

RE-ORIENTING SUPPORT TOWARDS INTERNATIONALISATION

Chamber of Commerce, Enterprise & Industry – 23 October 2009

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Your Excellencies
Chamber President,
Gentlemen and Ladies,

Allow me to first congratulate the Internationalisation Committee within the Malta Chamber of Commerce, Enterprise and Industry for today's event, which I believe is also proof of the Chamber's renewed commitment to tackle such a core issue at quite an opportune time.

The theme chosen for this event posits, at least in my mind, an intriguing query. How is it that the Chamber of Commerce, Enterprise and Industry is championing internationalisation on behalf of its members in the midst of the World's worst economic and financial turmoil when most, if not all, national economies including ours are grappling with shrinking GDPs, safe guarding employment, deficit management and instability?

Should the gearing up for internationalisation be the right theme that we should be discussing at this point in time? The jury on whether the worst of the economic and financial turmoil is over is still out. Economic signals within national economies, let alone across such economies, are conflicting. The most optimistic conclusion reached to date is that the depression has bottomed out in the key advanced information and emerging economies – yet the road to recovery is fragile as well as a long one.

Yet if we zoom closer to home we have evidenced over the past year a cascading economic recession as Malta too was rocked by the global economic collapse. Despite the robustness of the regulatory framework of our financial services sector which has buffered, extremely well, financial institutions from imploding, the open nature of our economy together with the smallness of our domestic market has rendered us too susceptible to the international economic shocks that barraged the global markets on, practically, a daily basis.

The question, therefore, may be asked – why are we today concentrating on internationalisation rather than on economic and financial consolidation through macro as well as micro instruments directed to further boost an economic renewal within our shores?

It is my considered opinion that the Chamber is correct in establishing gearing up for internationalisation as the theme of today's Conference – as against a theme that would have been more domestic oriented. I arrive to this opinion on a number of reasons. I will mention two.

First. Malta's geo-economic characteristics render it difficult to discuss economic recovery without assessing and intertwining in its strategic consideration the impact of internationalisation. One would venture to add that it would be foolhardy to do otherwise.

I do not wish to flash statistics and data to demonstrate the potential dangers to Malta if one had to only look inwards during the rollercoaster period we have, and may continue, to experience. The absence of raw materials, the geographical insularity, the limited –often imperfect - domestic market, the micro enterprise backbone of our industry, the dependence on fossil oil, to mention just a few issues, underline, in the most significant manner, that Malta's economic sustainability over time is directly inter-linked with our ability to attract Foreign Direct Investment, the optimisation of Malta's geographical position as a stepping stone to the EU or the South-South as the case may be, as well as the building of a strong indigenous enterprise and industry base that is export led and outward looking.

Second. The recession will be overcome. As our strategic trading nation partners continue to economically rebound, trade and investment will once again establish levels that will render increased economic value to Malta. As confidence in the economy revives, consumer confidence revives and so does domestic demand.

The measures that Government generally, and Malta Enterprise specifically have taken with regards to protecting employment of both FDI and indigenous enterprises - assistance of roughly €5 million - assures us that as the waves of economic recession start to withdraw the industrial backbone underpinning the Maltese economy would have survived.

There is no doubt that the global recession and the international climate that will follow in its wake will result in opportunities. And it is pertinent to add, that the survival of enterprise which I have just mentioned would not have been reached if radical counter-measures were not taken or would have resulted in the loss of skills, experience, knowledge, competence et al.

Survival, rather, would see this industrial backbone quasi intact in terms of its respective core essence which means that it would be well positioned to exploit opportunities that will arise once the global recession would have been overcome.

Priming Malta, therefore, during the abnormal times that we have experienced over the past year for increased internationalisation penetration must, in my opinion at least, be one of the key national strategic thrusts that Government together with the Chamber and other stakeholders arduously strive for.

Greater internationalisation, however, will not occur by itself. Returning to the title of the Conference, what, therefore, needs to be done to gear Malta up for internationalisation?

I believe that there are a number of strategic thrusts that Malta must work towards – either in terms of safeguarding existing strengths, to sustain market penetration, to re-orient focus as appropriate or to re-designing policies to reflect changing circumstances as the case may be. I will mention a number which rank in my mind amongst the key measures that need to be undertaken.

Without wishing to sound critical I must admit that I was taken aback at how thin and disjointed the organisational capacity within Malta Enterprise was in terms of its core business: that is, the articulation and development of trade, investment, and entrepreneurial policy for government's consideration and subsequently its implementation. Malta Enterprise is the Government's economic development arm and the key interlocutor working with enterprise and industry in this regard. A lack of capacity at the core mission is a liability to government.

