies to carry out testing and trials for the purposes of earning the required regulatory approvals prior to the expiration of the patent in question. Therefore, a generic pharmaceutical company in Malta may manufacture a drug, complete all the mandatory testing requirements, obtain the necessary approvals and upon expiration of the competitor’s patent, release their product onto the market without undue delay.

How will Brexit impact the Maltese business and investment ecosystem?

The government has set up a working group in order to assess how Malta can benefit from the United Kingdom's withdrawal from the European Union, such as attracting companies that need to relocate to an EU member state. Obviously, Malta has a number of advantages and beneficial conditions to offer. First and foremost, it is an EU member state within the Eurozone and it features a developed financial services sector. Many companies come to the island due to highly attractive corporate and individual tax systems and a highly skilled and educated workforce.

What is your vision for the evolution of the Maltese healthcare industry in the upcoming years?

I truly believe that entrepreneurship and innovation is hardwired into the Maltese psyche. In the relatively short period since we became an independent state, a nation boasting no natural resources and limited connectivity, we have revolutionized ourselves into the country with the leading and fastest growing economy in Europe currently. Our economy is not only booming with statistics. I believe that the future of Malta, of any country or region, lies not in focusing on one thing, but going for a wide range of ideas, trying to portray an idea of leadership which is capable of listening to the people. After listening, we can act on those ideas. It goes without saying that the future health of any economy rests on its ability to innovate. Nevertheless, our emerging economy has all the right ingredients for innovation to flourish. Malta is a great place for opportunities and successful innovation experiments. The Government is doing its best to build the right ecosystem for our country to thrive, yet I truly believe Malta has been punching above its weight since day one.

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