The Board and I, following appropriate, consideration and review have concluded that Malta Enterprise must re-focus and re-orientate its capacity and talent towards the core business of its raison d'être. It is pertinent for me to state that Malta Enterprise, under my stewardship, has embarked on a process to achieve this at the earliest and in the smoothest way possible.

One area which has over the past year received significant attention is the revival of internationalisation efforts within Malta Enterprise itself. This year has seen the largest ever pouring of funds into internationalisation through the commitment of around €4.5Million in ERDF to enterprise as well as the largest ever internationalization calendar of events. More needs to be done in terms of assisting business to be ready to internationalize as well as to act as brokers, match-makers and facilitators for trade links, investment opportunities, joint ventures, cluster and consortia formation, etc.

Malta has a number of comparative advantages. I will mention one. The key resource is human capital. Maltese workers are acknowledged to be hard-working, flexible, intelligent, adaptable, trainable and diligent. There is no doubt that this is a competitive advantage that must be sustained and up-graded as we continuously seek internationalisation penetration.

We cannot lose our ethos to work; which requires continuous re-inforcement in the education system in terms of our value system to ensure that the ethos towards integrity and professionalism at the work place of emerging participants in the labour market is maintained to the levels we are proud of today.

Knowledge and skills are increasing becoming very short term. A programmer in the ICT sector, for example, would have to undergo a cycle of learning in four or more different, potentially, new programming languages within a decade. Continuous learning at both an individual and entity level increases in importance daily. The life cycle that a person obtains a professional qualification or degree and applies this accrued knowledge throughout his or her professional live has joined the Dodo – extinct and never to come back again.

Again, through the Employment and Training Corporation as well as the Ministry of Education much is being done to inculcate a culture and value system of continuous knowledge. This momentum of activity must be maintained so that life long learning; multi-tasking and multi-skilling become intrinsic elements of our DNA make-up.

It is also to the credit of all the stakeholders that the key union representatives for employees in private industry have recognised that multi-tasking and multi-skilling is a value-added strength that ensures that staff retain their jobs as the need for investors' reasons to look outside of Malta for to employment relations issues are minimised. Rather, as has been shown time and again, it extends the opportunities available to staff – not only within Malta but also in those instances where a foreign investor has international subsidiaries elsewhere.

There is no doubt that the presence of Unions that understand the challenges that business face in today's globalised environment and are ready to work with industry and enterprise to overcome such challenges provide for a more attractive environment for international investors than one where the environment is bedevilled by industrial unrest. It is, I believe, of strategic importance that Government, the Unions, and enterprise and industry continue to work together to seek collective solutions which in turn will strengthen the attractiveness and competitiveness of Malta as an investment destination.

The notions of 'quality' and 'safety' have on the one hand become an expected supplier and consumer norm, and on the other hand become a more common though subtle hurdle to trade in terms of the export market.

Thus, the gearing up of an export and outward looking industry and enterprise milieu must achieve the appropriate standard levels sought in the markets targeted for penetration. It is pertinent to add that the need to attain standards is not necessarily dictated by the drive to penetrate a foreign market through exports or by competing for a foreign tender but also by integration of local suppliers within their respective supplier chains.

There is no doubt that attainment of standards such as ISO 9001:2001, or ISO 14000 in environment or ITIL in service management require investment. Moreover, such investment should render a real value return – such as increased productivity - to the organisation beyond the actual 'accreditation' itself.

For this to be attained, a strategy to seek accreditation to standards should be coupled with a strategy of transformation and change. Too often, within the milieu of the Small and Medium Enterprise base that constitutes the overwhelming backbone of Maltese industry and enterprise the process to seek accreditation and the accompanying change management is seen as too expensive an investment or as a distraction from the daily operational focus.

If Malta is to secure an indigenous industry and enterprise backbone that competes on the international market this cycle must be broken. Malta Enterprise is committed to continue to build on initiatives it has introduced specifically to address this matter and intends to work closer with the Chamber as well as other stakeholders to ensure that the appropriate measures are in place as well as to seek inputs on new innovative solutions required.

Recently, international institutions of repute have shown in studies they have carried out that one of the inhibitors to industry and enterprise is excessive bureaucracy. The cost of administration to business as well as the delay, at times excessive, of regulatory authorities in responding to business requests repel both local and foreign investors. This is not acceptable. Malta's size – the geo proximity of the main entities that allow for immediate face-to-face interaction should render 'agility' a comparative advantage to Malta. Yet it is not so!

Various attempts of reform have been undertaken in this regard – some resulting in considerable success such as the introduction of e-Government for 24*7 electronic immediate service provision on a whole gamut of services. Others have been less successful.

Malta Enterprise is undertaking, at least, three thrusts in this regard directed to achieve greater agility in the interaction between government and enterprise. The first is that it is absorbing within it the Government Services Unit that was set up by the Ministry of Infrastructure, Transport and Communications. The Government Services Unit is in the process of finalising the drawing up of Service Level Agreements between it and other government entities with regards to the time frames for service delivery in relation to their respective areas of responsibility.

The second is that Malta Enterprise as part of the change process mentioned earlier is creating a business service bureau that would provide a 'holistic' service provision to entrepreneurs who approach it. Part of the process in this regard would be the integration of the back-office services between Malta Enterprise and the Service Level Agreement designated entities thereby ensuring for real time interaction.

The third is that of establishing an e-Business Portal that would allow firms to interact electronically with Malta Enterprise and the Service Level Agreement designated entities as well as other B2G incremental value added services that would be introduced from time to time.

There are other matters that I would wish to enter into today – such as the importance of clustering and networking between industry particularly which is export and outward looking oriented; the transportation and logistics service chain; the holistic branding of Malta; good governance to mention a few. I, am, however conscious of the time and I will limit the rest of my presentation to two other issues which I believe deserve merit.

I do not know whether you are aware that recently we had two local scientists that have obtained excellent positioning from international networks. One is a young student who was ranked 2nd in the EU Competition for Young Scientists. The other is a hydrologist engineer whose invention, financed through the National Research Fund managed by the Malta Council for Science and Technology, has been shortlisted amongst the three finalists of the CNBC science and technology competition run worldwide.

These examples show two things. First that we can build a research and innovation capacity of excellence. Second, these inventions are marketable products which with the right and necessary financing can result in indigenous research to market products sold in the international market.

The last observation, however, brings me to the point that I wish to make. Taking research to market requires financing. It requires a different sort of financing from the one that is traditionally practiced in Malta. Innovation and research results in intellectual property. The collateral, is not 'bricks and mortars'. Yet because they are not brick and mortars financing will not be provided by local retail banks as with regards to traditional business – unless personal collateral is provided.

Thus, access to finance limits the possibility of internationalising our research and innovation opportunities. Malta Enterprise is seeking to address this matter through various instruments – such as the equity financing instrument.

Yet much more needs to be done. Which brings me to the final point. Malta Enterprise is currently working with the Policy and Priorities Co-ordinating Division within the Office of the Prime Minister on an application for European Regional Development Financing for the building of a Life Sciences Centre.

The Life Sciences Centre, which will be sited strategically between the University of Malta and the Mater Dei Hospital, will create a new sector in Malta. The Life Sciences Centre which would have facilities for prototyping, bio-equivalence testing, clean room environment et al will not only up-grade the level of pharmaceutical manufacturing in Malta but will create a new high value added life sciences sector that will encompass human genetics, bio-informatics, bio technology, etc.

The Life Sciences Centre, other than acting as a Centre of Excellence that will be directed to attract international players to our shore in the life sciences cluster value chain will also have within it an incubation capacity directed to develop indigenous entrepreneurs and entrepreneurialism in life sciences.

I have throughout my delivery this morning sought to share with you some of my views as well some of the thrusts that Malta Enterprise is undertaking under my stewardship. I started my delivery by asking whether gearing up for internationalisation is the appropriate theme that should be focused upon given the domestic challenges we are facing.

I am an avid reader and I will conclude my contribution with a paraphrase from Louis Carroll's Alice in Wonderland. Alice is lost and comes to a fork. In the middle of the fork is a tree and there-in sits the Cheshire Cat. Alice asks the Cheshire Cat which route should she take. The Cheshire Cat responds by asking Alice where she wants to go. Alice answers that she does not know. In that case, the Cheshire Cat says it makes no difference which road you take.

Your Excellencies, Honourable Minister, Madame President, ladies and gentlemen I believe that the Chamber in selecting this theme for today's conference demonstrates that, unlike poor Alice, they strategically know where Malta should go – a strategic direction which I believe to be inherently correct.

Alan Camilleri
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Malta Enterprise